



FINANCIAL

Pay Day: Big Bucks For Top Executives

- Executive compensation, padded with stock grants, continues to go sky-high.

BY EVAN CLARK and KALI HAYS

Life might not be fair, but it is sometimes sweet – and for fashion, retail and beauty's top executives, that sweetness often comes in their pay packages.

Yes, the C suite requires a bewildering

array of talents and entails long days, intense pressure and impossibly conflicting priorities pushed by noisy constituencies – from Wall Street to employees to regulators to vendors. But any complaints would promptly be shouted down by a chorus of, “Cry Me a River.”

Pay at the top is tops. It's also a little deceiving since the value of stock and option grants that are reported in company filings to the Securities and Exchange

Commission aren't necessarily realized by the executive, given stock price fluctuations and vesting schedules.

A WWD study of publicly traded U.S. companies in fashion, retail and beauty found 58 executives whose total compensation package topped \$5 million last year. All together, their pay tallied \$845.8 million. (Pay packages can be just as sweet for top executives in Europe and Asia, but are presented under different accounting standards and are

therefore difficult to compare directly).

The list of the highest-paid executives – which is overwhelmingly composed of white men – casts a bright light on the continuing lack of diversity in the executive suite. Only 15.5 percent of the highest paid in the industry are women.

At the top of the heap last year was Wal-Mart Store Inc.'s new e-commerce wiz Marc Lore, with compensation of \$243.9

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Fashionable Perks and More

A spotlight on the trends and fine print in compensation for fashion executives.

THE NEW YORK YANKEES OF FASHION

When it comes to stacking the roster with high-earning players, it's Wal-Mart Stores Inc. and Estée Lauder Cos. Inc. that are the teams to beat. Each have five executives who made more than \$5 million last year, according to regulatory filings. Ralph Lauren Corp. and American Eagle Outfitters Inc. each have four executives pulling in more than \$5 million.

PERKING UP

Pay packages, while mostly made up of stock and options, also come with some pretty sweet perks. Here's a short list.

- Mark Tritton, Target Corp.: \$474,540 in moving and relocation expenses
- Kevin Mansell, Kohl's Corp.: \$336,959 for use of a company plane
- Michael Kors, Michael Kors Holdings: \$113,469 for a car and driver

THE BIGGEST GAINER

Coty Inc.'s Bart Becht saw the biggest pay increase last year – a boost of 711 percent to \$8.1 million – as interim chief executive officer (he ceded the top spot to Camillo Pane in October). Becht stands out as the only executive in the WWD study to receive 100 percent of his or her compensation in stock.

TRIMMING BACK

Ulta ceo Mary Dillon took the biggest pay cut last year, but still managed to bring in \$7.8 million – a big option award drove her 2015 compensation to \$18.6 mil-

lion as she pushed the beauty chain into powerhouse mode.

THE AMAZONIAN IN THE INDUSTRY

Job number one for many of the highest paid executives in fashion, retail and beauty is to chase, avoid or figure out how to work with Amazon's Jeff Bezos, who incidentally makes much less than them. Bezos' pay last year included \$1.6 million in “security arrangements” and a salary of just \$81,840. Of course Bezos owns 16.9 percent of Amazon, or 80.1 million shares of Amazon stock – worth north of \$80 billion.

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million. But that figure gets a big asterisk, since most of that came in the form of Wal-Mart stock awards that Lore picked up as part of the purchase price for Jet.com, which he founded.

Right after Lore comes The Estée Lauder Cos. Inc. chief executive officer Fabrizio Freda (with compensation of \$48.4 million), followed by Lore's boss, Wal-Mart ceo Doug McMillon (\$22.4 million), TJX Cos. Inc. ceo Ernie Herrman (\$18.5 million), Revlon Inc. ceo Fabian Garcia (\$18.5 million), VF Corp. ceo Eric Wiseman (\$16.3 million) and the short-lived Ralph Lauren Corp. ceo Stefan Larsson (\$16.2 million).

