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drugstore.com Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you ma'am. We will now begin the question-and-answer session. (Operator Instructions). And our first question comes from the line of Mark Argento with Craig-Hallum. Please go ahead.

Mark Argento - Craig-Hallum

All right good afternoon.

Dawn Lepore

Hi Mark.

Mark Argento - Craig-Hallum

Quick question around the customers, I mean 400,000 new customers, that's a pretty big number. Could you give little color as to where you are finding success in terms of driving new customers in and then any specifics in terms of some of the contribution from some of the relationships partnerships that you have?

Dawn Lepore

The new customers from partnerships was not particularly material this quarter. So it's mostly drugstore customers. And the channels were the same as always, affiliate search, those are channels that are very good for us, when your customers always had been very strong this quarter as well. And I think it's a matter of just having good promotions, good pricing, good range of products. As we mentioned our conversion is strong. Our customers are really liking what they see when they get to the side. And I think that we're priced very effectively and we are promoting very effectively. And I think that's really helped us with our new customers.

Mark Argento - Craig-Hallum

Any type of products doing better than others, given the economy?

Dawn Lepore

No, we have certainly have seen private labeled products do a little better. So people are trading whether you say, up or down to private label products and January is always a good month for resolutions. So we see Direct and Federal (ph) do very well in the first quarter, FSA, so the normal

FSA products did very well. And we mentioned a couple of the category supplements, pets et cetera, they were up very strongly. They are mostly replenished items. So I would say beauty was strong and replenishment items were strong, that's the summary I would give.

Mark Argento - Craig-Hallum

Are you happy with the I think you said beauty grew 14%, I know it's a highly discretionary item. At the same time, historically in recessions we have seen some of simpler things like make-up and some of the lower \$100 items tend to kind of hang in there a little bit better. What's gone on with that business in particular?

Dawn Lepore

Well I think 14%, I was pleased with 14%. We've talked about 10 to 20% range for this year. So I think 14% for both Beauty.com and our overall beauty business with very strong, especially when you look at the NPD data that said the industry was down 5%. So that's a pretty big swing from minus 5% for the industry to plus 14% for us.

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