THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PIR - Q1 2019 Pier 1 Imports Inc Earnings Call

EVENT DATE/TIME: JUNE 27, 2018 / 8:30PM GMT

OVERVIEW:

Co. reported 1Q19 net sales of $372m and net loss of $28.5m or $0.36 per share. Expects FY19 net loss per share to be $0.17-0.36 and 2Q19 net loss per share to be $0.54-0.58.

CORPORATE PARTICIPANTS

Alasdair B. James *Pier 1 Imports, Inc. - President, CEO & Director*

Christine Greany

Nancy A. Walsh *Pier 1 Imports, Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Atul Maheswari *UBS Investment Bank, Research Division - Associate*

Charles P. Grom *Gordon Haskett Research Advisors - MD & Senior Analyst of Retail*

Cristina Fernández *Telsey Advisory Group LLC - Director & Senior Research Analyst*

Geoffrey R. Small *Citigroup Inc, Research Division - Senior Research Associate*

Joshua Kamboj *Morgan Stanley, Research Division - Research Associate*

Steven Paul Forbes *Guggenheim Securities, LLC, Research Division - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen and welcome to the Pier 1 Imports First Quarter Fiscal 2019 Earnings Call. At the request of Pier 1 Imports, today's conference is being recorded. (Operator Instructions)

I would now like to introduce Christine Greany of the Blueshirt Group.

Christine Greany

Thank you and good afternoon, everyone. Today, after market close, we issued an earnings press release which included the detailed financial results for the first quarter of fiscal 2019. In just a few moments, we'll hear comments from Alasdair and Nancy, followed by a question-and-answer period.

Before we begin, I need to remind you that any statements made today regarding our business may be deemed to include forward-looking statements that are based on current estimates or expectations of future events or future results and are made pursuant to and within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from such statements. Any forward-looking statements made today are as of the date of this call, and the company does not assume any obligation to update or revise any such forward-looking statements.

The company will also discuss non-GAAP financial measures on this conference call. Pursuant to the requirements of Regulation G and Item 10e of Regulation S-K, the company has provided a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures in our earnings press release that was issued this afternoon, which is available on our website at pier1.com.

Now I'd like to turn the call over to Alasdair James, President and Chief Executive Officer. Alasdair?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Thanks, Christine, and good afternoon, everyone. Joining me on the call today is Nancy Walsh, our Executive Vice President and Chief Financial Officer. Since we last spoke to you at our Analyst Day, our teams have been executing on initiatives under our 3-year strategic plan and preparing for our brand relaunch this autumn. We're right where we expected to be at this juncture.

As we anticipated, there was some continued challenges in the first quarter, but also some important successes. Our top line results primarily reflect customer response to our legacy product, while strict cost control enabled us to do better than we expected on the bottom line. As you can see in the guidance we're providing today, we anticipate the comps sales will remain negative in the second quarter and turn positive in the third quarter when our new merchandise, marketing and store format begin to roll out in earnest.

When we laid out our 3-year strategic plan in April, we outlined 4 key priorities outlying the goals and objectives we established for Pier 1 2021: A New Day. Those 4 priorities are: firstly, relaunching the brand with a compelling point of view and price value equation; secondly, bolstering the experience, the shopping experience; thirdly, leveraging our growing e-commerce channel married to a new in-store experience to drive a robust omnichannel operation; and fourthly, improving sourcing, supply chain and distribution to compete more effectively. First, I'll discuss relaunching the Pier 1 brand with a compelling point of view and price value equation. I am very excited about this, and we're on track to launch in the fall. A brand relaunch is much more than just a new marketing slogan, as it has to resonate with customers based upon their needs as well as present an enhanced experience of the Pier 1 brand. This incorporates different merchandise and new prices.

New receipts will flow into all locations beginning in August, resulting in a materially different look and feel for the Pier 1 brand. While our assortments will continue to offer the global eclectic feel our brand has been known for, we'll be incorporating more modern and on-trend looks that appeal to a younger, millennial customer. We are increasing our breadth and appeal and encouraging self-expression to appeal to our customers individuality, while also emphasizing newness.

