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Nu Skin Enterprises, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Simeon Gutman from Goldman Sachs. Please proceed.

Simeon Gutman – Goldman Sachs

Hey, this is Simeon. Regarding Japan if I'm not mistaken on the last call you mentioned that sponsoring was trending up over the last few months and I was at that time. I just want to reconcile that comment with what happened to the third quarter active and executive counts for North Asia, which if you just look at the pure count number, they both sequentially declined from the 2Q. So I'm just curious what's happening there. Is sponsoring starting to increase but retention is going the other way? Or is there a country in there that's skewing the results a little bit?

Dan Chard

Yes, Simeon, this is Dan Chard. I think the comment last quarter was related to the number of distributor agreements and that is trending up. We said last year in our investor conference the first thing we needed to do to restore growth to Japan was to change the mix from a customer focus or preferred customer focus to distributor focus. So we're actually from a distributor standpoint, up double digits even though our overall distributor – our overall active number is down. But in the most recent month which Truman mentioned, our total distributor agreements were up 0.6%. So we've shifted the mix from preferred customers to distributors even more dramatically right now. Our distributor mix accounts – distributor agreements account for 90% of the total agreements that come in versus year ago were about 74%. So we're seeing the right trends in terms of mix.

Simeon Gutman – Goldman Sachs

Right. In that regard, the sequential change though is still important though, correct? Not just the year-over-year?

Truman Hunt

Yes, the sequential trend is important, Simeon. This is Truman. I just wanted to point out that the active number that we report includes both distributors and customers who are on ADP. And so we have seen our customer base was on the automatic monthly shipments you wrote a bit over the course of last year as we've focused more attention on distributor acquisition and distributor sign-up. So that shift from distributor – from customers to distributors also skewed the active number a bit.

Simeon Gutman – Goldman Sachs

Okay. And then on the topic of maybe trying to detect any patterns and changes of spending, I'll just take a couple of examples, I don't know if these are relevant. In the Americas, again on a sequential basis, the active counts were down, but the executive counts were up. Does that tell us anything or is that not a good read as far as a slight sequential lowered appetite to purchase products, but still a good environment for recruiting? I don't know if there is anything you can look at with regard to galvanic spas, whether or not they are purchased as a new executive or they are purchased to many pure retail customers?

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