

A Matter of Principle

David Green
 Founder and CEO
 Hobby Lobby Stores

HEADQUARTERS	Oklahoma City, Okla.
ANNUAL REVENUE	\$2 billion (2008 est.)
TYPE OF BUSINESS	Retailer of arts and crafts items
NUMBER OF STORES	418

Hobby Lobby has marched to the beat of its own drum since it was founded by David Green in 1972. Early on, Green made the decision to close the stores on Sunday, believing that his family-oriented associates, like him, would be enriched by having that day off.

Green's latest announcement, in mid-April, that Hobby Lobby would raise the salary of all full-time employees making under \$13 per hour, as well as establish a \$10 minimum wage rate for full-timers, was regarded by many as a unique, and unexpected response to a tightened economy. But to Green, it was simply business as usual.

"We are just servants, here to serve the stores," he said. "And we have a servant's heart."

At the highest level of the company, which Green said is operated according to biblical principles, there is as deep and abiding a loyalty to the employee as to the customer.

"We feel we have as big an obligation to serve our employees as to serve our customers," Green said. "And when we serve our employees well, we actually can serve our customers better."

Customers and employees alike have responded positively to Green's philosophies. Hobby Lobby, whose departments range from crafts and hobbies to cards and party, has been virtually unscathed by an economy that has decimated other chains. The retailer is recording 5% same-store sales increases and is on track to open 25 new stores in 2009. Senior editor Katherine Field talked with Green about his views on service, his dedication to staff and his leadership style.



What prompted your announcement in mid-April that Hobby Lobby would raise full-time pay as well as establish a \$10 minimum wage rate for full-timers?

There were a couple of motivations for the move. First, we really felt it was the right thing to do. Many of our employees work two jobs and are single mothers. So doing the right thing for them was the biggest driver for our decision.

But also we want to retain our people. We have been focused on trying to build the very best teams that we possibly can in our 400-plus stores. Toward that end we have hired an additional eight recruiters, charging them with finding the very best managers for our stores. And, within the last 12 months, we have gone to a five-day workweek for our managers.

Besides closing the stores on Sunday, we also shut down at 8:00 p.m. on the other days, which puts us at 66 work hours a week. I'm pretty sure we're the only \$2 billion company that operates on a 66-hour week.

Service has been a hallmark of Hobby Lobby stores. Do you anticipate that the company's overt support of its employees will underscore the level of service?

There's no question about it. It goes back to our motivation to retain our people. The employees you are able to retain long term are of much greater value than the larger number of people who are at minimum wage or close to minimum wage.

My philosophy has always been that I would rather have fewer people who have longevity and who are more valuable because they know how to answer all the thousands of questions that customers ask. I've never studied exact retention in our stores, but I know for sure that the pay raise is going to give us better retention, therefore better service.

Why do you think you have better weathered the economy than other retailers? Is it more the category, or your company specifically?

I will let you check with our competitors to see if it's the category. But seriously, I think we work as hard as anybody to be great merchants, and to try to provide the best service we can, which is to have what the customer wants. You can hold the customers' hands if you want, but if you don't have the merchandise they're seeking, then you haven't provided optimum service. Being a great merchant and having what the customer wants is where our emphasis is.

In what ways is Hobby Lobby a great merchant?

We have 70 buyers here, and we are focusing not on every category, but every subcategory. We have worked really hard,

and we have been blessed to have 5% same-store sales increases this year — and no one in our industry has that, by the way. So I can't necessarily say it's the category, but we just have tremendous buyers. We don't spread them too thin, and we make sure they have plenty of time to turn over every rock, because having fewer buyers is not the way to save money.

Despite the economy, is it still really business as usual at Hobby Lobby, or do you anticipate some upcoming tweaks?

We have absolutely zero long-term debt, and we are trying to open as many stores as we possibly can. The only reason we don't add more stores is because we haven't found that many good locations. We will add 25 stores this year, plus three or four Mardel stores, our Christian bookstore chain.

With our profitability, we pay for them as we go. And, today, with all of the empty buildings and lower rent costs, this is the best time that we could ever grow. While, by the end of 2009 we will have opened 25 new stores this year, we have the cash flow to open 35 or 45 — but this [real estate] is all we found that we thought was right for us.

One change we are making, however, is within the wall-decor



At Hobby Lobby, taking care of employees is as important as taking care of business.

and home-accents department. Over the next 24 months you will see a tremendous amount of change and improvement in that department.

What kinds of changes can we expect to see?

We used to push 100% of that department, but it's going to go to about a 70% pull and 30% push. That's a transitional process for us, because we always find out when we push something, the best sellers are out of stock quickly, and then you're sitting there with what doesn't sell. So this

will transition from just throwing it into the stores and seeing what sticks to having a tremendous selection, whether it is the mirror department, or the clocks, or knobs and pulls.

How would you describe your leadership style?

I like to think my leadership style is to empower people — to empower them to do what they need to do, but with some oversight. You don't just delegate responsibility and walk away. But you make them feel ownership of their jobs and their responsibilities.

What are your hobbies?

My hobby is working at Hobby Lobby! I don't fish. I don't hunt. I don't golf. I just love to come to work.