Now onto the price value elements of the relaunch. Our offerings will be priced to be more accessible. We're establishing a good, better and best set of price points across our assortments and will become much more competitively priced in key categories in the coming months. We value engineering and resourcing to ensure we can offer the customer competitive pricing and quality where she's willing to pay for it.

In the first quarter, we built out our pricing and promotions team and introduced promotional effectiveness principles into our day-to-day decision-making. We're now preparing to roll out a new markdown optimization tool in quarter 2. We'll be supporting all these initiatives with dynamic marketing programs. Beginning in August, we'll be delivering new content to the market, highlighted by the Pier 1: This is me campaign that we unveiled during our Analyst Day. Our efforts will encompass digital, TV and catalog as well as considerable use of social media, which will become a much bigger part of how we go to market. You'll see Pier 1 on Pinterest, Instagram and [Waze], all of which demonstrated high engagement rates during our testing. An underlying theme across all of our marketing will be inspiration. We see a significant opportunity to leverage our omnichannel platform to provide creative direction and how to do things content, to encourage a mix of lifestyles and to bring entertainment into the customer experience.

The second priority we talked about, bolstering the shopping experience, will also be a critical component of our brand relaunch. You may recall, we've been running a control group of 22 locations in the Dallas-Fort Worth area, which has served as a valuable test-and-learn environment for us. When we set out to design an improved store format, our primary objectives were to create ease of shopping for the customer, to inspire and delight her and to deliver a compelling value message, and finally, to foster an omnichannel environment that would enable us to tell broader product stories. We opened up the sidelines and we've widened the aisles. We developed a store presentation that is cohesive and less cluttered, and we merchandise the stores more creatively.

I'm pleased to tell you that both our existing Pier 1 customers and those who are new to the brand say that they love the new layout and their perception of our merchandise quality has actually improved. Customers tell us the stores are more vibrant, fun and inspirational. Performance has been positive across many of our key metrics, including traffic and units and online sales, and we're seeing good velocity in many important categories such as decorative accessories, wall art, textiles and tabletop. Our plans called for phase rollout with approximately 1/3 of our stores being fully converted to the new floor plan and fixed rate before holiday. We'll then take a slight pause given the intensity importance of the selling season and resume conversion across the remainder of the portfolio in the early part of the new calendar year.

Priority #3, driving a robust omnichannel operation, will allow us to give our customers what they want and when they want it. Beginning in August, we'll be increasing the frequency of deliveries to stores from once per week to 2 times per week, which should enable us more buy online and pickup in store while reducing at the same time the level of inventory that we need to hold in store. Approximately 1/3 of the portfolio will start receiving additional deliveries this fall, and the remaining stores will increase their cadence beginning in the spring.

Our fourth priority includes sourcing, supply chain and distribution. Our teams are making great progress on our initiatives to improve Pier 1's competitive positioning, whilst striving efficiencies at the same time. On the sourcing front, we're making tremendous strides and tracking well ahead of our full year goals. First and foremost, we have a highly skilled team coming together. We're beginning to consolidate our vendor base and develop strategic partnerships to enhance our purchasing power, increase innovation and better support our merchants as they look to drive newness and value.

We're very encouraged to be ahead of our plan on product cost savings this fiscal year, with 80% of our $18 million target already negotiated. You'll remember as I told you at the Analyst Day, the benefits of those cost reductions are not expected to fully materialize until fiscal years '20-'21, when these products flow through our P&L.

We're also making strides within the supply chain itself, where our initiative is designed to speed service and reduce costs. The consolidation of our Columbus facility from 3 buildings into 1 was completed ahead of schedule and under budget. We're now fully operational in the new facility, which will enable us to provide enhanced customer service through faster processing, improved accuracy and smarter packaging. Continued investments in technology and automation are expected to help us reduce costs, improve inventory availability and increase delivery options for the customer into the next few years. It's clearly early days under our Pier 1 2021 plan, but given the scale of change we're implementing, I'm pleased to report that we're on track and remain confident about the journey ahead. I'm reassured by the execution I'm seeing throughout the organization, as our teams remain focused on delivering sales growth in the second half of this year.

