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Interviews & News!

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2008 Has Seen International Expansion For Tandy Leather Factory With Their New Store In The United Kingdom Doing Very Well, Even In These Slower Economic Times Affecting All Retailers



**Consumer Goods
Textile – Apparel Footwear
& Accessories
(TLF-AMEX)**

Tandy Leather Factory, Inc.

**1900 Southeast Loop 820
Ft. Worth, TX 76140
Phone: 817-872-3200**



**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 Accountancy 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. Ms. Greene sits on the Board of Directors of the US Chamber of Commerce and is a member of the Chamber's Corporate Leadership Advisory Council.

Company Profile:

Tandy Leather Factory, Inc., (TLF-AMEX), headquartered in Fort Worth, Texas, is a specialty retailer and wholesale distributor of a broad product line including leather, leatherworking tools, buckles and adornments for belts, leather dyes and finishes, saddle and tack hardware, and do-it-yourself kits. The Company distributes its products through its 29 Leather Factory stores, located in 19 states and 3 Canadian provinces, 72 Tandy Leather retail stores, located in 34 states and 5 Canadian provinces, one combination wholesale/retail store located in the United Kingdom, and Mid-Continent Leather Sales, one store located in Oklahoma. Its common stock trades on the American Stock Exchange with the symbol "TLF."

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 2,800 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, what is the focus at Tandy today, and how has it changed since we talked about a year ago?

Ms. Greene: "Our focus has not changed as our mission is to expose more people to leathercraft and turn them into lifelong customers. The thing that has changed since we talked last is that we have expanded outside of North America. Specifically, in February 2008, we opened a new store in the United Kingdom and we are very excited about that."

CEOCFO: How did you pick that location and where do you want to go from there?

Ms. Greene: "We have studied international opportunities for a while. Our focus

since 2000 has been the expansion of the Tandy Leather retail store chain in the US and Canada. We expected it to be fairly easy and it has been. Customer awareness of the brand certainly works to our advantage. But we have intentionally not attempted to develop the international market, other than product availability via our website, because we knew the domestic market would be easier to develop. We began looking at our international opportunities several years ago, which turned out to be good timing as the retail environment in the US and the economy overall has slowed down so much. Frankly, we picked the UK as our starting point for several reasons. First, the UK market was a successful market for Tandy years ago when the old Tandy company had stores there. Secondly, the language wasn't going to be problem so we could quickly learn how to set up a business there and also easily get to know the customers and their preferences. Thirdly, having a local presence in the UK gives us better access to the European market, which is another strong market for us. As we continue to expand into foreign countries, we will have to learn the nuances of doing business in those countries so we wanted to have a successful experience the first time out."

CEOFCO: What is the competitive landscape internationally?

Ms. Greene: "It is very similar to that of the US for us which is virtually no head-to-head competition. We know of no other company worldwide that does exactly what we do and certainly no one has the brand name that we have. Other companies sell sections of our product line – leather, hardware, etc. But so far, the concept of having it all together in one place is somewhat unique to us."

CEOFCO: How do you get the right people for your international growth?

Ms. Greene: "We have been very fortunate having the right person to get our UK store up and running. The president of our Canadian operation, John McNiven, agreed to move to the UK at the beginning of 2008 and spend a year

there. John was the president of Tandy Canada before we purchased Tandy Leather Company and joined our team more than 10 years ago. He has an incredible amount of experience and a proven record of success. So in a sense, we moved a part of our management team over there to ensure that the UK store was set up and managed to match our philosophy here. And I have to add that, as we expected, he has not let us down. We are very spoiled, knowing that John is there taking care of things.

We don't expect the process to be as easy for the next foreign store opening. We have to develop someone internally or find a person who can learn our philosophies and management style very quickly. In either case, he will have to be willing

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to move to a foreign country for a lengthy period of time. Initially, that sounds very exciting, but I think the reality is that most people are not as willing to uproot their families, move to a foreign country, and learn the language, etc. as you might think. The other option would be to find someone locally, but the potential disadvantage for us with that scenario is that they don't really know our business, management style, philosophies, etc. I suspect it would be very difficult to control an operation in Australia, for example, from the US unless we have a person on the ground there who thinks like we do. All companies looking at global expansion deal with this issue and we will not be an exception."

CEOFCO: What are the intangibles in how you run your business; what is your philosophy that is so important for Tandy?

Ms. Greene: "The name is extremely important. Tandy has the reputation of

high customer service and very traditional conservative philosophies in terms of the way business is conducted. The product line is another one. Tandy is known for its commitment to maintaining a product line dedicated to leathercraft. Customers also expect the quality of the products offered by Tandy to be better than that of other companies. In thinking about international expansion, it is important that a Tandy Leather store in Japan, for example, be consistent in those intangibles in the US. Our concern is being able to monitor and control that with the geographical distance between the two. We have worked hard to develop and maintain Tandy's reputation and we certainly don't want to lose that in a foreign operation. That is one of the reasons we haven't considered franchising. We

want to protect Tandy's reputation and that is easier to do with company-owned and managed stores. But even with that, the more distance between the "control center" (which would be Fort Worth for us) and the stores, the more difficult it is to control what goes on in the stores."

