Best Retail Brands 2013

Interbrand

Creating and managing brand value™


THE CASUAL BLAZER
NEED SOMETHING TO STYLE UP SOME SHORTS? SORTED.
Marcs oversized scarf, $49
Ray-Ban sunglasses, $329.95
Marcs canvas belt, $29
Marcs canvas locker bag, $79

Contents

Interbrand

Founded in 1974, Interbrand is one of the world's largest branding consultancies. With nearly 40 offices in 26 countries, Interbrand's combination of rigorous strategy, analytics and world-class design enables it to assist clients in creating and managing brand value effectively across all touchpoints in all market dynamics. Interbrand is widely recognized for its Best Global Brands report, the definitive guide to the world's most valuable brands, as well as its Best Global Green Brands report which identifies the gap between customer perception and a brand's performance relative to sustainability. It is also known for having created Brandchannel.com, a global resource about brand marketing and branding. For more information on Interbrand, visit Interbrand.com.

InterbrandDesignForum

For more than 35 years we have been creating retail brand experiences for companies around the world. We design transformative retail experiences that create an ongoing connection with customers. From engaging digital implementations to strategically scaled physical executions, we partner with brand leaders to strengthen brand loyalty in store and out. We harness the creative minds of experts across numerous disciplines: strategy, shopper sciences, retail design, digital, documentation and rollout. Together, we anticipate customers' needs and design dynamic brand interactions to keep them connected and coming back for more. For more information, visit InterbrandDesignForum.com.

A Commitment to Change Despite Uncertainty

We have a fascinating job at Interbrand. Our annual studies never fail to illuminate the regenerative power of brands, sterling assets in the turbulent and intricate global markets of today. The discussion we lead becomes even more compelling when it's about retail. For it is at this moment, the point of sale, where the rubber meets the road and a brand's value translates into a decision to buy.

Retail encompasses so much of life and culture, influencing taste, preferences, habits and behavior. More than just a practical means to keep fed and clothed, shopping is symbolic and aspirational. It represents the search for a better life, the promise of a brighter tomorrow. That's why brands loom large in our imagination and are woven into the fabric of major life events. As an everyday cultural practice, **shopping is a shared experience**, whether online, at the mall or in the store. Retail even shapes memories, as we fondly recall favorite objects, trends and experiences.

For those on the other side of the counter, the creation of an immersive shopping experience requires a talent for originality, a spirit of inventiveness and **sensitivity to human needs and desires**. From product demonstrations to the helpful guidance of a sales professional, retail experiences can be educational and uplifting, inspiring us to be more stylish, organized, connected, healthy or environmentally aware.

The best retail brands are not unlike people: living, evolving and involving; initiating change and responding to it. That's why, even when markets are as volatile as they are today, we can confidently say that brands, just like you and I, have the potential to change the world.

Outstanding retail brands, such as those on our list, are marked by their ability to transform the ordinary into the desirable. One of Brazil's top names, Havaianas, reinvented the humble flip flop, for example, turning a simple functional item into a sought-after fashion staple. Uniquely Brazilian yet universally appealing, its brand messaging is creative and engaging and its social responsibility platform isn't just PR—it's a part of the company's ethos.

Great brands don't simply talk to people. They **inspire participation and invite people into an experience**. Canada's Lululemon Athletica is more than just yoga wear and athletic apparel—it celebrates those whose lifestyles reflect the brand's culture and holds events and classes that are unique to each neighborhood, allowing the brand to establish strong local ties to every community it serves.

Rather than remain one-dimensional, the world's leading retailers have a living, flexing expression of their brands that enables them to fulfill different roles and **be more in tune with customers' lives**. Shoppers in South East Asia love their neighborhood hypermarket, Big C, which has become part of everyday life in Thailand. But in times of crisis, such as the floods of 2011, Big C worked with the Red Cross, providing shelter, medical supplies and emergency donations. Big C, by its actions, also stands for "community care."

As such examples illustrate, the best retail brands exist for more than one purpose. More often than not, they serve a purpose higher than profit—a human purpose—and never remain stuck in time. They evolve with the world, remaining relevant and responsive even through economic, social and digital disruption. It's not just about minding the shop—it's about bringing the best and brightest human minds together to reinvent the very notion of what shopping means today.

While all successful retail brands emphasize operational ingenuity and profitability, the remarkably high performance of **the world's best can be measured by their willingness to change** and their ability to understand why change is needed. It is these exceptional brands that start new conversations, innovate new models and inspire us all to participate in the cultural experience we call shopping. They are the ones that truly drive demand and create desire.

Congratulations to this year's Best Retail Brands—we can't wait to see what's (quite literally) in store in the year ahead.

Jez Frampton
Global Chief Executive Officer
Interbrand

Experience is Everything

Brand experiences extend far beyond the time spent inside a store or searching a website. They include a brand's messaging, the events it sponsors, the causes it supports, encounters with its touchpoints—the products themselves, how they feel and function, the associations they create and the subsequent evaluation, recommendation and repeat purchase. It's an ecosystem that responds best to an overarching brand strategy.

A prominent technology investor stirred up discussion recently when he declared traditional retail dead, thanks to e-commerce. It's only a matter of time, he asserted, before stores become economically unviable, disappearing from main streets and malls, leaving consumers no choice but the online channel. Stores, he argued, will stop making sense.

Granted, traditional retail looks different than it did before e-commerce and the Great Recession. They hastened the demise of already weak players. But they also kicked stores into gear, reinvigorating the game. When it became largely impossible to win on price, a swarm of improved experiences appeared, experiences that deliver value the customer can relate to, whether it's stylish frugality, an earth-friendly cause or a well-edited lifestyle assortment.

People like to shop. Shopping fulfills a deeper need than just filling the pantry and getting stuff. Young shoppers especially look to retail for new and exciting experiences, ideas and inspiration. We all love to get away from home and work to socialize, learn and be enlivened by bright lights and novel experiences. Predicting that people will do without stores is like saying that movies will disappear. If we can read the script online, we won't need to see the film.

It's safe to say modern shoppers are grateful to online-only players like Amazon.com and eBay for their problem-solving power. But if everything we craved was online, why are thousands of global fans of British fashion retailer ASOS.com clamoring for the brand to open a store?

ASOS has websites targeting Europe, the U.S. and Australia and ships to over 190 other countries. According to the blogosphere, "The only thing that could make ASOS even better (you know, something other than its vast inventory, on-trend products, affordable prices, free shipping and free returns) is a brick and mortar store we could visit on our lunch breaks." Shoppers want to feel the fabrics, look at the colors, try out styles—all those things that can be lost online, even with advances in virtual technology.

The store is the experiential center of the brand

A retailer's brand experience brings its relevant differentiation to life. It helps sell more. Customers love a great experience as much as they love great products. The store, as the heart of the brand and its emotional center, cannot be starved of investment and innovation, or appropriate levels of design, media and technology. It needs to be the showcase for interesting new collaborations to keep things exciting, whether it's a luxury jeweler or a humble dollar store.

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In the future, retail stores will look different than they do today. The digital dimension and corresponding consumer behavior continue to evolve and change the way a brand experience is delivered. Now that the idea of shopping can't be anchored in geography or managed as an event, the brand experience is too important—and holds too much promise—to be ignored. It's critical that retailers focus on enhancing brand experiences no matter where they are.

Emerging Markets Fuel Growth

Studies predict that in little more than a decade, over half the world's population will have joined the consuming classes. Emerging markets will account for nearly 50 percent of the world's total consumption, up from 32 percent today. China and India will account for two-thirds of the expansion.

In the past five years, the world's leading retail brands—U.K.'s Tesco, German giant Metro, America's Walmart, and France-based Carrefour—grew their revenues 2.5 times faster in developing countries than in their home markets. 2013 will see international retail hitting its stride as many of the world's most valuable brands are staging entries into smaller countries to ride the wave of the global shopping boom.

While retail naturally goes where customers are, for many companies global expansion is being initiated by slow growth at home. Retail sales forecasts for the next five years put compound annual growth rates in North America at 4.1 percent, and 2.4 percent in Western Europe.

Contrast that to projected growth rates for retail sales of 13.9 percent in China, and 10.6 percent in India, and it's clear why retailers from mature markets, such as the U.S., Japan and the Eurozone, make up 80 percent of those taking the calculated risk of crossing borders. Interestingly, almost half of that expansion comes from international fashion brands. Growth in e-commerce and mobile commerce currently outpaces physical retail in countries large and small. In all markets, a brick and mortar presence combined with the speed and agility of an e-commerce channel gives a retailer great advantage.

Thanks to the internet, there's an international awareness of the top global brands. Many consumers from emerging economies are already shopping them, comfortable with e-commerce, mobile commerce and willing to endure often lengthy delivery times. This is especially true in emerging markets.

Although infrastructures vary in effectiveness depending on the country, and internet access is not yet universal, the world's consumers want to buy anytime, in any way, from anywhere.

Riding the wave of the shopping boom in Brazil

Despite a slight cooling this past year, Brazil's middle-class economy continues to strengthen. Retail spending has increased 9 percent per year for the past five years, with a slight drop in the forecast for 2013. The fact that the country that will be hosting the Olympics in 2016 has helped spur international bets on long-term growth.

Currently the most attractive market in Latin America because of its economic growth, high consumption rates, large urban population and dynamic retail landscape, Brazil is the place to be for many of the world's most valuable retailers. However, the country is not without obstacles to foreign investment, such as high taxes, duties and challenging logistics. French retail giant Carrefour, a brick and mortar presence in Brazil since 1975, recently halted its new e-commerce channel to restructure, due to fierce local competition for the fast-growing young demographic. The country has 80 million internet users who spend USD $10.6 billion online per year, attracted in great part by the lower prices on appliances and consumer electronics.

Any e-commerce entrant must contend with Brazil's biggest pure player, B2W, which is owned by Lojas Americanas department stores. U.S.-based Amazon.com introduced Kindle and its digital bookstore last year, holding back on physical book sales for the time being, while Magazine Luiza, Brazil's leading consumer electronics leader, has launched an e-commerce channel, encouraging its customers to open their own digital Luiza stores on Facebook.

Both Carrefour and Walmart, which entered Brazil in 1995, found an already sophisticated grocery market compared with other fast-growing economies. France's Casino grew its market share by acquiring control of leading local grocery powerhouse Pão de Açúcar.

In fashion apparel, Brazilians still value the social experience of shopping in stores like those of local department store chain Hering. Spain's Mango and Zara have successfully rolled out stores in the country, while the U.K.-based department store Debenhams plans to follow its Brazilian e-commerce success with a brick and mortar store.

Beauty sales in Sao Paulo will get a boost from France's Sephora, after parent company LVMH succeeded in growing awareness by acquiring Sack's, Brazil's leading online beauty retailer. And L'Occitane plans to triple its store count. The U.S. cosmetic company Avon may find its door-to-door dominance challenged by Brazilian newcomer Natura, already a top cosmetic brand in Latin America following a successful direct-sales model.

Rising consumer spending in India

The tremendously diverse culture that is India, made more complicated by its restrictions on foreign direct investment, is still a high-potential market in the eyes of top retail brands. It's home to the world's second-largest population—1.2 billion people—with a large and growing middle class. Forecasts for retail growth are 15 to 20 percent over the next five years, based on strong macroeconomic conditions, rising disposable incomes and rapid urbanization.

More than half the country's population is under the age of 25, a huge potential market for internet retailers. As many as 121 million Indians have internet access, and more than half of them access the web via their mobile phones. The number of transactions made online has been growing: in the past year, the value of online business in India was estimated to be worth about USD $10 billion. With almost 900 million mobile subscribers, and 200 million more expected next year, market watchers expect m-commerce to skyrocket.

India's recently relaxed limits on foreign investment may help both domestic and foreign retail brands, and it's certainly encouraging the world's largest players to give the market serious consideration. Foreign retailers already in the market with plans for expansion include Carrefour and Metro Group, both operating wholesale centers without partners; U.K.'s Tesco, with a minority stake in Star Bazaar supermarkets; and Walmart, a partner in India's Bharti Enterprises national chain of wholesalers.

Under these new foreign investment rules, Indian retail brands have the option of exploring more of such partnerships. Executives at India's leading hypermarket Shoppers' Stop are considering teaming up with a foreign partner to expand technology and sourcing capabilities. Meanwhile, U.K.'s Sainsbury is looking at India, and Marks & Spencer plans to increase from 30 stores to 80 by 2016.

Spain's Zara, with nine stores in India, is poised to take advantage of an apparel boom that could grow 9 to 10 percent year over year for the next five years. Gap hopes to enter the market, too, where it will have healthy competition not only from Zara, but also from one of the most valuable brands in India, fashion retailer Provogue.

Luxury retail saw 20 percent growth last year, with high-end malls sprouting brands like Burberry, Gucci and possibly Longchamp and Prada in the future. The wealthy class also uses the internet extensively and regularly shops online, seeking out premium brands such as India's multichannel jewelry and wristwear brands, Tanishq and Titan.

For the most part, the world's best retail brands should be well positioned to capitalize on the bountiful opportunity of emerging markets.

As in most markets as shopping is changing, brands will need a multichannel strategy and an ability to adapt to local markets while actively managing customer expectations, along with the patience and persistence needed to build trust.

A market reaching its peak: China

While inflationary pressures are driving up rent and labor costs significantly, China's retail outlook remains positive, with a double-digit rise in annual sales expected, and plenty of growth opportunities in second- and third-tier cities.

China's own brands are thriving, increasing in brand value this year. In fact, some domestic retailers boast more market share than global players. Suning, a household appliance giant with a footprint of 1,000 stores in flagship, neighborhood, specialty and boutique formats across 300 cities, plans to expand further, while eyeing markets overseas. Belle, the top retail brand for women's sportswear, operates nearly 12,000 retail outlets on the mainland with nearly 200 in Hong Kong and Macau.

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Contemporary, aspiring Chinese consumers continue to be wooed by domestic and foreign retailers alike. They comprise the world's largest luxury goods market with $12 billion a year in sales and growing, spent on the likes of Dior, Cartier, Escada, Chanel, Hermés, Gucci and Versace. Young and affluent Chinese are boosting growth in consumer electronics and luxury goods, as well as the automotive, real estate, banking, and service sectors. The sale of luxury goods is expected to outpace the growth of any other category in China.

Gap has increased its store count in China to 45 after planting its flag in Hong Kong. Banana Republic may follow suit. J.Crew has taken off in Hong Kong through its partnership with Lane Crawford stores.

However, only 1.4 percent of urban households make more than USD $15,000 a year, and only 11 percent make USD $5,000-15,000. Without social safety nets, these families save prodigiously and love a bargain. Enter discount retailer Walmart, which operates 370 stores in 140 Chinese cities in various formats. Its clean, bright aisles are considered upscale compared to the prevailing discount format of jammed, dirt-cheap shopping stalls. Hindering its big box model, there's no free parking infrastructure and a ban on free bags.

So, despite its size and attractiveness, China remains a battlefield for some retailers as they struggle with real estate (prime locations are reserved for domestic retailers), suppliers, regulations, as well as local shopping behaviors and expectations. Carrefour scaled back its China operations due to problems securing suppliers. Tesco, Germany's OBI and U.S.-based The Home Depot have folded their store operations.

Conversely, U.S. office supply retailer Staples has fared quite well by doing its research and adapting its brand to local tastes. The stores fly colorful promotional banners, feature a broad mix of merchandise including refrigerators, washing machines, car floor mats, shampoo and mosquito repellent.

Online sales are up in China, creating an opportunity for multichannel brands to offset any losses. China's USD $23 billion online retail market is expected to reach USD $81 billion over the next five years as the country's infrastructure improves and online behaviors evolve. Only 34 percent of the population uses the internet currently.

360Buy, China's homegrown version of Amazon, owns 16 percent of the e-commerce market. Carrefour, Tesco and Walmart are attempting to steal online share, while Walmart owns a controlling stake in e-commerce firm Yihaodian, giving it an extensive logistics network. Other foreign retailers are close behind, such as Germany's consumer electronics chain Media Markt.

Macy's acquired a USD $15 million stake in China's VIPStore, parent company of luxury fashion retailer Omei.com, which will host Macy's offerings and fulfill its orders. Japan's Uniqlo, launched an e-commerce business in China last year. U.S. handbag retailer Coach also intends to open an online store to test the waters.

Entering the Chinese market carries an extra risk that makes it harder to protect a brand's sovereignty: the prevalence of counterfeiting and trademark squatting, or legally registering someone else's famous trademark, as happened recently to Hermès and continues to happen in the headline-making case of Apple.

All retail is local

For the most part, the world's best retail brands should be well positioned to capitalize on the bountiful opportunity of emerging markets. The arc of their evolution has taken them through boom, bust and digital revolution, leaving them wiser, more agile, more in tune with consumers and ready to take on challenges.

