



## **FASHION TALENT RACE: EXECUTIVE PAY SOARS**

*By Evan Clark*

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The pay and the perks at the top are good — very good.

Sixty-seven fashion executives logged compensation of more than \$5 million last year, according to a WWD analysis of publicly traded brands and retailers in the U.S.

A lot of that compensation is just paper, though — stock and option grants made up the majority of many executives' pay and pushed total compensation for the group to \$880.6 million. While that's a large number by any measure, it completely depends on how much the 67 executives earn from cashing in all those options and grants. It could be less.

The key pay-package trends for last year included:

- **J.C. Penney Co. Inc.:** The reinventing retailer dominated the leaderboard with chief executive officer Ron Johnson taking the top spot as a large options payout pushed his compensation to \$53.3 million. Three other current and former Penney's executives were in the top 10.
- **Chief executive officers:** most of the top earners are ceo's. Exceptions include Reed Krakoff, president and executive creative director at Coach Inc.; Daniel Walker, chief talent officer at Penney's; Donald Brennan, chief merchandising officer at Kohl's Corp., and Kathryn Tesija, executive vice president and president of merchandising at Target Corp.
- **Fatter paychecks:** compensation jumped 30.9 percent to \$738.9 million from 2010, excluding the seven executives who were new to their jobs last year.

Experts attribute much of the increase in pay to the supply-and-demand economics of the c-level employment market. To put it simply: there are too many companies desperate for top-notch talent — and too little of it. With so few true executive superstars around, companies looking to recruit them have to pay up. Companies also have to make up for the pay those executives leave behind in their old jobs, since they likely were highly paid already.

"You're seeing an option play that's extraordinary," said Les Berglass, chairman of executive search firm Berglass + Associates. "For the past three or four years, boards could get away with buying talent. Now,

not only do they have to buy the talent, they have to buy out their options.”

Large fashion companies are increasingly seen as needing generalists, executives able to oversee sprawling corporate empires and work with a range of strong personalities with very different skills.

“You’re buying a different breed of thoroughbred that will be much more expensive,” Berglass said. “The bottom line is that the marketplace defines the compensation, not edicts from the government or a board....You can’t force successful executives into taking a job; you have to give them more money.”

Penney’s, which last year assembled a team to reinvent the struggling 1,100-door chain, went on the biggest poaching expedition last year.

Johnson took his chief talent officer Daniel Walker from Apple Inc. and convinced Michael Kramer to give up his gig as ceo at Kellwood Co. to be the retailer’s chief operating officer. Johnson also dipped into Target Corp. for Michael Francis, but the association didn’t last, and Francis abruptly left Penney’s in June.

Francis offers a good case study for just how slippery the official compensation figures can be. Had he stayed at Penney’s, Francis would have rated as the third-highest-paid fashion executive, with compensation of \$44.7 million. But since he left, his \$32.1 million in stock awards never had a chance to vest and were never realized. He also had to give back a portion of his \$12 million signing bonus.

## The Female Factor

Of the 67 fashion executives with compensation of more than \$5 million last year, only six were women. Here’s what they made and where they stood in the overall rankings.

RANK	NAME	TITLE	COMPANY	TOTAL 2011 PAY
21	Jackwyn Nemerov	executive vice president	Ralph Lauren Corp.	\$12,091,129
25	Carol Meyrowitz	chief executive officer	The TJX Cos. Inc.	\$11,087,649
28	Kay Krill	president, ceo	Ann Inc.	\$10,798,477
38	Sharen Turney	ceo, president	Victoria’s Secret Limited Brands Inc.	\$9,594,915
51	Peggy Eskenasi	senior executive vice president, product development	Kohl’s Corp.	\$6,323,131
55	Kathryn Tesija	executive vice president, president merchandising	Target Corp.	\$6,034,418

No one from Penney’s was available for comment, but a spokeswoman sent a statement from the company, noting, “J.C. Penney is fundamentally repositioning every aspect of its business. As we do so, it is important to have the best internal and external talent in the industry.”

Observers say the irony is that at the highest level, executive compensation doesn’t really serve the usual purpose of a paycheck. The executives are generally too wealthy for more money to be a motivator —

certainly they don't need to be putting in 12-hour days flitting from meetings with analysts to power lunches with business partners to conferences around the world.

"None of them have to work for money," said Terre Simpson, president of search firm Simpson Associates. "It's the drive for success and accomplishment. They work because of the challenge; it's not really the compensation, that's the secondary result of their drive to be challenged."

And while it's still an executive landscape dominated by men — there are only six women among the top 67 paid fashion executives, including Jackwyn Nemerov, executive vice president of Ralph Lauren Corp., and Carol Meyrowitz, ceo of The TJX Cos. Inc. — there are hopes that the gender gap will narrow, Simpson said.

"In order to be a ceo, you usually are in your 40s or older. Those generations, the women and men were treated differently growing up," she said. "When I was brought up, girls had to behave. You weren't allowed to take chances. It was a different world."

Simpson said women coming through the ranks today could be better represented in the industry's executive ranks.

Even without getting into the gender politics of it, executive pay remains a hot-button issue for corporate America — and is already featuring heavily in the presidential race.

The uproar surrounding corner-office compensation may have ebbed from last year, when the Occupy Wall Street movement highlighted the line between the 1 percent and the 99 percent, but President Obama continues to hammer away on the campaign trail at presumptive Republican presidential candidate Mitt Romney's earnings as head of the private equity firm Bain Capital.

Corporate boards are well aware of the pressure.

"If anything, with continued scrutiny through various watchdog groups, through the press, through any number of avenues ....I would say that companies are being more cautious and careful than ever," said Kirk Palmer, founder of Kirk Palmer & Associates, an executive search firm.

Palmer said he recently had a candidate for a position at a large public company, and although the fit seemed good for both sides, the deal fell through when the board voted down the compensation package.

All the scrutiny has firms focused more than ever on linking a ceo's pay to the fate of the company. Johnson, for instance, tied his personal fortune to that of Penney's by investing \$50 million in stock warrants that he has to wait six years to exercise and which are tied to the price of the stock when he joined.

"At the end of the day, compensation should always be tied into performance," said Elaine Hughes, president of search firm E.A. Hughes & Co.

This is a goal widely acknowledged, but not always met.

"Sometimes we isolate an individual and attribute a success to them rather than attributing it to the entire group that was involved in making the [company] successful," Hughes said. "Sometimes we overcompensate financially. In the fashion business, it gets a little bit like Hollywood: What's your latest and greatest movie? We're an industry where one day you're the peacock and the next day you're sort of the feather duster."

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# The Perks

A c-level office comes with benefits beyond salary and stock.

■ Myron E. "Mike" Ullman 3rd passed the torch at J.C. Penney Co. Inc. and received a \$10.1 million "transition services payment," \$4.8 million for stock options that would have been forfeited and \$43,269 for accrued but unpaid vacation.

■ James O'Donnell's exit at American Eagle Outfitters brought him a \$3.6 million "retirement benefit," \$1.6 million in severance and \$552,500 in consulting fees.

■ Louis D'Ambrosio, chief executive officer and president of Sears Holding Corp., commutes from the Philadelphia area to the Chicago area, racking up \$793,224 last year in use of chartered aircraft.

■ Abercrombie and Fitch's Michael Jeffries' personal security package was valued at \$118,315 and his personal use of company-owned aircraft was valued at \$200,000.

■ Nordstrom Inc. executives get a merchandise discount ranging from 20 to 40 percent. The total value of the discount received last year was:

Blake Nordstrom: \$62,583

Erik Nordstrom: \$41,555

Peter Nordstrom: \$10,078