



Harte-Hanks Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions).

Our first question comes from Matt Chesler from Deutsche Bank.

Matt Chesler - Deutsche Bank

Good morning. Thanks for taking my call.

Larry Franklin

Good morning.

Matt Chesler - Deutsche Bank

You said that the declines in direct marketing accelerated throughout the quarter, with November and December softer than October. As you're headed into January what can you say about the declines you've seen in January versus December?

Larry Franklin

Well we actually don't have the January results yet, but we expect it'll be similar to where we ended the year.

Matt Chesler - Deutsche Bank

Is that based off of anecdotal comments that you've had with your managers?

Larry Franklin

Yes.

Matt Chesler - Deutsche Bank

So, is it similar to the way December ended or similar to the quarter?

Larry Franklin

The way December and November ended.

Matt Chesler - Deutsche Bank

Okay. In direct marketing, I was somewhat encouraged to see how quickly you reacted to the slowing demand by adjusting your cost structure. Is it a safe statement to make that you felt there were some excess fat in the division, I was too curious to know if you agree with that assessment?

And can you quantify in terms of the rough number of people or a percent of headcount, that the payroll actions that you have taken, and besides actions other than headcounts, where there any other actions such as office closures are that the focus of your efforts in the division?

Larry Franklin

You are talking about in direct marketing?

Matt Chesler - Deutsche Bank

Still in direct marketing.

Larry Franklin

Okay. No I don't think it was addressing fat. I think it was addressing more the, just the realities that the world faces today after what took place and what we had expected to be happening in the fourth quarter anyway, but what was really precipitated, dramatic changes in November and December that you see and read about and hear about everyday in the business. Now, what we did and you're right, the management and the people in the direct marketing really did take some actions that we believe will position us well as we go through 2009.

We are not forecasting, not even attempting to forecast improved business we are just managing and running the business the way we see the environment today. Throughout the year we closed a couple of call centers and moved them into an existing call center. We moved one distribution center from New Jersey to suburban Boston. What's interesting is, when you see the one time event and there are actually, obviously, charges associated with that, with severance and lease terminations and those sort of things.

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