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## Williams-Sonoma F1Q09 (Qtr End 5/3/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) We'll take our first question from Budd Bugatch from Raymond James.

#### Budd Bugatch - Raymond James

Congratulations on a better-than-expected performance in the quarter. My question relates to the fact that DTC sales decline was greater than the retail decline and yet you profess some optimism on the catalog optimization program. How do we know that that's working? What metrics can you give us? I know you gave us the catalog pages reduction and the reduction in catalogs but sales are dropping at a bit of a faster rate. Can you kind of describe how you look at that and how we should think about it?

#### Sharon L. McCollam

Absolutely. Pat, would you please take Budd's question?

#### Patrick J. Connolly

Absolutely. Budd, we were up against -- on the Internet side of the business, we were up against a much tougher compare with first quarter revenues up almost 9% last year, so on a two-year basis, we were down about 14% on a two-year basis, which we are very pleased with. And remember that a lot of our catalog sales -- or our Internet sales are driven by the catalog.

Our catalog optimization strategy involves analyzing those marginal catalogs that would not have been profitable had we mailed them, so we are very confident because we have been into this for almost 15 months now, that the circulation we cut would not have been profitable in terms of meeting our standards for customer profitability over an extended period of time.

#### Operator

And we'll take our next question from Alan Rifkin from Banc of America Merrill Lynch.

#### Alan Rifkin - Banc of America Merrill Lynch

Just following up on Budd's question with respect to the catalog circulization optimization program, how much of the benefits, now that you're 15 months into the process do you believe are behind you as opposed to still opportunities going forward? I realize that it's an iterative process but if any sort of quantification along those lines could be given, that would be great.

And then my second question relates to the distribution capacity -- curious where you saw it from an efficiency standpoint you were with respect to eliminating some of the excess distribution and when might we see one or more call centers or DCs possibly closed going forward? Thank you very much.

**Sharon L. McCollam**

Okay, Patrick, would you follow up on his question on catalog circulation and what is in front of us related to future opportunities there?

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