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## CoStar Group, Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions)

Your first question comes from Jon Maietta with Needham & Company.

#### Jon Maietta - Needham & Company

Hey, thanks very much. Hi, Andy. Hi, Brian.

#### Andrew Florance

Hi.

#### Jon Maietta - Needham & Company

The first question I had, Andy, I was wondering if you could talk qualitatively about any differences in behavior with regard to your larger customers today in this environment versus the smaller customers on purchase decisions.

#### Andrew Florance

Yes. There is no question that the general anxiety in the economy is causing people to take a little bit longer in the sales cycle. So, people are putting off some decisions here and there. I would have to say, though, our middle to upper clients are very stable with us in this environment. These are situations where they absolutely need this information that we provide, and they're not going to try to save money by replicating our information processes in-house and our research processes in-house. It is dramatically cheaper to outsource to us.

Where we see friction right now in the cycle is with the very small firms. So, the 1%, 2%, 3%, 5% sort of marginal customers. Those are the folks who may have been new to the industry in the last several years and are losing confidence. So, it's really strong in the middle-upper, a little weaker at the small client.

#### Jon Maietta - Needham & Company

Okay. And then could you talk about how you're actually going to rollout the Showcase product?

#### Andrew Florance

Sure. We've been test marketing it over the last three to four weeks. We're first selling it really to our existing customers. And we've met with maybe 60 customer sites, and we've gotten a very positive response, signed a significant number of deals. And we will go live with the product in about two weeks, and we'll be pushing out to the entire sales force and going very aggressively on it.

It will be a centerpiece of our ICSC presence, the International Council of Shopping Centers' big spring convention. And we have a number of marketing campaigns around it, and it will be probably the primary priority in sales over the second, third and fourth quarters of this year.

**Jon Maietta - Needham & Company**

Okay. And then how are you actually pricing the product?

**Andrew Florance**

We are pricing it with an algorithm that I couldn't begin to explain on the phone call. What we are doing is we are looking at each client's inventory of listings, both sale and lease. Roughly speaking, we're looking at the value of those listings, and then we're getting discounts for their bulk purchasing of these advertisements on our website.

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