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Monterey Gourmet Foods Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from Tony Brenner - Roth Capital Partners.

Tony Brenner - Roth Capital Partners

First of all, Eric, what was the reason that frozen entrée sales were weak in the quarter, particularly in a period where, with restaurant sales down, frozen dinners seem to be flying off the shelf at retail stores?

Eric C. Eddings

Great question. Most specifically, the timing of the decision-making by our customers. We've had products ready. We accelerated having products ready. And their ability to make the decisions and the timing to get them on the shelves has just been slower than we expected. We work very closely with that. We're very encouraged that's been resolved. But point blank, that's the issue.

Tony Brenner - Roth Capital Partners

And those are now on the shelf or are you still trying?

Eric C. Eddings

Those have been presented and we are now just waiting for the final authorization and points of distribution to begin shipping.

Tony Brenner - Roth Capital Partners

This is primarily Costco that we're talking about?

Eric C. Eddings

We're talking about one of the two larger customers we have. This one is specifically targeted at Sam's right now.

Tony Brenner - Roth Capital Partners

Secondly, I wonder if you can go into some of the rationale for outsourcing the grocery store marketing to Acosta and what the cost effect of that might be?

Eric C. Eddings

Good. Great question. Really two points to that to follow up on. Most importantly what we want to do is make sure that we have every leverage point we can to ensure our success in sales, marketing and distribution. And as we came back and evaluated our success in the marketplace, we saw an opportunity with one of our competitors and the changing of positioning in representation that they have that gave us cause to take a look at something we hadn't looked at for awhile.

We thought we had some of the best resource representation in the marketplace. We saw an opportunity to take it to the next level. The opportunity to get access and resources to real-time data with some of our largest retail customers, the ability to get syndicated data that was much more timely really helped us make that decision.

In addition to that was the on-hands in-store resources that they were able to provide. For example, with one of our larger retail customers, Publix, their ability to be in the store, on-the-shelf evaluating with, you know, hand-held technology were able to really give us some compelling information. We're able to see the points of distribution. While we might have had 100% authorization on several items, we might have only had distribution penetration of 86% or less than 100%. So it's quite compelling. Just by closing that gap through the resources and technology, we're able to pick up what would be significant dollar volume that should have been there, already in place. So we feel it's been a very good decision.

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