

EXCERPTS OF RECENT MEDIA COVERAGE

RETAIL AND CONSUMER PRODUCTS PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q2 2012

► INVESTOR'S BUSINESS DAILY

GASOLINE PRICES SPOOKING STORES

Fuel prices have overtaken unemployment as the chief worry of big public retailers for the first time since 2009.

A study by tax and financial adviser BDO USA says that among large retailers citing economic conditions as a risk, 71% point to fuel prices as a prime reason, up from 58% last year.

Stores are also nervous about tepid progress in job reports, with 68% noting lingering fears over unemployment. But the risk is down from a peak of 70% reported in 2010.

Retailers are also voicing more concern about IT security due to the spread of mobile technology and a data breach at Global Payments, a large processor of MasterCard and Visa credit cards, in late March. Privacy concerns related to security breaches jumped from the 19th most cited risk factor in 2011 to 12th this year.

► CHAIN STORE AGE

BDO STUDY: 20 BIGGEST RISK FACTORS FOR RETAILERS

By Marianne Wilson

General economic conditions, U.S. and foreign supplier vendor concerns, and competition/consolidation are the top three risk factors cited by retailers, according to a new study by BDO USA, LLP, a leading accounting and consulting firm. Rounding out the top five: federal, state and local regulations, and terrorism, natural disasters and geo-political events...

"Despite a dip in April, consumer spending has been improving, and retail executives feel that their strategy adjustments are

on point," said **Doug Hart**, partner in the Retail and Consumer Products Practice at BDO USA, LLP.

"This year, there is an increasing concern over unknown external factors, such as IT security, supply chain disruptions and geo-political events that could derail the execution of their strategies. While retailers are also concerned about gas prices this summer, they are otherwise encouraged by consumer spending."



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.

►WWD

BDO USA: WARNING SIGNS OF FINANCIAL DISTRESS

By Vicki Young



BDO USA in its latest report has listed six warning signs that a retailer may be heading toward financial distress... According to the report by **David Berliner** and **Don Levy**, there are six warning signs that a retailer might be in need of a financial restructuring if it can't find alternative sources of capital.

Those six signs are:

- Decline in customer traffic: A decline in consumer discretionary spending typically results in a decrease in customer traffic and sales at retail stores.
- Shortage of inventory: A shortfall in inventory levels could indicate a lack of cash flow and difficulties in purchasing replacement goods. A related issue is an improper mix of inventory offerings.
- Storewide sales/discounts: Storewide sales or major discounting could be a signal of the need to generate sales to increase short-term liquidity.
- Delay in paying vendors, landlords or lenders: These delays could indicate tightening liquidity and an attempt to manage cash flow. Most retailers use revolving lines of credit with borrowing limits based on inventory values, and an inability to borrow on the line suggests cash-flow issues.
- Aggressive cost cutting: Think reductions in workforce and a shift from full-time to part-time employees, as well as cuts in capital expenditures, advertising and remodeling plans.
- Store closures: Look for multiple store closures in a relatively short time frame.



►CNBC

TIME FOR FLASH SALES TO ADAPT OR DIE

By Christina Cheddar Berk

Flash-sale websites such as Gilt Groupe and Rue La La were hailed as disruptors in the e-commerce space, but recently there's been a bit of a disruption in their success story, prompting some to wonder if flash-sale sites are more of a marketing gimmick than a sustainable business model.

The sector, while still growing, is being shaken up by consolidation, layoffs and slowing growth rates. Many industry analysts suspect that will continue unless flash-sale sites adapt...

Email fatigue is one of the biggest challenges flash-sale sites face. Emails are the primary way of disseminating deals, but after a while web shoppers can tune out and unsubscribe. This was even more true as more flash-sale sites came on the scene and as active shoppers subscribed to more than one flash-sale site.



"It has gotten to be an incredibly crowded marketplace, and there is the risk that all these offers can overload consumers," said **Stephen Wyss, a partner in the retail and consumer practice at BDO**.

Wyss expects to see more consolidation in the space as players either merge or disappear...

► NATIONAL REAL ESTATE INVESTOR

CLASH OF THE TITANS: REGIONAL MALL REITs FIGHT FOR LIMITED OUTLET DEVELOPMENT OPPORTUNITIES

By Elaine Misonzhnik

In the fall of 2010 executives with Taubman Centers Inc., a Bloomfield Hills, Mich.-based regional mall REIT, began talking about the REIT's new avenue for growth: outlet centers...

The large regional mall players, including Simon, Taubman, Macerich Co., CBL & Associates Properties and others, have all made overtures to enter the outlet space. But with limited opportunities for development and an existing group of experienced landlords already competing there, these battles—competing press

releases, wars of words and unconventional partnerships—are likely to continue to play out repeatedly throughout the country.

In certain isolated instances, two big developers might form joint ventures because one of them holds a better site while the other wields more power with retailers. Such examples, however, will be

few and far between,
according to **Richard Hauer, managing director of business restructuring services at BDO, a New York City-based consulting firm.**

"Let me put it this way: Neither Simon nor Taubman is going to build a second-rate outlet mall," he says. "So if the first guy can get Coach and Polo and Saks and a few of those names that every outlet mall really wants, you'll see the other guy back down." ...



► NJBIZ

'A REAL METAMORPHOSIS': RETAILERS SHIFT STRATEGIES TO COMPETE IN CHANGING MARKET

By Melinda Caliendo

Fear lingering from the recession is driving retailers to trim overhead and space, says Chuck Lanyard, president of The Goldstein Group.