Now I'm going to pass over to Nancy to review the financials. Nancy?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

Thank you, Alasdair, and good afternoon, everyone. Comp sales came in 20 basis points below our guidance range, while effective cost controls enabled us to slightly exceed our bottom line expectations for the quarter. Company comparable sales declined 8.2%, and net sales for the first quarter declined 9.2% to $372 million. First quarter gross profit was $120 million versus $152 million a year ago, and gross margin rate came in at 32.3% versus 37% in the first quarter of fiscal 2018.

The pressure on our gross margin rate reflects lower merchandise margin as well as 170 basis points of deleverage on occupancy costs due to the lower sales base. The year-over-year decline in merchandise margin is primarily attributable to the planned pricing strategies we implemented in Q1 and increased promotional discount as well as higher supply chain costs. We expect to see continued pressure on gross margin in Q2 with some easing in the second half of the year. Total SG&A dollars were down $1.6 million year-over-year, while SG&A rate increased from 34.2% to 37.3%, reflecting expense discipline throughout the organization. We will continue to exercise strict expense control going forward. However, as we shared with you at Analyst Day, we will be investing $20 million of marketing dollars into our brand relaunch this year, most of which will fall into Q2. In the second and third quarters, we anticipate that marketing expense will peak at approximately 9% of total sales, which puts us on track with our previously stated target of approximately 7% to 8% of total sales for full year fiscal '19.

First quarter net loss came in at $28.5 million or $0.36 per share, and EBITDA totaled negative $19 million.

Moving now to the balance sheet and cash flow statement. We believe we have sufficient liquidity to invest in the execution of our 3-year plan. At quarter end, we had $157 million of cash and cash equivalent. And ending inventory was $330 million, down 21% from a year ago. We had $193 million outstanding under our term loan and no working capital borrowings under our $350 million revolver. During the quarter, we generated $33 million of cash flow from operations. Capital expenditures totaled $12.2 million in the first quarter, which was deployed towards supply chain, technology and stores. We are on track to spend approximately $60 million of CapEx for the full year, with $45 million of that supporting our Pier 1 2021 strategic plan.

In fiscal 2019, we'll be investing in tools, teams and pricing, designed to drive efficiency and improve our competitive position. As you heard from Alasdair, we're making good progress on our initiatives across pricing and promotions, sourcing and supply chain, and as we outlined for you at our Analyst Day, those investments are expected to generate cost savings beginning in fiscal 2020.

Now I'll turn to financial guidance. Today, we're introducing second quarter guidance and reaffirming the full year outlook we provided in April. For Q2, we expect the following: company comparable sales down 6% to 7%, net loss in the range of $43 million to $47 million, EBITDA in the range of negative $36 million to $40 million, and net loss per share between $0.54 and $0.58. For full year fiscal '19, we expect company comparable sales growth of 1.5% to 2.5%, net loss in the range of $14 million to $29 million, positive EBITDA in the range of $30 million to $50 million and net loss per share between $0.17 and $0.36.

Thank you for joining us this afternoon. Now, I'll ask the operator to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Geoff Small with Citi.

Geoffrey R. Small - *Citigroup Inc, Research Division - Senior Research Associate*

Your second quarter guidance suggests that comparable sales will decline at a rate that looks to be similar to that seen in the first quarter. There'll be expected income decline, will be significantly greater. Presumably, these are related to spending in advance in the brand relaunch, but I was hoping you could help us understand that dynamic and the areas of the business in which you expect to see some higher cost during the second quarter.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Yes, I mean, I think your assumption's pretty spot on, Geoff. The reality is that we expect to spend approximately $20 million in the marketing campaign relaunch at the end of the second quarter. And then we'd expect to see the benefit of that coming through more in quarter 3 than quarter 2, and that really just, I think, is a timing thing of -- hence, the impact on the income.

Geoffrey R. Small - *Citigroup Inc, Research Division - Senior Research Associate*

Understood. And we were encouraged to hear about the positive response to the historic tests and the upcoming rollout. I was hoping you could elaborate on how you decided which stores to remodel this year versus next and whether those investments were included in your initial CapEx guidance for the year.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Sure. So in terms of how we chose the stores, I mean, it was done at a store-by-store quite granular level driven by a number of things, but predominantly operational requirements in terms of where it makes sense for us to do that and timing of that ahead of the holiday season. In terms of the second part of your question -- forgive me, I had a mental break. What was the second part of Geoff's question? Geoff, can you repeat the second part of your question?

