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A.C. Moore Arts and Crafts Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is from Karru Martinson Deutsche Bank.

Karru Martinson Deutsche Bank

When we look forward here in terms of fuel pricing and freight costs that you saw this past quarter? What's the environment there and your ability to kind of manage those costs down?

Michael Zawoysky

We've already been able to see some improvements in fuel costs. We've taken those into account for future purchases, obviously, we will see some margin improvement. Recently returning also from some sourcing trips in Asia, myself and my team, we believe that we're going to see some slight softening in raw material costs as well. We're encouraged about that.

Rick Lepley

Also we'll have a reduction in the number of runs that we made to Florida for example. That added quite a bit of cost as well.

Karru Martinson Deutsche Bank

In terms of the SG&A savings that you talked about for fourth quarter and into 2009, can you share a sense of the magnitude that we're looking at?

Rick Lepley

Not really in terms of dollars, we are really looking at absolutely everything. We still have a lot of ground to gain. We think there's opportunity to take costs out of almost everything. I will just give you one idea of what we're looking at. This is something that I just happened to note because we were discussing it in a meeting last week. Up until just a month ago, this company paid nearly 300 different phone bills every single month. We now have consolidated that to four.

As we look at every expense we incur, we're trying to figure out the very best way to go about reducing it while, at the same time, not affecting the level of service that we offer.

Michael Zawoysky

You may ask the question, why didn't we consolidate those earlier, but we were obligated to contractual agreements, therefore, we were not able to act upon those.

Karru Martinson Deutsche Bank

In terms of shrink, what percentage are you running at right now? Do we have a sense that this potential savings from that, the equation?

Rick Lepley

We think we can improve it quite a lot. We have never disclosed that publicly, but our procedures and policies that we're tightening up and changing a little bit in terms of the store operations are really focused at exactly that. Now we can do it because for the first time we've really got an understanding of what our inventory level is at each store by SKU. We never knew that before.

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