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Coldwater Creek, Inc. Q2 FY07 Earnings Call Transcript

Question-and-Answer Session

Operator

[Operator Instructions]. First question coming from Liz Dunn with Thomas Weisel Partners.

Lizabeth Dunn - Thomas Weisel Partners

Hi good morning. I am sorry good afternoon. Just one point of clarification and then my real question. Did you mention how negative traffic was in the quarter?

Georgia Shonk-Simmons - President and Chief Merchandising Officer

No.

Lizabeth Dunn - Thomas Weisel Partners

Are you prepared to provide that?

Daniel Griesemer - President and Chief Operating Officer

Mid-single digits. It's down mid-single digits.

Lizabeth Dunn - Thomas Weisel Partners

Okay. It did show some improvement. I guess my question is, do you still feel confident that the ultimate margin potential for this business is 15% given that it looks like the environment will be significantly more promotional for the foreseeable future? And why not pursue a more measured taste of growth given the dynamics that we're seeing in the industry, I am not sure you've had a chance to see. But Chico's announced that they are reducing growth. Why not at this point reduce growth so that you can measure and monitor the business in growing a healthy way?

Mel Dick - Executive Vice President and Chief Financial Officer

Yes this is Mel. I'll take the margin question and then perhaps Dan can comment on the growth. In terms of the margin we've said in the past that we believe we have the opportunity to get to a mid-teens operating margin primarily through continuing our direct sourcing program and leveraging our SG&A as we get our store base larger.

Clearly the challenging environment that we are facing as you mentioned Liz, I think will impact that for us to get to that mid teens and we do believe we can get there ultimately. We would have to recover... recapture some of the gain in the IMUs that we were able to get from our direct sourcing

program, during the latter half of last year and the first half of this year. And obviously that will depend on the overall macro environment, the promotional environment which as I think you mentioned has been challenging here.

Daniel Griesemer - President and Chief Operating Officer

Yes on to the growth rate, we have about 260 stores open today, we believe that the chain threshold is somewhere in the neighborhood of 500 or a little bit above that. We are only halfway through the store rollout. Our new stores are coming out of the box as well if not better than the new store group have year-over-year. We are committed to opening about 65 stores a year for the next several years, and we've been kind of talking like that for a couple of years. This is not going to stand in the way of that. We are about grabbing market share and taking advantage of the demographic growth that's happening in our sector to position us for long-term growth. So, we are appropriately moving ahead at the rate... current rate.

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