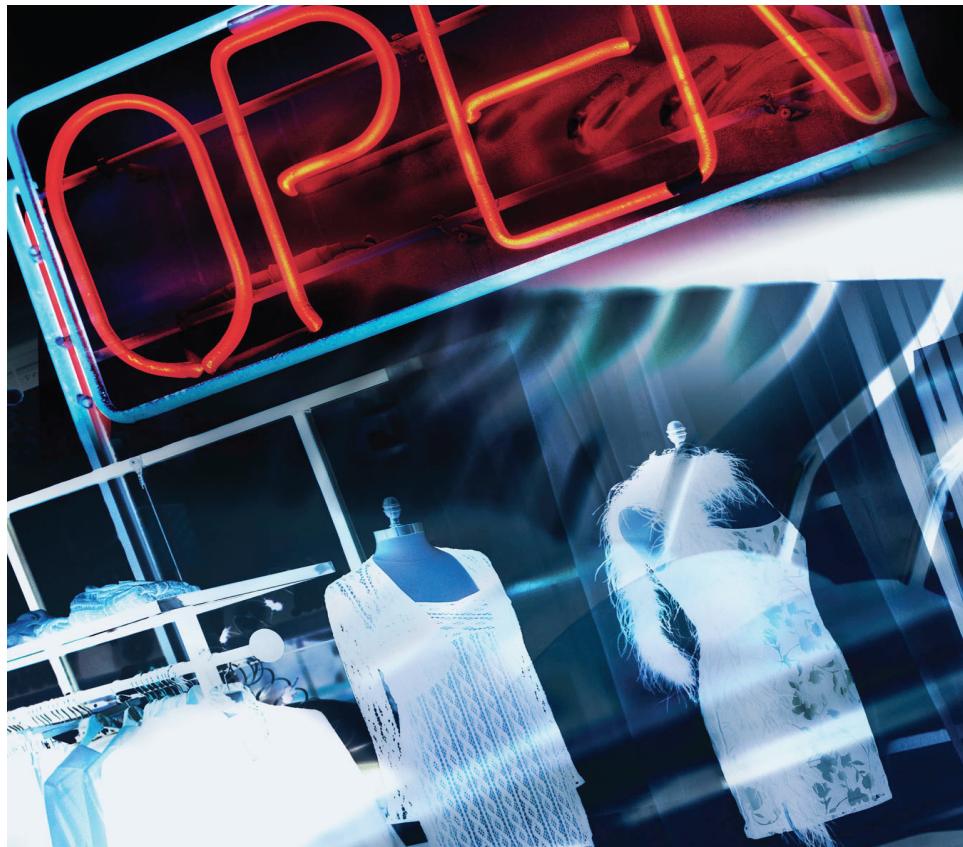
Smaller stores, fewer new developments and connecting with the local market are now the trademarks of retailers trying to succeed in a market greatly transformed by the recession and the continued strength of online retailers...



Al Ferrara, the retail and consumer product practice leader for BDO, said even Wal-Mart Stores Inc. has been opening smaller, express locations because "people are pressed for time, and their technology is such now, they know exactly what moves in their stores."

"People generally don't like to walk through 100,000-square-foot stores," Ferrara said. "Retailers are trying to make it more convenient for people by downsizing some of their locations."

As some retailers shrink their footprint, construction on new retail space also has declined in New Jersey. But the spaces that are being developed are in high demand by national retailers...





► MEDIA POST MARKETING DAILY

BACK-TO-SCHOOL FORECAST: CLOUDY AND CAREFUL

By Sarah Mahoney

June's Consumer Confidence Index declined a bit, its fourth straight month of moderate declines, which likely will influence chains as they prepare inventory and plan promotions, **Doug Hart, partner in the retail and consumer product practice at BDO USA**, tells *Marketing Daily*.

He says he expects consumers to be extremely cautious as they get ready to do their back-to-school shopping, especially because of a barrage of potentially downbeat headlines, including the European debt crisis...

"Though consumers stateside may not fully recognize the impact, ripple effects resulting from Europe's ongoing financial meltdown, including a pullback on bank lending and capital markets, may have an effect, especially if it creates ripples in the job market or in their own portfolios," he says.

As a result, he's expecting this year to echo last year's start-then-stop pattern. "Last year, we started great guns but then lost some steam," he recalls. "There's a lot that can happen in July and August that may influence shoppers' perceptions."

During last year's holiday season, he points out, retailers were somewhat successful pulling shoppers ahead in the calendar, and he expects them to try some of those same techniques as the summer wears on. "I think we may see some kick-off dates, for example, with heavy back-to-school promotions. I doubt we'll see retailers staying open 24 hours at a time, as we did last Christmas, but stores will try and create some of that excitement."

Still, he expects stores to behave as cautiously as consumers: "Retailers are sensitive to the possibility that sales could flounder in the second half."

CONTACT:

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

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

STEVE FERRARA, Chicago
312-616-4683 / sferrara@bdo.com

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

DOUGLAS HART, San Francisco
415-490-3314 / dhart@bdo.com

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

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

TED VAUGHAN, Dallas
214-665-0752 / tvaughan@bdo.com

STEPHEN WYSS, New York
212-885-7480 / swyss@bdo.com

To ensure compliance with Treasury Department regulations, we wish to inform you that any tax advice that may be contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

BDO RETAIL AND CONSUMER PRODUCTS PRACTICE

BDO has been a valued business advisor to retail and consumer product companies for more than 100 years. The firm works with a wide variety of retail clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, on myriad accounting, tax and other financial issues.

ABOUT BDO

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 40 offices and more than 400 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,118 offices in 135 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information, please visit: www.bdo.com.