



Stamps.com, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from George Sutton – Craig-Hallum Capital.

George Sutton - Craig-Hallum Capital

I am curious, Ken, how you are changing your marketing message in this kind of environment. You have talked in the past about your price point relative to the Pitney meter and I know on your site you do talk about that a little bit, but is there a way that you are trying to enhance and take advantage of the cost savings in this environment?

Kenneth McBride

Yes, I think the fact that we're less expensive as an option to a postage meter has always been a real positive for our business model and I think in an economic pinch when businesses are focused on ways of cutting costs that certainly increases in terms of resonating with customers as a message point.

We think that messaging is particularly helpful in the enterprise area where we see the vast majority of our sales come from converted meter users. In the small business area we have more customers that tend to come from post office retail as their prior experience, so that tends to resonate a little bit less if you don't actually have a postage meter at the time.

And that's where I think we're some of the small business right now less willing to take on a new monthly expense versus the enterprise situation where you are actually decreasing your expense by using Stamps.com.

We're trying to focus on the cost-saving message. We have been focusing on the save-the-trip messaging as well with gas prices being at the forefront of people's minds over the summer time.

George Sutton - Craig-Hallum Capital

Now you in the past have discussed market share a little bit and I'm just curious with your increase to \$17.99, have you seen a turn down in your market share?

Kenneth McBride

No, we haven't really seen much change. We still believe that we're approximately 85% of all subscription paying customers in the PC Postage industry. We really haven't seen much change there.

And like we said, the \$17.99 price point has really impacted our acquisition. We think it's more a broader, macroeconomic issue.

George Sutton - Craig-Hallum Capital

With respect to churn, how much of a function is your ability to keep your churn at similar levels to what you saw in prior quarter? How much of that is a function of the retention programs? You didn't discuss retention programs on the call.

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