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### The Exchange

# Justin Brands: Buffett-Owned, Texas-Proud

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*"All we have are these brands. I'm not going to be here forever. It's my job while I'm here to do everything I can to protect these brands." -- Jamie Morgan, president of Justin Brands*

When you walk into the headquarters of [Justin Brands](#) in Fort Worth, Texas, you're entering the American West.



Depending on your geographical perspective, you might see it otherwise. But there's no doubt whatsoever that the ethos, the state of mind that is the frontier, is at the core of everything this 134-year-old boot maker stands for.

A picture of silent Western movie star Tom Mix hangs on the wall. Images of former chairman John Justin Jr. are there, keeping an eye on

things. Cowboy boots are on display, and Justins are on the feet of the employees. Or they'd better be, if these people want to have a place to work tomorrow. This is explained by Justin's president, Jamie Morgan. He isn't smiling when he says it, but he's probably joking. Maybe.

The history of this company goes back to 1879, when H.J. Justin set up shop in Spanish Fort, Texas. In 2013, it's clear that the roughly thousand or so folks who make up the modern Justin Brands are expected to understand that they are temporary minders of something enduring and important, that they have inherited a responsibility to guard a precious item that can't be allowed to get damaged.

"We're real emphatic around here, telling each other, 'Remember now, we're just placeholders. Because there'll be another

generation behind us. There'll be another group that comes through," Morgan says. "And so it's our challenge, as stewards of these brands, to really make sure that we're passing along everything that we learned from the generations before us."

It's easy to be cynical and write this off as more corporate starry-eyed stuff about how much of a family everyone is and how this is a bigger thing than any one person. The hard part, when you're around Justin's leadership, is not taking it seriously. They aren't at all bashful about what they've got here, and it's fair to say that pride runs very deep on West Daggett Avenue.

### **Reputation is critical**

Justin Brands is owned by Berkshire Hathaway ([BRK-A](#)), having joined Warren Buffett's Omaha-based firm when he acquired [Justin Industries](#), which included Acme Brick, in 2000 for around \$600 million.



*Justin's distribution center in Fort Worth, Texas, Feb. 27, 2013. Photo: Chris Nichols*

Both Morgan and Herbert Beckwith, the chief financial officer, note that what is often said of Berkshire and Buffett -- that the subsidiary companies are left alone to operate as they best see fit -- is entirely accurate. Buffett, for instance, was invited to tour one of Justin's three U.S. factories, Morgan recalls. He wanted to know if there was a problem. Nothing of the sort, he was told -- only thought he might be interested. He let the Justin team know that, while he appreciated the offer, unless something was wrong, keep doing what you're doing.

**[Related: [Read Warren Buffett's annual letter](#), released Friday.]**

Justin is one of many well-known brands [Berkshire manages](#), operating alongside names such as Dairy Queen, Benjamin Moore, Geico and Fruit of the Loom. It's a big list, and it's little wonder Buffett wants companies that can run without him being hands-on every day. That approach, however, has its limits.

"He'll be 'relentlessly evil,' if you will, if you ruin the reputation of this business," Beckwith says. "So we're always on guard. All we hear is 'don't do anything that you don't want your mom or your kids or your family to read about.'"

John Justin Jr., the grandson of the company's founder, felt the same way, the executives say. His view was that he was willing to lose money, though never his name. He died in 2001 but is revered here still.

"You have management in place that was in place under the guidance of Mr. Justin, and all those folks had instilled in them brand heritage, integrity of the product [and] customer service, second to none," Morgan says. "I think that's why this brand has been as strong as it's been, as long as it's been."

### **Managing factories**

Today Justin Brands is made up of five lines: Justin, Tony Lama, Nocona, Chippewa and Justin Workboots. [Nocona](#), it should be noted, was founded as a separate company by H.J. Justin's daughter, "Miss Enid" Justin, after her brothers moved the company from its then-home in Nocona, Texas, to Fort Worth in 1925. It was acquired in 1981.

Prices range widely for a pair of Justin Brands' boots. A cursory Internet search will turn up anything from around \$69.99 to more than \$500. That can go even higher when especially exotic materials are used. The median price, Morgan says, is around \$180.

Justin manufactures about half of its wares in the United States, and it sources a similar amount from abroad in places like China, where, for instance, lower-priced working boots are made to the company's specifications and constructed. The U.S. plants generally produce the costlier varieties. Those American factories, two in Missouri and one in El Paso, have around 700 workers.

For Morgan, those domestic plants are a critical competitive advantage. While there isn't pressure to relocate them to cheaper parts of the world, ensuring that they're modern and operating in the best manner possible is a constant trial. At the moment, they seem secure residing on these shores, even if, from a purely profit-only perspective, they do cost.

"Could we close those factories and go somewhere else? Yeah, we could, but when that happens, we're going to be a marketing company," Morgan says. "We're not going to be a manufacturer anymore. And I will tell you that that would be severely challenged by the management group in place here today."

Justin no longer releases annual sales, though in 1999, the last fiscal year for which results are available, [revenue was \\$163 million](#). Sales "far surpass" that today, Morgan indicates. As with many companies, the post-financial crisis recession initially hit Justin, with 2009 being "a little bit of a slide back," according to Beckwith. However, since that year ended, sales are up 72%.

What drives it? Maybe it's Morgan's take. "There is absolutely something iconic about American cowboy boots," he says. "I

can't explain it. I've lived it all my life. I've watched people all over this world put on cowboy boots, and they change. Now, if I could figure out why they change, we'd all be gazillionaires."

Justin, of course, isn't the only boot maker. It competes against Ariat, Wolverine World Wide ([WWW](#)) and Red Wing, among others. They always bear watching, though Morgan says he doesn't obsess over what those other companies are doing.

"I could stay awake every night [worrying], never sleep," he says. "I mean I literally could, but I guess, at the end of the day, you've got a team of folks that you're a part of, and you know that we'll find a solution. So you have to have enough confidence in the folks that you stay with every day that we, together, collectively, we will find solutions."

### **Keeping account**

Justin sells to a network of some 5,000 retailers -- large chains, rural mom-and-pop shops and online -- which in turn sell the boots to customers. The company has outlet stores for factory mistakes and discontinued lines, but the deal it has with those merchants is that Justin will make the boots, and they sell them.

"We're a manufacturer," Morgan says. "That's really what we do. It really wouldn't be fair for us to be in competition with them."

Beckwith notes that some of these agreements go back decades, another key aspect for the company. "We actually have some accounts that we've done business with now for 70 to 90 years," he says. "We're in that second, third, fourth generation, and we value those people because they're good accounts, and they've always been there with us."

Prospects who want to carry the company's products do sometimes get turned down. That's because if you're going to sell Justins, you're going to be thoroughly vetted -- if you want to be associated with the product, you'd better fit the bill.

"If you don't believe anything else in life," Morgan says, "you believe that."

Fort Worth likes to say it's where the West begins. Having Justin Brands there bolsters the case. And that, you can be sure, is not a campfire tale.

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