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Five Tips for Directors of Retail and Consumer Products Companies

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Directors of public companies are continually, and properly, advised to consider a range of important oversight matters concerning corporate governance, executive compensation, and financial reporting. In addition to these concerns, directors of retail and consumer products companies, should also be thinking about these 5 key industry issues that directly, and significantly, affect their companies.

1. Data Privacy and Cybersecurity. Many retailers and consumer product companies use digital technology to conduct their operations and to collect and store data about their customers and other sensitive information. As part of their risk oversight function, directors should understand the risks related to possible deliberate cyber attacks, or unintentional events, which allow a third party to gain unauthorized access to the company's digital systems to misappropriate or corrupt data or cause operational disruptions. Directors should be informed about any cyber incidents which have occurred, the cost of cybersecurity protection, and expected remediation costs in the event information is stolen.

2. Social Media. Social media is now an accepted mechanism for advertising goods and services and interacting with customers. Directors should be informed about how social media is being used and how it has impacted the company's business and financial results. Moreover, directors should be informed about the risks associated with social media, and the "multiplier" effect of social media on existing business risks (due to the rapid dissemination of information on the internet). These risks include reputational risks, possible infringement of the company's intellectual property ("brandjacking"), the risk of improper use of social media by employees and the risk of false advertising claims against the company. The directors should also understand, and be subject to, the company's own social medial policies.

3. Consumer Trends and Technological Advances. Since retailers and consumer product companies are directly impacted by consumer trends, directors should receive periodic updates on current consumer trends and important technological advances impacting their industry. The rise of e-commerce and mobile and tablet commerce, and the growing willingness of consumers to shop across a range of platforms, has fueled the "omni-channel" consumer experience. Other important developments include the heightened consumer demand for chemical-free, organic and green products, the individualization of the customer experience through individualized marketing, and the growing bi-furcation of the market between high end luxury and value seeking customers. Directors

should be informed about how technology advances involving mobile payment systems, virtual currency, and interactive fitting rooms, are changing the shopping experience, and how their company is addressing these developments.

4. Recent and Pending Legislation. Directors should be informed about the changing legal and regulatory landscape impacting their industry. For retailer and consumer product companies, these legislative developments may include changes in data privacy laws, new gift card laws, legal developments in combating counterfeiting, the status of foreign trade agreements, internet sales tax issues, and credit card swipe fee legislation. Changes in the legal landscape need to be anticipated and addressed.

5. Global Events. Directors should be informed about the specific impact of global economic and political events on their products and customers. Key areas of discussion could include rising raw material costs, potential supply chain disruptions, rising gas prices, and anticipated changes in the customer base. Directors should also consider how the company's international strategy is impacted by recent developments in particular geographic areas.

The retail and consumer product industries are experiencing dramatic and pervasive changes. Directors of companies that cater to consumers can perform their oversight function most effectively if they understand the dynamics impacting their industry and their customer base. Accordingly, directors should ask their management teams for periodic updates on current industry developments that directly bear on the business of the company and should seek out director education programs that address these key issues.

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