



EXCERPTS OF RECENT MEDIA COVERAGE

# RETAIL AND CONSUMER PRODUCTS PRACTICE

## A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q2 2014

### ► WALL STREET JOURNAL

#### RETAILERS' TOP WORRIES IN 2014: INTEREST RATES, SECURITY BREACHES, MINIMUM WAGE

By Andria Cheng

Target Corp.'s nasty security breach. Investors fretting over interest rates. The national debate on whether to hike the minimum wage...

In its eighth annual study of the risk factors cited in the 10-K annual filings by the 100 largest publicly traded U.S. retailers, accounting and consulting firm BDO USA found that for the first time in the study's history, the interest rate has jumped to the No. 1 economic risk for U.S. retailers, overtaking unemployment or fuel prices.



Higher interest rates are a double-edged sword for retailers, according to **Doug Hart, partner in the Retail & Consumer Products practice at BDO.**

For one, higher rates translate to higher mortgage costs and student loan payments, things that could hurt consumer spending. It also increases retailers' borrowing costs. Most retailers rely on some form of debt financing, Hart said.

While many retailers have remained on the sidelines on the minimum wage issue despite Obama publicly "rewarding" Gap for its decision to raise hourly workers' pay, it's a key concern of retailers. Labor issues, including health coverage and unions, were cited by 91% of retailers as a business risk, up from 74% in 2009, the study showed. Retailers also are worried about increased staff turnover as the job market improves.

### ► FORBES

#### BUILDING VS. BUYING: WHAT'S BEHIND RETAIL M&A?

By Greg Petro

Anyone paying attention to the retail industry lately has been seeing the constant stream of merger and acquisition news, and it's only expected to increase. In fact, nearly all retail CFOs (96 percent) expect M&A activity to accelerate or remain the same in 2014 compared to 2013's very strong year for deals, according to a recent **BDO USA, LLP survey**...

In the BDO USA survey, CFOs indicate that consolidation, strong competition and a need to increase market share are the driving forces behind the increase in mergers. Retailers are under increasing pressure to grow their offerings and reach, and some are taking the faster route of buying versus building. All this while foot traffic in malls and stores across the country is down.



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.

## ► FORTUNE

### STUDY: LABOR CONCERNS VEX TOP RETAILERS

By Tom Huddleston

Labor issues, interest rates and security breaches are among the concerns keeping the top U.S. retailers awake at night.

That's according to professional services firm **BDO USA**, which released on Friday its eighth annual look at the top risk factors the 100 largest public traded U.S. retailers named in their most recent regulatory filings with SEC.

Concerns about workforce issues cracked the top-five risk factors for the first time, according to BDO, with 94% of retailers including that factor on their list of risks, up eight percentage points from last year's study. The study says the retail industry, which is the largest private sector employer in the U.S., is currently staring

at the possibility of a jump in labor costs if political leaders act on calls to increase the minimum wage...

Retailers also appeared to be increasingly worried about risks associated with sluggish economic growth, as the U.S. GDP grew by only 0.1% in the first quarter of 2014. The number of retailers who listed economic growth as a risk increased by 22 percentage points from the previous year, to 78%.

## ► LAW 360

### DATA BREACHES GROWING WORRY FOR RETAILERS, REPORT SAYS

By Jonathan Randles

Although concerns over the economy and government regulation remain at the top of U.S. retailers' minds, a growing number of companies are worried about potential