Their push for globalization won't be obscuring local tastes, preferences and ways of life as some fear. Instead there will be mutual influence and benefit. Population density and differences will change the environments of physical stores, online customer service and business models. Consumer issues such as the lack of cars, tinier refrigerators, smaller homes and unreliable electricity will shape the brand's offer.

And some things still haven't been changed by technology. Word of mouth carries great weight in emerging markets where families and friends live in close proximity. Brands are being pressured to get things right the first time—location, price, convenience, in stocks, assortment, service—and keep the bloom on the rose until they can begin to build brand equity and market share according to local needs. And one of those needs might be additional product information, since the in-store phase of the consumer decision journey tends to be longer in emerging markets, where shoppers visit multiple stores, multiple times, to collect buying details.

Emerging consumers around the world do share one thing in common. Studies show that across cultures they are concerned with value and how well their needs are met. Luckily, those are things that brand-led companies do best.

Maturing Markets

A Question of Expansion and Momentum

Modern retail was born in the U.S. and readily adopted by European retailers. At that time, the retailer proposition was clear and simple: bring products to every consumer under one roof, at the best possible price.

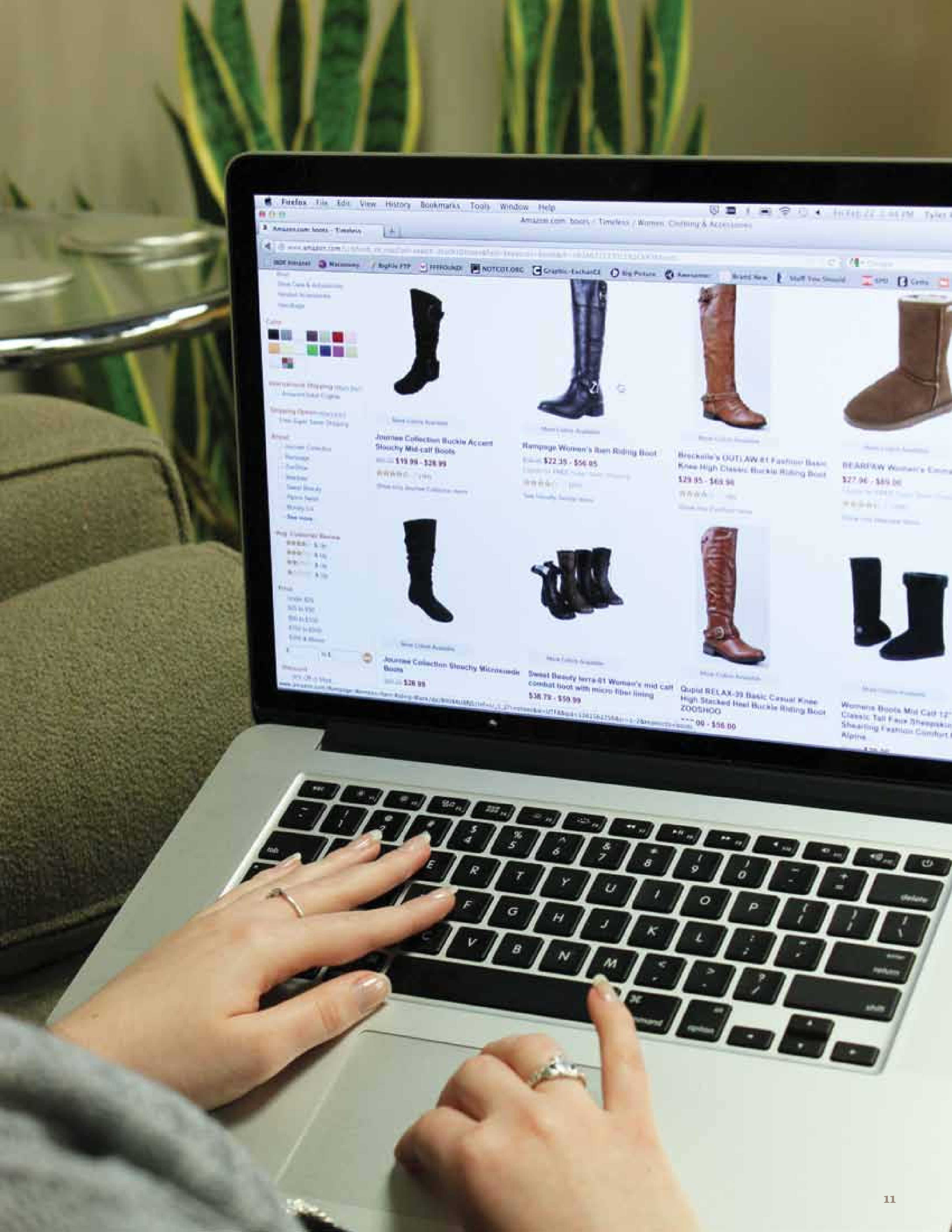
Once their respective domestic markets became highly competitive or the growth potential diminished, retailers started to expand—first, in bordering countries and then farther away. Due to the limited size of the home market and high administrative constraints, French retailers were the first to go global. Other European retailers, particularly German and English ones, soon followed. Later, U.S. retailers sought opportunities with neighboring Canada and Mexico before expanding worldwide. More recently, Japanese retailers such as Uniqlo and Muji have begun expanding globally. Finally, in the new world of shopping, any retailer can connect with potential customers all over the world.

Customers expect the shopping journey to be remarkable

Now that consumers can buy nearly anything they want online, increasingly finding competitive prices and completing the transaction via mobile apps, the retail environment must offer more than variety and affordability. What retailers in mature markets must create is a simple, seamless interaction between brand, product, experience and consumer. Consumers consider a retailer as a whole, regardless of the channel or store format they use. They're not thinking in terms of channels—they're looking for solutions. Retailers must differentiate themselves by acting as a curator and guide, helping consumers find what they're looking for with useful information, and making it easier to browse and purchase products whenever, wherever and however they desire. It also means enriching the experience, online and in-store, and providing top-notch service.

In order to do that, knowing the customer—and staying connected through the customers' preferred channels—is absolutely key. Consumers no longer respond to messages that are pushed on them, even if retailers are pushing those messages through new media. Consumers today expect a conversation and an element of storytelling: they want opportunities to provide feedback and want to know they're being heard. With access to a plethora of mobile, social, and other digital tools, customers speak their minds, like it or not. However, retailers that give customers a platform not only provide them with an opportunity to have their say, but can also glean valuable insights from their input.

Shoppers are savvier than ever. They know where to go for the best deals and they know what's worth splurging on when it comes to pleasure, luxury and quality. They've also developed shopping channels of their own such as curated websites (Pinterest, Polyvore), online auctions, physical and virtual thrift stores and consignment shops, rental shops and barter websites. They are looking for authenticity and are attracted to brands and retailers that have a rich heritage or a relevant product offering. As consumer tastes and preferences evolve



Firefox File Edit View History Bookmarks Tools Window Help
Journee Collection Buckle Accent Slouchy Mid-calf Boots
$19.99 - $28.99
Rampage Women's Iben Riding Boot
$22.35 - $56.95
Breckelle's OUTLAW-81 Fashion Basic Knee High Classic Buckle Riding Boot
$29.95 - $69.90
Journee Collection Slouchy Microsuede Boots
$28.99
Sweet Beauty terra-01 Women's mid calf combat boot with micro fiber lining
$38.79 - $59.99
Qupid RELAX-39 Basic Casual Knee High Stacked Heel Buckle Riding Boot
ZOOSHOO

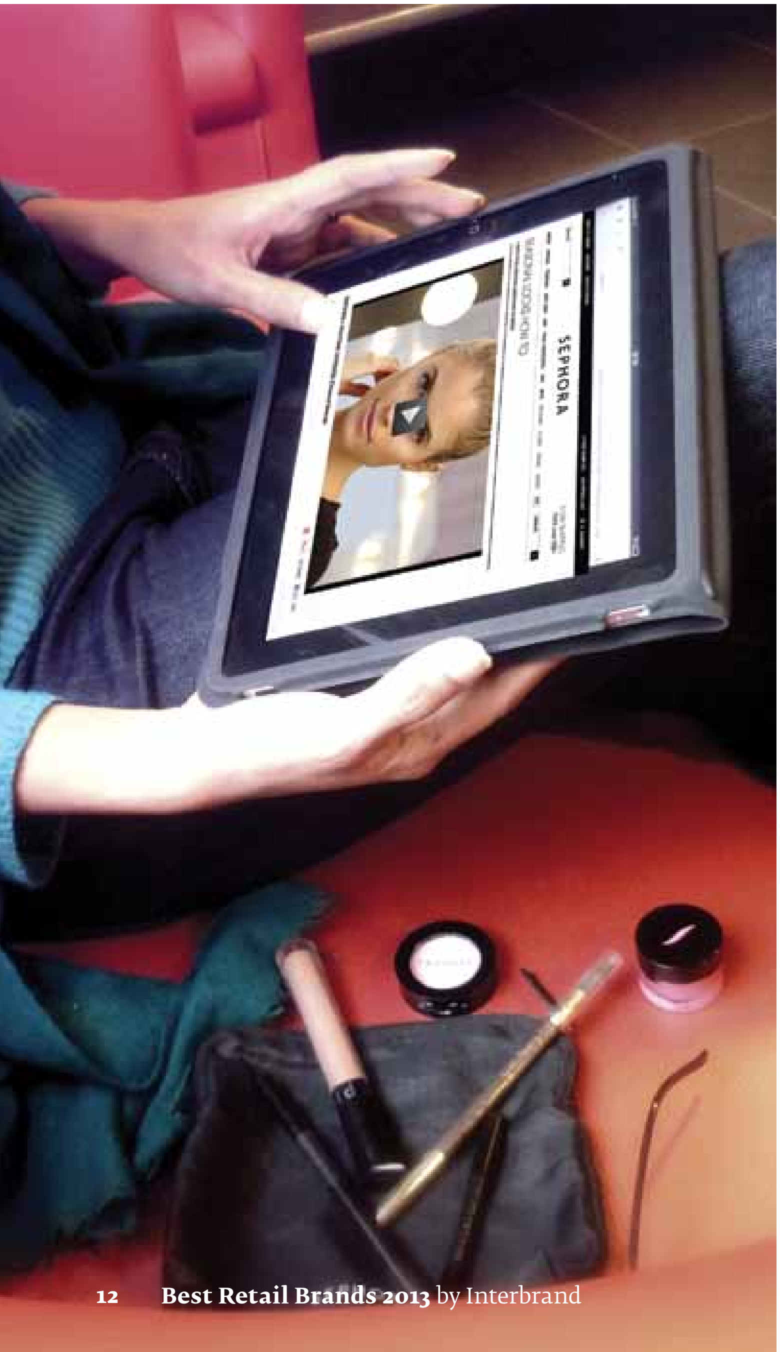
and the means of procuring specialty goods diversifies, retailers will have to work harder to sustain their interest and secure loyalty.

Consumers in mature markets have also grown accustomed to a certain level of quality and convenience. Products and services that meet basic needs abound, but products that are a cut above the rest and services and environments that deliver remarkable experiences are harder to come by. Today, retailers must provide extra value: new ways to purchase products, unique in-store experiences, easy ways to discover new products, learn new things, interact with peers, touch and play.

Sephora is a stand-out in this regard. It has democratized access to higher-end perfume and cosmetics products around the world and created a rich, tactile shopping experience that not only offers an incredible selection of premium scents, cosmetics and accessories, but also helps customers discover how to enhance their own beauty. The chain has changed the way products are presented, merchandising by brand in a sleek, modern environment that encourages self-service and experimentation—the stores have ample mirrors and nearly every product can be sampled or tested. Beauty coaches are also available to advise, offer product recommendations and show customers how to apply products.

Building on this fun, glamorous, customer-friendly foundation, Sephora continues to evolve its product offering and services on its website and in-store. Nail bars encourage consumers to discover the latest shades of polish. An innovative pop-up store offers an aesthetically unique, eco-friendly oasis in which to enjoy a makeover, pick up favorite products and share the experience through social media. Sephora exemplifies how an organization can translate a first-class retail experience into an all-encompassing brand experience that delights shoppers at every touchpoint.

At the end of the day, consumers will evaluate what we call the price/quality/effort ratio—the process by which consumers assess risk and determine the level of involvement they're willing to invest in order to purchase a product or service. Consumers will always opt for the brands that give them the most value and quality for the least amount of effort expended.



Strengthen the core proposition

Successful brands in mature markets are (re)focusing on their brand propositions to ensure that they are still relevant, differentiated and clearly understood as the world continues to change. In every pillar of retail—from the delivery and presentation of product and services, to managing relationships with customers, to facilitating communication and interactions through various channels—the quality of the experience has to be consistent. To avoid frustrations and dissatisfaction, a brand's promise has to be solid but achievable.

The three levers being used to promote growth in mature markets are: a focus on the core proposition, development of overall presence and innovative solutions that simplify the journey and enrich the shopping experience.

Amazon, for example, is best-in-class in its ability to meet its promise of extensive selection, low prices and fast, no-fuss delivery. Lululemon is another excellent example of a retailer with a strong core proposition that is universally relevant. Founded on the principles of healthy living, it lives these values and brings the local community closer to the brand. Burberry's exciting innovations are redefining how a luxury brand operates in the digital and social space, elevating the bar for its category. Still true to the authentic British heritage and quality craftsmanship that defines the Burberry brand, the forward-thinking fashion innovator has also managed to update and refocus its proposition by seamlessly weaving digital technology through every touchpoint and offering truly unique experiences to a widening audience. Burberry has transformed its brand, differentiated itself and regained relevance by rethinking its core proposition and strategically placing creativity at the heart of the business.

Like Burberry, retailers in mature markets must enhance their global presence, provide new services and utilize technology to simplify and enrich customer interactions with their brands.

Stay relevant and expand your presence

Meeting customers anytime, anywhere with any device is critical in today's mature markets. Tesco and Carrefour offer extensive access and a variety of shopping options through several formats: Planet (experiential hypermarket), hypermarket, Market (supermarket), City (urban convenience), Express (rural), e-commerce, smartphone apps, as well as drives and pods in rail stations where one can use QR codes to scan products and arrange home delivery.

Retailers should leverage the vast consumer data they've collected and consistently solicit feedback from customers. By examining and analyzing traffic patterns in stores, mining loyalty data, and monitoring consumers' online and social media behaviors, retailers can connect more intimately with shoppers and figure out what they want, what they don't want, how they want to shop and when they prefer to do it. Retailers need to find ways to discover natural behavior patterns and make the effort to meet customers where they are, as opposed to where retailers think they should be.

In terms of expanding reach and presence, many brands are launching new sales formats and independent brands to connect with new customers and gain footing in untapped markets. The H&M Group, for instance, includes H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories. Having six brands with different collections allows H&M to deliver a broad and diverse range of apparel, cosmetics, accessories and home textile products to people all over the world. The Inditex Group takes a similar approach through their various brands, which include Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.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Innovate by developing new services

Innovations that make shopping easier and more enjoyable add value to brands and keep customers loyal. Effective innovations can be big and bold, but they can also be in the form of thoughtful and subtle details. IKEA demonstrates how small details can make a difference, contribute to a seamless experience and make customers happy. From a "ball room" play area, swimming pool and cinema for kids, to a family card and special family friendly parking closer to the entrance, as well as offering the option to prepare purchases online which can be finalized in-store—IKEA knows that shopping should be fun and easy, and that getting the details right can really enhance the customer experience.

In response to demographic changes, Japanese retailers are better targeting the country's rapidly aging population. From longer store hours to providing on-call services and selling ready-made meals with smaller portions, they are ensuring that their retail models meet the changing needs of their customers. Ranking Ranqueen is another innovative Japanese response to changing times, selling top ranking items, with inventory based on sales data from big Tokyo department stores and independent research. In an age of bewildering choices, Ranking Ranqueen's curated approach puts the best-selling options in numerous categories front and center, making selection simpler and easier.

Retailers are also developing new technology to provide new services, simplify payment and cultivate a more seamless experience online and in-store. From mobile payments and access to information through QR codes or RFID chips, to augmented reality in toy stores to showcase Lego construction in 3D, or intelligent mirrors that gather additional product information, search availability or ask your friends for input—the way we shop is getting increasingly "smart" and high tech. Giving us a glimpse of the future of retail, the Adidas connected store concept allows customers to navigate through products, customize, place orders or get technical information or content about players and sports, all through a digital touchscreen. As these examples make all too clear, from grocery stores and discount chains to department stores and luxury retailers, innovation is the key to staying ahead for all retailers.

The importance of a strong, differentiated proposition

In a rapidly changing world, it is that much more important for retailers to revisit their brand proposition and ensure that it is relevant, differentiated and consistently executed. In a crowded, competitive space, overflowing with options, it is imperative the retailers make an effort to understand the local habits and culture of every market they enter, address real needs, acknowledge changing preferences and bring something new and better to that market.

