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## Coldwater Creek, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

(Operator Instructions) Your first call comes from Christopher Kim – J.P. Morgan.

#### **Christopher Kim – J.P. Morgan**

Regarding the merchandise margins this quarter, it sounds like merch margins have stabilized somewhat. Am I reading that correctly?

#### **Daniel Griesemer**

Yes. That's correct.

#### **Christopher Kim – J.P. Morgan**

Could you break out what the buy in occupancy deleverage was versus the merch margin erosion in the quarter?

#### **Timothy Martin**

We're not going to break out that entirely, but the merch margins on a year over year basis were largely flat. The entire decrease you saw was a result of the negative deleverage on comp store sales.

#### **Christopher Kim – J.P. Morgan**

So what arguably the most promotional fourth quarter ever, it looks like merch margins are stabilizing so with inventories continuing to be down and the team, I guess what is the trend to date? Have you seen that inflect and is it in positive territory right now?

#### **Timothy Martin**

We're not going to give current trends primarily because February is only 25% of the first quarter and a really small month and not an indicator of how the whole season is going to unfold. So we're not going to be able to provide that. But it remains a challenging environment, but I think we've articulated that the very specific things that we're going to be doing to make it through this and position for improved performance going forward.

#### **Christopher Kim – J.P. Morgan**

It seems like the lack of couponing in the magazines etc. and advertising has helped that rate a little bit, but bigger picture, in the marketing and multi-channel component of your four prong strategy, how do you view marketing in 2009 and the spend and how to more effectively utilize that in driving traffic?

**Timothy Martin**

I want to clarify this is a very, very promotional environment and we are being appropriately aggressive in our attempts to engage our customer and drive traffic to this brand. So we are through emails and through catalogue, our catalogues and a variety of other marketing initiatives doing a tremendous amount to try to drive traffic.

There's really two levels of it. One is the very broad based, efficient execution that we have with catalogues and our email campaigns, and particularly the opportunity there for further segmentation, and event triggered emails. And we're looking for opportunities to increase circulation where appropriate as we see the collections and books come together.

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