The biggest pay days are almost always padded with huge stock and option awards, which accounted for 72 percent of the group's total pay last year.

Regardless of exactly what form the pay takes and when it's doled out, the industry's top executives make a lot of money, especially for a sector that is struggling to grab the attention of shoppers, get them to spend and then turn those sales into profits.

In the still-on-fire beauty industry, there are many corporate titans bringing in big bucks but also driving dramatic growth given the success beauty brands and the fast growth of retailers such as Ulta.

But in the fashion and retail sphere, most of the executives are wrestling with entrenched corporate structures that need to be updated quickly to contend with the increasing importance of Amazon and

“Ceo pay has risen tremendously – far more than the pay of workers, far more than stock prices, far more than the wages of those even in the top 0.1 percent.”

—LAWRENCE MISHEL, ECONOMIC POLICY INSTITUTE

e-commerce and figure out how to sell to Millennials.

Through that lens, it seems appropriate that Lore is at the top of the list since his primary mission seems to be to remake Wal-Mart's digital operations to better compete against his old boss, Amazon's Jeff Bezos.

Lore's pack-leading pay included 3.5 million restricted stock units that were granted during the Jet deal. Many have described the acquisition as the largest “acqu-hire” in history, with the retailer shelling out \$3.3 billion to get Lore and his team. Absent the stock grants that came with the takeover, Lore's compensation would have tallied \$7.6 million.

So rich, but not quite as eye-popping.

Although the deal for Jet (and Lore) was pricy, many observers say both might well be worth it – if still a roll of the dice.

“They were buying the system and the personnel, but mostly they were buying his vision and his ability to turn that vision into a monetizable result,” said consultant Jonathan Low, partner at Predictiv. “Will it be worth it in the long run? Well, nothing else was working, so if he can actually help Wal-Mart take share from Amazon and maybe do to Amazon what Lyft is starting to do to Uber, that could be with survival to Wal-Mart.”

Lore's arrival at the top of retail's pay list signals that the industry is ready again

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Pay in the Global C-suite

The pay packages pulled in by executives around the world.

● **America might be** known for its big cars, big sky and Big Apple, but U.S. executives haven't cornered the market when it comes to big pay packages.

Here, a compensation snapshot from some of fashion, retail and beauty's most prominent executives around the world featuring their 2016 pay, including stock and option grants, in euros and dollars.



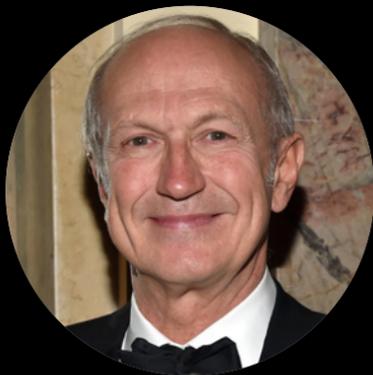
MIUCCIA PRADA
CEO AND EXECUTIVE
DIRECTOR OF PRADA
12.4 million euros, or \$13.1 million



PATRIZIO BERTELLI
CEO AND EXECUTIVE
DIRECTOR OF PRADA
12.4 million euros, or \$13.1 million



LEONARDO DEL VECCHIO
FOUNDER AND EXECUTIVE
CHAIRMAN OF LUXOTTICA
9.1 million euros, or \$9.6 million



JEAN-PAUL AGON
CHAIRMAN AND
CEO OF L'ORÉAL
9.1 million euros, or \$9.6 million



RICHARD LEPEU
FORMER CEO OF RICHEMONT
8.9 million Swiss francs,
or \$8.7 million



BERNARD ARNAULT
CHAIRMAN AND CEO
OF LVMH MOÛT HENNESSY
LOUIS VUITTON
7.9 million euros, or \$8.4 million



PABLO ISLA
CHAIRMAN AND
CEO OF INDITEX
7 million euros, or \$7.4 million



NICK HAYEK
CEO OF SWATCH
6.1 million Swiss francs,
or \$6 million



REMO RUFFINI
CHAIRMAN AND CEO
OF MONCLER
5.7 million euros, or \$6 million

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to try some tech flash in the executive suit. Five years ago, the retail/fashion compensation derby was led by Ron Johnson, the Apple retail chief, who was paid \$53.3 million (mostly in stock) to lead J.C. Penney Co. Inc. But his experiment there was so disastrous that retailers seem to have shied away from the notion that big tech is ready to produce their saviors.