In 2012, most of the fastest growing retailers in the world were based in China, Japan, Korea, India, Brazil, South Africa and the UAE. If their business trajectories follow in the historical footsteps of American and European brands, it won't be long before these emerging powerhouses enter mature markets and shake things up. Already, Turkey's discount retailer BIM has expanded to Morocco and will soon be in Egypt. Li-ning, the billion-dollar Chinese sportswear company, has 7,000 stores in China, just opened a new headquarters in France and is now looking to expand in the U.S. On the other hand, U.S. retailers like Abercrombie & Fitch and Forever 21 are expanding into Europe while U.K. brands like Made.com and Primark are extending their presence into France. In short, it's a retail world and the playing field is leveling, which means more competition and a greater need to stand out from the crowd.

Whatever the market, there is always potential for growth. Retailers just need to find the unique idea that will unlock growth opportunities in a region. Customers have different needs in different parts of the world, but they are always looking for new options and an easier, more enjoyable shopping experience. Flexibility, innovation, omnichannel solutions, and smarter use of technology are all part of a winning retail strategy in a competitive marketplace. Retailers that focus on delivering more choices, providing a richer experience across touchpoints, making selection and purchasing faster and easier and putting effort into staying relevant and differentiated will capture the attention of customers and keep them coming back for more.

Never Lost in Translation

The Essence of a Global Brand

In the post-digital world, every company is international. As barriers to entry continue to fall, retailers find it easier to take their stores into new territory, but it's not the ability to cross borders that makes a brand global.

The pressure on business to expand abroad is immense thanks to the push of slow growth at home or the pull of the world's burgeoning middle class, eager for a better quality of life. The world's leading companies are up to the task, adept at overcoming the complexities that an international base adds to administration and operations.

There's a difference between retail brands that are international—those simply planting flags in Sao Paulo, Hong Kong or Mumbai—and those that are truly global—managing by brand across different cultures. Delivering the brand globally with clarity, commitment and consistency depends on the long-term involvement of those who work with it every day.

Global retailers live the brand, at home and abroad

IKEA, for example, is a truly global brand because it lives in the hearts and minds of its workforce—the embodiment of its brand in action. When associates are engaged and energized, they bring a brand to life through every customer interaction; creating a virtuous circle between employees, consumers and business performance.

IKEA stands for thrift with modern style, a concept universally understood. Sweden's affordable furniture brand offers distinct emotional and functional benefits; people of lesser means have the ability to furnish their homes as stylishly as wealthier people do. This simple but powerful idea has crossed successfully into 44 countries, and the company just received permission to enter India where it plans to open 25 stores. IKEA's promise, and its ability to deliver, overcomes national and linguistic barriers, feeds a genuine demand and inspires the love of legions of Allen wrench wielding fans.

The IKEA store experience, where all the brand dimensions come together, is consistent from country to country, down to the Swedish meatballs in the café. IKEA connects through its catalog, website and a full complement of advertising and public relations, speaking in the same style and voice. But an engaged workforce is more powerful than a multi-million-dollar advertising budget. In our mobile age, companies as far-ranging as IKEA have the advantage of connecting its people in one large social network of shared values.

Zara, the world's largest fashion retailer, is another example of a truly global brand. It does not advertise. In fact, Zara has only recently begun rolling out a global e-commerce channel. Yet shoppers know they can find affordable up-to-the-minute trendiness and variety in each of the 1,830 Zara shops in more than 79 countries, where each store's merchandise mix is distinct to its location.

About 3,000 employees from 30 of those countries are represented at its headquarters in Arteixo, Spain, where a very small team takes responsibility for all brand communications. The company is remarkable for its engaged employees: 44 percent of new hires are advanced, 75 percent of its store managers are former sales people and even the youngest employees are quick to shoulder responsibility. This is a brand that knows how to eliminate barriers.

With an ever-increasing number of competitors gaining traction globally and more big retailers stepping into low-cost fast fashion, H&M, the Swedish multinational retail clothing company, has set its sights on finding new ways to maintain industry leadership. The secret recipe for H&M continues to be partnering with big-name designers, celebrities and high-profile supermodels, and this strategy clearly resonates with the aspirations of its fashion savvy, pop-culture-following target customers.

The brand also appeals to consumers by highlighting its dedication to using organic materials. H&M was recently named the world's largest user of organic cotton and it aims to improve upon this practice by switching to 100% sustainable cotton by 2020.

Truly global retail is driven by brand before operations

As anyone who travels knows, some flexibility is needed in the way you express yourself in a different culture. It's the same for a brand. The ability to adapt to local tastes and shopping habits remains a necessity, both regionally and internationally. Brand strategy keeps things in balance.

When a company's brand drives every element of its growth—market alignment, relevant assortments, diversified formats, new channels, innovative services, etc.—they become more effective in total. Truly global brands show us that the secret for long-term consistent implementation and growth is management by brand.

H&M

16,571 $m

IKEA

12,808 $m

Zara

9,488 $m

Although their countries aren't represented in Best Retail Brands, H&M, IKEA and Zara are important leaders in the retail industry. All three boast an impressive brand value and were celebrated in our 2012 Best Global Brands report as truly global retail brands that operate under one nameplate around the world.

Untapped Potential in Digital

It all happened so fast. Smartphones with internet access, then tablets, then showrooming—all while traditional retailers scrambled to align their e-commerce channels with their stores. While individual brands have made significant advances, the concept of seamless multichannel retail remains ahead of its actuality. The potential, however, is exciting for business.

No one needs to be persuaded of digital's importance to retail. The facts are clear. People are buying more online every year. Amazon.com's ROI is easily double that of the average brick and mortar store. Consumers conduct research online before they enter the store, and the research phase has doubled in duration over the last few years for many products. While Forrester reports that less than 10 percent of all retail purchases are made online, fully half of them are influenced by digital. A multichannel approach is essential.

Catching up to customer expectations

The coming year will find the majority of retailers focusing on e-commerce site optimization and increased conversions. That means redesigning the online experience to be more responsive, making checkout simpler and integrating the online channel into the store for improved inventory control and customer service.

The mobile channel complicates the picture. Putting the means for endless research in the palm of the consumer's hand reduces conversion almost as often as it lifts sales. Numbers indicate consumers truly value showrooming; that is, the ability to inspect merchandise in the store—particularly consumer electronics—with intent to buy wherever the price is lowest, which is often online.

Aware that mobile sales are small but growing rapidly, and that touchscreen tablets will soon dominate as consumers' favorite mobile shopping device, retailers are mobilizing to address the larger issues around digital: Where and how does it fit into the organization? How can development teams be reorganized and silos lowered to accommodate a multichannel approach? How will the brand's culture change in response?

Companies in search of growth can take their cue from consumer expectations. Bring the online shopping experience into the brick and mortar store. Give shoppers the "endless aisle" ability to search online for more versions of what they've found in the store; the option to pay with credit card, PayPal or wire money; a choice of home delivery or carrying a shopping bag. Bring personal service back. Studies continue to show that brands that invest in trained and motivated store associates command higher margins and greater loyalty. Online training centers reduce the cost of developing personnel.

Personalize the shopping experience. Too often, digital channels are used for coupons and promotions, making consumers feel spammed. People have demonstrated their willingness to share personal information for better service. Provide store associates access to customer profile and account history in the store, in the manner pioneered by Amazon, so they can make specific and thoughtful recommendations, offer previews and create customized events for the best customers. Enable customers to create digital "closets," where purchased product is presented on digital shelves, informing future purchases and ready to be shared with social networks.

Assist, inspire, engage and personalize

Smart and innovative examples of integrated digital touchpoints are dotted through the retail landscape. Top brands, such as U.S.-based luxury department store Nordstrom, are trying to do away with checkout counters in favor of mobile POS. Two U.S. retailers using digital to make highly personalized recommendations to customers: mass and grocery leader Target knows its customers so well it can alert them to replace their Brita filter; and DIY giant Lowe's keeps track of a customer's paint colors and shares tips specific to their current home improvement project. Leading grocers have eliminated waiting lines at deli counters by allowing shoppers to place orders via touchscreen; a text alert tells them when the order is ready to pick up.

As effective as these tactics are, they are only scratching the surface of digital's potential. With tablets fast becoming the mobile shopping tool of choice, the future looks ripe for integrated digital product catalogs. Websites are all about a three-to-six-minute search-review-buy function. But the glossy, interactive, branded aesthetic of digital catalogs from companies like Zara Home, Nordstrom and The Home Depot engage shoppers for an average of 30 minutes or more. The richness of the medium brings it closer to the experience of real-world shopping while also providing the retailer with an opportunity to communicate its purpose to the world.

More of a brand engagement and loyalty-building tool than a sales channel, digital catalog success is measured by the amount of time spent browsing and the actions taken within the app. Combined with an opt-in, store associates can be prepped to show the customer the products they've been browsing once they arrive in the store. These apps also produce the data that can be used on multiple levels to optimize experience and marketing efforts.

As effective as these tactics are, they are only scratching the surface of digital's potential.

Near field communications (NFC) present another opportunity to improve the shopping experience. This contactless, Wi-Fi-style tech already resides in many smartphones, and will soon make it possible for retailers to strike up a "conversation between gadgets" for payment, preferences, and other actions that improve service. Seeing it only as an outlet for couponing sells the technology short. It has the potential to be used as a continuous feed of data, tracking the shopper journey through the store and measuring amounts of time spent in a category, alerting store associates to the possibility of a profitable sale.

While retailers continue to evolve, recasting their organizations to deliver digital's promise, for great brands the basic goal remains constant: know your customer and anticipate their needs so you can drive demand and create desire.

The Most Valuable U.S. Retail Brands 2013

01	Walmart	141,017 $m
02	Target	25,059 $m
03	The Home Depot	22,940 $m
04	Amazon.com	18,625 $m
05	CVS/ pharmacy	15,909 $m
06	Coach	14,577 $m
07	Walgreens	14,400 $m
08	Sam's Club	13,514 $m
09	eBay	10,947 $m
10	Nordstrom	10,143 $m
11	Publix	9,941 $m
12	Lowe's	8,839 $m
13	Best Buy	8,067 $m
14	Costco	7,322 $m
15	Dollar General	7,107 $m
16	Victoria's Secret	6,105 $m
17	Kohl's	5,654 $m
18	Staples	5,513 $m
19	Tiffany & Co.	5,159 $m
20	Avon	5,151 $m
21	AutoZone	4,372 $m
22	Gap	3,731 $m
23	Bed Bath & Beyond	3,634 $m
24	Old Navy	2,794 $m

25	Sherwin-Williams	2,720 $m
26	GameStop	2,531 $m
27	Ross Dress for Less	2,112 $m
28	Michaels	1,966 $m
29	J.Crew	1,805 $m
30	Banana Republic	1,757 $m
31	T.J.Maxx	1,742 $m
32	Marshalls	1,698 $m
33	PetSmart	1,649 $m
34	Whole Foods Market	1,524 $m
35	Dick's Sporting Goods	1,426 $m
36	Guess	1,347 $m
37	Bath & Body Works	1,325 $m
38	Dollar Tree	1,314 $m
39	Tractor Supply Co.	1,282 $m
40	Macy's	1,259 $m
41	American Eagle Outfitters	1,193 $m
42	Urban Outfitters	1,176 $m
43	Buckle	1,022 $m
44	Big Lots	1,018 $m
45	Family Dollar	1,015 $m
46	Rent-A-Center	940 $m
47	Radio Shack	923 $m
48	Express	851 $m
49	Cabela's	839 $m
50	Anthropologie	836 $m

Brands New to the List

48 Express 851 $m	EXPRESS
49 Cabela's 839 $m	Cabela's
50 Anthropologie 836 $m	ANTHROPOLOGIE

Express debuts on the U.S. Most Valuable Retail Brands list at #48. The specialty apparel and accessories retailer targeting the 20 to 30-year-old customer operates more than 550 stores. Express has improved sales during the last two years by updating its store design and expanding its product offerings. Recently, the brand announced better than anticipated performance during the 2012 holiday season.

Cabela's is another brand making its first appearance on the list, joining at #49. The stores, which are both tourist attractions as well as retail destinations, generated a 5.6 percent increase in sales last year. It has expanded its branded merchandise offering which now comprises over 30 percent of the company's retail business. Cabela's operates 41 retail stores in the U.S. and Canada and distributes 130 million catalogs in over 125 countries.

Anthropologie returns to the list at #50 after being off for a year. While keeping its store count below 200, Anthropologie makes each one a unique experience with awe-inspiring visual displays created out of a wide range of reused materials—everything from newspaper to corks to water bottles. Sales were up 2 percent in fiscal 2012. The brand accounts for more than 30 percent of parent company Urban Outfitters Inc.'s total sales, but caution has reigned at Anthropologie as executives protect the relevance and authenticity of this distinct retail experience.

Brands that Dropped Off

Toys “R” Us

2012 Rank: 35

Abercrombie & Fitch

2012 Rank: 45

Advance Auto Parts

2012 Rank: 48

Toys “R” Us, the world’s largest dedicated toy retailer, reported that its same-store U.S. sales fell 4.5 percent during the holiday season, and that its total sales fell 4.7 percent. It continues to face strong headwinds from mass merchants in those products that it does not offer exclusively. The brand delivers effectively at some touchpoints, such as the flagship and advertising, but does not take full advantage of its in-store experience or create a dynamic and engaging online experience. Continued development of mobile platforms should help the brand, but Toys “R” Us won’t grow until it’s clear why a consumer should visit instead of shopping Target or Amazon.

Abercrombie & Fitch faced declining sales for much of 2012 and closed more than 70 stores. It plans to close another 180 through 2015. The perception is that the brand has failed to change with market conditions, as its target audience has found viable alternatives to Abercrombie’s $70 jeans. The brand is looking overseas for growth where its had some success. A new flagship in Hong Kong exceeded $1 million in sales in its first five days.

Advance Auto Parts’ value stalled along with a flat 0.6 percent sales growth in 2012. The brand expanded its footprint by opening 137 stores last year, which provided its revenue growth as same-store sales declined slightly during the year. As the threshold to make the top 50 on the U.S. list increased 8 percent from $771 million to $836 million, three other brands passed Advance Auto Parts in value. The brand needs to boost its relevance in order to regain loyalty and share.

Competing at the Speed of Retail

By Justin Wartell

Energy abounds in U.S. retail, even as consumer confidence seems to ebb and flow as frequently as the weather. But that's the dynamic of the industry. It's always been this way. Consumer interactions and business strategies perpetually collide to spark new opportunities for growth and delight, making the retail world a vibrant space. And the 50 brands on the U.S. list have been the ones constantly creating and recreating this vibrancy.

These brands define the industry and determine where it's going. Their leadership, combined with the influence of new brands with unique business models, brings the world of retail into focus—interconnected, immediate, always on, dynamic, memorable and sometimes unexpected. **Retail, of course, is constantly changing.** Wait a couple of minutes and something will change again.

How do the brands that make the list succeed in this seeming tumult? Each year, Interbrand studies their success and documents their struggles. The summary criteria for both can be distilled into four ideas: First, top retailers challenge themselves to connect more deeply and meaningfully with customers. Second, they internalize a belief around speedy decision making to take action at the pace of the retail world. Third, these companies are aligned at the organizational level to the idea of experience in all its facets. Finally, these leaders optimize, scale and measure religiously. As they build their experience ecosystems, they know what's working and not working.

The most valuable retail brands monitor the customer's changing needs

In the race for relevance—that is, providing customers with a reason to choose a brand—the strongest relentlessly pursue knowledge about their consumers and incorporate those insights into their everyday behavior. With economic power distributed across an ever growing portfolio of touchpoints, **customers—not the brand—set the rules of engagement.** Altering the balance further, brands like Amazon (up 46 percent) have trained customers to expect tailored content, crowd-sourced advice, 24/7 shopping, unexpectedly good service and increasingly an expectation around near-immediate delivery. Best Buy, down 52 percent, and Toys "R" Us (off the list this year) are struggling to stay relevant and deliver value beyond price. Why would customers choose these brands as alternatives proliferate? What role should these big box retailers play in customers' lives as e-commerce alternatives dilute their "category killer" equity? Answers to these questions may help to slow the deterioration of value in these once venerable retailers. **It's critical today to know the customer and monitor their changing needs**—a tenet that must dominate the knowledge agenda within retail organizations today.

Leaders build a culture of efficient decision-making

The pace of retail and customer expectations around speed continues to increase. To respond, executives need to build cultures, processes and systems that enable quick decisions. This isn't just about assortment adjustments. It's about organizational commitment to moving at the speed of the retail world to remain competitive.

