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*The Crystal Report on Executive Compensation*



## **Equilar's New Peer Group Study**

**by Graef Crystal**

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Equilar Inc. has just released a new and innovative study of so-called peer groups, i.e., the companies that a company identifies as being valid comparators for pay purposes. The database consisted of firms comprising the *Fortune* 500.

Here are some key findings:

- The median peer group consists of 19 companies.
- Most major industry groups had roughly the same sized-peer groups. The one exception was “Industrials”, where the average peer group contained 35 members. I suspect that statistic is due to the heterogeneous nature of the category, “industrials”.
- Peers come in a variety of sizes relative to the company doing the comparison. In general, revenues of peer group companies range between approximately 0.4 and 2.4 times the revenues of the benchmarking company.
- Rather ingeniously, I think, Equilar has drilled down to find peers of peers. Thus, if Company A benchmarks to Company B and Company B benchmarks to Company C, then Company C is a second-degree peer of Company A. Twenty-four percent of first-degree peers also show up as peers of peers. (Equilar's next project: Studying all the familial relationships in West Virginia – just kidding.)
- Equilar has also identified the most-used peers. And they are, to my eyes, a rather strange list, including Limited Brands, 3M, Johnson & Johnson, PepsiCo and Kellogg. I can certainly see why 3M and J&J are listed, because they are both engaged in multiple businesses. But I could think of more popular examples in retailing than Limited Brands and more popular examples in the food and beverage businesses than PepsiCo and Kellogg.

To request a copy of the report, please click on the link below:

[http://www.equilar.com/Executive\\_Compensation\\_2009\\_Benefits\\_Report.php](http://www.equilar.com/Executive_Compensation_2009_Benefits_Report.php)