



stores are crucial to the retail environment: consumers are often more comfortable with a hometown store.

Also, many stores need to find strategic partners that specialize in a particular aspect of the business, so that they can benefit from someone else's infrastructure. Be it for sourcing, marketing, warehousing, whatever, retailers could reap immediate savings (and expertise) from such partnerships.

Your best advice for manufacturers today?

The only solution for manufacturers is to diversify: their distribution channels, product categories, and brand names. As mergers and acquisitions specialists, we are busier than ever. Even very healthy companies are looking down the tunnel and seeing that diversification is the light. It's the key trend.

The other trend is manufacturers realizing they need to run their businesses more efficiently. Retailers are buying closer to need so manufacturers need to be financially healthier to step up to the plate.

What about those smaller companies that can't afford to step up to the plate or acquire?

If they have something of value, it might be time to think

Net Worth Solutions

According to M&A professional Jack Hendler, it's not just the economy...

By Karen Alberg Grossman

Are current declines at conventional retail stores a blip on the radar screen, or a harbinger of big-picture change?

The situation is clearly not a blip and has evolved for several reasons: 1) the consolidation of department stores; 2) the globalization of production and the ease of direct sourcing; 3) the popularity of on-line shopping; and 4) the trend towards manufacturers opening their own retail stores. The economy and the sub-prime mortgage crisis have exacerbated the problem, but they are not the cause. **What should conventional retailers be doing to improve their situation?**

That's a tough question. Since retailers and manufacturers have become competitors, real partnerships are no longer viable.

I think many of them should reconsider their expansion plans. Does Macy's need more Macy's units, or should they be opening smaller specialty store concepts in the same malls? I also believe that regional department

"Entrepreneurs often react by gut instinct or the seat of their pants, not always getting a bang for the buck on their value assets..."

—Jack Hendler

of an exit strategy, especially now that the big guys are looking to acquire. But it's not a totally dire scenario: there will always be \$5 to \$25 million companies that can find a niche with something unique or unusual. Historically, it changes every five years and while few people have the vision to predict the next big trend, it's sometimes a matter of getting lucky. (I'm thinking of Nat Nast and some terrific product placement on prime time television...)

And I'm thinking of the old saying: the harder I work, the luckier I get... ■