Convenience and addressing the needs of time-starved shoppers continue to dominate much retail thinking. Walmart, up 1 percent, and eBay, with a 12 percent increase in brand value, are revamping supply chain processes and exploring same-day delivery service. GameStop, a company that lost 29 percent of its brand value this year, struggles with speedy decision-making. The pace of change in gaming is faster than it can respond. Until GameStop's leaders change their decision-making approach, they will continue to struggle. Without the ability to take risks and explore, they face a fate similar to Blockbuster. Building a culture that can adapt and confidently take risks will illuminate ways to win even in a tumultuous world.

It's understood that experience extends beyond the store

Even the definition of retail is changing. "Retail" no longer refers to physical stores; it refers to the complete experience created by retail brands—from physical stores to digital touchpoints to service experiences to products. **Retailers witnessing big gains this year have committed to this holistic view of experience.** Rather than antiquated methods of maximizing stores at the expense of other channels, top brands think in terms of groups of touchpoints and the optimization of experience. Victoria's Secret, which gained

11 percent in value, owns commitment to experience. Every touchpoint is flawlessly aligned to the brand's goals.

Anthropologie, returning to the list this year, does the same. It complements a remarkable store experience with an inspiring staff, an aligned e-commerce channel and a product portfolio that tells a coherent story. In contrast, Radio Shack's poor performance (down 26 percent) can be partially blamed on experience. Its flexible, small format is a start. But the alignment of its channels, especially product and service, underwhelm. **To drive choice, companies must commit to the new definition of retail and celebrate experience across the organization.**

The best continuously optimize, scale and measure

The need to move quickly can pressure retail leaders to abandon their commitment to the tasks aligned with optimization, scaling and measurement. Many do achieve top speed, as the industry demands, where it becomes challenging to evaluate on the fly. Across the top retailers, commitment to ongoing, meaningful measurement and refinement is clear. Big Lots, up 1 percent, constantly evaluates its loyalty program data around customer needs. It empowers decision-makers with insights that guide assortment decisions in near-real time. Tractor Supply, up 38 percent in value, has committed to a deeper level of research and analysis as a key driver for selecting sites, customizing merchandise and changing the experience.

Insights can enable optimization and a more efficient scaling of ideas. But it's not all about customer knowledge. Tiffany & Co., up 15 percent, built its growth on the ability to trial, refine and deploy digital experiences that translate the brand into new and unexpected touchpoints. **Measurement and proof of concept still wins.** But it takes commitment to make this a part of the routine in retail.

2012 was an exciting and value creating year in retail. The total value of the strongest retail brands increased. This trend should continue as these brands live the principles that have made them strong: the relentless pursuit of meaningful customer knowledge, an efficient decision-making culture, a commitment to the new definition of retail and the determination to optimize and scale with purpose. That's the recipe for success in 2013.

01 Walmart
+1% 141,017$m

Walmart's reputation took a beating, but it delivered its best top-line results in the last five years and continues to be the dominant retailer in the U.S. with 10 percent of all retail sales. The company was plunged into a major scandal when *The New York Times* revealed it paid out USD $24 million in bribes to build new stores in Mexico. While the business repercussions will be significant, customers didn't flinch. Sales continued to rise as Walmart jettisoned de-cluttered aisles in favor of improved assortments, abandoned fashion-forward apparel in favor of basics, and recommitted to being the low-price leader.

02 Target
+7% 25,059 $m

Sales grew profitably last year as Target completed its store remodels, adding fresh produce to its mix. The first City Targets opened in Chicago, Los Angeles and Seattle, and plans are underway to expand to Canada with 125 stores. Brandishing its notable creativity, Target unveiled a shoppable film, announced plans for its own digital wallet and introduced unique non-mass merchandise via The Shops at Target, its biggest initiative in recent years. The brand made headlines when it announced that it would stop selling Amazon's Kindle e-readers, due to showrooming.

03 The Home Depot
+4% 22,940 $m

The Home Depot is benefiting from rising home sales and construction starts. Same store sales enjoyed a sixth straight quarterly increase as customers visited more often and spent more per trip. Rather than invest in new stores, the company is remodeling existing boxes. It acquired both Redbeacon.com, to connect consumers to local contractors, and product manufacturer U.S. Home Systems. Paypal and The Home Depot joined forces on an in-store payment pilot program. And while the brand closed its last store in Beijing, it's faring well in Mexico and Canada.

04 Amazon.com
+46% 18,625 $m

Built on relevance and pioneering technology, Amazon.com keeps introducing services that fit customer needs. The acquisition of Quidsi extends Amazon's reach via a set of nine specialty e-commerce sites for home and family. B2B site AmazonSupply.com serves business, industrial, scientific and commercial customers. Exclusive innovations to its Kindle digital reader as well as expanded streaming video solidify the brand's command of digital media. All that and stellar revenue growth, albeit with a modest decline in already thin margins, moves Amazon from ninth to fourth most valuable U.S. retail brand.

05 CVS/pharmacy
-8% 15,909 $m

Toward its goal of reinventing pharmacy for better health, CVS/pharmacy defines its brand as "healthcare expertise." It successfully engages customers through an innovative suite of digital and in-store programs that provide walk-in health care and advice, and help customers manage, refill, and pick up prescriptions conveniently. To protect profits in the face of increasing generic prescription drug sales, it's incorporating more non-health front-of-store products into an evolving portfolio of private brands. CVS's real estate program continued on pace with 2.6 percent retail square footage growth. It now has more than 7,000 CVS/pharmacy stores in the U.S.

06 Coach
+8% 14,577 $m

Globally, Coach is the most-searched luxury handbag brand on the internet. The company considers its brand to be its touchstone, and conducts rigorous research to anticipate consumer needs, thereby keeping assortments fresh and relevant. Demand for Coach's earlier classic designs led to the Legacy Collection. Recently, Coach expanded its product portfolio to include both higher and lower price points; it also sees greater revenue potential in the opening of more outlet stores than retail shops. Despite the lower price points, Coach's outlet store experience aligns with the brand's luxury image. Net sales and brand value increased significantly.

07 Walgreens
-4% 14,400 $m

Walgreens is coming off a tumultuous but important year in which it lost millions of customers in a high profile contract dispute (lately resolved) with pharmacy benefits manager, Express Scripts. But Walgreens' new international footprint, loyalty card program, enhanced selection of fresh foods in urban desert locations and continued expansion of health care services have positioned the company for recovery and long term success. Walgreens now owns a 45 percent stake in Alliance Boots, the biggest drugstore operator in Europe. The combined companies will have over 11,000 stores in 12 different countries.

08 Sam's Club
+5% 13,514 $m

New CEO Rosalind Brewer has a plan to help Sam's Club achieve its goal of becoming a USD $100 billion dollar business, including: raising membership fees, bringing in new brands, entering urban markets, adding more stores, and emphasizing Apple products. Sam's also announced an exclusive retail program with the pregnancy and parenting site, WhatToExpect.com and began testing home theater installation services. From an experience point of view, the store still has plenty of room to differentiate from the competition.

09 eBay
+12% 10,947 $m

Last year, the world's largest online marketplace unveiled a new logo representing the relevance and innovation that makes buying and selling enjoyable for 100 million users. Business grew through acquisitions, organic growth and a modest improvement in margins. To extend its reach, eBay acquired shopping startup Svpply, a showcase for items featured on other online stores. A partnership with Gogo, an in-flight connectivity company, will allow passengers to shop eBay at 10,000 feet. Believing shoppers desire instant gratification, eBay Now is testing same-day delivery in San Francisco.

10 Nordstrom
+7% 10,143 $m

Nordstrom's impeccable customer service is legendary, and its commitment to innovation at the intersection of retail and technology continues. But because ten consecutive quarters of double-digit sales growth don't make it immune to the mercurial retail environment, Nordstrom is future-proofing its brand with the acquisition of flash sale site HauteLook, the USD $140 million investment in its own e-commerce upgrades. To inject some excitement and energy into its brand experience, Nordstrom will sell Bonobos brand men's apparel, previously a web-only experience, and carry exclusive styles from U.K.'s Topshop.

11 Publix
+9% 9,941 $m

Publix eats, sleeps and lives its brand values. The 1,000-store employee-owned supermarket chain, found in five Southeastern states, receives praise from blog after blog and recognition as one of the best places to work in the U.S. Publix's message to employees and customers is one of wholesome, healthy, caring through its actions, products and communications. Publix balances standard grocery items with some higher-end specialty merchandise, yet still offers competitive prices. Sales are up; employee and customer satisfaction remain consistently high.

12 Lowe's
+2% 8,839 $m

Since its launch in 2011, online tool MyLowe's has garnered more than 5 million subscribers who use it to simplify project management, home maintenance and to generate ideas. A successful marketing partnership with Houzz, a leading social site for designers and renovators, further enhanced Lowe's reputation as the brand that inspires. Its new tagline, "Never Stop Improving," promises a continual stream of innovations, while it motivates, inspires and energizes customers. An upgrade to store IT infrastructure improves information access, while in-store Wi-Fi aids comparison shopping.

13 Best Buy
−52% 8,067 $m

As the last big box consumer electronics retailer standing in the U.S., Best Buy has been much in the news for its shares and earnings slide. To adjust to this era of soft economy, razor-thin margins, cut-throat competition and deal-seeking consumers armed with price comparison apps, Best Buy closed 50 big box stores and is opening 100 smaller ones, intending to double the number of its Best Buy Mobile stores by 2016. While big boxes are not dead, the emphasis is on a more flexible approach that requires less square footage and seeks to disrupt consumers where they are considering products.

14 Costco
+14% 7,322 $m

Sales grew for the high-end warehouse club, and Costco members continue to demonstrate a strong attachment to the brand. Stores in North America, the U.K., Korea, Taiwan, Japan and Australia succeed by carrying a narrow selection of luxury goods at competitive prices. Known for its corporate responsibility, Costco is moving to raise awareness for its pharmacies, and for its North American website, which it plans to expand into other countries. New mobile applications will also help Costco grow and improve in search rankings. Meanwhile, the experience keeps shoppers in thrall.

15 Dollar General
+10% 7,107 $m

Dollar General's strategy of catering to value conscious shoppers continues to pay off big. Expansion, with added customer convenience, is the name of the game for this small box retailer with its fleet of over 10,000 stores. The company opens hundreds of stores each year, with increased offerings of perishables and private labels. Payment options now include credit, debit and prepaid cards. The addition of The Photo Center and Dollar General Music to its website further differentiates the retailer from other value stores and adds incremental value to the experience.

16 Victoria's Secret
+11% 6,105 $m

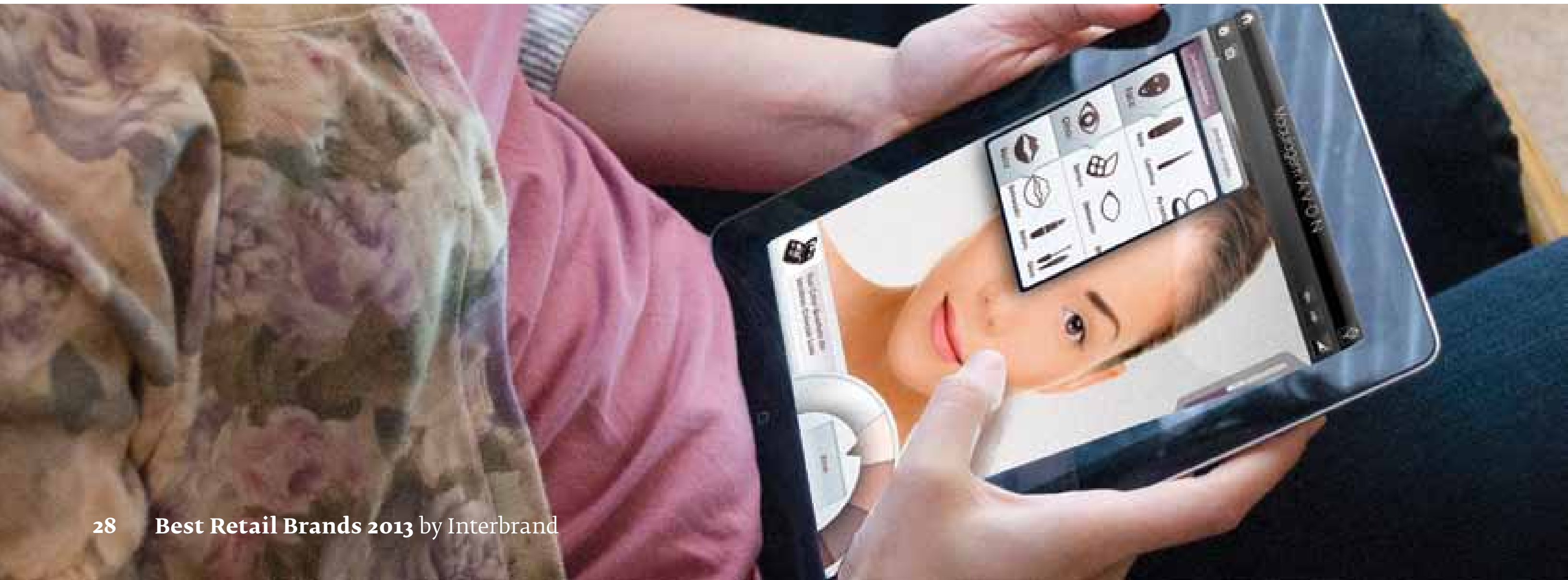
Popularity, international brand awareness, more than 1,000 stores and a robust presence boosted revenues at Victoria's Secret. The brand hits on all cylinders—hiring, design, execution, product and consistency. Fresh product, free media and new supermodels maintain interest and buzz. While Victoria's Secret opened its first U.K. flagship in London, investors are impatient with its slow international expansion in view of its sales momentum and brand recognition from U.S. to China. CEO Les Wexner is proceeding cautiously, testing markets in Canada, the U.K. and the Middle East.

17 Kohl's
−5% 5,654 $m

Kohl's reported its weakest sales growth in three years. When Kohl's raised prices due to higher apparel costs, customers made fewer trips, buying less per visit. This year, the company will allow margins to suffer rather than pass along its costs. Online, however, business hit USD $1 billion in sales, up double digits over the previous year. The family-focused retailer continues to expand into other markets; most of its new store openings have been small formats (64,000 square feet vs. 88,000 square feet).

18 Staples
−7% 5,513 $m

Like many big box category killers, Staples is restructuring, aiming to leverage its stores, supply chain and customer base to accelerate online growth. To that end, it's pouring more resources into its e-commerce channels, combining online and in-store retail under one executive, and plans to reduce the size of its brick and mortar fleet by 15 percent by the end of 2015. Staples closed 45 stores in Europe during fiscal 2012. Its future success as a right-sized retailer seems assured, as Staples has invested heavily in its fulfillment infrastructure.



19 **Tiffany & Co.**
+15% 5,159 $m

Tiffany & Co. is leveraging its digital presence widely and effectively, successfully translating its elegant brand experience to the digital realm. Revenue growth proves Tiffany is still relevant at the age of 175. It celebrated the milestone with a special collection, a luxurious new store in the five-diamond Carlton Ritz Montreal hotel, an intimate jewel box in Soho, and—in a perfect PR move—the legendary retailer designed the Jazz Age jewels for the star-studded Baz Luhrmann film, *The Great Gatsby*.

20 **Avon**
-4% 5,151 $m

International beauty brand Avon has experienced some hardships. A bribery scandal in China and a subsequent investigation by the U.S. Securities and Exchange Commission forced top executives to resign. New CEO Sherilyn McCoy from Johnson & Johnson aims to integrate Avon offline and online sales in a more purposeful fashion to drive growth. Avon's successful history, strong brand equity and new business strategies should be enough for the brand to regain momentum. Consumers understand the brand and remain emotionally engaged by its celebrity endorsements and women's charities.

21 **AutoZone**
+2% 4,372 $m

AutoZone regained some brand value this year, thanks to higher sales, continued store openings and aggressively increased offerings and capabilities, particularly for B2B customers. Historically, its online channel has served as a research tool for customers who complete purchases in the store. However, online sales increased, leading to significant investment in digital improvements. The brand opened its 5,000th store in the U.S. and its 300th store in Mexico. With DIY car repair thriving, AutoZone will need to defend itself against ambitious new players in the category.

22 **Gap**
-8% 3,731 $m

Gap continues to enjoy extremely high brand recognition globally. Yet despite its desire to excite a new generation, according to social media sentiment, it simply serves as a reliable provider of family clothes and gateway mom jeans. The 2011 management shake-up and new design center have yet to make their mark on the brand. Plans to reduce the number of retail stores and open more outlet locations continue. With sales in the U.S. virtually flat, Gap is aggressively developing international markets with growth potential, including China.

