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A.C. Moore Arts & Crafts, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Karru Martinson of Deutsche Bank.

Karru Martinson - Deutsche Bank Securities

In terms of the comps here how much of that was traffic versus price?

Joseph Jeffries

[Audio gap] we've seen it in traffic.

Karru Martinson - Deutsche Bank Securities

So it's been primarily all traffic?

Joseph Jeffries

Yes, sir.

Karru Martinson - Deutsche Bank Securities

Just with that, are you seeing the customer kind of trading down or switching categories here, what's the strength there, or weakness?

Joseph Jeffries

We've not seen them trading down, but we have seen them spending in our core crafting categories and then some of those winners that Craig mentioned, for example stitchery we've seen some nice increases, but they are value oriented, customers reactions right now, as you provably know.

Karru Martinson - Deutsche Bank Securities

What's the advertising increase that you've done and being a bit more value oriented? Have you seen a competitive response here?

Joseph Jeffries

Yes, I think everybody is testing new things and efforts to drive traffic in sluggish consumer spending times. We have seen them react in a way similar to us. We have seen some competition do some

things exactly like us and that's okay. What we've got to do is be smart about where we spend, how we spend it, and what we choose.

We've got some things that we've tested that yielded some results, but also led us in directions of there things that we can do in this quarter and through out the rest of the year that we think are going to be very exciting.

Karru Martinson - Deutsche Bank Securities

Your gross margin was up nicely; I was wondering what kind of pricing pressure you're seeing and cost of goods coming out of China, and kind of the outlook on that front?

Joseph Jeffries

There's no doubt that there's pressure on goods coming from China and I think it just puts more emphasis on our ability to work with our suppliers to make sure that we reengineer products that provide improved values over time. The pressures are real on costs through China.

Operator

Your next question comes from Bill Armstrong of C.L. King & Associates.

Bill Armstrong - C.L. King & Associates

Could you talk about the impact during the quarter of any post Christmas seasonal markdowns?

Craig Davis

The impact in the quarter was minimal. As I had mentioned in my Q4 call, we had taken some steps to identify product that we wanted to liquidate that would not be part of the go-forward assortment this year and then moved through in the quarter on items that we didn't want to carry forward in an aggressive manner; so, the impact was minimal.

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