



drugstore.com, inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) First question comes from the line of Mark Argento Craig-Hallum Capital. Please go ahead.

Mark Argento – Craig-Hallum Capital

Yes, good afternoon.

Dawn Lepore

Hi, Mark.

Mark Argento – Craig-Hallum Capital

Hi, hi. Sorry I'm out of the office here (inaudible) I apologize. But I just wanted to ask you a couple of questions regarding kind of the behavior you see from the customers. You said that the basket side is down for the last quarter. Could you talk about what you are seeing in terms of basket size so far this year? And then also could you just touch on – I know you did some econometrics work last year, and if you had seen any real return on that work that you guys did last year?

Dawn Lepore

Okay. So first in terms of baskets, we took everything that we learned in the fourth quarter and we did factor that in our guidance in the first quarter. But specifically on baskets, they are still not growing, but they are not decreasing as much as they were in the fourth quarter so far. That's what we are seeing. In terms of the econometrician work, we did use the econometricians to look at pricing and we have seen an impact from that. That actually is one of the reasons that we are able to increase our promotions a bit in the fourth quarter and still have very good gross margins. And we will continue to work with them this year. We are not going to spend a huge amount of money with them. However, they continue to tweak their models based on the changing consumer behavior as consumers get even more price sensitive. And we will continue to look the way [ph] price as we can, lower and raise prices to make sure that we are maximizing the top line and bottom line.

Mark Argento – Craig-Hallum Capital

Okay. And could you talk a little bit about what was working in the quarter? It looks like the up-sell was a little difficult. People were taking kind of the staple products but not a lot of it giving type things.

Were you happy with the way you merchandised the site or anything that you think you could have done differently?

Dawn Lepore

That's a great question, Mark. I mean, obviously I think we always feel like we can do things better and better. I would never say we are perfect. However, I will tell you that the fourth quarter of 2008, I felt as a company we executed extremely well. We did great on inventory. We are not left with a lot of products. I do think the site looks nice. I think our daily deals and our promotions were good. We went into it knowing that this was going to be a tougher holiday season. We executed like crazy. We watched every detail of the business every day. And I do feel like the fourth quarter was a very good performance by the company, quite honestly.

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