

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## Design Within Reach Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of Crystal Kallik - D.A. Davidson & Co.

#### Crystal Kallik - D.A. Davidson & Co.

I know in the 10-Q, you guys made a couple of comments. Just looking at your commentary about reducing expenses and depending on how this environment gets, what is in our playbook, looks like a couple of things you have called out were lowering catalog cost in 2009 and additional headcount reduction if necessary. Could you give us a little more granularity on how you are looking at the variables in your cost structure for 2009?

#### Ray Brunner

Well, you have got couple of separate issues. We have lowered the expenses, our 2009 budget expenses reflect a lowering of expenses from \$92 million a year roughly in 2007 to \$75 million in 2009. That is with more doors open and the improvement in margin with euro going in the wrong direction. We will reduce marketing next year by \$4.5 million. At the same time, we will circulate \$1 million in more catalogs than we did this year. We will change our paper quality. We have found some more productive ways to deal with delivery. Upholster system has made the cost of the catalogs extremely high and we have identified an additional \$10 million in savings that we could tie up if we have to but that starts getting into cutting off and R&D to save their life and triage. So those are not obvious question that if you can take \$10 million more out, why not do it now? It is \$10 million you could take off if you had to survive with this triage.

#### Crystal Kallik - D.A. Davidson & Co.

Okay.

#### Ray Brunner

So the marketing spend will be greatly reduced but at the same time we are going to get more pages and more books distributed. The headcount has been reduced here by I would say around 12% to 15% in the headquarters area which will end obviously there are some other cuts and the executive team is taking solid reduction.

#### Crystal Kallik - D.A. Davidson & Co.

Okay and then that is helpful. Thank you. Now, you commented on CapEx for the full year, I think originally this year you were thinking about \$9 million and it sounds like you are coming a little bit lower then now you cancelled.

**Ray Brunner**

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