Vonage Holdings Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Clay Moran - Stanford Group Company.

Clay Moran - Stanford Group Company

I have three questions. First question, I was little surprised about the economic impact on your business. You say it negatively impacted churn. I am just curious if you have a sense of where those subscribers are going? Are they going to wireless and then, does that therefore make wireless the value leader and not you guys? And then any other sense you have about the economic effect? Is there any gain that you had given that you have the lowest cost home phone service?

Marc Lefar

So, let me take the first one, Clay. First in terms of the economic effect, what we said was we believe we had a modest effect. We do get phone calls into our retention centers where folks are looking for credits. They are optimizing and belt tightening as you see in every industry. We are not hearing so much a significant number of folks canceling specifically for economic reasons but we have seen improvement in a lot of our call center metrics and some other quality metrics and we expect that this is probably a net zero gain there. We were flat on churn. We, frankly, would have expected to see a little bit more improvement during the time period. That is not a significant impact at this point in time but I think right now where the economy, it will be imprudent for me not to suggest that we are receiving some phone call that talk about it and something we will watch carefully in the future months and quarters. It is not something that tremendously concerned about. It is something we watch carefully.

In terms of wireless being the value leader, we still believe that there is an off a lot of people, certainly you have seen wireless only substitution continuing. We believe that is going to continue for some period of time but we still recognize that for multi person homes. There is still a strong demand for cost effective, highly functional home phone service that allows people to use that one number across multiple users and we are not seeing as many folks or any increase in the number of folks that are canceling for wireless only. It has been steady but we have noted any material increase in the past three months.