23 **Bed Bath & Beyond**
+10% 3,634 $m

While neither a lifestyle nor an aspirational brand, Bed Bath & Beyond delivers a relevant proposition. It does an excellent job of being the go-to retailer for housewares. Seemingly recession proof, revenue has steadily increased over the last five years—with few changes or improvements to the stores. The company has acquired domestic retailer Cost Plus World Market with 259 U.S. locations, and Linen Holdings, a B2B distributor of textile products. The question of long-term relevance will persist especially as alternatives grow, but so far Bed Bath & Beyond is increasing brand value.

24 **Old Navy**
+7% 2,794 $m

Old Navy is preparing to sail abroad with new talent at the helm. Reflecting the brand's global ambition, former head of global sales at H&M Stefan Larsson is now Old Navy's brand president; Jill Stanton, former global VP of apparel at Nike, is Old Navy's creative advisor. First stop: Japan. Parent company Gap Inc. is pushing for international expansion to accelerate growth, setting a goal for international and online sales to make up 30 percent of total revenues by 2013. In the meantime, Old Navy same-store sales rose, reversing the previous year's decline.

25 **Sherwin-Williams**
+5% 2,720 $m

Sherwin-Williams can attribute its year of record earnings to the specialist reputation that allows its products to sell at a premium. The brand thrives on its historical equity and professional-level advice from a knowledgeable staff through its nationwide network of small stores. Its most recent innovation is an online planning tool called "Chip-It!" to help consumers select paint colors. The U.S. Environmental Protection Agency has recognized it for protecting the public from exposure to harmful chemicals, and last year, Sherwin-Williams repainted Tinseltown's iconic Hollywood sign.

26 **GameStop**
-29% 2,531 $m

Gaming is one of the fastest changing retail spaces, and trends have conspired to keep GameStop's category in a slump. Console game designers are stretching what is already the longest design cycle yet (at seven years) and have nothing new to excite gamers. Sales of game discs, consoles and accessories continue to tumble while the popularity of social, mobile and PC games has skyrocketed. GameStop is expanding and restructuring business accordingly, opening new stores while closing underperformers, including those in the U.K., Northern Ireland and Portugal. In 2011 it acquired Spawn Labs, a streaming technology company, and will need to redefine its new role in the gaming world in order to stem its brand value decline.

27 Ross Dress for Less
+17% 2,112 $m

The fast-growing off-price chain enjoyed robust net income growth. Ross, primarily in the West and Southern states, continues its expansion in the Midwest and opened a new 1.6 million square-foot distribution center to support its growth in the Southeast. While Ross has many fans, when the company boasts about a no-frills store experience it means it. "It's a mess," is a typical shopper reaction, but so is praise for the housewares and apparel finds. Merchandise deliveries five days a week keep the treasure hunt atmosphere lively.

28 Michaels
-7% 1,966 $m

While Michaels' core arts and crafts customers remain loyal, its shopping experience is now highly uneven after the company abandoned its Inspiration concept, re-cluttering and understaffing stores. However, it is increasing focus on Hispanic shoppers, tweens and teens by introducing specific products, classes and events. The brand has found success with celebrity brands, recently launched an online holiday project planning tool and produced a web-based reality show called "Craft Master." Interestingly, the retailer is still without an e-commerce channel. Expansion into Canada continued with seven new stores. The company, owned by Bain Capital Partners and The Blackstone Group, is in the process of going public.

29 J.Crew
+12% 1,805 $m

J.Crew opened a flagship store on London's Regent Street, the first outside of North America. Yet, unlike other retailers expanding abroad to mitigate slow domestic growth, J.Crew is expanding steadily in the U.S. as well, as sales and margins increase. Forty-two new stores in North America bring its count to around 400. To test international markets, the company ships online orders to more than a hundred countries. China, Japan and Australia are among top e-commerce market tests that may soon have their own J.Crew stores. Methodical in its growth plans, J.Crew is protecting its brand while still spurring growth.

30 Banana Republic
+8% 1,757 $m

Working popular culture connections to stay in the limelight, Banana Republic continued its collaboration with the costume designer of TVs *Mad Men*, created a romantic women's collection inspired by the movie *Anna Karenina*, and designed the airline uniforms for Virgin America. The brand successfully generates lift by presenting its styles in the context of a story. Net sales increased for this international brand of luxurious professional apparel. Its ability to target customers with tailored messaging online and through mobile delights core users but doesn't bring new customers to the brand. Further, store designs and their related shopping experiences remain inconsistent, affecting stores' ability to align with the merchandise.

31 T.J.Maxx
+13% 1,742 $m

With sales up over the previous year, T.J.Maxx proves it's still fashionable to be frugal. While it remodeled stores to enhance the shopping experience, the brand still has lingering image challenges among shoppers. The brand changed its marketing to emphasize its current on-season trends of first quality. But from a business point of view, the brand has no problems. It's one of the most consistent performers in retail with a long track record of generating sales and earnings growth in good times and bad.

32 Marshalls
+10% 1,698 $m

Marshalls has been able to keep and build on the wave of middle to upper-middle income shoppers that have come through its doors since the recession. Retail analysts believe that its recent healthy sales increase came at the expense of J.C. Penney and Kohl's. Additionally, the off-price retailer has upgraded the store experience through remodels, in-store initiatives and enhanced amenities. Opportunistic buying allows Marshalls to offer high inventory turnover of current trends. The company's vision is to continue to grow domestically.

33 PetSmart
+8% 1,649 $m

PetSmart continues to grow while remaining true to its core strategy of providing total lifetime care to pets, concentrating on services. Last year, grooming, pet training, boarding and day camp services grew by 9 percent, to account for 11 percent of net sales. During the past two years the chain has opened more than 80 locations, with another 45 to 50 stores slated to open in fiscal 2013. The brand is also a heavy user of social media and online channels for e-commerce and to disseminate expert pet care knowledge. The open, inclusive dialogue with customers helps PetSmart protect its long-term expert advisor role with pet owners.

34 Whole Foods Market
+28% 1,524 $m

Whole Foods continues to see stellar growth in the number of consumers who value and are willing to pay for healthy and natural food options. It has been further expanding its presence in the U.S. and the U.K. The brand recently launched "Dark Rye," an online magazine for food, art, health and sustainable living, and Whole Journey travel ventures for organic and sustainable food lovers. Despite high price concerns, the company is reaching Millennials and new Boomer customers; 75 percent of its growth is new customers and new trips. The frequently awe-inspiring store experience is a key factor in keeping the promise made to new customers when they walk through the door.

35 Dick's Sporting Goods
+14% 1,426 $m

DICK'S SPORTING GOODS

One of the largest brands in its category, Dick's Sporting Goods enjoyed another strong year. Improved profitability, a new U.S. distribution center and the purchase of the Top-Flite brand from Callaway Golf Company should fuel Dick's future growth and development. The superstore's agility in reacting to market shifts as well as regional and seasonal differences continues to underpin its strong financial performance. Although its in-store expertise has yet to translate online, Dick's enjoys high popularity in the social networking world and is building its own portfolio of brands to provide a more complete offer.

36 Guess
−23% 1,347 $m

GUESS

Founded as a jeans brand, Guess is celebrating "30 Sexy Years" as a leading multichannel global retail brand. Despite the celebration, advertised heavily with iconic supermodels in retro sex kitten style, Guess had an off year. Gucci won a lawsuit against the company for mimicking three of its accessory designs. Soft markets in North America and Europe may have contributed to revenue declines; Guess's Asia business shows the most strength, offering significant growth potential which the company plans to pursue.

37 Bath & Body Works
+14% 1,325 $m

Bath&BodyWorks

All about fragrance and a fanciful spirit, Bath & Body Works appeals to young women and teen girls as an affordable indulgence. Little is spent on traditional advertising, but brand awareness is high thanks to over 1,660 North American stores. An ongoing customer feedback loop informs its highly-rated store experience, and the brand is recognized for its commitment to customers. In the face of stiff competition from lower priced and mass retailers, analysts have criticized its online experience for lack of engagement. As strong as the human connection is in-store, Bath & Body Works must find ways for its humanity to permeate all touchpoints. Otherwise, its spirit will diminish among loyal fans.

38 Dollar Tree
+13% 1,314 $m

DOLLAR TREE

Dollar Tree is the leading operator of one dollar price point variety stores in the U.S. To increase sales and market share, the brand continues to broaden assortments to include more everyday needs, seasonal and discretionary merchandise. Like its small box competitors, Dollar Tree is also expanding frozen and refrigerated products. A new distribution center, a growing e-commerce business, and an expansion strategy that includes new and relocated stores have led to a healthy jump in net sales.

39 Tractor Supply Co.
+38% 1,282 $m

ABC News recently chronicled the recession-proof relevance of Tractor Supply Co. as the humble yet steadfast supplier to rural America continues to prosper. It has rapidly expanded its retail footprint in recent years and will continue to do so. The brand's able to better anticipate its customers' preferences thanks to more targeted market research. It's also evolving toward a robust multichannel presence. Tractor Supply aims to operate 2,100 stores nationwide and continues to receive a warm welcome in new markets.

40 Macy's
+62% 1,259 $m

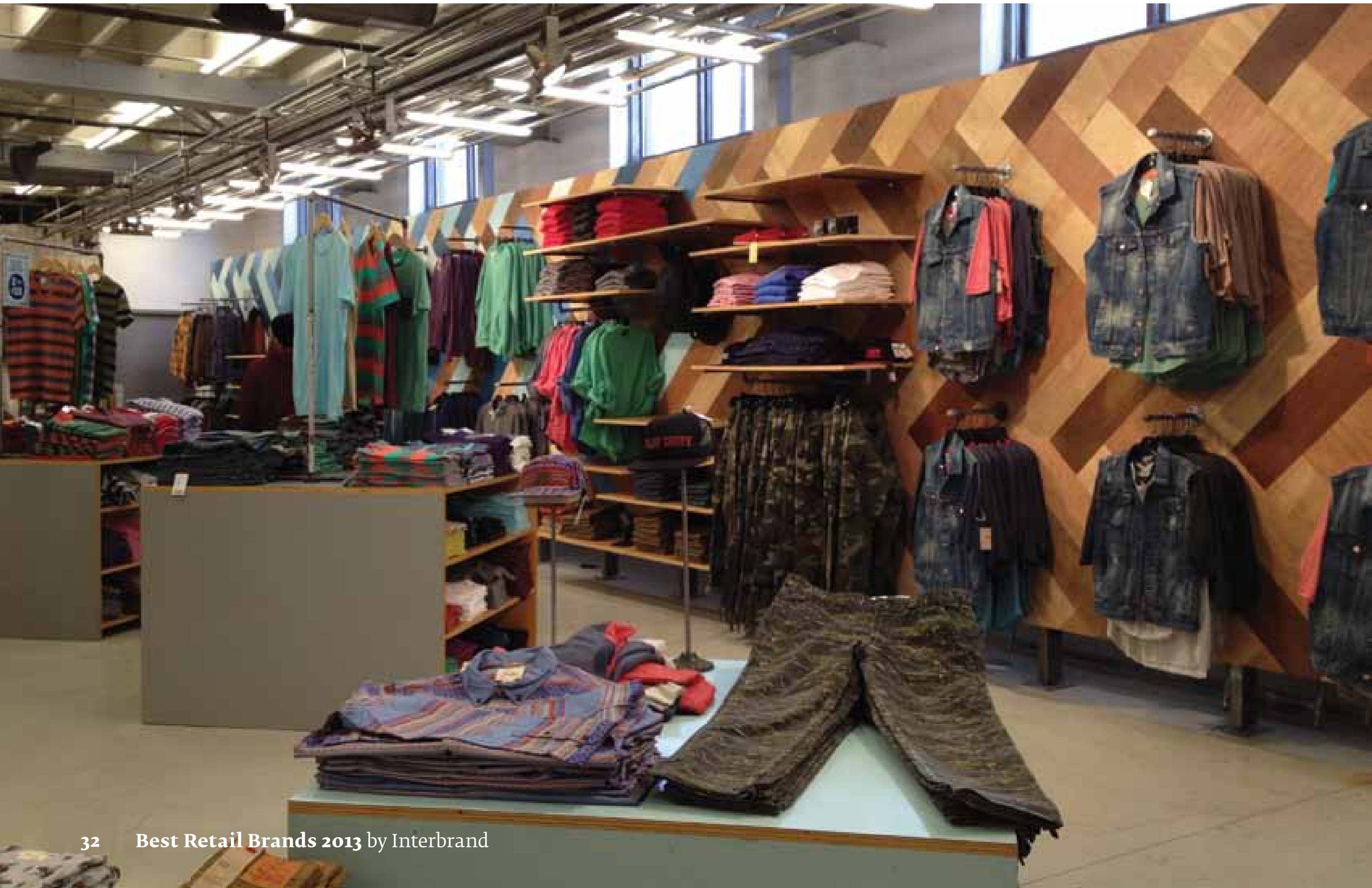
The retailer's daring multi-year endeavor to become a national brand continues to pay off smartly. Macy's had a great year with a 48 percent increase in net income, culminating in the USD $400 million makeover of its New York flagship. Efforts intensify to attract Millennials and keep stores locally relevant. Over 40 percent of Macy's merchandise is exclusive, while an outstanding portfolio of private brands accounts for 20 percent of sales. Mobile shoppers remain engaged through a personalized, continuously enhanced multichannel strategy. As its value continues to grow, Macy's should serve as a guidepost for its category as well as others like grocery that continue to operate a platform of nameplates within a fleet.

41 American Eagle Outfitters
+12% 1,193 $m

Revenues increased for this brand of casual wear for young people. Aggressive customer interaction via mobile, and a socially engaging online experience keep its emotional connections strong. American Eagle devoted the past year to international growth, partnering with Israel-based Fox-Wizel to operate new outlets in the Middle East, a continuation of its strategy to partner with retail experts in each new region, including Russia and Asia. The brand's highly successful "Live Your Life" essay contest attracted over 30,000 applicants and 4.7 million online visits.

42 Urban Outfitters
+6% 1,176 $m

Urban Outfitters' indie-cool vibe continues to win, and the brand intends to open approximately 50 new stores across the U.S., Canada and Europe during fiscal 2013. The lifestyle shopping experience for the young urbanite who enjoys art, music and fashion also seems to love getting into trouble and knows its way around a negative headline. Recently its novelty t-shirts featuring Che Guevera and a line of Navajo-inspired clothing were pulled from the shelf due to public outrage. But since the brand enjoys its rebellious youthful image, a recurring reckless streak seems to be expected—it's authentic to the brand.



43 Buckle
+5% 1,022 $m

Fashion-forward Buckle knows how to create a great shopping experience. Associates are extensively trained to make every guest feel special. A system of daily store deliveries keeps the brand responsive to trends, store by store, and encourages frequency. However, the big draw seems to be branded and private label denim with a wide variety of fits, finishes and styles—which contributes significantly to total sales. This year, net sales increased to record levels as Buckle opened 10 new stores and remodeled 50 more.

44 Big Lots
+1% 1,018 $m

Broadline closeout retailer Big Lots chose 2012 to embark on its first fleet-wide remodeling initiative. Its historically frugal approach meant that none of the 1,500 Big Lots stores in the U.S. and Canada had benefited from a retail experience makeover. Distribution, expense structure and merchandising organization have been corporate priorities, enabling the brand to keep its prices low. Store execution has been inconsistent. With that changing, Big Lots continues to introduce new, higher-quality brands, a private label and an expanded international foods program to increase market share.

45 Family Dollar
+17% 1,015 $m

Family Dollar's renovation efforts continue. An improved shopping experience with more intuitive adjacencies and higher customer service standards has increased store productivity. A strategic partnership with the McLane Company, experts in supply chain service, enables Family Dollar to offer a broader selection of merchandise, including refrigerated and frozen food, across the retailer's more than 7,600 locations in 45 states. Family Dollar's plain-speaking offers primarily reach its shoppers via weekly circulars; however, its e-commerce site is optimized for mobile and saw increased usage this year.

46 Rent-A-Center
+22% 940 $m

Rent-A-Center (RAC), a leading rent-to-own furniture and electronics retailer, continues expansion through its network of more than 3,050 stores across North America. Its RAC Acceptance kiosks can be found inside traditional furniture stores such as Ashley, handling credit applications for their credit challenged customers who, once approved, can time-purchase brand new re-rentable furniture. The kiosks are being tested in 13 Best Buy stores as well. With revenues up in its traditional formats, RAC's outlook is strong.

47 Radio Shack
-26% 923 $m

One of the few remaining consumer electronics retailers, even its large network of convenient small format stores isn't protecting the brand from the stiff competition and disappearing profit margins typical for the category. While its partnership with Target has proven unprofitable, and a doping scandal brought its Lance Armstrong contract to an end, the company still plans to expand in Mexico and South East Asia, where the plan is to instill more excitement into the store concept. But questions about the Radio Shack brand continue and it needs to better communicate the meaningful benefit it can provide to customers.

