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Retail Pay Ripples: Executive Bonuses Sinking, According to Korn Ferry Research

– Nearly Three Quarters of Companies Are Paying Little to No Senior Executive Bonuses –

– Only 15 Percent are Paying at Normal Bonus Levels –

LOS ANGELES--(BUSINESS WIRE)-- New research from Korn Ferry (NYSE:KFY) shows that volatility in the retail industry is now hitting senior retail executives in the pocketbook.

Korn Ferry conducted an analysis of 40 North American retailers with annual sales between \$1 billion and \$50 billion, representing nearly 2 million employees. The study found that 73 percent of retailers paid little to no bonuses to senior executives in 2017 for 2016 performance, with 35 percent paying no bonus and 38 percent paying only small bonuses to their executives.

The percentage of retailers paying no bonuses to executives has steadily increased during the last 5 years.

Retail Senior Executives

Percent who receive

Year	no bonus
2017	35 percent
2016	25 percent
2015	25 percent
2014	11 percent
2013	10 percent

Only 15 percent of the retailers paid senior executives their target or above bonus amount in 2017.

“Bonuses are typically tied to the performance of the retailer, and historically about 50 percent of retailers achieve their business plan for profits and pay executives their normal bonuses,” said Craig Rowley, a Korn Ferry Senior Partner specializing in the retail industry. “The fact that this year only 15 percent of companies met or beat their expected profit plan and paid full bonuses to executives exemplifies the challenges facing the industry.”

So far in 2017, 23 major retailers have filed for bankruptcy and 24 retailers have either closed or are closing more than 5,000 stores in North America. Currently, up to 25 retailers are on the watch list for poor financial performance.*

Today retail e-commerce makes up \$395 billion of the total \$3.4 trillion in retail sales – which is about 12 percent of all retail. That percentage is expected to nearly double in coming years.

In addition to e-commerce, new increases in minimum wage in cities across the United States are taking a huge chunk of retailer profits, and according to Rowley, some retailers are innovating to curb costs.

“We’re seeing a trend toward retailers taking a hybrid approach to sales, with showroom stores where consumers can see and touch merchandise, but can then make their orders online,” said Rowley. “This gives consumers a chance to interact with a retailer and a brand, and also allows smaller stores with less need for inventory space and sales personnel.”

Source: *Business Insider

About Korn Ferry

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