

EXCERPTS OF RECENT MEDIA COVERAGE

# RETAIL AND CONSUMER PRODUCTS PRACTICE

## A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q3 2014

### ► WALL STREET JOURNAL

#### FOOD, BEVERAGE DEAL MULTIPLES HEAT UP

By Lillian Rizzo

Exploding deal multiples in the food and beverage sector may help explain why private equity firms have curbed their deal activity in the space...

As Private Equity Beat wrote last week, strategic acquirers have been especially active in the food and beverage sector, while buyout shops stepped back a bit...

"Most of these big deals have been the strategic buyers, which justifies paying the higher multiples, but it really begs the question: What is left for the financial



buyers to compete with?" said **Rick Schreiber, partner in the Manufacturing & Distribution and Retail & Consumer Products practices at BDO USA LLP.**

### ► CHICAGO TRIBUNE

#### RESALE IS HOT FOR BACK TO SCHOOL

By Alexia Elajalde-Ruiz

Thrift and consignment stores were among the rare winners during the recession as shoppers pinched pennies, but even as the



economy improves, the value-conscious mindset persists, business owners and industry watchers say...

"Under normal circumstances, you would say that an

increase of consumer confidence in the economy would decrease the amount of shopping done here, but at the same time, there's been a shift in the consumer's way of thinking," said **Ted Vaughan, a Dallas-based partner in the Retail & Consumer Products practice at accounting firm BDO.** "If they've already made their first buy and are comfortable with the process and the quality of clothing, it starts to take hold, and it's not just a last option..."

Rather than steal business, the new online players are peacefully coexisting with bricks-and-mortar resale shops, BDO's Vaughan said. Many people still prefer to touch and feel merchandise, particularly when it's used, he said...

It feels particularly normal among younger generations, Vaughan said, because they have grown up in a tight economy with budgets top of mind.



BDO has been a valued business advisor to retail and consumer product companies for more than 100 years. The Retail & Consumer Products Practice of BDO works with a wide variety of retail and consumer-oriented clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, providing a myriad of accounting, tax and other financial services.

## ► DOW JONES PRIVATE EQUITY ANALYST

### LBO FOCUS: TEEN RETAIL – A FAD FOR CONSUMERS, AN INVESTING STAPLE FOR PRIVATE EQUITY

By Lillian Rizzo

Yesterday's teen fashion trends are producing today's private equity targets.

A shrinking U.S. teen population, decreased mall traffic and competition from electronics and athletic apparel have all squeezed profit margins at teen retailers, driving down revenue and same-store sales, according to several analysts focused on the sector. However, a handful of private equity



investors are providing much needed capital to these companies in turnaround deals, say Robert Plaza, senior equity analyst at Key PrivateBank, and **Al Ferrara, head of BDO USA LLP's Retail & Consumer Products practice...**

Low valuations amid a pricey deal environment make such investments attractive to private equity, although they come with their share of risks and operational challenges.

## ► FIERCE RETAIL

### LABOR DAY OUTLOOK SOFT, BUT POSITIVE

By Jacqueline Renfrow

Labor Day is an increasingly important sales weekend for many in the retail industry, marked by summer-ending sales, back-to-school pushes and a foray into the holiday season...

What could ultimately affect the weekend sales? Weather. "It's the last week of summer and everyone prays for rain," said **Al Ferrara, partner and national Retail & Consumer Products practice leader at BDO USA.**

Rain means consumers are leaving the beaches, distancing themselves from their

pools and backyard grilling, and, ultimately, spending money. However, Ferrara said that even if the forecasts are sunny, closing more sales isn't a lost cause and retailers can make up for the disadvantage...

"If we look at retailers and what's happening, the forecasts for the first six months of the year were not spectacular," Ferrara said. "So they are setting expectations for the next half of the year real low." He added that America is "over-stored," meaning too many options, creating high margins and extreme pressures on many retailers—not to mention the addition of increased competition from e-commerce...

Ferrara ultimately expects sales to be as they were for the quarter, up 2 or 3 percent from Labor Day weekend last year. "The days of mature retailers experiencing double-digit growth are over," he said. "Labor day will be fine, modest growth, long past major exceptional growth... The new norm has set in."

## ► RETAIL TOUCHPOINTS

### HOLIDAY PLANNING HEATS UP AS SUMMER SETS IN

By Debbie Hauss

The retail industry is gearing up for another competitive holiday season in 2014, facing another compressed calendar and data breaches fresh on everyone's minds...

It's now the expectation among most consumers: Retailers must provide a consistent brand experience across all channels. If a shopper begins the purchase process at home on a PC, she expects the store associate to be aware of that activity when she walks into the store.

"Retailers understand that to move their business forward, their success during the most crucial time of the year depends heavily on their ability to build and execute fully integrated omnichannel offerings,"



said **Natalie Kotlyar, partner in the Retail & Consumer Products practice at BDO USA.** "As companies gear up for the 2014 holiday season, optimized omnichannel strategy

## CONTACT:

DAVID BERLINER, New York  
212-885-8347 / dberliner@bdo.com

AL FERRARA, New York  
212-885-8000 / aferrara@bdo.com

RANDY FRISCHER, New York  
212-885-8445 / rfrischer@bdo.com

DOUGLAS HART, San Francisco  
415-397-7900 / dhart@bdo.com

NATALIE KOTLYAR, New York  
212-885-8035 / nkotlyar@bdo.com

ISSY KOTTON, Los Angeles  
310-557-0300 / ikotton@bdo.com

RICK SCHREIBER, Nashville  
615-493-5641 / rschreiber@bdo.com

ALAN SELLITTI, New York  
212-885-8599 / asellitti@bdo.com

TED VAUGHAN, Dallas  
214-969-7007 / tvaughan@bdo.com

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is critical. While retailers focus on making their multiple platforms secure, robust and seamless, they should also be building off last year's success stories, particularly around mobile and social media." She added: "Many retailers will be playing catch up if they are not already enhancing their capabilities and platforms."