There also seems to be a bias against big dramatic bets, especially for long-established companies, which can be hard for newcomers to navigate. Take Larsson, the former Old Navy ceo who took the job of ceo of Ralph Lauren Corp. from Ralph Lauren himself and set out to remake operations. But he couldn't make the job work and left in May, after 18 months.

The highest-paid people in fashion and retail represent a cross section of the executive suite – from younger retail players like Larsson to tech savvy newcomers like Lore to the legends who have built empires and are now trying to revamp them for a new age.

"You have a mix," said Predictiv's Low. "You have the founders, the Les Wexners and the Ralph Laurens and then you have all these new people, most of whom came up in related businesses, like Larsson. But are they special? Hard to say. It doesn't appear that they have figured out the Amazon challenge."

He said the rise of Amazon wasn't necessarily their fault, but that it is now their responsibility.

"Bezos came out of nowhere," Low said. "He was just a smart guy with an MBA who was relatively more forward-thinking and computer literate than many of his colleagues and the question is, 'Why haven't more of those people been brought in to fill these positions?'"

One thing that doesn't seem to be in doubt is that whoever winds up in charge will be paid well, given comparable incomes at the top of the corporate pyramid and tax policies that allow stock grants to be treated as performance-based income.

And when executive compensation is tallied, complaints will be registered.

Kirk Palmer, ceo of executive search firm Kirk Palmer, likened the pay for the "rock stars in American business" to the big paydays for entertainers, like musicians or athletes. (Forbes put Beyoncé Knowles' pay at \$105 million, while Stephen Curry, two-time MVP in the NBA, drew \$47.3 million).

"Whoever is at the top of their field in any particular endeavor is always going to be subject to criticism when it comes to compensation," Palmer said. "There is no doubt that from now until the end of time, people will always be p--ed off about the people who make the most money in the world."

Palmer also noted that ceo's work – and hard – for their money.

"They care very deeply about the folks who have entrusted their livelihood and their career and in some cases their families to the leadership of this person," he said. "If you're Ralph Lauren and you're going to have to cut a billion dollars in sales, you're going to have to cut a lot of expense, you're going to have to say good-bye to a lot of people."

And it's also a job that keeps one churning both night and day.

"Are you ever really off? It's really tough to be off," Palmer said. "It is a 24-7 job and you've got tons of competing priorities."

Just where the line is between reasonable pay for a tough job and excessive executive pay will vary from person to person, but there's no doubting that overall ceo pay has risen, and dramatically.

The most-recent research from the Economic Policy Institute, a nonprofit public

policy think tank, put the average compensation of ceos across all industries at \$15.2 million in 2014, a 21.7 percent increase over 2010 and, even adjusted for inflation, a 937 percent increase over average ceo compensation in 1978.

New EPI research is due soon, and is expected to show ceo wages currently stand between 250 to 300 times the earnings of a typical worker. That ratio stood at 30-to-1 in 1978 and roughly 123-to-1 in 1995.

"Ceo pay has risen tremendously – far more than the pay of workers, far more than stock prices, far more than the wages of those even in the top 0.1 percent," EPI president Lawrence Mishel said.

"Apparently they're very special people," he added wryly.

That very defense, usually fleshed out with arguments of retention and the market's ability to bear the cost, Mishel dismisses as "absurd."

"Of course, it's a tough job and they should get paid, but it's far from clear that they need the pay they get to get up in the morning and go to work and that they wouldn't work for half," Mishel said.

