



Economy Slows Down as Exec Comp Moves Up  
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NEW YORK — Even as the economy began to show signs of erosion last year, footwear executives' compensation packages were on the rise.

Buoyed, once again, by stock and option awards, as well as by non-equity incentive plan compensation, packages in 2007 for the highest-paid executives at 27 footwear retailers and vendors tracked by Footwear News averaged \$3.1 million, up 14 percent from \$2.8 million the prior year.

Stock and option awards alone averaged nearly \$1.1 million, with Matthew Rubel of Collective Brands Inc. raking in nearly \$4.7 million, the highest among the firms analyzed. In contrast, bonuses averaged just \$104,670. As has been a general trend over the past few years, bonuses were often replaced with non-equity incentive plan compensation, referring to rewards given to executives when certain financial targets are met frequently over several years.

Executives at retail chains, meanwhile, generally saw base salaries increase more often than at vendors, though that certainly wasn't the rule. Ronald Snyder of Crocs Inc. saw his salary jump to \$800,000 last year from \$500,000, but he received no bonus in 2007, versus a \$500,000 bonus in 2006. In all, Snyder's total pay package jumped 76 percent year over year.

Despite the average increase in packages over the last year, one compensation expert wasn't surprised at the big checks. "The shoe business pays more than [the] women's apparel [industry], more than men's apparel, more than home furnishings," said Elaine Hughes of executive search firm E.A. Hughes & Co. "I don't know why. I was shocked — I discovered it about six years ago."

But another expert said it's difficult to compare how specific companies reward their executives. "There are so many idiosyncrasies" between companies, said Kirk Palmer of executive search firm Kirk Palmer & Associates. "You don't know what goes on behind the scenes — who has a contract coming up, what they might want to do, whether [the executive] had another [employment] offer and the company had to buy them back."

Though their base salaries tended to creep up, footwear retailers still took a bigger hit than vendors in terms of total compensation compared with the prior year. For instance, at Nordstrom Inc., President Blake Nordstrom's pay package fell 59 percent in 2007 — the biggest drop among retailers tracked by FN — as he earned \$13,000 less in salary, and his stock and option awards fell by nearly two-thirds.

The dollar value of Nordstrom's stock awards fell mainly because his company's share price declined 29 percent during the firm's fiscal year, which ended Feb. 2, 2008. Nordstrom, who received a merchandise discount of \$35,802, also received 77 percent less in non-equity incentive plan compensation. Some of this can be blamed on the softening of the footwear market last year — the retailer's earnings in 2007 rose just 6 percent to \$715 million, while revenues increased 3 percent to \$8.83 billion.

“The retailer salary structure is usually far more associated with a publicly traded company. So when you're a publicly traded company, you have to stick with certain guidelines in terms of what you would refer to as salary grades and keeping within those grades,” explained Hughes. “In the vendor community, [executives] are always paid more. It's discretion. It's their need to keep and retain talent.”

Despite a down year, when net profits at his eponymous firm fell 74 percent to \$7.1 million, Kenneth Cole's base salary remained at \$1 million, and his stock and option awards jumped 73 percent to \$2.7 million. However, Cole's non-equity incentive plan pay fell 33 percent to \$667,667. Still, Cole had the second-highest percentage jump in total compensation among brands tracked by FN.

While not specifically singling out Cole, Palmer said, “Smaller companies can get away with more. They'll say, ‘We love our founder, our CEO.’ If you're a larger, more in-the-spotlight company, it's more difficult to do that.”

Two executives who left their respective firms last year saw a positive byproduct in their paychecks. Former president and CEO of Jones Apparel Group, Peter Boneparth, who resigned in July 2007, had the highest increase in pay among vendors last year, thanks to his departure from the company. As part of his severance agreement, Boneparth took home more than \$16.7 million, made up of severance and the vesting of his outstanding restricted stock awards. Stock and option awards alone totaled \$4.3 million.

And due to her resignation in September, the total compensation for Michele Bergerac of Bakers Footwear Group Inc. surpassed that of Chairman and CEO Peter Edison last year. Bergerac's “other compensation” included severance of \$350,000.

It's clear that footwear executives in 2007 also saw their pay packages inflated by equity awards. In 2006, the Securities and Exchange Commission mandated that public companies enhance the transparency of pay packages using a “plain language” format. Within that, companies must now release stock and option awards in a dollar amount.

Hughes noted that stock and option awards are “very important” parts of executive compensation packages because they give employees the opportunity to invest in their firms. Once invested, the executives have incentive to help grow the company. “If [the executives] make the effort to make it a better firm, that's going to show in the stock.” Of course, a higher stock price means executives can periodically cash out their shares for a bigger profit.

Pacific Sunwear of California Inc.'s Sally Frame Kasaks had the highest compensation

percentage gain among footwear retailers. Kasaks was appointed interim CEO of PacSun in October 2006 and added the chairman title in May 2007. Aside from a \$1.2 million salary, Kasaks' \$900,000 bonus included a \$400,000 signing bonus and a \$500,000 guaranteed minimum bonus.

At athletic retailer Foot Locker Inc., Matthew Serra had a significant decline in total compensation last year, due largely to not receiving any non-equity incentive plan compensation, compared with \$1.6 million in 2006. The firm's earnings last year fell almost fivefold to \$51 million. However, Serra received more than \$55,000 for a car allowance.

Perks were notable benefits awarded to footwear executives last year. At Timberland Co., Jeffrey Swartz, who with a \$5.6 million package was the highest-paid executive among vendors last year, had "other compensation" that included about \$290,000 worth of personal use of the company aircraft and \$23,000 worth of use of company-owned automobiles.

Within the \$3.5 million pay package for Brown Shoe Co.'s Ron Fromm was more than \$400,000 in personal use of the company's aircraft.

At Collective Brands, Rubel — who earned the biggest pay package among retailers, with \$7.8 million — received several perks, including a company-paid driver (worth more than \$34,000) and use of the company aircraft for personal travel (worth \$129,000).

Footstar's Jeffrey Shepard received in his "other compensation" \$650,000 based on an April 2007 special \$5 a share cash distribution. Shepard owned at that time 130,000 shares of Footstar's restricted stock.

"There's one common denominator with any of these packages," said Hughes. "They are tailored to maintain and incentivize those employees that the company feels are going to add value to the bottom line and prevent competition regardless of a noncompete form."