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Hot Topic Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Lauren Levitan of Cowen & Company, please proceed.

Lauren Levitan - Cowen & Company

Thanks, good afternoon. Betsy can you talk a little bit more about the direct-to-retail program. Is that something that you think will have the ability to improve the weak trend that you've been seeing on the license side of the business and then also related to that can you give some sense of what you are expecting both on the licensed and music side with respect to releases for the heart of the summer period and into back-to-school if you are more optimistic about those external factors to drive the business, thanks very much.

Betsy McLaughlin

Okay as far as direct retail is concern Lauren I think the trend is a trend in licensing, so its not so much a matter that direct-to-retail will improve the pipeline because as you know we look for organic properties that are surfaced by customers and whenever we try to push a license it doesn't work. So, the direct-to-retail program is really to address two issues: one, is to gain us more exclusivity and a better partnership with whoever it is that we are doing the deal with; actually we tested it last year with Supervad. The movie Supervad that was out first for -- into direct-to-retail and because we were early in it and with the buzz out there already we were able to help decide the product and of course carried it exclusively off for a nice period of time, so in helps certainly on the exclusivity level and also helps on the costs because as we go direct and cut off the middle man we are not paying those fees for a third party vendor.

As far as releases, what everybody looks forward to for license and music, yes license is tough. We have for the remainder of certainly the second quarter and into third quarter we still have the potter numbers to go up against in men, we've got a strong business from transformers last year, on the women side it fosters was big, hello kitty was big and so while there are some smaller licenses that we feel better about we are toughing it out here and trying to shift as much inventories we can into the other classifications that are doing well. Like you who had followed our business for a longtime you know that there is usually a cycle and the gain is that we can offset the license business with better music business, better accessory business, very rarely if everything's going north, so I think we are -- our strategy is to play a conservative and to nurture some of those smaller and mid tier licenses but there isn't anything on the horizon right now other than Dark Night, the new Batman movie; other than

that there isn't a big, big license that we feel will propel business in a big fashion over the next few quarters.

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