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Weight Watchers' International Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). The first question is from Scott Mushkin from Banc of America Securities. Please go ahead.

Scott Mushkin - Banc of America Securities

Hey, David.

David Kirchhoff

Hi, Scott.

Scott Mushkin - Banc of America Securities

So I am on a cell phone here driving, but hopefully you guys can hear me, okay. Just to clarify your NACO thoughts, I mean are you guys seeing those types of declines currently even though you launched that major new ad campaign. And are we not going to really see retention and the relevance issue come together in NACO until '09?

David Kirchhoff

Well, let me answer those in order, I think. First of, when we said our guidance as we just share for attendance in NACO, it is based on the that we're seeing in the first six weeks of the year, reflecting everything that we think is going on. It is with the benefit of the new advertising campaign despite the fact that the first six weeks, we're not seeing positive attendance growth.

I am still very optimistic and positive about the attendance campaign in particular, in addition to generally getting feedback on that. We've also been doing quite a bit of quantitative research on it post-launch. And everything we're seeing from the campaign is that on a number of dimensions it's going quite well. In particular on the dimension of persuasion, in other words giving people a new reason to consider and rethink the Weight Watchers brand, it's scoring better than any campaign we've launched in quite some time.

And so, we are very positive about this campaign. The thing I would say about it is, this kind of brand shifting campaign is the kind of advertising that takes a period of time to really take hold. If we've done advertising for example with the completely new program and saying that Weight Watchers is this whole new thing, I would anticipate a more immediate reaction to the advertising.

But because the advertising is primarily about sort of general brand perception shifting, my view is that it takes a longer to really sort of penetrate the public consciousness. In terms of retention and relevance, I think there's a couple of things. If you look at retention first of, there are certain things that we've already launched that we've already been getting benefit from.

Monthly Pass was one of the retention initiatives and we've been benefiting that through last year and going in to this year. We are making measurable progress in terms of increasing average quality of service in our meetings via the leader performance management and we're getting a lot of good insights that's helping shape our thinking in terms of how to evolve our service offering as well as program innovation.

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