Geoffrey R. Small - *Citigroup Inc, Research Division - Senior Research Associate*

Just wondering about whether the store models were included in your initial capital expenditure [guidance for the year].

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Yes, no, they absolutely were. So there's nothing different in that respect from our plan that we laid out at the Analyst Day. I think we said to you then we intended to change the entire format over the course of the year, and it's going to be roughly 12 months of ongoing rollout of that change.

Operator

And the next question comes from the line of Michael Lester (sic) [Lasser] with UBS.

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

This is Atul Maheswari filling in for Michael Lasser. So coming back on the back half guidance, I think the guidance now implies almost 8% to 9% comp for the back half. So what's really giving you confidence in that? I know you got a bunch of initiatives. You, of course, have the brand relaunch, and you have new products in the store. But at this point, what really gives you confidence that you would be able to hit the mark? Have you tested some new products in certain markets? Anything at all will be helpful.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

I mean, the fundamental answer to your question, Atul, is contained in my comments earlier which is that we're taking quite a good degree of confidence in the tests we've been running in the 22 stores in the Dallas-Fort Worth market. What we were able to do there was to understand in a microcosm the impact of our marketing program. And we were able to replicate what we would expect to see for a national brand launch in a very defined market and then to balance that with the introduction of new products where it was relevant. We didn't have the entire assortment, but we had a number of new products that help give us an understanding of what we would expect in the second half of the year. And when you put those elements together with the store format, the changes that we made and the customer response, it's really an accumulation of all those things that gives us that confidence for the second half of the year.

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

Okay. Great. And just as my follow up, again, on the back half. It looks like margins are going to be up pretty meaningfully. So how should we think about it in our models? Do you think most of the margin gains come on the gross side? Or would it also flow through on the SG&A side?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

The -- I don't understand that part of the question, the margin flowing through SG&A or margin. Can you clarify, please?

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

So it's just your guidance would imply some margin gains in the back half of the year. So will those gains come from expanding gross margin or more from cost control?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

It's going to be a combination. As we've talked about, we have strict cost initiatives in place that will kick in, in the second half of the year, and that's throughout the organization. But in addition, we are expecting to see some of the gross margin pressure ease as we go into the second half and after the brand relaunch.

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

Okay. So the right way to think about it will be just half and half in terms of the margin gains on both these fronts?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

I don't really -- we -- I don't have any specific information to give you. I think you'll have to work your model appropriately.

Operator

The next question will come from the line of Chuck Grom with Gordon Haskett.

Charles P. Grom - *Gordon Haskett Research Advisors - MD & Senior Analyst of Retail*

Just on the first quarter performance. Just wonder if you could frame how comps trended by month? And then just curious, any thoughts on results so far here in the month of June?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

We don't typically, Geoff (sic) [Chuck], just bring that out by month. What I would say, I mean, when you've had a performance like this, which is -- as negative as it is, I'm not sure there's an awful lot of knowledge to gain in this instance from that anyway. All I would say is it's been pretty much in line with our expectations as we plan to address clearance needs at inventory and the changes ahead of the relaunch in the second half that we were expecting. So there isn't a major change from month-to-month that would change what we said about the guidance.

Charles P. Grom - *Gordon Haskett Research Advisors - MD & Senior Analyst of Retail*

Okay. And then just on the Dallas remodels and the expectation for obviously, like the previous person asked, obviously a big uptick in the second half for comps. Could you maybe frame out for us what the lift has been from those remodels in the DFW area for us?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Yes, so I sort of suspected I might get that question, but the reality is, Geoff (sic) [Chuck], I'm not going to break that out for competitive reasons, actually, as much as anything. It's -- we were testing a number of different things in Dallas. We were testing the results by different size of store. We're testing it by different categories, and then we're testing overall answers. So without getting into sort of the granular specifics of that, potentially, it could set models in -- heading off in different directions. So all I would say is that the test overall is giving us the confidence we wanted, the relaunch that we're putting together for second half of the year.

