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## Winners Poised to Emerge in Down Market

By Whitney Beckett

With all the bad news on the retail front these days, it's clear there are many losers in the industry. But there might also be winners who can capitalize on the downturn, from deal makers to consultants to off-price retailers.

"I don't know if there are winners and losers — there are just those that will be busier than others," said Allan Ellinger, senior managing director of Marketing Management Group.

As a deal maker, though, Ellinger may be one of those on the lucky busy side. He and his contemporaries are reporting excellent business, with above average activity on the mergers and acquisitions front, and are arguably those with the most to gain from a downturn.

**"Deal makers who know the industry will be extremely busy," predicted Jack L. Hendler, president of Net Worth Solutions Inc., who said business is considerably up at his New York-based M&A firm. "Vendors who had a soft quarter have no choice but to sell or find strategic partners, and people who have healthy businesses realize this is the opportune time to cash in on their net worth before it gets difficult."**

**Both Ellinger and Hendler agreed that consultants also will be in hot demand for firms that decide not to bail, but rather to organically improve their business.** "Companies will turn to professionals for assistance during this time to help them develop strategic options," Ellinger said. "They can't afford not to pay for help."

Catherine Sadler, president of the New York marketing firm Catherine Sadler Group, said the breadth of her clients has become more diverse and that she is busy helping brands define their place in the market. "I'm like a brand therapist, and you go back to therapy when things aren't good," Sadler said. "There's a critical need to look at brand positioning and DNA to differentiate yourself and break through."

Other potential winners include:

- Bankruptcy lawyers for the businesses that lose too much. "It won't be a field day, but people who specialize in turnaround and bankruptcy will do well," said Andrew Jassin, managing director of the New York consulting firm Jassin-O'Rourke Group.

**- Acquirers who capitalize on others' weakness. "A fair number of companies will become available, and companies will be able to make acquisitions at rational prices," Hendler said.**

**- Smaller vendors who can prove their worth. "Aggressive smaller vendors that do \$35 million to \$75 million in volume can catch a runner, hook onto a trend early and produce product fast enough to make an impact, as opposed to larger companies that are planned out far in advance," Hendler said.**

- Recruiting offices to replace those executives who lose their jobs — or help find them new ones — in these rough economic times. "There's going to be a huge need for new ideas, new talent and new design," said Marshal Cohen, chief industry analyst for The NPD Group Inc. "It will take outside-the-industry knowledge to rattle the cage, so headhunters who can draw from other places will be needed."

The jury is out on whether off-price stores will be the biggest winners of all, or losers. Brad Stephens, a retail analyst for Morgan Keegan & Co. Inc., argued that stores like Loehmann's, TJ Maxx, Ross Dress for Less and Century 21 are the only possible winners. "Nobody else is thriving," said Stephens. "There's no money for consultants. Business is too good for bankruptcy attorneys. There's no deals because there's no credit markets."

Cohen takes a rosier perspective, that several industry players can thrive, but he agrees that discounters are the number-one benefactors of retail woe. "There will be an untold amount of product available to them, and it will be available at the time consumers actually want to wear it — not months before, like at department stores — at the right price," Cohen said.

But others argue that these chains will actually be hurt, as traditional retailers host huge sales and manufacturers scale back on production.

"Discounters have a challenge in that they are now competing with the regular price retailers with things on sale," said Jassin. "You can buy anything at traditional retailers before you go to the discounters, which are not in the most convenient locations, typically. Also manufacturers will be cutting less inventory, and those stores thrive on excess inventory."

Jassin added one last winner to the equation: the consumer. "If they have money and credit available," he said, "now they can buy aspirational brands they normally couldn't afford."