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Select Comfort Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Robert Evans - Craig-Hallum Capital.

Robert Evans - Craig-Hallum Capital

I believe you had given guidance before as it relates to second half profitability. I know you were profitable in this quarter. Do you still expect second half profitability?

William R. McLaughlin

We don't give guidance. At the end of the second quarter we stated our goal to be profitable in the second half and we positioned that as being dependent on the normal seasonality, but we also positioned it as a second half goal. We're doing everything we can do, as we said, to offset some of the negative trends we've seen to maintain the profitability, but that is not a certainty at this time.

Robert Evans - Craig-Hallum Capital

How should we think about sales and marketing spend going forward? I know you touched on this but I'm trying to get a sense, should we expect that it's going to be managed as it relates to trying to provide profitability? How are you targeting your sales and marketing, particularly your media spending?

William R. McLaughlin

The media spending, as I mentioned, we will be trying to manage that to a couple of points lower than what we've been running here in 2008. Obviously that will help toward profitability but more importantly it gets in line to where we've historically been spending our media. We want to pull it back to that base run rate until we've proven that we can, on a sustained basis, spend at a higher level and get the resulting sales from that.

So for the time being I would look for that media spending to be a couple of points lower than the run rate that we've been running here in 2008.

Robert Evans - Craig-Hallum Capital

And if the environment stays difficult, could we expect that to be pulled back further or do you want to try to maintain at that level?

William R. McLaughlin

We really don't have a formula on this. We adjust our marketing, one of the strengths of our marketing model is that we are not committed on spending into the future very far. So we are able to adjust it. We have been trying to use marketing to offset some of the negative consumer trends but and therefore spending at a little higher rate than we had in the past. We are going to be managing that back down to where we believe the volume is going right now.

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