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Safeway Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. At this time, we're ready to begin the question and answer session. (Operator Instructions) Our first question comes from John Heinbockel. You may ask your question, please state your company name.

John Heinbockel - Goldman Sachs

Yes, Goldman Sachs. Steve, why didn't the Super Bowl promotion work? Did you expect you to spend the 38 basis points? And you guys have good technology and good history. Do these things... often times, they don't work if you spend... if you overspend. I guess we don't hear about the ones that do work. But how do you guard against having some bad ROIs on this type of activity, particularly in this economy?

Steven Burd

I think this was a conscious effort. The senior team sat around the table, we decided on an amount of money we thought we could risk. We contemplated a sales result that we might get from that. Again, we felt a little flushed on the earnings side. And so we thought these were really unprecedented times and so old models may not apply. And so we put an effort in. It didn't get the result that we expected. We remain very pleased with what we're getting on an everyday price investment. And in general, our promotional program has been very good.

We tried a little something extraordinary. And if you saw... if you had insight into our gross margin activity in the first four weeks, very different gross margins than we had in the experimental period and then things return to normal in the third four weeks of the period. So we thought it was worth a shot. We are always experimenting. We took more risks here than would be normal and it worked. So I think that was a learning experience. But we knew what we were risking. We felt we can do much better on sales.

John Heinbockel - Goldman Sachs

So it didn't work. The impact was more... not that you spent more than you thought you were going to, but you didn't get the sales response?

Steven Burd

That's exactly right. We spent exactly what we intended to spend.

John Heinbockel - Goldman Sachs

And you didn't get the sales response because you think the program itself wasn't structured right or the economy or competitive response or what?

Steven Burd

It wasn't a competitive response. It was... I think the bottom line is consumers are not... they are not inventorying product, not just for us. I mean transactions are up as they are with a few other retailers. Items per basket are down. And I think we were going to try to put more items in that basket, and it just didn't happen. I mean we got some response, but not what we counted on. We knew exactly what we had to get to repay the investment and we didn't get it.

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