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Hot Topic, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Adrienne Tennant – FBR Capital Markets.

Adrienne Tennant – FBR Capital Markets

My first question is on the in store music event, can you talk about the progression of how you came about and discovered these in store music events, how many you did in '07, maybe the progression to '08 and then how many we should think about in 2009. We actually saw one of them at the Springfield mall and it was pretty incredible to see it in action. And then secondly, can you talk about SG&A dollar growth. It obviously bumped in the fourth quarter due to bonus accrual but should we be thinking about dollar growth in Q1 as being in the high single digit range, high single to low double digit range?

James McGinty

In terms of SG&A I'll take that one first. You should be thinking about that in terms of increasing at a faster clip than sales because of some of the things we talked about with both Shock Hound which was nearly as significant last year as it was pre-launch, and the performance based bonus which will manifest itself throughout the year more evenly than it did last year where it was really back end loaded.

Elizabeth McLaughlin

On the in store events, back in 2007 when we architected the music strategy, it was a five year strategy. One of the pieces was to get some of the bands who were on tour to be able to visit stores that married up to their tour dates and do in store signings and customers could meet the band and get autographs.

And so we actually started testing it in 2007 and did I'm not sure how many, probably a dozen big ones in '07 and found that the response was really terrific both from the bank standpoint of being able to meet their fans and get exposure and also from the fan standpoint.

So in 2008 we ramped up that program and I think we have several every single month where we had a very, very large draw to multiple malls across the country. And then mid year we added this local music performance program and it's really predicated on the intelligence of the store managers and the district managers and their understanding of the local music scene.

So through the back half of 2008 I think we did about 1,000 of them and again, we had 700 stores, 780 stores, so that's one and a half, one and a third per store and again, very good response not only

from customers but also from these emerging bands who don't have a lot of places to get exposure with so many clubs shutting down and individual independent record stores.

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