48 Express
NEW 851 $m

Express tends to be one of several stops at the mall rather than a destination. Its reliably fashion-forward styles for young men and women come with a full complement of social media touchpoints whose effect, along with its stores, is youthfully generic. Nevertheless, Express is committed to being a fashion authority and operates more than 550 stores in North America. Store updates and expanded offerings have helped boost sales the last two years and the brand was in the spotlight as the official sponsor of the 2012 Miss America pageant.

49 Cabela's
NEW 839 $m

Serious sportsmen, outdoor enthusiasts and their families visit Cabela's to learn as well as shop. Stores engage emotionally through "edu-tainment," making them tourist attractions as well as retail destinations. They also serve as one-stop shops for hunting, fishing and camping licenses. With 41 stores in the U.S. and Canada, each year Cabela's opens a small number in new markets, thereby boosting its revenues. The multichannel retailer is also a direct market powerhouse, distributing 130 million catalogs in over 125 countries. J.D. Power has recognized it as a customer service champion.

50 Anthropologie
NEW 836 $m

Anthropologie proves there are more ways to succeed than lavish ad campaigns and a store in every mall. It keeps the number of upscale locations under 200, opening 15 new stores last year. No two look the same. Each has a team of artists creating imaginative vignettes from found and unique objects. In its quest to remain beautifully different, Anthropologie teamed up with 11 creators for its latest collection, sure to please its extremely loyal core of wealthy female sophisticates. Known for creative, narrative-imbued store, catalog and website experiences, the Urban Outfitters-owned retailer is exploring ways to extend its physical, print and online brand experience to tablets.


practice some
brand-name
dropping...
for less every day
WINNERS
store directory

The Most Valuable Canadian Retail Brands 2013

Canadian consumers, a media- and digitally-savvy population, are setting higher benchmarks for the brands they choose.

Are Canadian Retailers Due South?

By Alfred DuPuy and Mark Rose

U.S. retailers have long been a part of the Canadian landscape. In fact, two of the five brands in this year's Canadian Best Retail Brands list are owned by U.S. companies (Future Shop by Best Buy and Winners by TJX). However, a **new trend is gaining momentum** as American retailers expand more of the brands they own to Canada.

Behemoth brands such as Victoria's Secret, J.Crew and Ann Taylor recently expanded north of the border. Target is opening stores as this report goes to press, partnering with Roots for a limited collection of cheap chic with local flavor. Nordstrom will arrive in the next couple of years. Why the rapidly growing influx? U.S. retailers find the Canadian marketplace increasingly attractive in part because of a **strong, stable Canadian dollar**. They're also attracted by the spare capacity in the market, particularly online, with e-commerce comprising only 1 percent of retail expenditures, compared to 8 percent in the U.S. More interestingly, this trend reflects a growing appetite among Canadian shoppers for **more, and better, retail options**.

As they assess incoming U.S. retail brands, Canadian consumers (a media- and digitally-savvy population) are setting **higher benchmarks for the brands they choose**. While many brands are struggling to adapt (case in point: Sears, which recently laid off a sizeable portion of its workforce), a few Canadian brands are rising to the challenge. Shoppers Drug Mart responded by renewing its focus on the core tenets of the brand: health, beauty and convenience. The retailer also invested significantly to **enhance the in-store experience**. In contrast, Canadian Tire has been slower off the mark, but now appears to be preparing (or at least girding) for the imminent arrival of Target. Additionally, Future Shop is proactively experimenting with new, smaller store formats in an attempt to make its shopping experience more exciting and to avoid the perils that its parent brand faces.

The **allure of new markets** is not unique to our American counterparts, as Canadian brands appreciate the rich potential of growing beyond home borders. Canadian Tire attempted to expand into the U.S. market in the 80s, and again in the 90s, only to fail both times. Many of Canada's strongest brands play the "O Canada" patriotic card at home to great effect (think Roots, Canadian Tire and Tim Hortons), but Canadiana is likely irrelevant to the majority of the U.S. market. Shoppers Drug Mart hasn't yet ventured south, but the brand experience now in development could have the potential to give Shoppers a powerful presence in the U.S. marketplace.

So who is getting it right?

Lululemon serves as an excellent example of a brand that has **pushed beyond home borders** by defining itself around universally relevant principles of healthy living—the value proposition is as equally compelling in New York as it is in its hometown of Vancouver.

Lululemon understands the power of engaging in-store shopping experiences, and provides complimentary yoga classes in its stores. Other Canadian retail brands, such as Mountain Equipment Co-op and Holt Renfrew (neither of which is valued for this study as they are privately held) also stand out by **delivering unique and differentiated in-store experiences** that have inspired a cult-like following.

Equally important are a brand's out-of-store experiences. Lululemon stages half-marathons and community events. Mountain Equipment Co-op conducts outdoor training, and hosts an online gear swap to make the great outdoors accessible to everyone, which underscores the democratic principles of the brand.

Border-crossing brands will always face cultural quirks, distribution limitations, trade regulations and local pride as barriers to overcome. But it's becoming increasingly apparent that **global expectations among shoppers are converging** and a new class of sophisticated shopper is emerging—and the need for a global brand to define itself around universally relevant principles is clearer than ever.

We're seeing this trend play out as **U.S. brands expand into Canada** and beyond. Perhaps the next trend will see just the reverse.

01
Lululemon Athletica
3,540 $m

02
Shoppers Drug Mart
3,283 $m

03
Canadian Tire
1,814 $m

04
Winners
698 $m

05
Future Shop
354 $m

01 Lululemon Athletica
NEW 3,540 $m

Despite intensifying competition, the Lululemon brand continues to grow aggressively within Canada and around the globe, with new stores opening in both Europe and Asia in 2012. The brand's growing global presence was in evidence at the London 2012 Olympic Games, where it outfitted members of Team USA, among others. The company continues to protect its brand, launching a lawsuit against Calvin Klein for allegedly copying a patented Lululemon design. The suit was ultimately settled out of court in 2012. Throughout its rapid growth, the Lululemon brand has remained authentic to its technically focused origins as premium yoga and athletic wear for women by providing customers with apparel that balances performance and style for an ever-expanding array of activities. As the brand continues to diversify into broader product areas and geographies to meet the demands placed upon it by public markets, Lululemon must continue to stay true to its DNA, or risk alienating a fiercely loyal customer base.

02 Shoppers Drug Mart
NEW 3,283 $m

Shoppers Drug Mart's slow but steady rise in brand value is an accomplishment, considering the increasingly competitive marketplace and the much-discussed challenging pharmacy regulations with which it contends. There are two primary drivers for the brand's success. The first is a strong focus on core values of health, beauty and convenience. The second is a concerted effort to become a truly consumer-oriented business. Shoppers continues to open new stores to enhance access and convenience, and upgrade and refit existing stores to create more pleasant shopping experiences. The brand has also refocused corporate citizenship initiatives around women's health. However, there have been missteps. In November, Shoppers took some heat on social media for starting Christmas music too early in the season. But by responding quickly and putting the tunes on pause, it demonstrated and reinforced its commitment to putting customers first.

03 Canadian Tire
NEW 1,814 $m

As an integral part of Canadian culture, it's no surprise that Canadian Tire remains one of Canada's top retail brands. But with increasing competition from other Canadian brands and the looming arrival of American entrant, Target, will this Canadian institution be able to maintain the strength of its following? The company has made significant operational steps in anticipation of Target's arrival. It has restructured internally to emphasize its retail operation and focus on core, growing categories, such as sporting goods and kitchen products. From a branding perspective, progress is slow, but showing signs of promise: a new customer loyalty program is being tested, and the in-store experience and product assortment are being increasingly tailored at the local level in an attempt to enhance relevance. 2013 will be a telling year for one of Canada's most venerable brands.

04 Winners
NEW 698 $m

Winners continues to grow at a steady pace with 222 stores now open nationwide. The brand has carved out its own niche within the crowded, off-price retail category by catering to style-savvy shoppers who love the thrill of the find. Always on the pulse of the latest trends, Winners gives Canadian shoppers almost immediate access to celebrity style and "brand name fashions for less." With dramatic changes underway in the competitive landscape, notably with the continued expansion of sister-brand Marshalls, the launch of Holt Renfrew's hr2 and the entry of Nordstrom and Nordstrom Rack to the Canadian marketplace, Winners will need to ensure its brand promise continues to remain both relevant and differentiated in the months and years to come.

05 Future Shop
NEW 354 $m

Future Shop maintains the title of Canada's largest electronics retailer. With growing competition from both online and traditional brick and mortar retailers, Future Shop continues to compete largely on price and breadth of offering. The company is seeking to reverse this trend with the launch of the futureshop.ca store. The new concept store seeks to integrate the best of its online and traditional retail experiences in an open, modern storefront. The concept store is smaller than most Future Shop stores and staffed with tech-savvy experts who can demonstrate products and complete transactions on the spot. Future Shop's efforts to integrate the in-store and online experience for a more seamless customer encounter are commendable. If executed successfully, this initiative may well be the way to re-emphasise the brand's core promise of delivering "exciting stuff," elevating customer expectations beyond just price and selection to ultimately earn more loyalty.


Superama

The Most Valuable Mexican Retail Brands 2013

Non–U.S. retailers have been reluctant to invest in Mexico, but as the economy gets back on track, politics stabilize and discretionary income increases, the market will become more attractive.

Moving Beyond the Superstore

By Isabel Blasco Ramos

The **global slowdown has impacted some sectors of Mexico's economy** but overall consumer spending is relatively strong. After a four-year impasse in which retailers struggled to bring back growth and dynamism to the category, retail sales have shown a clear, sustained recovery from November 2011 onwards—thanks, in part, to El Buen Fin.

A government and private sector partnership, El Buen Fin (the Mexican equivalent to the American "Black Friday" sales event) was **launched to encourage consumption** by enticing shoppers with a weekend of deep discounts. According to a survey by the National Association of Self-Service and Department Stores (ANTAD), Mexican consumers spent $25.5 billion pesos (USD $2 billion) during this year's campaign. As reported by Reuters, this year's El Buen Fin take increased by 30 percent for stores that have been open for at least 12 months and by 36.5 percent for stores overall. No doubt boosted by the campaign, ANTAD also reports that the retail category achieved an 11 percent growth (in total store sales) during 2012.

Despite fears earlier in the year that a spike in inflation might slow spending, supermarkets, perfume and jewelry stores, and, to a lesser extent, apparel stores have all seen modest but steady growth. Though negative depictions of Mexico's economy persist, **social changes are beginning to create a new picture of Mexico**: Emigration is slowing, the size of families is shrinking and better employment and educational opportunities are emerging. According to economist Roberto Newell, per capita gross domestic product and family income have each jumped more than 45 percent since 2000—which is good news for the retail sector.

In response to these changes, supermarkets are expanding, specializing their offerings through diverse brand portfolio strategies and improving brand experience by catering to lifestyles. Also, as incomes continue to rise for many Mexican consumers, emerging segments such as fashion and personal care are attracting new customers. That said, the low to mid-low income consumer still represents the biggest opportunity in terms of market size and business growth. Retailers are aware of this opportunity, as evidenced by the **strong presence of brands that specialize in this segment**, such as Grupo Soriana and Grupo Walmart de México, which continue to expand their smaller format stores in the region.

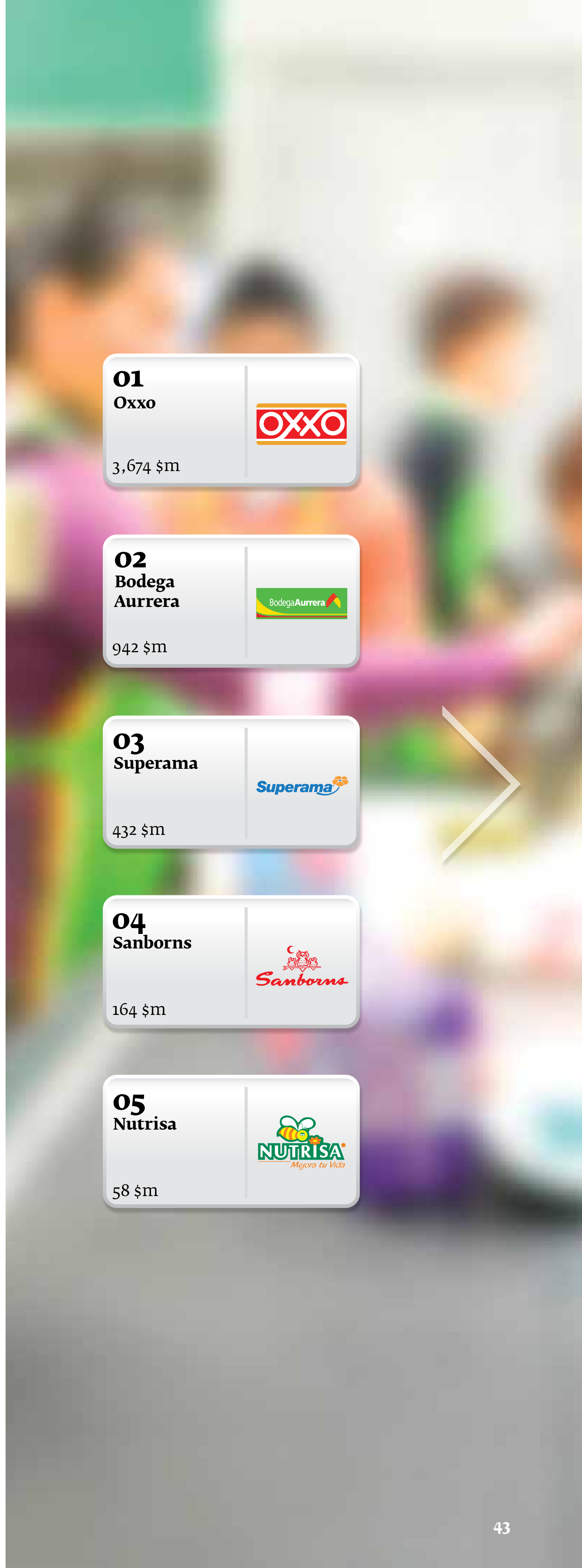
For this consumer segment, grocery shopping isn't just a mundane weekly task—it's also a leisurely family weekend activity. Whether big box format or smaller format, knowing how Mexican families shop and what they expect from products and services will determine the success of retailers that seek a foothold or further expansion in this growing market. The challenge will be creating a family friendly experience while also **offering prices and financial solutions that make regular shopping affordable.** In markets like Mexico, retailers that offer microcredit may have an advantage. Elektra, for instance, a specialty retailer and financial services company that serves the mass market by providing consumer credit, has been doing so for years. Retailers that offer branded financial services and in-store credit are not only able to better serve low-income consumers, but also tend to encourage both loyalty and increased spending.

Many retailers in Mexico are **expanding their product catalog beyond their core business**. Although this concept is not new, it's only now emerging as a trend. Sanborns, for example, started as a drugstore in 1903 and gradually evolved into what it is now—a department store with a restaurant. Another example, Farmacias Guadalajara, pioneered the drugstore and convenience store combination in Mexico. More recently, the top department stores in the country continue to recreate the experience they are offering, with more emphasis on conveying brand character through the architectural space and developing new diversions to encourage mid-upper class consumers to spend more time in the store. Gourmet plazas—where families can take a break, have a high quality snack, and recover some energy to continue shopping—are becoming increasingly popular and beneficial to business.

With hypermarkets or superstores (dominated by Grupo Walmart de México) being the most popular retail format and discount pricing still the main driver of sales, Mexico's market remains a relatively traditional and conservative one. However, during the last few years, the introduction of digital technologies, corporate citizenship practices, and product and service offerings that reflect demographic and lifestyle changes are all rapidly altering that traditional landscape. For example, product presentations targeting one or two person households or people with specific health needs and retail formats aimed at pleasure-seekers and the luxury-minded are all on the rise. E-commerce is also growing in Mexico, with the market currently worth 83 billion pesos (USD $6.5 billion).

Boasting the second largest population in Latin America and second highest per capita income in the region, it's no wonder the world's largest retailer (Walmart) has invested so heavily in Mexico—and no surprise that its expansion here has come under such scrutiny, with allegations of bribery uncovered by *The New York Times*. **Ethics, transparency and corporate citizenship are becoming critical factors** for maintaining trust on the local level, as brand loyalty starts to be tested between multinationals and rising homegrown brands.

