



# CEOCFO

## Interviews & News!

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### Not content with just being number one in the industry with the most well-known brand name, Tandy Leather Factory continues to open new stores and build on their growth strategy



Consumer Cyclical  
Apparel/Accessories  
(TLF-AMEX)

Tandy Leather Factory Inc.

3847 East Loop 820 South  
Ft. Worth, TX 76119  
Phone: 817-496-4414



**Ms. Shannon L. Greene**  
Chief Financial Officer

#### BIO:

**Shannon L. Greene** has served as Chief Financial Officer and Treasurer of the Company since May 2000. She was appointed to serve on the Board of Directors in January 2001. Ms. Greene served as the Company's Controller and Assistant Controller since September 1997. Ms. Greene received a Bachelor of Account-

tancy from New Mexico State University in 1987 and was licensed as a Certified Public Accountant (CPA) in 1991. Her professional affiliations include the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and its Fort Worth chapter, the Fort Worth Association of Financial Professionals, Financial Executives International, and the National Investor Relations Institute.

#### Company Profile:

**Tandy Leather Factory, Inc. ("TLF")**, founded in 1980, is the world's largest retailer and wholesale distributor of leather and leathercraft-related items. Its product lines consist of leather, leather-working tools, buckles and adornments for belts, leather dyes and finishes, saddle and tack hardware, do-it-yourself craft kits, suede lace, and instructional materials specifically dedicated to the art of leathercraft. Its North American distribution network consists of 30 Leather Factory stores, targeting the wholesale customer, and 70 Tandy Leather stores, focusing on the retail market. It also sells products via mail/telephone/Website orders.

Tandy Leather Factory frequently introduces new products either through its own manufacturing capability or by purchasing from vendors. The Company holds a substantial number of copyrights for its designs, which have been incorporated throughout its product line. There are approximately 2,600 items in the current product line, which are sold to hobbyists, retailers, wholesalers, and manufacturers.

Tandy Leather Factory welcomes anyone with an interest in leather and leathercraft, whether it's a hobby or a way-of-life, to think of Tandy Leather Factory as "your one-stop source" for leather and supplies. The Company offers its customers 100% satisfaction, the lowest possible prices on every item, plus wholesale and manufacturing options, the broadest leather and leathercraft line found anywhere and orders that generally ship within 24-48 hours.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Ms. Greene, Tandy Leather Factory has a new CEO; is there a change in vision?

**Ms. Greene:** "Ron Morgan, our President and COO, was promoted to CEO as of January 1, 2007. Ron is a co-founder of our company with Wray Thompson, our previous CEO, and they have jointly shared the responsibility of running the company. Ron was the logical person to move into the CEO role at the point in time Wray wanted to retire. Frankly, it was really just a change in title. There were no changes in our long-term goals, vision or strategy."

**CEOCFO:** Please tell us about the latest stores you have opened and where they fit into the grand plan.

**Ms. Greene:** "We are continuing to open the retail stores, operating under the name of Tandy Leather. We have opened eight of an expected twelve stores so far this year: Boston, MA, Allentown, PA, Cincinnati, OH, Ventura, CA, Columbia, SC, Knoxville, TN, Rapid City, SD, and

Halifax, Nova Scotia. These are just the next ones on the list in terms of our expanding footprint of retail stores in the U.S. and Canada.”

**CEO CFO:** What is the strategy you are working on?

**Ms. Greene:** “We are opening Tandy Leather retail stores. We began in 2002 with no stores. Our plan right now is to open a total of 100-120 retail stores at a pace of 12 stores per year. With the opening of our Rapid City store this month, we currently have 70 stores in the United States and in Canada. We will open 4 more in 2007, for a total of 74 stores by the end of this year. Opening 12 stores per year, we expect we will be opening the last of our North American stores in 2010 or maybe 2011.”

**CEO CFO:** Is there some point where the number of stores makes a difference in how you are able to buy or offer products?

**Ms. Greene:** “Not really. Whether we have 60 stores or 100, it really doesn’t make that much difference because of each store’s size. In addition, we believe that we source well and are very aggressively buying product worldwide. Given that aggressiveness, adding a couple of stores isn’t going to have much impact on our negotiations with vendors on pricing.”

**CEO CFO:** What is new in the leather industry?

**Ms. Greene:** “There are always subtle changes in the tanning processes, consolidation of some players in the industry, etc. In our particular part of the industry, business is tough right now.”

**CEO CFO:** Why?

**Ms. Greene:** “I think part of it is the economy. Our business has been off all year, particularly on the wholesale side, and that is frustrating to us. Small businesses and manufacturers are struggling. We are seeing their cash tighten up. They are not buying as often or as much as they were before because their pockets are not deep enough. We are paying a lot more attention to collection of accounts, returned checks, etc. Whether the cause is

gas prices or the crazy weather we’ve had or what have you, there tends to be a focus on other things. It started for us in late December and early January and we have not been able to turn it around yet. The retail stores are doing pretty well. They sell to a different customer group so they don’t seem to be impacted to the same degree as our wholesale stores. In our experience, there are periods during which business just walks in the door without much effort on our part. Then there are times where we work hard and don’t seem to get the production and the performance that we want. That seems to be where we are now. We believe it will correct itself though. We just have to stay focused on the things that we know will pay off and stay patient.”