He compared this idea of ceo's being somehow "special" enough to deserve such high pay to Garrison Keillor's popular "Lake Wobegon" stories, described by the long-time public radio host as a town "where all the women are strong, all the men are good-looking and all the children are above average."

Mishel said companies seem to have this same idea about their ceo's "so they need to pay them more than everyone else, and as everyone looks around, the pay level just goes up and up. But not everyone can possibly be special."

He added that the mentality likely extends to private companies that do not have to disclose their executive compensation to investors, saying "private companies have to pay at least what the public companies offer to feel competitive."

Steven Clifford, a former telecom ceo and the author of the newly released "The CEO Pay Machine," referred to the notion of market forces being the cause for such high levels of ceo pay as a "canard" that essentially serves as after-the-fact justification.

"There is no market for ceo's. If there were it would be easy [to justify it]," Clifford said. "To be a successful ceo you have to know one industry and one company extremely well. That understanding is basically worthless outside of that company, so that knowledge and those skills are not portable."

Although many would disagree on that point, Clifford claimed there is no clear link between ceo pay and their performance or the performance of their company.

"If there were any place to start cutting back on ceo pay, it would be an industry like retail, which is highly troubled and it needs to cut costs," Clifford said. "These are supposed to be hard-headed business people and if you look at the data, there's no justification for paying ceo's like this."

But board members who are responsible for determining pay packages for ceo's are in something of a bind, even if they feel executive packages have grown too much. They after all are ultimately responsible for operating budgets in the billions and acutely feel the pressure to perform. And when they are charged with bringing in a new ceo to push the whole enterprise forward, they're loath to scrimp and not try to bring in the best possible leader, even if they come with a hefty price tag.

CEO Pay Across Industries

Compensation in the corner office is generally high in corporate America.

– Executive compensation in fashion, beauty and retail might seem off the charts, but many of the pay package leaders still find themselves lagging corporate titans in other industries.

Equilar's study of 2016 pay for the top 20 chief executive officers of public companies listed in the U.S. found only

Fabrizio Freda from The Estée Lauder Cos. Inc. making the cut. (Equilar included Nike Inc.'s Mark Parker's \$47.6 million in its tally, but he is excluded in the chart below because his most recent pay package of \$13.9 million would not qualify for the top 20).

CEO	COMPANY	2016 COMPENSATION (IN MILLIONS)
THOMAS M. RUTLEDGE	CHARTER COMMUNICATIONS	\$98
LESLIE MOONVES	CBS	\$68.6
DAVID O'CONNOR	MADISON SQUARE GARDEN	\$54
FABRIZIO FREDA	ESTÉE LAUDER	\$47.7
MARK V. HURD	ORACLE	\$41.1
ROBERT A. IGER	WALT DISNEY	\$41
SAFRA A. CATZ	ORACLE	\$40.9
DAVID M. ZASLAV	DISCOVERY COMMUNICATIONS	\$37.2
ROBERT A. KOTICK	ACTIVISION BLIZZARD	\$33.1
MARGARET C. WHITMAN	HEWLETT PACKARD ENTERPRISE	\$32.9
ALEX A. MOLINAROLI	JOHNSON CONTROLS INTERNATIONAL	\$32.6
JEFFREY L. BEWKES	TIME WARNER	\$32.6
VIRGINIA M. ROMETTY	INTERNATIONAL BUSINESS MACHINES	\$32.3
JOSHUA W. SAPAN	AMC NETWORKS	\$30.5
GREGORY B. MAFFEI	LIBERTY MEDIA & LIBERTY INTERACTIVE	\$29.8
BRIAN L. ROBERTS	COMCAST	\$28.6
BRIAN L. ROBERTS	CHARTER COMMUNICATIONS	\$98
LEONARD S. SCHLEIFER	REGENERON PHARMACEUTICALS	\$28.3
JOHN J. HALEY	WILLIS TOWERS WATSON	\$28.2
STEPHEN A. WYNN	WYNN RESORTS	\$28.2

Compensated: The Top 20

A spotlight on the trends and fine print in compensation for fashion executives, drawn from filings with the Securities and Exchange Commissions.

