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The Knot, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer Session. (Operator Instructions)

Our first question comes from the line of Jeetil Patel with Deutsche Bank. You have the floor.

Jeetil Patel - Deutsche Bank

Thanks, Two questions. First of all, on the national ad side, it seems like you're seeing a bit of consolidation in terms of larger media networks maybe doing a little bit better. You've obviously done pretty well in national ads despite the environment. But I guess, David, just curious what your thoughts are about, maybe outsourcing the national ad business to a larger traditional major online media company to sell this segment of the market on behalf of you.

And then second question on the publishing and print side of the business. I guess, are there ways of perhaps reducing costs in light of the obvious revenue pressure that seems to be more of a multi-year process that is likely to continue, a way to reduce costs or move to more variable margin model or you can at least preserve some percentage margin as the business declines?

David Liu

Sure. On the national advertising front we really are getting a much higher premium than I think most people are able to achieve. So, it would not make sense for us to outsource that to other groups. I think what you are finding is that a lot of the rep firms that are out the ad networks had really been pushing scale, I mean building the business on scale and our belief is, at a time of economic uncertainty and certainly the downturn that the economy is experiencing is forcing marketers to forego issues of reach and then get results and focus on precision of the audience and the qualification of the audience.

So, I think our \$30 to \$40 CPMs have held. We continue to respond to RFPs. We have not had to discount. And it would be really hard to ask one of these other firms, who are normally used to selling single digit CPMs or premium to them in high teens to try to double down and sell our media. So, I think we top.

On the publishing side, we already have probably one of the most efficient business models for our publishing system. We don't do a lot of marketing to drive subscriptions. We are not playing around with rate bases to increase our CPMs.

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