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Bluefly Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Your first question comes from Teri Gehry - Merriman Curhan Ford.

Teri Gehry - Merriman Curhan Ford

I wanted to know if the reduction in the marketing expenses for the quarter, if I understood you right, did that come from this Project Runway that you are doing now? You maybe did a move of that, or was it just that you reduced offline marketing?

Pat Barry

Both actually. The reduction was in response to the warehouse move as we saw we had inventory issues, we cut back on our online spending in the quarters so we weren't driving people; say in a category like dresses, if they weren't available to the extent that we would like, we cut back the spend there as well as some of our other online programs. The other portion is a reduction in production expenses for advertising.

I think the important thing also to note is the full year number is still going to be the \$15 million that we said it was going to be at the end of last year. So, the full year number hasn't changed.

Teri Gehry - Merriman Curhan Ford

Was there any area, excluding what happened with the move, and then maybe some items and orders that got canceled, were there any areas where you thought you were over or maybe even under-assorted in the merchandise?

Melissa Payner

I think the biggest challenge was cold weather areas because we had an unseasonably warm fall. That's where we saw growth in categories like T-shirts. We had 34% growth and a slight decline in our cold weather area. Our inventory is turning faster than last year overall so I don't think that it's a matter of being over or under assorted as much as it is a timing issue. So as it gets colder, we will sell through the cold weather merchandise category.

Operator

Your next question comes from Brian Gilmore – Tejas Securities Group.

Brian Gilmore - Tejas Securities Group

Sounds like a little different quarter. Your July and August numbers which was where you had the transition obviously were slower. But, did you see a pickup in your September number that points to some evidence that this was just a one-time deal?

Pat Barry

Brian, it wasn't really until the last couple of weeks or the last week of September where all the inventory was back online because what ends up happening if you remember from the last call we took the winter product off and the spring product was still at the old warehouse and some of our best accessories etcetera, until everything got moved into the new warehouse, we were in through the month of September.

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