NAME, POSITION, COMPANY	2016 COMPENSATION (IN MILLIONS)	2015 to 2016	PERCENTAGE OF COMPENSATION IN STOCKS AND OPTIONS	PERCENTAGE OF COMPENSATION IN SALARY, BONUS, INCENTIVE PAY, CHANGE IN PENSION VALUE AND PERKS.
 1 MARC LORE EXECUTIVE VICE PRESIDENT, WAL-MART INC.	\$243.9M	N/A	99%	
 2 FABRIZIO FREDA PRESIDENT, CEO THE ESTÉE LAUDER COS. INC.	\$48.4M	▲ 190%	83%	
 3 DOUG McMILLON PRESIDENT, CEO WAL-MART STORES INC.	\$22.4M	▲ 13%	68%	
 4 ERNIE HERRMAN CEO, PRESIDENT TJX COS. INC	\$18.5M	▼ -8%	52%	
 5 FABIAN GARCIA CEO REVLON INC.	\$18.5M	N/A	75%	
 6 JOHN DEMSEY EXECUTIVE GROUP PRESIDENT THE ESTÉE LAUDER COS. INC.	\$16.5M	▲ 68%	67%	
 7 ERIC WISEMAN CHAIRMAN, CEO VF CORP.	\$16.3M	▲ 64%	64%	
 8 STEFAN LARSSON FORMER PRESIDENT, CEO RALPH LAUREN CORP.	\$16.2M	▲ 46%	58%	
 9 EMANUEL CHIRICO CHAIRMAN, CEO PVH CORP.	\$16.1M	▲ 38%	58%	
 10 LESLIE WEXNER CHAIRMAN, CEO L BRANDS INC.	\$14.8M	▼ -46%	64%	

NAME, POSITION, COMPANY		2016 COMPENSATION (IN MILLIONS)	CHANGE 2015 to 2015	PERCENTAGE OF COMPENSATION IN STOCKS AND OPTIONS	PERCENTAGE OF COMPENSATION IN SALARY, BONUS, INCENTIVE PAY, CHANGE IN PENSION VALUE AND PERKS.
	11 CAROL MEYROWITZ EXECUTIVE CHAIRMAN TJX COS. INC.	\$14.5M	 -26%	34%	
	12 MARK PARKER CHAIRMAN, PRESIDENT AND CEO NIKE INC.	\$13.9M	 -71%	36%	
	13 TERRY J. LUNDGREN CHAIRMAN, PRESIDENT AND CEO MACY'S INC.	\$13.5M	 15%	74%	
	14 RALPH LAUREN EXECUTIVE CHAIRMAN, CHIEF CREATIVE OFFICER RALPH LAUREN CORP.	\$13M	 13%		
	15 DAVID CHEESEWRIGHT PRESIDENT, CEO WAL-MART INTERNATIONAL	\$12.6M	 23%	52%	
	16 JEAN MORTIER FORMER PRESIDENT OF GLOBAL MARKETS COTY INC.	\$12.3M	 38%	16%	
	17 GREGORY FORAN PRESIDENT, CEO WAL-MART U.S.	\$11.6M	0%	58%	
	18 BRIAN CORNELL CHAIRMAN, CEO TARGET CORP.	\$11.3M	 -33%	86%	
	19 BARBARA RENTLER CEO ROSS STORES INC.	\$11.1M	 9%	60%	
	20 CHIP BERGH PRESIDENT AND CEO LEVI STRAUSS & CO.	\$10.6M	 7%	61%	

Parker by Gregory Pace/BEI/Shutterstock; Lundgren by Zach Hilly/BFA/REX/Shutterstock; Lauren by Abel Fermin/Mortier by John Aquino/Cornell by Carly Erickson/BFA.com/REX/Shutterstock; Bergh by Erin Kunkel