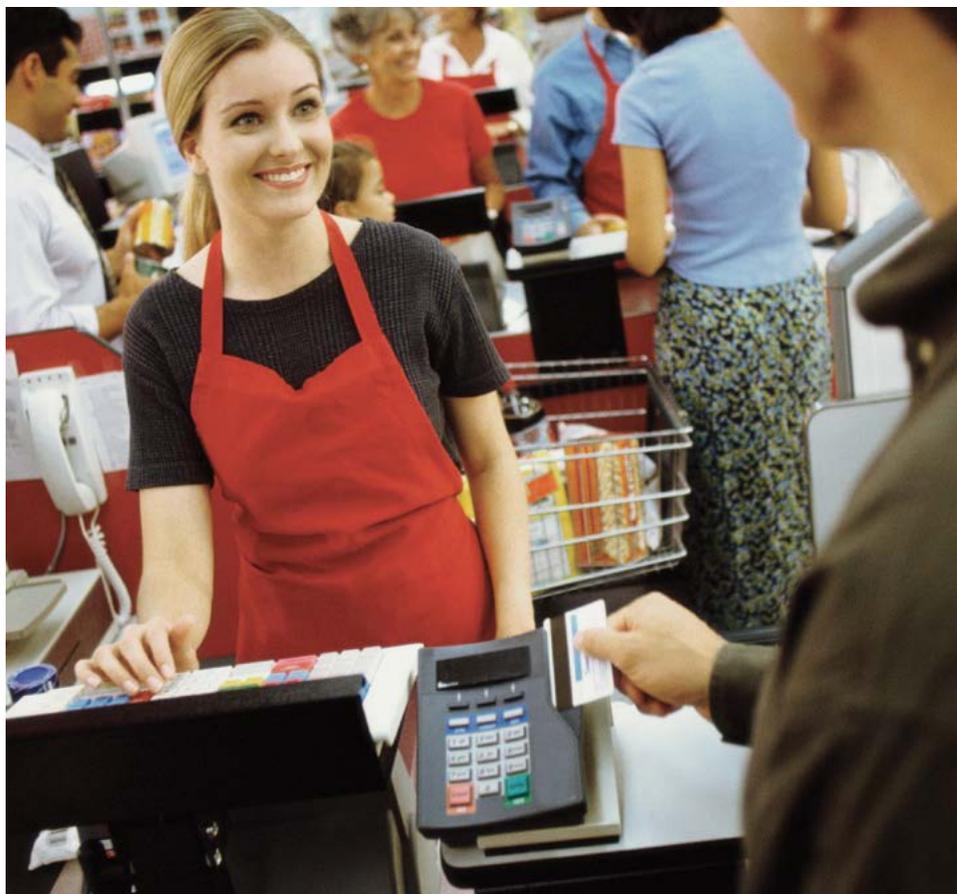
security breaches, according to a survey released Wednesday by consulting firm **BDO USA**.

An analysis of the regulatory filings of the 100 largest U.S. retailers revealed that 91 percent have cited risk factors related to security breaches, according to BDO. The number of retailers concerned over security breaches has increased in each of the last five years and jumped 45 percent since 2009, the survey says...

State and federal lawmakers have taken notice. Since December, several states including California, Florida and New Jersey have enacted, tweaked or proposed amendments to laws that lay out what businesses must do if they discover a breach that has compromised customers' personal data...

Lawmakers in California, the first state to enact a data breach law, introduced a bill in April that would make retailers responsible for customers' financial losses after a business data breach. That proposal comes less than a year after the state enacted a different set of changes to its data breach standard that expanded the definition of personal information to trigger notification if a user's login credentials are compromised.

The BDO survey was not all gloomy for retailers. Data showed that companies appear more ready to take advantage of higher levels of consumer confidence, BDO said. It was the eighth annual survey BDO has released analyzing perceived risks in the retail industry.



► **SOURCING JOURNAL ONLINE**

**OMNICHANNEL RETAIL BRIDGES THE GENDER DIVIDE**

By Tom Huddleston

The more things change among male and female shoppers, the more they stay the same. Men might be taking more of an interest in fashion than their dads did, but they still tend to shop on a need basis. And women might be busier than ever juggling work and home life, but they still find apparel shopping more fun than their male counterparts. Shrewd retailers are continually deciphering these differences to appeal to both groups in today's omnichannel world.



**BDO USA's Natalie Kotlyar, partner in the firm's Retail & Consumer Products practice,** says most women don't view apparel shopping as a chore, whereas men

do. So merchants would do well to inject a sense of fun into their shopping experience, from store layout to online offerings.

"For women, there's an enjoyment of shopping and it's a way to relax," Kotlyar says. "It's a non-sport pastime. They get to be with friends, spend time with one

another. Men are more intent on making their purchase and getting out. Even if they want to do their own shopping — which is a departure from the past when most men had their mother, wife, girlfriend or significant other do it for them — it's still a much more focused experience."...

Kotlyar points out that men have adapted as easily as women to buying online because it's hassle-free, open 24/7 and, among those who use social networking, it provides feedback on an item prior to purchase.

"That feeds into brand engagement for Millennials," she says, "and how critical it is for them to be engaged with social networking."

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