Charles P. Grom - *Gordon Haskett Research Advisors - MD & Senior Analyst of Retail*

Okay. And then just on the second quarter guide. The loss is a lot lower than we expected. I just want to, one, make sure that there's no onetime items in that number. And then two, when you frame out operating margin compression of roughly -- I think it's around 1,200 basis points, the $20 million, when marked out at, say, 500 basis points, can you help us think about the rest of the P&L, how you expect the complexion to look in the second quarter?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

Well, the main driver is going to be the marketing investment that, as we talked about in the notes, we're going to peak in our marketing expense for the full year with 9% rate in Q2 and then coming back down to a 7% to 8% for the full year. And we had onetime events last year in Q2. We do not anticipate any onetime events this year, but the main driver is the marketing component.

Charles P. Grom - *Gordon Haskett Research Advisors - MD & Senior Analyst of Retail*

Okay. And then my last question would be if you could just, in the first quarter, just if you could actually give us the merchandise margin and delivery and fulfillment net cost you -- that you used to put that in your releases.

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

Yes, we have made the decision not to include that information going forward. We think at this point that it's giving our omnichannel focus. We're not viewing some of those same metrics with the same relevance. And so while it's a meaningful measure, we're not going to share that at this point, and that aligns pretty much with the industry practice of what we've seen.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Just to follow up on that point. As we sort of laid out in the Analyst Day, as an organization, we're taking one view of the customer as an omnichannel operator and therefore thinking about how we meet her needs, whether it be online, a mobile device, a desktop device, it doesn't really matter, and how we then get that product to her in the way she chooses. So as the stores and the online business becomes ever more enmeshed one with another, we were finding it was creating confusion rather than clarity, so hence the reason for the change to adopt the wider industry practice.

Operator

And the next question will come from the line of Steve Forbes with Guggenheim.

Steven Paul Forbes - *Guggenheim Securities, LLC, Research Division - Analyst*

Maybe a follow-up on the test stores in Dallas. I know you don't want to talk about or mention the conflict, but can you touch on how quickly you saw the customer respond to the new marketing message in the new products as we try to conceptualize, right, the anticipated cadence of the turn in the P&L, right? Because I think you mentioned in the prepared remarks, right, the new product in and the new marketing campaign both hitting in August, which is sort of day 1 of the third quarter. So how do you kind of think about the cadence of customer adoption and getting people into the store and obviously driving conversion?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

So what I would say is it's fairly quick. I think if you sort of, depending on how you write your models, if you're thinking it's sort of a 2- or 3-week lag, I think it's in the right kind of territory. But what's more encouraging is actually the repeat, so when they come in first time and then they come in again, whether that be online or in store. So we're expecting to see it continue as we go through quarter 3 rather than sort of a big peak of activity and then it tailing off. We've actually seen continuation over time, which is encouraging.

Steven Paul Forbes - *Guggenheim Securities, LLC, Research Division - Analyst*

And then maybe just a quick follow-up on the -- so you mentioned the strong cost controls during the prepared remarks. Can you expand on those drivers? And I think you mentioned incremental savings, right, in the back half of this year. So what should we focus in on? Is that -- I would imagine that's a mixture of things, right, reducing store labor hours, maybe mix of full-time, part-time, just G&A, overhead control. Is there any one driver? Or what's the main focus there? And what's the incremental back half cost control opportunities?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

And I will tell you, all the initiatives that we're focused on are noncustomer facing. In the categories that you provided, we are not necessarily looking to address the payroll in the stores. This is more of a corporate office DC initiative, and we brought in a consultant to help us identify particular cost savings. This is across all areas of the business. But it's going to be things that will focus on the back office and some of our infrastructure and fundamental areas like that, that we expect to see in the second half when we finish this initiative.

Operator

And the next question comes from the line of Cristina Fernández with Telsey Advisory Group.

