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## Quietly, Retail Executives Move Into Top Paydays

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THE richest paydays are supposed to be reserved for Wall Street titans, oil barons and banking moguls. So what is a handbag maker doing atop the list?

Lew Frankfort, 61, the chief executive of [Coach](#), earned \$44.4 million last year, putting him in the same league as the chiefs at much bigger companies, like [Goldman Sachs](#) and [Occidental Petroleum](#). In fact, his pay was about twice as much as the head of [Citigroup](#), the financial giant.

Mr. Frankfort, a raspy-voiced, straight-talking former New York mayoral aide, may be the highest paid C.E.O. off Wall Street, edging out top executives at [AT&T](#), [Walt Disney](#) and United Airlines.

Here's the unusual part: almost nobody objects. Over the last five years, under Mr. Frankfort's leadership, Coach's earnings rose to \$494 million from \$64 million and its stock price jumped to \$51 from \$6. Coach also developed a cult-like following among fans of cushy items like leather [iPod](#) covers and key fobs.

Given a soaring stock price and an enviable line of products, Mr. Frankfort is unapologetic about hauling in tens of millions of dollars. "I believe that my role as the visionary and the leader is worth" the pay, he said in an interview. "Absolutely — I do not feel uncomfortable with it."

The retail industry — teeming with deep-discount pitches and minimum-wage-earning sales clerks — is not known for sky-high pay. But perhaps it should be.

Last year, Paul S. Pressler, the ousted chief executive of [Gap](#), was paid \$15.4 million. [Ralph Lauren](#), chief executive of [Polo Ralph Lauren](#), took home \$22.7 million. Alan J. Lacy, then the chief executive of [Sears Holdings](#), received \$23.2 million. And Robert L.

Nardelli, the ex-chief executive of [Home Depot](#), pocketed \$36.5 million — a figure that, albeit lower than Mr. Frankfort's pay, helped usher Mr. Nardelli out the door. Perhaps only the former Gap chief Millard S. Drexler, who now runs J. Crew, earned more than Mr. Frankfort — an estimated \$300 million over the last four years. But that compensation was granted when private equity firms owned J. Crew.

For years, these pay packages have largely flown below the radar — and surveys of the top-paid chief executives — because of a calendar quirk. Most retail and fashion companies file data about their chief's pay in April and May, a month later than most other companies do, so they can incorporate results from the holiday selling season, when they do the bulk of their business.

But an analysis prepared for Sunday Business by Equilar, an executive compensation research firm, shows that the paychecks sent to chief executives of several retail and fashion companies are among the richest in American business. And few are fatter than Mr. Frankfort's.

His \$44.4 million compensation in fiscal 2006 equaled 9 percent of Coach's income — a figure that dwarfs those at the company's peers, inside and outside of the retail industry. H. Lee Scott Jr., the chief executive of [Wal-Mart](#), was paid \$15.7 million, or 0.1 percent of the company's income, while E. Stanley O'Neal, the chief executive of [Merrill Lynch](#), received \$35.5 million, or 0.7 percent of the firm's income.

But neither chief executive can match Mr. Frankfort's track record. Since 1995, when he became C.E.O., he has transformed Coach, once a niche player, into an international megabrand peddling luxury leather purses, flip-flops and backpacks. He also pioneered an entirely new retailing category, known as affordable luxury.

It was Coach, after all, that made it permissible, if not compulsory, for women to own not just one \$250 handbag but several. "We created a lane between moderate and luxury brands and that lane has become a super highway," Mr. Frankfort said.

Since October 2000, when Coach, once a division of the [Sara Lee Corporation](#), went public, Mr. Frankfort has added \$18 billion to the company's market capitalization. Indeed, \$10,000 invested in Coach stock in 2000 is worth \$255,000 today.

Coach's board rewarded Mr. Frankfort with stock options, which comprise the vast majority of his compensation. Last year, his base salary was just \$972,000, his bonus \$1.9 million. But he got stock options valued at \$40.3 million.

One reason his pay was so high: Mr. Frankfort is still benefiting from so-called "reload options," which the company automatically grants to replace cashed-out options. Coach stopped granting new options that reload several years ago, but he still receives extra shares from older options that have this feature.

Mr. Frankfort said that the arrangement, tying more than 90 percent of his pay to the stock's performance, has rewarded investors handsomely. "If the stock price did not go up, I would be in the bottom quartile" of chief executive pay, he pointed out.

Patricia Edwards, an executive at Wentworth, Hauser & Violich, an investment firm that owns Coach shares, and a vocal critic of Mr. Nardelli's pay at Home Depot, has no qualms about Mr. Frankfort's pay. "Coach stock was through the roof last year," she said, "Shouldn't he be rewarded for that?"

As his pay has escalated, and he has watched peers pilloried for lavish compensation, Mr. Frankfort has repeatedly asked his staff if investors have complained. The answer: nope. "I am actually enraged when people get rewarded and they do not deserve it," he said.

He does not put himself in that category. "I got a standing ovation from our shareholders," at last year's annual meeting, he said, "They have been quite well rewarded."