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Coldwater Creek Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. We'll take our first question from Jeff Black of Lehman Brothers.

Jeff Black - Lehman Brothers

Thank you. Good afternoon folks. Georgia, I guess at the meeting you had mention that you had identified over assortment as an issue in the mix. And I am just wondering where are we in the process of taking care of the over assortment? What categories are we really talking about? And how might that continue to impact the business into the spring of next year? Thanks.

Georgia Shonk-Simmons - President and Chief Merchandising Officer

Okay. First of all, early spring will be what it was planned to be as it obviously had already been received. I think as I mentioned at the Investor Day, you will start seeing an impact to the SKU and style reduction, really at the end of March and beginning of April of this summer. You will start seeing that impact and it will continue throughout the year. We are absolutely tearing apart every category, still wanting to keep a neglectic mix of what we do. So again, we are not going to turn the basics that isn't the point of view. The point of view is to look at every single category and decide how we will run this railroad, and really excited about the opportunities, so it really starts for early summer and we'll go all the way through the year.

Jeff Black - Lehman Brothers

And should we look at how this impacts your clearance level for Q4? I mean you ended with inventories lower than you thought, but is there still more in the way of clearance given what you are saying about changing up some of mix?

Georgia Shonk-Simmons - President and Chief Merchandising Officer

Well, again holiday and the holiday inventories were as we had talked about and that didn't change from our meeting. What we are saying now in our expectations for the end of Q4 is to have inventory down high single-digits per square foot.

Jeff Black - Lehman Brothers

Okay. Thanks, good luck.

Georgia Shonk-Simmons - President and Chief Merchandising Officer

Thank you.

Operator

We'll take our next question from Liz Dunn of Thomas Weisel.

Lizabeth Dunn - Thomas Weisel Partners

Hi, good afternoon. I guess my question relates to the AUR, that's my first question, does that imply that... I mean if traffic was down high single-digit and conversion was up 2%, so does that mean AUR was down high single-digits or what... and how much of that was mix versus promotion? And then as we look out at the fourth quarter, the results came in for the third quarter a little bit better on the gross margin line than you had initially predicted. I believe you initially told us that you were looking for gross margins down around 100,000 basis points. The fourth quarter we are looking... what should we be looking for to get to that flat guidance in terms of the composition of gross margin and SG&A deleverage? Thanks.

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