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Ruby Tuesday, Inc. F3Q09 (Qtr End 3/3/09) Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from Jeff Omohundro - Wachovia Capital Markets.

Jeff Omohundro - Wachovia Capital Markets

My first question relates to the cost reduction initiative. I wonder if you'd provide a little bit more color around the targets on that and where you are in the process and how much of it do you think would be impactful to the guest?

Kimberly M. Grant

The total amount, as Margie mentioned, is between \$60 and \$65 million, part of which is in this fiscal year and what we plan going forward, about \$40 to \$45 million going forward. Obviously one of the biggest cost areas for restaurant operations is in labor, so a lot of those cost savings are in labor and G&A, supervision.

We don't believe that the changes that we're making are affecting the guest experience thus far and we monitor all of the attributes, key attributes, every day to make sure that anything that we're trying to gain efficiencies in is having any impact on the guest experience.

The labor initiatives are focused on two areas. The first is just being more productive and more efficient, and we've done that by changing our objectives for labor to being based upon guest counts versus sales dollars. And the second is wage rate control, just ensuring that we're monitoring our standards for wage rates going forward.

Samuel E. Beall

And I might add, these savings have been in, the vast majority of those, for a couple of months now, and so it's not something we're worried about going forward because we haven't seen any guest satisfaction falloff.

Marguerite N. Duffy

In addition, we do have approximately \$10 million from the closing of our 43 restaurants between rent, depreciation and then mitigating their losses, and then on addition the G&A side, some of reductions in benefits as we've looked at everything in our business to be as efficient as possible.

Jeff Omohundro - Wachovia Capital Markets

My second question relates to the cost of sales trends and the impact of the promotional strategy on that, cost of sales as a percentage of sales. I'm just wondering where you see the company in terms of this promotional message and the evolution of it and whether we can expect these trends to continue having this impact on cost of sales.

Samuel E. Beall

I would think that the cost of sales we're running right now should be pretty consistent for the next year. We're making some investments, but we have some savings. And if anything, it could moderate some, but it would definitely be up some for the first couple of quarters anyway versus prior year.

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