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Weight Watchers Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from Robert Craig from Stifel Nicolaus. Please go ahead.

Robert Craig - Stifel Nicolaus

Good afternoon, everybody. Wouldn't appear to be a lot of this going on but just in terms of measuring disengagement from monthly pass, if you could maybe comment on that. And I think Jerry asked a question like this last time around but based on those that did disengage for whatever reason, are you noticing any pattern or timetable for those reengagements?

David P. Kirchhoff

In terms of the likelihood of people to rejoin with monthly pass, if I understand that to be your question --

Robert Craig - Stifel Nicolaus

Yeah, that plus -- yeah, that plus just measuring the disengagements that have occurred from monthly pass so far and what kind of trend you are seeing there.

David P. Kirchhoff

Right. Okay, well first off, in terms of monthly pass retention rates, what we are seeing so far is at least as good as what we've seen in prior years. And frankly I think in particular with the economy being what it is, one of the things that we are watching closely was to make sure that monthly pass retention was holding up and the fact that it has and if anything, we've seen on the margins some slight improvement has been pretty encouraging. So we haven't seen anything so far that suggests any retention issues with monthly pass at all, versus some of the opportunities we've seen in the past.

Now once somebody cancels monthly pass and goes on a hiatus from us, their likelihood to return, as we've indicated in prior calls, one of the tricky things in terms of calculating monthly pass reactivation rates, if you will, is that you need enough time between these relatively long subscription cycles, which have a mean of eight months each, to have enough time to get a good bead on what those return rates are actually going to look like.

And we feel that as we get into the middle of 2008, that we are going to begin to have enough of a data set to have a meaningful point of view on that. The one thing that I can tell you is that I look at our enrolment trends when I am looking at people that have never been with Weight Watchers versus

re-enrolments, I haven't seen anything in our re-enrolment trends that would give us any pause. And so based on that high level view of the business, we've certainly -- and everything we've also heard from our qualitative research is that satisfaction with monthly pass post subscription is certainly at least as good as what we've seen in the traditional pay-as-you-go model.

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