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AutoZone, Inc. F3Q09 (Qtr End 05/09/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Alan Rifkin – Banc of America.

Alan Rifkin – Banc of America

Bill, I'd like to just touch on the continued rollout of the hub stores. If you can maybe just provide a little bit more color on what benefits you are seeing in the markets where you have in fact already rolled out the hub stores and when should we see this program actually finish, and what where the incremental costs in the quarter, if you could shed some color on that as well.

William C. Rhodes III

Let me start with strategically what's going on with the super hubs. First of all, we're still in the learning phase, Alan. We implemented five super hubs about 1-1/2 years ago and let them run for a year so we can refine their operations and understand the impact of those. As we entered this year, we planned to go to the next set of stores, and we did that. We basically completed that next set of stores at the beginning of the third quarter. As we continued to monitor the results of the larger base of stores, we were very encouraged with what we were seeing, not only in the hub stores, but also in the satellite stores. From the sales perspective, they are driving sales through two primary contributors. Number one, they're adding incremental SKUs to what our normal hub stores hold into the local market place, and then secondly they are increasing the frequency of delivery. So in some stores, before you might have had one delivery from the hub store a day, today you'll have three, and so they're making easier access to those hub store parts.

As far as when we'll complete it, candidly we haven't determined that yet because we are ahead of where we anticipated being. That's why we're going out and rolling our next set of stores this quarter. We are going to continue to monitor those and will look into next year to see how we can continue to accelerate it.

William T. Giles

Alan, on the cost component, as we mentioned in the press release, we had about 50 basis points from higher incentive comp and investments in hub stores, so I'd split that, and so I'd say the hub stores are probably around 20 basis points or so of incremental investment.

Alan Rifkin – Banc of America

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