CEOFCO: Are your customers changing, and do you see any new trends in the future?

Ms. Greene: "Not really, although I suppose our customer base is somewhat cyclical. Leathercraft is a fairly inexpensive activity and most people catch on quickly. And it can be a life-long hobby. As it goes, we work to get leathercraft projects into the hands of children through organizations like 4-H, Boy and Girl Scouts, YMCA's, and various summer camps. We also work through the school systems where we can. Hopefully, the kids like it and want to learn more. As they get older, they develop more skills. So the next thing you know, that child is now a young adult making wallets or purses for friends and family. Then he's taking his kids to the Tandy store on Saturdays to buy more leather. Then as a retiree, he is sitting at the kitchen table with a grandchild watching him tool leather. The cycle happens over and over again. The key for us is to continue to show one more person the art of leathercraft. That's how customers are devel-

oped and what keeps out business growing.”

CEO CFO: It seems that when people leathercrafting, they really like it!

Ms. Greene: “They do! And it is somewhat surprising really, given that it’s not one of the more popular crafts. It tends to be different than a lot of the other crafts that are more trendy or faddish. If you get hooked on leathercraft, it can be a lifetime hobby appropriate for any age. The reason people stop doing leathercraft as they get older, and we hear it all the time, is “my eyesight just isn’t good enough anymore.” We have customers who have been doing leather work for more than half a century and are still having a really good time with it.”

CEO CFO: It has been tough economic times for many people; how has Tandy fared?

Ms. Greene: “We are struggling for sales and fighting for every dollar that we can get. Sales are very soft. With that said, we are doing a lot better than some of the other retail companies out there as evidenced by the number of bankruptcies lately. Our financial position is solid. Our balance sheet is very strong. We are a conservative management team and we get beat up for that at times. But in environments like we are in now, we are moving forward and will continue to do so cautiously and conservatively. We will get through this and still be here when this difficult business cycle is over. Regardless, it is still tough as our sales are disappointing to us. I think it is harder to deal with internally because we had a number of year of strong revenue and earnings growth as a result of the Tandy store openings over the last five or six years. Then it seemed like we ran into a wall late in 2007 and of course, everyone knows what 2008 has been like as far as

consumer spending and the economic environment overall. It’s been a difficult pill to swallow. But we are profitable and we have excess cash and a really good balance sheet, so I think we are positioned well to get through this with success. We opened the UK store despite the economic indicators because we didn’t want to adopt the attitude of “hunker down and wait for everything to blow over”. We believe we can grow if we are careful, even in this economy.”

CEO CFO: But you can’t control everything!

Ms. Greene: “You’re absolutely right! And it’s unfortunate that Wall Street doesn’t always seem to understand that. One of the things that we talk about is how bad things must be when people are spending their tax rebate checks on groceries and gas. That tells us that regardless of what the economic reality is, consumer perception is that things are bad. That perception on the part of the consumer makes it very difficult to convince him to buy a product that he doesn’t need. And that is what we sell – a product that people don’t need to survive.”

CEO CFO: This is the time when your conservative philosophy and your tried and true methods really stand out!

Ms. Greene: “Absolutely! And the thing that I try to emphasize to people is that the potential of this business is not any different today than it was five years ago. And back then, most people who looked at our company thought we had enormous potential. New customers are still out there waiting to be developed. Yes, our sales are soft – not because people have lost interest in leathercraft but as a direct result of what is going on economically across the country and around the globe, for that matter.

We will continue to do the things we have done for years that make this business work and eventually, we will be rewarded for it. This is just not the year and 2009 probably won’t be either. We will continue to invest in potential customers to grow our base by convincing them why they want to do leathercraft.

Our conservative management style has paid off for us as we have more cash than we ever have in the history of our company, with very little debt. I think that is a good position to be in and we will continue to operate that way. As a result, the farthest thought from our minds is whether or not we will be able to keep the doors open. I wish that was true for some of the retailers who have made headlines recently with their bankruptcy filings.”

CEO CFO: In closing, what might you want to add as to why investors should look at Tandy today?

Ms. Greene: “Tandy Leather Factory’s history proves that it is a solid, well-managed company. We have proven long-term that we know how to run this business and that we are the experts in this industry. I acknowledge that our income statement is not where we want it to be right now and that is reflected in our stock price. I also understand that this is retail and some people don’t like retail stocks because of their volatility. However, our potential is still as good as it ever was, and I think we are doing a pretty good job given the economic challenges we face. Our management team is experienced, cash is king, and our balance sheet is in great shape. We are doing what we have always done to develop customers despite the current economy because we know it will pay off for us in the long run.”



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