Cristina Fernández - *Telsey Advisory Group LLC - Director & Senior Research Analyst*

I wanted to see if you can share some color around categories for the quarter, which -- what performed best, if any, and particularly interested in some of your core categories like the core versus furniture. It seems like you guys were pretty promotional in furniture during the quarter.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Cristina, I am -- to be honest, there were much of a muchness. We did see huge variability between categories. The common theme was certain products did well, and then we had a chunk of inventory that needed to be dealt with. And whilst we saw a little bit of variability, it wasn't something that was material in terms of difference between them. I think the real question and the real sort of focus for us is as we go into quarter 3, the sort of level of growth we get, we expect to see more growth in categories like decor, wall art, small items in wall art, decorative accessories, textiles than we do necessarily in some of the bigger ticket items.

Cristina Fernández - *Telsey Advisory Group LLC - Director & Senior Research Analyst*

And then as a follow-up, how should we think about inventory during the year? Should we expect another large decline in the second quarter and see inventory build as the year progresses and new inventory flows in?

Nancy A. Walsh - *Pier 1 Imports, Inc. - EVP & CFO*

We're not going to provide specifics on that. But as we've mentioned before, we are looking to streamline the inventory that we're not going to go forward with over the first half of the year and prepare ourselves to bring in the newness as we relaunch the brand in August. So there's a natural ebb and flow of the inventory that we will expect by the end of the year. We've talked before about a 3.5% year-over-year decline.

Operator

(Operator Instructions) And the next question comes from the line of Simeon Gutman with Morgan Stanley.

Joshua Kamboj - *Morgan Stanley, Research Division - Research Associate*

This is Josh Kamboj on for Simeon Gutman. Looking forward to when you get all the way through your pricing reset, what percentage of products do you think will be in the good, better and best categories?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Josh, I think that's a perfectly reasonable question to ask. It's also one I'm not prepared to answer. I think we expect the majority of our business to sit in the better category. But for specific percentages of one versus another, I wouldn't want to put that information out, primarily for competitive reasons. Sorry, I was going to say but we do see ourselves, the majority of it sitting in that better.

Joshua Kamboj - *Morgan Stanley, Research Division - Research Associate*

That's helpful. And then as follow-on, just assuming the pricing reset involves sourcing sort of lower-quality furniture as a starting point, which may be a question in itself, how do you manage the narrative to ensure it doesn't become one of -- Pier now has lower prices, but its products are lower quality than they used to be, which could stunt demand that you hope to see come back.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Well, I think the way I would answer that question is I believe we've taken a very measured approach to developing this entire plan. There were certainly some that wanted us to do it faster. But what we've been doing is looking at the specifics of what we needed to do by category and to understand from a customer perspective the things that were really important for them category by category, both in terms of price but also in terms of quality. And what we've been trying to do is to improve the overall value perspective that customers have in those categories. Now in some instances, that's just the case of making it clearer to her what the quality is that's in an item. But in a number of other categories, it could be a case for those that quality is not valued, and therefore we shouldn't build in the cost related to that. I think the example I gave at the Analyst Day was we have got some chairs that have very different weight tests to them than other chairs. If a customer doesn't value that, it builds in a ton of cost that we could choose to remove, which should have no material impact on the customer's perception of quality at all, but they'll get a much better value as a result because the price comes down. So part of the reason why we've taken our time over this is to ensure that we are looking at it category by category and taking the right actions. And I certainly do not want to be in a place where our brand is perceived as suddenly go to cheap and cheerful from where it's been. So we're guiding against that.

Joshua Kamboj - *Morgan Stanley, Research Division - Research Associate*

That's very helpful. And then just to sneak one last one. Did you share your e-commerce penetration with the quarter? I apologize if I missed it?

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

We don't -- we didn't. We made the point that as we are an omnichannel business and move more and more towards that view of the world, we actually will just start reporting our business as a whole because our customer doesn't separate the 2 out in the way she thinks about us. So we didn't split it out.

Operator

And I'm showing no further questions. I would now like to turn the call back over to management for any further remarks.

Alasdair B. James - *Pier 1 Imports, Inc. - President, CEO & Director*

Thank you guys for joining us. I really appreciate it. We're 1 quarter into a 3-year plan. So we remain focused on the execution elements that we need to deliver over the next quarter, and I look forward to coming back with Nancy and talking to you all in approximately 12 weeks' time.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes your program. You may all disconnect. Everyone, have a great day.