**CEO CFO:** Are there products other than leather that you may want to pick up on to counteract some of the leather situation?

**“I believe the potential of our company is solid. We are the largest company in our niche industry and we have the most well-known brand name. We have a conservative management team and we have a very focused strategy. In addition, we have executed well on that strategy for the last five or six years, and I believe we will continue to execute successfully.”**

**- Ms. Shannon L. Greene**

**Ms. Greene:** “Sales are a little weak for us so far this year and it’s not just in leather. In terms of new products, the answer is yes and no. We bring new products into the line periodically – usually a variation on something else we have offered, like a do-it-yourself kit in a different style. In terms of a brand new product line, we look at trends and fads and include or begin to develop products that would complement our current product offerings. However, we don’t venture too far from what we consider traditional leather craft. Our experience is that if you branch out too far, you wind up with a whole other set of problems. We turn over roughly 10% of our line every year by eliminating certain items and adding new ones. With all of that said, leather sales are a very important part of our business as additional sales are generated when we sell leather to a customer.”

**CEO CFO:** There are interesting and quite beautiful free patterns on your website. Would you tell us more?

**Ms. Greene:** “We have a library of patterns. Some have been developed internally by some of our personnel who are very proficient leather crafters. Others are just the accumulation of years and years of customer interaction and relationships. There are different techniques to developing patterns. We offer several patterns for a while and then we take those out and add something else. We have a couple people who continuously develop new patterns to keep a fresh look to everything. The customers seem to really like the patterns as it gives them something to work on and develop their skills. It is a very popular section on our website.”

**CEO CFO:** Please tell us about your environmentally friendly, ‘Eco-Flo™’.

**Ms. Greene:** “Due to concerns about global warming and the effect on the ozone, states are setting tougher standards regarding the recipes of liquids. We have been redeveloping our liquids in order to comply with states that have the most rigorous environmental standards. As a result, we have introduced our Eco-Flo™ line of liquids, which is ecologically friendly and VOC (volatile organic compounds) compliant. Acceptance from customers of the new line has been good so far.”

**CEO CFO:** You mentioned sourcing. Are there new sources for you; does leather ebb and flow?

**Ms. Greene:** “We are familiar with the majority of leather producers and tanneries worldwide. Smaller tanneries are more susceptible to going out of business when environment requirements change as they aren’t able to adapt or change their tanning processes quickly. We have strong relationships with a majority of veg tanners and many of the chrome tanners around the world. Buying from one tannery versus another is generally just a matter of what leather they are producing compared to what leather we are buying and at what price.”

**CEO CFO:** Safe, steady and familiar, leads to continued success!

**Ms. Greene:** “We have said for a long time that we know our business, industry and our craft. We think we are good at it, good at managing, developing and promoting the craft and creating more customers. Our track record of getting into quasi-related businesses or products is not good, so we tend to stick with what we know. We believe we are the best at what we do. It is something we have been doing for a very long time and we are familiar with it.”

**CEO CFO:** What is the financial picture at Tandy today?

**Ms. Greene:** “The financial picture is good. We have cash in the bank, no debt; total assets are in the low \$30 million, the largest portion being in inventory. We are profitable, although as we talked about earlier, sales have been weaker this year than what we have been used to. We are running flat to low percentage sales gains on a consolidated basis. Sales are not where we would like them to be and as a result I think earnings are not going to grow at the levels that we have been used to over the last couple of years. We are spoiled by some rather healthy revenue gains and earnings growth. We are strug-

gling with that this year for the first time in a while. We will be profitable, but the earnings growth may not be at the levels we would like.”

**CEO CFO:** How is the website sales area working for you?

**Ms. Greene:** “Our internet business is growing, comprising 8 to 10% of our total revenue. Our overall internet business will never be a huge part of our business, but it certainly helps. We generally receive 100 to 200 orders a day. The average purchase varies depending on what is being ordered. We are building our database of on-line customers and it continues to grow.”

**CEO CFO:** You work with many different organizations to promote leather craft; is there a segment you would like to do more with?

**Ms. Greene:** “We should be doing more with the older population. Baby boomers are retiring between now and 2013 or so. While we have been and will continue to be focused on youth groups because that is a good way to develop a customer for the long-term, there are certainly opportunities for us to do more work with the aging population. As people retire, they will be looking for something to do.

Leather craft is a certainly an option. We have received good response from the efforts we’ve made so far to this potential customer group and believe there’s good opportunity for additional customer development in this area.”

**CEO CFO:** Why should potential investors be interested now?

**Ms. Greene:** “I believe the potential of our company is solid. We are the largest company in our niche industry and we have the most well-known brand name. We have a conservative management team and we have a very focused strategy. In addition, we have executed well on that strategy for the last five or six years, and I believe we will continue to execute successfully. I would emphasize to investors to think long term when looking at our company. There’s a lag between the efforts we put forth today and when those efforts pay off in terms of customers and revenue. If you are a short-term investor, looking quarter-to-quarter or month-to-month, you’re probably not going to be happy with us from an investment standpoint. If you think over the next several years the potential that we have to continue to expand and the conservative approach to that expansion, I think it can be a nice fit for someone’s portfolio.”



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