Retailers that aren't based in the U.S., meanwhile, have been reluctant to invest in Mexico due to perceived risks such as border violence, inflation, infrastructure and energy challenges. That said, as the economy gets back on track, politics continue to stabilize, discretionary income continues to increase and transportation infrastructure improves, **this market will only become more attractive to both food and non-food retailers alike.**



01 **Oxxo**
NEW 3,674$m

With approximately 8 million shoppers daily and more than 9,000 points of sale open 24 hours, every day of the year throughout Mexico, Oxxo is the undisputed leader in the convenience store category. It's also the most valuable retail brand in Mexico by a large margin. Oxxo is able to fulfill its brand slogan, "Always ready, always there," by offering a wide variety of products and a range of payment options in convenient locations. Last year, the brand achieved significant growth (9.2 percent in same-store sales) due to three factors: increasing levels of consumer knowledge, logistic support and improved IT systems to optimize the distribution chain. By orienting its strategy around a deeper understanding of its consumers, Oxxo was able to focus not only on supply factors, but also on demand, which allowed the brand to further satisfy consumer needs and occasions.

02 **Bodega Aurrera**
NEW 942 $m

Bodega Aurrera, the largest of Walmart's brands in Mexico, is a budget-friendly supermarket targeting Mexican women who seek the best value when shopping for their families. The brand has positioned itself successfully as "the champion of low prices," reflecting an empathetic, honest and accessible personality that is highly appealing to the brand's main audience. With the help of its brand character, Mamá Lucha, Bodega Aurrera delivers on its brand promise and lives up to the expectations it has set around its offer in an innovative way. Bodega Aurrera centers its value proposition on the final benefit: bringing more products to the family thanks to low prices. Perceived as an ally to housewives, Bodega Aurrera has created a bond with its target audience and brought its corporate brand strategy to life by continuing to strengthen its everyday low prices, improve assortment and increase communication with key audiences.

03 Superama
NEW 432 $m

The Walmart-owned Superama, a dominant player in Mexico's premium supermarket category, fulfills its value proposition, "freshness, quality, service and convenience" by offering high quality products in a pleasant shopping environment. Attentive to the brand experience, Superama wants to make its customers feel good, hence the tagline, "Superama pampers you." In response to new competitors, and to reaffirm the tagline promise, Superama is currently remodeling its stores to refresh its image and appear more modern and premium. To reinforce the updated look and feel of the stores, Superama is also refreshing its identity and has developed a successful e-commerce strategy. As a brand that places its focus on the customer, Superama understands that its target audience is connected, and that technology will allow the brand to better reach customers and deliver what they want, online as well as offline.

04 Sanborns
NEW 164 $m

Owned by Carlos Slim, the business tycoon ranked by *Forbes* as the richest man in the world since 2010, Sanborns is an unquestionable leader in the Mexican market. Although there have been no significant changes in its brand management in recent years, its authentic Mexican personality and unique combination of services—from pharmacy and convenience store to restaurant and bar—have helped build a trusted, likeable brand. Sanborns continues to benefit from its heritage, a reputation that has been growing since the brand was established in 1903. While still rooted in tradition, Sanborns has kept up with the times and now sells a variety of products online. Having closed out 2012 with significantly higher earnings than the previous year, and with ambitious plans to invest 3.21 billion pesos (USD $250 million) this year for expansion and store modernization across different formats, Sanborns has, so far, shown that it has what it takes to stay relevant.

05 Nutrisa
NEW 58 $m

Nutrisa, a natural food, nutritional supplement and frozen yogurt chain, is one of Mexico's most successful franchise models. A pioneer in its category and market, the brand has gained credibility and value since its start in 1979. Further, its plans to expand and evolve, which include new store formats and an emphasis on consumer experience, demonstrate solid brand-oriented strategies. Having taken notice of the growth opportunity that Nutrisa's brand offers, Grupo Herdez, Mexico's biggest producer of processed foods, agreed to pay about 3 billion pesos (USD $238 million) for a 67 percent stake in the company and the opportunity to expand into a new category: frozen yogurt. With a portfolio of popular products and new distribution channels to introduce those products to new customers (should the Herdez deal go through), the Nutrisa brand is likely to thrive at a time when consumer-oriented businesses are expanding in Mexico.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The Most Valuable Brazilian Retail Brands 2013

As the famous "retail rhythm" becomes more frantic in Brazil's ever-changing market, the main challenge for brands is to find consistency in a country and economy of continental proportions.

Riding a Wave of Prosperity

By Daniella Giavina-Bianchi

H&M, IKEA, Tesco, Best Buy, The Home Depot, Target, Whole Foods Market, Gap. Apart from being among the world's top retail brands, what do these brands have in common? **None of them has attempted to establish local operations within the Brazilian market**. This telling fact reveals something about the recent history of retail in Brazil.

During the dictatorship period that ended in the 1980s, very few international players ventured into Brazil's stagnant economy. It was a difficult era and foreign brands were **not accustomed to dealing with galloping inflation** or the fact that the population did not exhibit typical consumer behavior—we stockpiled products in our houses as if we were living in wartime. Yet Avon, C&A and Carrefour had not only established operations, but were so familiar to the Brazilian people, and so much a part of the culture, that the majority of the population might be surprised to hear that they are not originally from Brazil.

More recently, retail brands have been enjoying the benefits of a strengthened domestic consumer market. The wide credit offer, low unemployment rates and government incentives led to the **rise of a new middle class** and created huge opportunities for the sector.

This context is reflected in the solid performance of Brazilian brands such as Pão de Açúcar, Lojas Americanas, Casas Bahia, Ponto Frio, Extra, Renner, Hering and many others that have grown from respected local brands to national powers, now boasting sales figures that would impress even the most global retailers.

One of the key factors responsible for this excellent performance is the effort that brand managers made to **elevate and adjust brand positioning to this new reality**, creating more relevant and differentiated offers to a large, diverse and dynamic nation populace.

Hering, operating primarily as a manufacturer for many years, began to take retail seriously. Store redesigns and campaigns with celebrities have not only helped triple sales in the past five years, but also contributed to making Hering one of the most recognized brands in Brazil among people of all ages. The company, one of Brazil's oldest, is also one of the few big retailers that designs, manufactures and exclusively sells its own products, which has given the brand consistency and fostered customer loyalty.

While in-store experiences are well-developed in most Brazilian retail brands, **the digital environment is quite uncertain.** On one hand, purchase experiences are improving as brands strive to keep up with the significant growth rate of online retail. Nonetheless, unfulfilled promises remain, leading to issues such as shipping delays and poor responsiveness to consumer needs. As a consequence, customer dissatisfaction reached alarming levels and regulatory institutions started taking action. During the 2012 Brazilian Black Friday, major retail brands suffered consequences for advertising false discounts and being unable to fulfill orders for long periods of time.

On top of that, for many retailers there is a **disconnect between the digital and physical brand experience**, often as a result of different teams coordinating each environment. The development of integrated services and compelling visual and verbal identities would help celebrate the uniqueness and improve the consistency of these brands as they continue to mature across channels.

As the "retail rhythm" becomes more frantic in this ever-changing market, the main challenge for brands is to find consistency in a country and economy of continental proportions.

01 Natura 3,981 $m	**02** Renner 512 $m
03 Casas Bahia 382 $m	**04** Lojas Americanas 361 $m
05 Extra 319 $m	**06** Hering 212 $m
07 Pão de Açúcar 187$m	**08** Havaianas 167 $m
09 Ponto Frio 147 $m	**10** Magazine Luiza 136 $m

01 Natura
NEW 3,981 $m

With a clear and easy to understand brand proposition, "well being/being well," Natura exemplifies coherence and the ability to create close relationships between consumers and the brand. Perpetual reinvention, an enduring commitment to sustainability and a growing portfolio are the main strengths of this leading Brazilian cosmetics brand. According to the innovation index used to measure all new products launched each year, 67 percent of the products in Natura's portfolio were new in 2012. Demonstrating consistency on every level of the organization, Natura's brand proposition reverberates throughout the production chain, from sales strategy to corporate citizenship and the use of natural resources. Last year, the brand invested more than 330 million reals (USD $170 million) to expand production, supply chain and information technology, solidifying its reputation for strong research and development. Natura has shown that its business in "ethics and aesthetics" is paying off.

02 Renner
NEW 512 $m

With positive perceptions on the rise in recent years, Renner, one of Brazil's largest clothing retailers, has proven its capacity to please customers and generate impressive revenue. In fact, according to the company's annual report last year 96 percent of 22 million clients reported they were fully satisfied and delighted with their shopping experience. To keep up with demand, Renner expanded to 176 stores in 2012. Despite the fast growth, the brand maintained the quality of its products and delivered a consistent brand experience in its stores, reflecting the company's maturity and sound governance. The eleven private brands of Renner's Lifestyle concept, as well as accessories and cosmetics through two private brands, all contribute to the equity of the master brand. Demonstrating strong performance in the past several years, Renner is on a roll and shows no signs of slowing down.

03 Casas Bahia
NEW 382 $m

Top of mind in the category in Brazil since 2006, the home furnishing and appliances retailer, Casas Bahia, is benefiting from the growth of consumption in the Brazilian market a claim that few other companies can make. While external operations are going exceedingly well, internally, the brand is going through some change. After the merger with Grupo Pão de Açúcar, the media reported a lack of understanding between the parties involved, and a conflict of corporate cultures that could damage the brand equities that Casas Bahia has built. Despite that potential vulnerability, the brand remains the biggest advertiser in the country, offers attractive pricing and payment conditions and delivers on a brand promise that is fully understood by the market. Customers know exactly what to expect from Casas Bahia.

04 Lojas Americanas
NEW 361 $m

The last two years have brought great challenges to the retailer Lojas Americanas. Problems related to the delivery of products via its e-commerce channel during Christmas damaged the brand's image. Specifically, thousands of purchased products were not delivered on time, which caused frustration during a period of high expectations. The situation can be ameliorated, but it will require responsiveness, transparency and commitment over time to improve sentiment and win back consumer trust. Additionally, the brand's physical stores and operations are not differentiated from competitors, which could make it that much harder for Lojas Americanas to rebuild loyalty and drive choice. Another critical point is to ensure that the service quality and experience at Americanas Express (the more compact version of the physical stores) aligns with that of the regular stores and the online platform. Overall, Lojas Americanas gains in awareness, but differentiation and rebuilding trust and increasing consistency will be crucial for its future.

05 Extra
NEW 319 $m

Extra, a major supermarket chain owned by Grupo Pão de Açúcar, continues to expand its presence in Brazil through different formats and store sizes. Much of its recent growth can be linked to the update in its positioning, which is more inspirational and fosters closeness with the consumer. Now moving away from the price and promotion proposition to explore more emotionally driven territory, such as a new focus on family and lifestyle, the brand is showing signs of maturity. Though it's evolving in the right direction, Extra's challenge is to ensure that consumers fully understand and accept this new proposal, which will allow Extra to make the shift from a brand that appeals mostly on price to one that offers consumers a friendly experience, convenience and variety. Despite some internal turmoil due to Grupo Pão de Açúcar leadership changes, Extra kept its brand protected.

06 Hering
NEW 212 $m

One of the most authentic Brazilian brands, the clothing retailer, Hering, can celebrate the fact that it was the fastest growing brand in the Best Brazilian Brands ranking this year. Despite its complex management model, which includes 40 percent franchised stores, the brand is extremely consistent across all touchpoints—from products and service to store experience and communication. Moreover, it is flexible enough to address different types of consumers, whether they are fashion-conscious youth or seniors looking for comfort and quality, with clarity and assertiveness. Currently, Hering is taking advantage of the growth in consumption to move its brand by becoming more aspirational and offering a wider range of products that ally simplicity with fashion—a trail blazed by Havaianas in the past.

07 Pão de Açúcar
NEW 187$m

2012 was a turbulent year for Grupo Pão de Açúcar (GPA) and its main banner, the premium supermarket brand Pão de Açúcar. This particular brand appears to have suffered the most from the crisis with Groupe Casino, and the battle over control of GPA. Now the question is how the company—and the brand—will respond to new management, and how this change will impact the governance of the brand and its expression to the public. The Pão de Açúcar brand leveraged growth of private label brands through the strength of the master brand. Among the private label brands, the success of those such as Taeq, a pioneer in the segment that emphasizes well-being and living a healthier lifestyle, and Qualitá, with its promise of quality products at fair prices, culminated in a 14 percent increase in sales.

08 Havaianas
NEW 167 $m

By weaving humor, "Brazilian-ness", and variety into its brand and products with flair and consistency, Havaianas redefined a category and became a global sensation. The brand's playful footwear comes in a wide selection of colors and styles and is now sold in more than 60 countries, transforming the humble flip flop into a fashion icon. Its same-store sales increased 35 percent this year and Havaianas ended the third quarter of 2012 with 249 stores in Brazil, an increase of 37 percent from 2011. Among these stores, the award winning flagship in São Paulo emphasizes the diversity of the brand, where you can find hundreds of different models and even create your own Havaianas, in real time. Its colorful magazine ads, celebrity TV endorsements and in-store brand experience make Havaianas footwear a household staple in its country of origin. The pioneers of the quintessential flip flop enter the Best Retail Brands ranking for the first time this year.

09 Ponto Frio
NEW 147 $m

Throughout its history, home appliances retailer, Ponto Frio, has changed its positioning several times, but now the brand is pursuing a strategy built around premium. It abandoned its "all at the lowest price" discount approach and is now targeting the growing middle class and upper classes by reworking the visual brand identity and adopting the slogan "live the innovation." The retail experience is also being reconfigured. Six concept stores were opened in Rio de Janeiro and São Paulo, the product mix was reformulated and, true to the new brand promise, each delivers technology and innovation. However, after talking about the "lowest price" for so many years, Ponto Frio will have to work hard to make this new positioning feel real and authentic.

10 Magazine Luiza
NEW 136 $m

Aware of the increasing purchasing power of the Brazilian middle class, home furnishing retailer, Magazine Luiza, continues to move forward on its bold expansion plans. In the last two years, the brand opened 127 stores nationwide, making it one of Brazil's largest retailers in both number of stores and revenue. Among the brand's strengths are its diverse portfolio of products, consistent point of sale and investment in communication. Magazine Luiza also boasts an exemplary internal culture, personified by its leader, Luiza Trajano. It is recognized for its work environment and emphasizes service, a strong brand experience and closeness with customers. Magazine Luiza has also pioneered the creation of collaborative virtual stores, an ambitious initiative that allows consumers in any part of Brazil to create their own Magazine Online Shop. By encouraging interaction with the brand and giving consumers an opportunity to co-create, Magazine Luiza intends to boost its presence and performance in the digital environment.


PRIMARK
PRIMARK

The Most Valuable U.K. Retail Brands 2013

Those with the commitment to invest in their brand now will gain a competitive edge in the U.K., while those relying on cost-cutting and hoping to ride out the storm will be left behind.

Striving for Relevance After the Crowds Have Gone

By Graham Hales and Caitlin Collins

All eyes were on Britain in 2012. The Jubilee year enticed large numbers of tourists while the **London Summer Olympics** and Paralympics attracted the highest audience in history. In preparation for the influx of visitors from around the world, the government extended shopping hours, encouraged retailers to open pop-up shops and pledged to support young entrepreneurs by facilitating loans. Retailers stocked up on extra staff to deal with the expected summer rush but, as we now know, the demand never came.

British high streets were already suffering and these events failed to bolster demand. Retail administrations were up by 6 percent, according to Deloitte, including high-profile retailers like Comet, Peacocks, Game, Jessops, HMV, La Senza and Clinton Cards. According to the Local Data Company, in the **first half of the year 20 chain stores closed daily** in the 500 biggest U.K. town centers.

In response to increased competition and the grim economic climate, retailers are re-assessing store portfolios and continuing to focus on multichannel strategies. Investment in **improving the overall shopping experience across platforms** has been evident with many stores upgrading online and offline channels. Store revamps have been prevalent across the likes of The Body Shop, Primark, Debenhams and B&Q. For supermarkets, there continues to be a growing trend toward convenience formats as seen by Little Waitrose, M Local and Tesco Express. The role of brick and mortar stores is being assessed by many brands, particularly Argos.

Online shopping has been a growth driver in 2012 with ASOS notably being the first online-only retailer to break into the U.K. top ten. This is no surprise for savvy U.K. shoppers, who make up the highest proportion of online sales in the world, estimated to be around 13 percent in 2012. Brands are revolutionizing the shopping experience by **truly unifying the online and offline offers.** Burberry is a leader in this regard, having launched its Regent Street London flagship store as a digitally integrated experience. Already we see other retailers inspired by this shift in thinking. Topshop can be noted for bringing a more holistic experience to the high street through initiatives like its "Trick or Tweet" Halloween campaign. The challenge is to get the balance right; those that succeed will be able to target their customers more effectively through multiple channels.

Combining a multichannel experience with a sustainability focus, M&S is a brand that is setting new precedents for the retail experience. Determined to become the world's most sustainable retailer, M&S launched its third Eco-Store at Cheshire Oaks in 2012, one of the **largest sustainable retail stores in the world**. Designed to be the most carbon efficient store to date, it takes a holistic approach into key sustainability factors such as water, carbon, biodiversity, the community, materials and zero waste to landfill. Built with the multichannel customer in mind, M&S is using this space to showcase its vision for the next generation shopping experience, bringing together digital elements such as iPads and free Wi-Fi to make the store experience seamless.

