

# J.C. Penney names Apple retail exec as new CEO

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(AP) -- J.C. Penney Co. is looking to bite into the magic of Apple.

The mid-brow department store chain has named Ron Johnson, who pioneered [Apple](#) Inc.'s retail stores, its next CEO. He will succeed Myron Ullman III in November, the retailer said Tuesday.

During his 11 years at Apple, Johnson led Apple's retail stores and has been credited with developing the popular Genius Bar, where customers can get hands-on technical support for their Mac, [iPad](#) or other devices.

Johnson, 52, will report to Ullman, who will become executive chairman. Johnson will also join J.C. Penney's board of directors in August.

Ullman has been CEO and chairman since December 2004.

Apple's [retail chain](#) has grown to 300 stores in the U.S. and abroad and has become the gold standard for other retailers looking to make their stores modern and exciting. Johnson joined Apple after 15 years at Target Corp., where he was a merchandising executive who led the team that brought designer Michael Graves' products to the "cheap chic" retailer.

Penney's shares rose \$5.26, or 17.5 percent, to close at \$35.37 Tuesday.

Ullman, who turns 65 in November, said in an interview with The

Associated Press on Tuesday that he had tried to bring Johnson on board about three or four years ago, but "it wasn't the right time."

However, Ullman and activist board member William Ackman reconnected with Johnson six months ago. Ackman and Steven Roth, chairman of Vornado Realty Trust, joined the board in January.

Johnson "is widely recognized and highly regarded in the retail industry for his creativity and innovation, his commitment to empowering employees to deliver an unparalleled customer experience, and to making stores exciting places where people love to shop," Ullman said in a statement.

Johnson told The Associated Press it was difficult to leave Apple but added that becoming CEO was a "lifelong dream." He said he's joining Penney at a time when momentum is building and said he wants to help "re-imagine what I believe to be the single greatest opportunity in American retailing today, the department store."

Johnson declined to talk about specific plans for J.C. Penney. He noted he will stay at Apple until November.

Apple spokeswoman Amy Bessette said, "We have got a great retail team in place and are actively recruiting for his replacement."

Since taking the helm of J.C. Penney in December 2004, Ullman had built on the success of his predecessor Allen Questrom, who was credited with turning around ailing sales.

Under Ullman's stewardship, Penney, based in Plano, Texas, has moved from offering mainly store brands to filling its floors with trendy Sephora cosmetics shops and affordable lines like Cindy Crawford Style. Last year, it became the only U.S. retailer to sell Liz Claiborne and

Claiborne women's wear.

Penney, which generated revenue of \$17.7 billion in its latest fiscal year, has also created a unit devoted to finding new revenue streams. As part of this initiative, the company opened the first 10 Foundry Big & Tall Supply co. stores, six in the Dallas-Fort Worth area and four in Kansas City.

Penney has also cut costs by closing some stores, outlets and a call center. It is also wrapping up the shutdown of its catalog business.

But Johnson's appointment is a sign that J.C. Penney is positioning itself for a new era in which shoppers increasingly use mobile phones to check prices or shop. And so the need to inject excitement into Penney's more than 1,100 stores, which Wall Street Strategies analyst Brian Sozzi describe as too dark and stodgy, becomes even more critical.

In clothing, J.C. Penney has been squeezed by competition from Macy's on the high end and Target and H&M on the cheaper end. Its competitors are also expanding exclusive items to make them stand out.

Johnson brings expertise in both "soft goods" like clothing and "hard goods" like gadgets, said Gilbert Harrison, CEO of Financo, an investment banking boutique that specializes in retailing.

Johnson "knows how to doll up an environment," said Hal Reiter, CEO of Herbert Mines Associates, a recruiting firm in the retail industry. The question, he said, is, "How can you merchandise a pair of jeans" and make it as exciting as Apple's products.

Johnson will receive a base salary of \$1.5 million, and the opportunity to make a cash bonus of \$1.875 million if he reaches certain performance goals, which the company did not disclose, according to documents filed

with the Securities and Exchange Commission. He also will receive a grant of 1.66 million shares of restricted stock. The stock grant was valued at \$50 million, based on J.C. Penney's closing stock price of \$30.31 a share on June 13.

Johnson's total compensation at Apple for 2010 was \$29.8 million. That included his salary, stock awards, performance-based cash bonus and perks.

By leaving Apple, Johnson forfeits 150,000 shares that would have vested in March 2012, with a current market value of \$50 million. Penney, in its announcement of the new [CEO](#) hiring, said its stock award replaced what Johnson is giving up by leaving Apple before next March.

Johnson is also forfeiting an additional 100,000 shares of Apple stock that wouldn't have vested until September 2014. The current market value of those shares is \$33 million.

Penney said Johnson requested to make a personal investment of \$50 million in the company through the purchase, at fair market value, of 7 1/2 warrants on 7.257 million shares of Penney stock. The warrants cannot be sold or hedged for the first six years of their term and have a strike price of \$29.92, the closing price of the stock on the business day before Johnson's commitment to purchase the warrants.

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