WWD

J.C. Penney Seeks New CEO

The new owners of the struggling department store will establish a temporary office of the ceo, to include key members of Penney's current leadership team.

By David Moin

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J.C. Penney's new owners — the Simon Property Group, Brookfield Asset Management and Authentic Brands Group — have launched a search for a new chief executive officer of the department store chain.

Jill Soltau, the current ceo, will exit the company on Thursday and Stanley Shashoua, Simon's chief investment officer, will become interim ceo on Jan. 1.

"The search will seek to identify a leader that is focused on modern retail, the consumer experience and the goal of creating a sustainable and enduring J.C. Penney," the owners said in a statement Wednesday afternoon.

The owners also said a temporary office of the ceo, to include key members of Penney's current leadership team, will be established.

J.C. Penney's stock climbed 7.2 percent on the news, in mid-afternoon trading.

Penney's retail operations emerged from Chapter 11 bankruptcy earlier this month in a deal selling its retail and operating assets to Simon and Brookfield, which will will operate the chain. Authentic Brands Group is considered a strategic partner and will be able to feed Penney's stores and website with merchandise from brands in the ABG portfolio.

Other aspects of the company's bankruptcy, including the portion of its real estate business that its lenders will take over, are still working their way through the bankruptcy court and are expected to exit the process next year, according to a statement by the company.

In the announcement, there was no explanation for why the decision was made to replace Soltau. It seemed abrupt, and could have stemmed from a disagreement with one of the owners. At this point at least, it appears to be Simon that is calling the decisions on Penney's, considering a Simon executive was named Penney's interim ceo.

Penney's is a major anchor tenant in many of Simon's and Brookfield's shopping centers. Apparently, there's more to the decision by Simon and Brookfield to buy Penney's out of bankruptcy other than just trying to keep up occupancy rates and prevent other retailers from exercising co-tenancy clauses to vacate a mall when an anchor retailer closes. As David Simon, president, chairman and ceo of Simon, recently said, "We get out of bad stores. We buy the inventory at a discount. We right-size the overhead. And we operate with better business judgment, and lo and behold, you suddenly have a business that's got significant positive EBITDA and you haven't paid much for it."

When the deal closed earlier this month, Simon said, "We have always been firm believers in J.C. Penney and are very pleased to help preserve this iconic institution and save tens of thousands of jobs. J.C. Penney is now poised for a future focused on innovation and consumers while continuing to navigate through the pandemic. We are excited about J.C. Penney's future growth and look forward to collaborating with the J.C. Penney team to serve its customers and communities."

Most likely, Soltau would have preferred to stay on. When the company filed for Chapter 11 bankruptcy last May, she was granted a retention bonus of $4.5 million if she stayed on through the bankruptcy. However, the Dallas Morning News reported that she was required to give back 80 percent of the award if terminated for cause before Jan. 31, 2021. Huge bonuses are often given to managers leading retailers through bankruptcies.

Penney's retail operations exited bankruptcy with 690 stores and free of approximately $4 billion in debt.

Last year, the company had a net loss of $268 million, on a sales decrease of 8.1 percent to $10.72 billion.

Soltau was dealt a poor hand when she joined Penney's as ceo in October 2018. The Dallas-based retailer had been struggling for decades and was dealing with an eroding sales volume, an inadequate e-commerce operation, an overload of debt and the repercussions of bad decisions made by a succession of previous managements.

Financially, Penney's was in a tough situation from the first day Soltau stepped into the job. But she overhauled the management team including bringing in some top executives, including former Target executive Michelle Wlazlo who became Penney's chief merchant.

Soltau, working with Wlazlo, reset the women's selling floors with an easier-to-shop, lifestyle format with enhanced visuals and more thoughtful and obvious mannequin setups. What was a confusing sea of racks and aura of "stuff" had been disappearing.

Activewear, special sizes and denim have been among the categories that have been played up, including the A.n.a. private label, which has evolved into more of a denim and casual bottom business. She also closed scores of underperforming stores and eliminated a lot of the merchandise programs, including appliances.

Soltau's program was derailed by the pandemic, which forced the business into bankruptcy, although Penney's had long been rumored to be a candidate for bankruptcy.

"She was running a business so consumed by debt, the pandemic and the bankruptcy proceedings, but she kept the wheels on the bus, and the Penney's name as an ongoing business," said Kirk Palmer, of the executive search firm bearing his name.

"She put together a very good team and did an excellent job there," said retail analyst and blogger Walter Loeb.

Soltau has had an extensive career in retailing, cutting her teeth at Carson Pirie Scott, and advancing to Kohl's, Sears, Shopko, and just prior to joining Penney's, she ran JoAnn Stores.