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The CFO Rotation

THE CFO ROLE HAS CHANGED OVER THE YEARS TO BECOME MORE THAN JUST NUMBERS CRUNCHING.

BY VICKI M. YOUNG

Nordstrom got a new cfo this spring.

The chief financial officer is no longer just a numbers cruncher, and the new skill set required – not to mention the stress that goes with the job – might to some extent explain the high turnover on the cfo front in the last few months.

In the last three months alone, no less than seven retailers have seen their cfo's leave. Those include Neiman Marcus Group; J.C. Penney Co. Inc.; Nordstrom Inc.; Kohl's Corp.; Hudson's Bay Co.; Kirkland's Inc., and Christopher & Banks. It isn't just the retail sector that faced cfo changes. On the vendor side, Vera Bradley and Michael Kors Holdings Ltd. have welcomed new cfo's. Only one or two cfo positions became open due to retirement.

According to Elaine Hughes, founder and chief executive officer of executive search firm E.A. Hughes & Co., "The cfo is the financial 'consigliere' and strategist to the ceo as well as to the board. The job requires a new level of sophistication."

Over the years as retail and apparel firms have improved their financial reporting systems and have incorporated new technologies to provide real-time data, they've also had to look outside the box to figure out how to grow. In many instances, the decision over growth has gone beyond just opening more stores in new geographic areas. Growth now can come from the mergers and acquisitions front. Other times, real estate comes into play as companies retrench from certain markets so they can focus on the stores that best contribute to the bottom line before the next round of store openings in more meaningful locations. That's on top of operational decisions on where to invest and how much when it comes to being "omnichannel" and operating one's own e-commerce platform.

And at some companies, the cfo now also holds the title of chief operating officer. In a few instances, it was the chief operating officer who added on the role of interim cfo when the incumbent left the company, only to become the cfo later on while retaining the existing title of chief operating officer.

Adelle Kirk, senior vice president at Kirk Palmer Associates, also an executive search firm, said good talented cfo's are being enticed away to firms in other sectors that can provide a better work-life balance.

With operating margins down at most retailers and fashion companies, and Wall Street taking a closer look under the hood for some reason to buy – or hold onto – the shares of any public company, the pressure to meet expectations has grown. And those pressures are likely to grow, not lessen, meaning there could be more cfo changes ahead.

Fashion, Retail Get Creative on the Financing Front

FASHION AND RETAIL ARE USING NEW AND OLD IDEAS TO SECURE FINANCING.

BY VICKI M. YOUNG

If recent corporate financing activity is any indication of current out-of-the-box thinking in retail and apparel, then expect to see more creative thinking from fashion firms over the next six to nine months.

Here's the playbook so far on some of the non-traditional financing plays used by firms this year.

Fashion first saw the creative use of intellectual property as an asset-backed securities option in 1999 when the Bill Blass fashion house issued a bond backed by the IP, with future revenues from the trademarks paying the interest owed on the bonds to investors. That was an idea taken from the entertainment industry when David Bowie raised $55 million in 1997 by selling 10-year bonds backed by royalties from 25 of his albums. This year, the industry saw Neiman Marcus Group place its Mytheresa asset along with three real estate properties into separate subsidiaries, and J. Crew electing to place 72 percent of its U.S. trademarks into a new subsidiary out of reach of lenders, which then drew the ire of some of its backers.

Last month, beleaguered contemporary brand Vince Holding Corp. received help from sister company Rebecca Taylor in the form of purchase-order financing in case liquidity problems arise. While unusual, the back-up arrangement is doable as both Vince and Rebecca Taylor are connected to private equity firm Sun Capital Partners.

Perhaps the one company at the epicenter of extensive financial engineering is Sears Holdings Corp., mostly due to the out-of-the-box thinking of its chairman and chief executive officer Edward Lampert. Lampert also has the advantage of being chairman of hedge fund ESL Investments, which has been both willing and able to facilitate several loans to Sears to fund the firm's turnaround. In addition to some asset-backed loans, Lampert has spun off some of Sears' real estate holdings to form Seritage Growth Properties, a real estate investment trust. Lampert also controls Seritage, and the REIT has begun releasing the former Sears space as the distressed retailer begins exiting certain locations. Lampert has also spun off assets such as Lands' End.

What Lampert might do next is unclear. The company has already said it is moving "decisively with its $1.25 billion restructuring program." And the company has told Wall Street that it still has assets that can be deployed to "fund its turnaround."

Vince has a back up vendor financing plan in place.

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