



EXCERPTS OF RECENT MEDIA COVERAGE

RETAIL AND CONSUMER PRODUCTS PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q1 2014

► MARKETWATCH

MOST RETAILERS ON SIDELINE DESPITE OBAMA'S NUDGE TO RAISE MINIMUM WAGE

By Andria Cheng

As Gap Inc.'s announcement on raising the minimum wage for about 65,000 workers has drawn praise from the White House, most retailers are still looking to play it safe, choosing to stay on the sidelines while watching the national debate play out...

According to a **BDO** survey of 100 leading retail-sector chief financial officers earlier this month, retailers are trying to balance an employee base that supports growth with increased regulatory burdens. The study said actual and potential regulatory changes, including the minimum-wage debate, may continue to impact retailers and their hiring plans this year. Meanwhile, the finance chiefs were split on whether average compensation per employee will increase this year, with 46% voting yes and 54% saying it will stay the same.

► WOMEN'S WEAR DAILY

RETAIL CFOs EXPECT STRONG 2014 SALES

By Arnold Karr

U.S. retailers' chief financial officers appear to have put the rough-and-tumble holiday season behind them and are expecting their firms' sales to gain 5.1 percent in 2014.

On average, they expect the gain in net sales to be accompanied by a 4.8 percent increase in comparable sales, according to **BDO USA's annual survey of retail CFOs**. Nearly two-thirds — 63 percent — include online sales in their comp projections...

While a majority — 56 percent — expect consumer confidence to increase during the course of the year, they continue to view the outlook for jobs as the biggest single impediment to increased confidence.

Nearly four in 10 respondents, 39 percent, cited unemployment as the top obstacle, followed by personal credit availability and debt levels, a distant second at 18 percent...

"While concerns remain about unemployment and financial market volatility due to the Fed's pullback, they appear to be offset by the housing-market recovery and less concern over Washington



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.



gridlock,” said **Doug Hart, partner in BDO's retail and consumer products practice.**

“Retailers are hoping that those factors will help boost consumer confidence in the

coming year.”

The 3.8 percent increase in holiday sales reported by the National Retail Federation matched the BDO estimate made last fall in its survey of chief marketing officers.

► MEDIAPOST MARKETING DAILY

CONSUMERS SOCKING AWAY TAX REFUNDS

By Sarah Mahoney

Retailers hoping to get a bit of a bump from people burning through their tax refunds may have to be patient: A new survey from the National Retail Federation reports that 46% of those expecting a refund this year intend to save the funds. That's somewhat more than the 44% who said they would do so last year, and a record high for the survey. About 67% of those polled say they anticipate a refund check from Uncle Sam.

That makes sense, “especially when you look at the way consumer debt has been rising a little, especially in December and January,” says **Doug Hart, partner in the retail and consumer products practice for BDO USA**, a consulting company that also tracks shopper trends. “So this may just be things normalizing a bit, and not a trend that will continue throughout the year. In fact, with the economy gaining a little momentum, consumers and retailers are somewhat more confident.”

The NRF, which conducted its survey with Prosper Insights, says 38% of consumers say they intend to use refund money to pay down some debt; 25% say they will need it for everyday expenses; 13% will spend it on a vacation and 11% will treat themselves.

Surprisingly, the youngest consumers are most enthusiastic about saving, with 58% of those between 18 and 24 planning to

save some cash, higher than any other group.

► RETAIL TOUCHPOINTS

RETAILERS LOOK ONWARD TO BIG DIGITAL GROWTH IN 2014



By **Al Ferrara**

Last year, as we reflected on our predictions for 2013, we identified one major development we expected to see: retailers would be conducting

a balancing act for growth that required them to capitalize on digital sales potential while simultaneously delivering on brand experiences that fully leveraged multiple channels. Effectively maintaining this balance, we predicted, would offer retailers an opportunistic avenue for top-line growth...

In line with our predictions, 2013 saw retailers investing in and adopting impressive technologies to optimize brick-and-mortar as part of their overall brand experience, but these increases are marginal compared to the growth in retail's digital movement. As BDO's 2013 Retail Compass Survey of CMOs discovered, retailers are focused in on e-commerce and m-commerce, and this trend shows no sign of slowing up in the year ahead...

