

# BDO 600

## Board Director Compensation Trends in Middle-Market Retail Companies



### **DIRECTOR COMPENSATION CONTINUES TO CLIMB IN SIX DIFFERENT INDUSTRIES BUT DECLINES IN TWO, ACCORDING TO AN ANALYSIS CONDUCTED BY BDO USA, LLP, A LEADING ACCOUNTING AND CONSULTING ORGANIZATION.**

**T**he *BDO 600: 2013 Survey of Board Compensation Practices of 600 Mid-Market Public Companies* examines the director compensation trends in publicly-traded companies with annual revenues from \$25 million to \$1 billion in the energy, healthcare, manufacturing, real estate, retail and technology industries; and publicly-traded companies with assets between \$50 million to \$2 billion in the banking and financial services industries. The study included proxy statements that were filed between May 15, 2012 and May 15, 2013.

Retail board directors saw a six percent increase in total compensation—the third highest increase among the sectors examined in the study, along with real estate. On average, retail directors received \$117,080 this past fiscal year, up from \$110,844 last year. This marks the third straight fiscal year of growth in the average total compensation paid to retail industry directors. Yet, compensation remains lower than that of the technology, energy, healthcare, real estate and manufacturing industries.

#### **BDO RETAIL AND CONSUMER PRODUCTS PRACTICE**

BDO has been a valued business advisor to retail and consumer product companies for more than 100 years. The firm works with a wide variety of retail clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, on myriad accounting, tax and other financial issues.

For more information on BDO USA's Executive and HR Services offerings for the retail industry, please contact one of the service leaders below:

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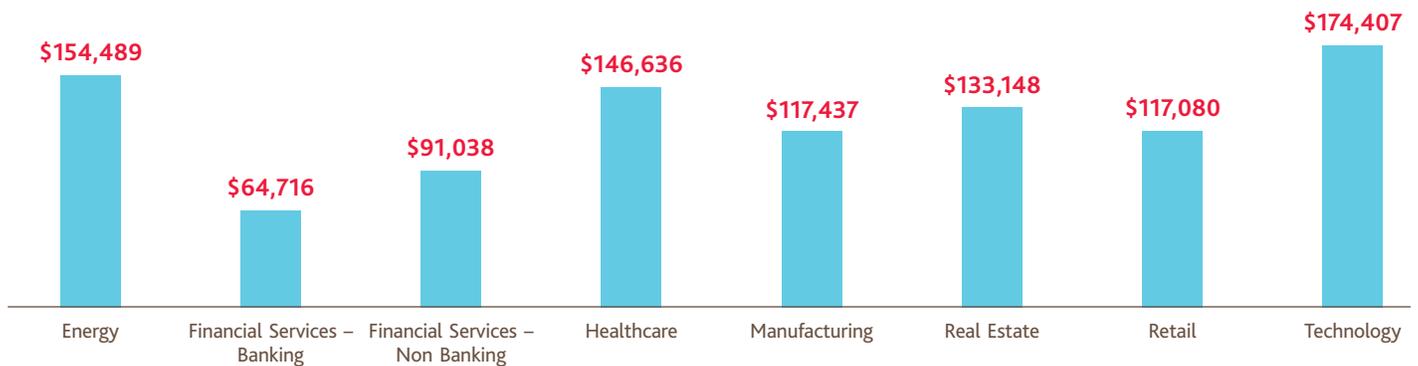
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**Board Director Compensation by Industry 2011 – 2012**



“Overall, we’re seeing a leveling off of pay despite, in many cases, increasing responsibilities,” says **Randy Ramirez, senior director in Global Employer Services practice at BDO.** “However, the increase in total compensation in the retail industry makes it clear that as the industry becomes more competitive and complex, retailers continue to increasingly count on and reward the strategic guidance offered by their boards.”

**▶ RAPID CHANGE SPURS COMPENSATION IN RETAIL INDUSTRY**

The last few years have seen significant shifts in retail trends, prompting industry players to examine the best way to adapt within a fluctuating economy that generates inconsistent consumer shopping patterns. Considerable consolidation and new technologies have resulted in strategy shifts as retailers seek to attract new customers and realize top-line growth. As a result, boards of directors face high-stakes, complicated decisions surrounding executive changes, new pricing models, omnichannel commerce and refocused marketing strategies. Retail directors’ compensation reflects these turbulent times, falling behind most of the other industries surveyed. Yet, retailers looking to attract the most qualified directors to guide the business through these major challenges must offer compelling pay packages, which

may explain why compensation in the industry jumped six percent from last year.

**▶ BOARD FEES AND STOCK AWARDS DOMINATE PAY MIX**

The pay mix scenario for retailers has changed little year over year, with board fees and retainers and stock awards comprising the two largest components of director pay packages for the second year in a row. When it comes to pay mix, the stock awards portion of retail directors’ packages grew considerably more than other forms of compensation. Average stock awards increased 23 percent, from \$41,711 to \$51,168. For retail directors, these awards now account for 44 percent of compensation elements, up from 38 percent

last year. At the same time, board retainers and fees remained flat, while committee retainers and fee declined by 11 percent. Stock options continued to decline for the second straight year, accounting for nine percent of the total compensation package, down from 12 percent. The decline reflects the continued push to align boards of directors with corporate governance and fiduciary oversight, rather than tying much of their compensation to short-term company performance.

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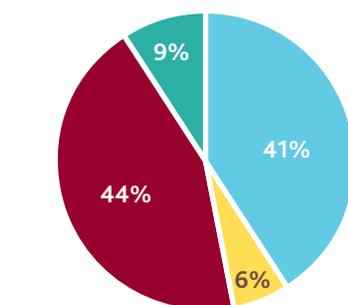
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**Pay Mix Favors Stock Awards**



- Board Retainers and Fees
- Committee Retainers and Fees
- Stock Awards
- Option Awards