“Omnichannel” will continue as the retail industry's buzzword in 2014. Online shopping will play an even more pivotal role in driving sales throughout the year, especially during the peak back-to-school and holiday seasons, and growth may be further compounded by the rising popularity of mobile commerce. Analysis from comScore highlighted 13 percent year-over-year growth in Q3 2013 e-commerce spending, which marks the twelfth straight quarter of double-digit growth...

Overall, 2014 will provide the industry with ample opportunity to solidify and expand upon its digital future. While success will still hinge upon a diversity of channels and approaches, retailers should aim to take full advantage of consumers' growing

preference for buying online. Establishing effective e-commerce and m-commerce platforms, leveraging big data and investing in cyber-security are all key ingredients in the new balancing act for the year ahead.

► CHAIN STORE AGE

RETAIL IPO MOMENTUM TO CONTINUE IN 2014



By **Ted Vaughan**

By most accounts, 2013 was a banner year for IPOs. According to Renaissance Capital, a total of 222 companies went public in 2013,

marking the best year for the IPO market since 2000. As we predicted in a previous article in Chain Store Age, the retail and consumer products industry played a key role in this IPO activity, accounting for 19 offerings and \$8.3 billion in proceeds. This marked a notable increase from the number of offerings seen in 2012 (15) and 2011 (12), according to Renaissance Capital...

Outlook for 2014

Our 2014 IPO Outlook Survey recently polled 100 capital markets executives on their expectations for the IPO market in 2014 and found that investment bankers are projecting continued growth on U.S. exchanges. Nearly two-thirds (63 percent) predict an increase in U.S. IPOs in the coming year, and on average, investment bankers predict a nine percent increase in the number of IPOs in 2014. Capital markets executives are most bullish for increased activity in the technology, energy, biotech and healthcare sectors, with most investment bankers (52 percent) expecting retail and consumer products IPO activity to be flat, and just 22 percent forecasting an increase. While the number of retail IPOs may not be headed for large increases, it's important to remember that these projections come on top of a record year for offerings in the industry. Moreover, there are reasons for investors to have continued optimism in the industry...

Potential Concerns for Investors

When analyzing retailers, potential investors will be looking for factors that

show signs of stability. Retailers pursuing an IPO should have a strong management team in place and be able to show a solid track record of sales and growth. But even with this in place, there are a number of external factors that could weigh on investors' minds. When asked what presents the greatest threat to the IPO market overall this year, investment bankers point to the Federal Reserve paring back its monetary stimulus, as well as global political and financial instability and the threat of tax increases...

Despite a few headwinds, we expect the retail industry will continue a steady growth in 2014. The sector has shown a great deal of resilience over the past few years, and the increase of IPO activity is one more positive indicator of overall industry health.

► RETAILING TODAY

CFOS ON BOARD WITH RETAIL'S OMNICHANNEL AGENDA

By Mike Troy

Finance executives who participated in professional services firm **BDO's annual CFO survey** expect 8.2% growth in online sales this year and not surprisingly plan to increase investments in mobile capabilities.

Mobile and online sales will continue to drive growth for retailers in 2014, the firm said. However, now that e-commerce has firmly taken root in the retail industry, growth is beginning to stabilize. As a result, about 64% of CFOs said online sales will

grow in the coming year, a figure below the 74% who expressed that sentiment the prior year.

"After a banner year of e-commerce and m-commerce growth in 2013, retailers largely expect these platforms to keep delivering big returns in the year ahead,"



said **Natalie Kotlyar, a partner in the retail and consumer products practice at BDO USA.** "But safeguarding this future growth requires retailers to invest across channels in order to deliver a safe, seamless and efficient experience for shoppers. All the moving parts — mobile apps, websites, supply chain IT systems, brick-and-mortar — need to be carefully coordinated for companies to hold their own in this fiercely competitive landscape."

The rise of online retailing has also introduced new risks for retailers, according to BDO. With recent high-profile data security breaches at Target and Neiman Marcus, it's no surprise that a plurality of CFOs (27%) said they will invest the most capital in 2014 in IT systems and technology. Meanwhile, 18% of CFOs plan to invest the most capital in e-commerce channels, and 12% said that mobile application development will encompass their largest investment, with a full 40% planning to increase their investment in mobile overall.

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