From enhanced in-store experience to sustainability and next generation technology, the **definition of value** continues to evolve from being entirely based on price to a balance between price, quality and features that goes beyond standard expectations. In the grocery market shoppers are attracted to discounters such as Aldi and Lidl, while also seeking more premium purchases at Sainsbury's and Waitrose, whose respective market shares increased in 2012. As a result of this tendency to go for either lowest price or best quality, brands in the middle, like Tesco and Morrisons, are being squeezed.

While 2012 was a great year for the nation, the retail sector suffered despite such high hopes for an Olympic year. Tough economic times have produced much price-based competition and a somewhat confused sector—which makes the role of brand that much more important. Now is the time to invest in and strengthen the retail brand's competitive position. With stores competing in price matches and discount wars, there is a clear opportunity to show how brands create value. Indeed, determined to make the most of less-than-ideal conditions, a number of British brands have already upped their marketing and branding strategies this past year (most notably Debenhams and The Body Shop). In uncertain times, this is a smart move. Those with the commitment to invest in their brand now will **gain a competitive edge**, while those relying on cost-cutting and hoping to ride out the storm will get left behind.

01
Tesco
10,810 $m

02
Marks & Spencer
6,550 $m

03
Boots
3,295 $m

04
Asda
1,674 $m

05
Next
1,370 $m

06
Sainsbury's
1,062 $m

07
Argos
805 $m

08
Morrisons
451 $m

09
Waitrose
429 $m

10
ASOS
416 $m

11
B&Q
405 $m

12
John Lewis
314 $m

13
Debenhams
303 $m

14
The Body Shop
299 $m

15
Primark
171 $m

01 **Tesco**
−2% 10,810 $m

Despite reporting increased revenue for the financial year to February, 2012 proved to be a difficult year for Tesco. The supermarket giant lost market share in the U.K. and began discussions to potentially retreat from its Fresh & Easy venture in the U.S. The "Big Price Drop" performance was lackluster and Tesco's value proposition has been weakened by Lidl, Aldi and Asda owning the space more convincingly. However, Tesco has been proactive in the face of these setbacks. The brand remains the clear grocery market leader and has invested significantly in improving its service offering. Summer 2012 also saw Wieden & Kennedy appointed to handle its advertising after splitting from long-term partner, The Red Brick Road. The brand's customer insight remains strong through its partnership with Dunnhumby, and with a strategy to grow the U.K. core, Tesco feels confident looking to 2013.

02 **Marks & Spencer**
+5% 6,550 $m

M&S continues to successfully perform in its food offering with innovative product development, consistently providing consumers with new choices. An improved Simply Food store format is meeting consumer demand for convenience, and capitalizing on the premium niche which M&S Food has carved out. However, in its clothing offering, M&S has fallen short, failing to clearly differentiate within the category. The exception is the brand's lingerie offering which remains the U.K. market leader. In an effort to further its success in lingerie, M&S appointed former Victoria's Secret chief creative officer, Jane Schaffer, as the new head of lingerie and beauty. The brand also paired up with model Rosie Huntington-Whiteley to design a collection, which became the fastest-selling underwear range in the brand's history. While Plan A's 5-year initiative came to a close this year, sustainability remains core to the M&S brand as we see renewed commitment to becoming the world's most sustainable retailer.

03 Boots
+16% 3,295 $m

Boots continues to perform well and much of its success can be attributed to excellent customer service, stemming from an internal culture that places customer care at the heart of the business. Relevance remains a key strength of the brand, demonstrated through trialing iPads and Wi-Fi in-store to improve the customer experience and partnering with Jamie Oliver for a lunchtime food range, Jamie Does Lunch. Customer insight gained from the Boots loyalty card continues to grow, with the number of active Boots Advantage Card members having increased to nearly 18 million, according to the 2012 annual report. Over the holidays, Boots released a Christmas advertisement centered around a new tagline "Let's Feel Good," which highlighted an emotive and inclusive Boots—a departure from its light-hearted "Here Come the Girls" ads. After entering a partnership with U.S.-based Walgreens, Boots' continuing successes will be counted on a global scale.

04 Asda
+6% 1,674 $m

Asda remains the U.K.'s second-largest grocery retailer, according to Kantar figures. In a crowded supermarket space, Asda is one of the brands most strongly associated with value for money and the brand's advertising continues to reinforce this, promising better value than the competition or your money back. In an attempt to gain consumer intelligence and tailor its price guarantee program to customers, Asda launched Mumdex, a study of 4,000 mothers who shop at the chain. Convenience remains a priority for the brand, which has expanded its click and collect service to branded collection points outside of stores and in Asda's branded petrol stations. Similarly to Tesco and Sainsbury's, Asda is increasing its non-food offering, launching standalone George stores over the summer, and franchising George outlets in the Middle East.

05 Next
+4% 1,370 $m

Next has continued to deliver positive financial results despite tough retail conditions. Christmas performance was in line with the trend toward online proving to be a principal driver of growth for the brand, with sales from its catalog and website business, Next Directory, rising 11 percent in the run up to Christmas. Next's operational and logistical advantages stem from Next Directory, which was first introduced in 1987. Next has been the brand of choice for telephone and online orders. With next-day delivery creating a strong point of differentiation, Next remains the U.K.'s number one fashion e-tailer. However, despite a brand revitalization in 2007, there is still uncertainty around how Next can continue to contend and truly surpass the competition as a fashion brand, particularly as other retailers continue to invest heavily in improving their multichannel credentials.

06 Sainsbury's
+9% 1,062 $m

In 2012, Sainsbury's became the first-ever Paralympics Games-only Sponsor and used the sponsorship as a platform to motivate staff. This was one part of an excellent year, with the brand also reporting its 31st quarter of consecutive growth and achieving its highest market share in nearly a decade. "Live well for less" continues to resonate with consumers' needs for both value and quality. Customer satisfaction is high, with staff expertise in produce departments particularly appreciated. Sales through the Sainsbury's website are increasing, overtaking Asda to become the U.K.'s second largest online grocer in 2012. The brand's loyalty partnership with Nectar continues to provide customer insights, enabling Sainsbury's to be responsive to customer needs. The brand is also expanding its non-food offer, acquiring eBook retailer, Anobii, and selling an increasing number of CDs and DVDs through its website. This acquisition signifies a further step in Sainsbury's commitment to multichannel retailing.

07 Argos

-8% 805 $m

With decreasing financial performance since 2010, Argos has been suffering in an increasingly competitive market swamped by the likes of Amazon and other big online retailers. In response, managing director John Walden announced a five-year plan with the aim to revitalize the business for the digital era. Argos plans to engage predominantly in online or mobile sales, leaving its trademark catalog behind. In-store browsers and Wi-Fi will replace the print catalogs and pencils, modernizing the shopping experience. As a part of this plan, the brand will re-assess its store portfolio and 75 stores will be closed or relocated. One thing in the brand's favor is that Argos pioneered the click and collect multichannel approach. Now online check and reserve represents 30 percent of total sales, according to 2012 interim results. Argos also claims to be the second most visited retailer in the U.K.

08 Morrisons

+3% 451 $m

2012 proved to be a tough year for Morrisons, with market share falling to 11 percent in September, Q3 sales declining by 2 percent, and group commercial director, Richard Hodgson, leaving the business. Retail analysts have cited unclear marketing and weakened positioning as contributing factors to the brand's struggle, which undoubtedly will become areas of focus for 2013. Morrisons is known for its fresh food offering, but lags behind in the areas of online and non-food which are key drivers of growth for competitors. However, Morrisons is taking some steps to evolve with investment in store design, continued expansion of M-local convenience formats, and the launch of its first e-commerce venture, Morrisons Cellar. The brand also has plans to debut a children's clothing line, Nutmeg, in 2013. Looking ahead, Morrisons will need to ensure the brand is more responsive to consumer needs or risk becoming irrelevant in the very competitive grocery market.

09 Waitrose

+12% 429 $m

Despite negative press about its #WaitroseReasons Twitter campaign and relationship with Shell, 2012 was a positive year as Waitrose achieved its highest-ever market share of 4.7 percent. Waitrose also received high customer satisfaction scores for the food retail category, according to ICS, and won multiple awards including *Good Housekeeping's* "Favorite Supermarket" Award for the fifth year running. A multichannel offering was a main focus, as it received permission to deliver online orders within Central London. Waitrose TV, a food-only video channel, launched with the aim to drive sales by enabling consumers to buy ingredients as they watch cooking videos. Its website continues to succeed, with online sales growing by 50 percent according to the interim report. In 2012, Waitrose also reported the busiest Christmas and New Year trading period in its history as sales hit an all-time high. Award-winning service, innovation, and quality offering continue to underpin Waitrose's success.

10 ASOS

NEW 416 $m

ASOS has a vision to be the world's top online fashion destination, and seems to be taking the right steps to achieve this. The brand is the U.K.'s second largest online fashion retailer, with a clear passion for fashion and a focus on style-conscious twenty-somethings. After extraordinary growth in recent years, 62 percent of revenues are now coming from abroad, according to the 2012 annual results. ASOS is constantly looking to improve the user experience, with a philosophy that anything customers are doing in the digital fashion space, they should be able to do on ASOS. With its youth-centric, celebrity tie-ups and investment in its online magazine, ASOS maintains relevance with consumers. The brand has established itself as the second most visited fashion website globally on a daily basis, according to comScore. Previously known as a destination to buy other brands, investment in its own range has resulted in a strengthening of the ASOS brand with own-label accounting for 55 percent of overall sales.

11 B&Q

NEW 405 $m

As the largest home improvement and garden center retailer in the U.K. and part of the Kingfisher Group, B&Q enjoys market leader status and a mission to "help people create homes to be proud of." This forms a crucial part of the B&Q ethos: not to be thought of simply as a product destination for home improvement, but as a place to help customers facilitate their own DIY. B&Q's values are clear and the advice, tutorials and services provided complement the brand's product offering. As part of this, in 2012 the brand launched a "You can do it" YouTube channel with video instructions for DIY projects. However, lackluster financial performance has the brand reassessing its shopping experience. In 2012 B&Q began an ambitious nationwide store refurbishment. This, partnered with recruitment in IT and improvement in logistics, will see B&Q aim to create a more consistent experience across channels.

12 John Lewis

NEW 314 $m

With its Christmas ads of recent years becoming a national topic of discussion, and its partners providing ever-reliable service, John Lewis fosters much affection in the hearts of U.K. consumers. The brand's partnership business structure is a key differentiator and has a strong impact on customer service. This is evident as John Lewis received one of the highest customer satisfaction ratings last year in the retail non-food category, according to the ICS. John Lewis continues to innovate in its service offering, with the aim of being responsive to consumer needs. As part of this, the brand has engaged in IT recruitment, in-store apps and Amazon-like online recommendations. One success for the brand has been its multichannel offering, with johnlewis.com sales up 43 percent and accounting for 24 percent of total sales, according the to 2012 interim report. In December its online sales broke through the £800m (USD $1.2 billion) milestone for the year, supported by a strong performance from their click-and-collect services.

13 Debenhams
+5% 303 $m

Debenhams has struggled in the past to differentiate from its competitors. However, 2012 showed the brand taking the right steps to break away. Its store modernization program has continued with the aim to enhance the customer shopping experience and heighten perceptions of the brand. Multi-channel is at the heart of its business strategy and they appointed Google's previous Head of Retail, Peter Fitzgerald, to the Debenhams board. The brand also won Multichannel Retailer of the Year at the 2012 Oracle Retail Week Awards. Marketing investment has been stepped up in order to drive sales and improve brand perceptions. The "Life Made Fabulous" campaign gained traction with consumers, promoting the much loved Designers at Debenhams offering. Debenhams also released a Christmas ad for the first time in six years. Although on the right track, Debenhams must ensure that the end benefits of these investments are clearly communicated to consumers.

14 The Body Shop
NEW 299 $m

The Body Shop was founded in 1976 with the aim to bring natural, ethical beauty products to the masses. In recent years, the L'Oréal-owned brand has become stale as increased competition has made natural ingredients less of a unique selling point. However, 2012 showed The Body Shop taking action to bring the brand back to its roots and engage with a younger generation of ethically conscious consumers. The Body Shop appointed its first-ever brand ambassador, British model Lily Cole, who was the face of the "Beauty with Heart" campaign. Online has been a priority, with a focus on the e-commerce site and real-time engagement with consumers across social media platforms. The brand also engaged in a store revamp, including the rollout of its new Pulse store concept, focused on storytelling and creating an interactive consumer shopping experience. It remains to be seen whether these actions will successfully remind consumers that The Body Shop is the beauty retailer that cares.

15 Primark
NEW 171 $m

Despite its unconventional approach to marketing with no traditional advertising and the lack of an e-commerce site, Primark has nevertheless come to be a strong brand with a distinct position in the market. Primark clearly resonates with consumers seeking up-to-the-minute fashion at value prices, which is particularly relevant in the current economic climate. Its internal operations allow the brand to be responsive to trends, taking as little as 6 weeks to bring fashion from the catwalk to the shelf. Expansion in Europe is going well, with the opening day in Berlin breaking Primark's record for single-day sales. Investment in new stores was evident during the year. One example was the Tottenham Court Road store, which represents a new store design with slicker visual merchandising, lighting and huge digital screens. Further expansions and renovations to city center stores in Manchester, Dublin and Newcastle suggest that Primark is seeking to improve the shopping experience.


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The Most Valuable French Retail Brands 2013

French retailers are finding that authenticity and relevance are the keys to survival—and reinvention.

Changing the Channel

By Bertrand Chovet

Despite the current downturn in our home market, the retail brands that reigned supreme in France last year remain on top in 2013. This fact is a testament to the strength and resiliency of these brands, although the picture is less encouraging in terms of performance details. Sales have been down for months, wholesale price inflation is accelerating, retailers are cutting their purchasing activity and, further complicating matters, unemployment is rising. Eurozone woes aside, all retail brands, including the most successful ones in France, are facing similar challenges: the ability to drive traffic and the **omnichannelization and control of the value chain.**

Strong brands have the power to hook shoppers

Category leaders such as Sephora, L'Occitane, Decathlon and DIY home-improvement and gardening chain, Leroy Merlin, have demonstrated the importance of mastering the value chain. Innovation, seamlessness between the digital and physical experience and private label development helped these retailers create close relationships with customers and more opportunities for contact.

Successful retailers like these cultivate loyalty by integrating the brand into every touchpoint and offering relevant products and services that also **align with their core brand propositions.** They engage more frequently and effectively with shoppers than their competitors. However, though these heavyweights continue to lead, they are under increasing pressure from online competitors.

New challenges, even for leading brands

The digitization of our lives and radical shifts in the way we shop, manage our time and understand the word "value" have put pressure on models that have traditionally relied on quality, trust and premium features as points of differentiation.

Competition from online channels and discounters is aggressive enough to destabilize the customer loyalty built over the years by retailers like Carrefour or Fnac. Discounting, of course, is a short-term response to tough economic conditions and a trend that could reverse as conditions improve. Online channels, on the other hand, are only likely to see more activity, not less, as the economy improves. **Online shopping—and now mobile shopping—is here to stay.**

According to current estimates, there are 31 million buyers online in France, spending roughly 1,400 euros (USD $1,845) per person. E-commerce sales have reached 45 billion euros (USD $59 billion), 19 percent higher than e-commerce sales in 2010. Mobile and tablet sales have reached 1 billion euros (USD $1.3 billion), up 195 percent since 2010, with 4.3 million people buying via mobile and 54 percent of those people making purchases from their iPads. In the face of the mobile revolution, traditional brands are revisiting their business models, figuring out how to work with and capitalize on new consumer preferences and **developing new strategies both online and in-store.** They are finding that authenticity and relevance are the keys to survival—and reinvention.

The retail brands of tomorrow

There are a number of brands one might expect to see among the Best Retail Brands that are conspicuously absent, such as Vente-Privée.com, Monoprix, Galeries Lafayette, Leclerc and Système U to name a few. Our **valuation methodology** relies on publicly available information, so a lack of transparency, unfortunately, has excluded many of the most recognized French retail brands.

That said, as we compared qualifying brands with other powerful brands that didn't qualify for the list, we found, not surprisingly, that these businesses had a lot in common. What characterizes these players is the clarity and consistency of the brand proposition, the richness of the experience (be that digital or in-store), and the flexibility to keep abreast of trends while staying true to their authentic core. These brands put **enormous effort into customer service** and enhancing the pleasure of shopping. The success of these retailers is proof positive that an engaging customer experience, delivered across all touchpoints, builds strong loyalty and drives performance.

While general economic conditions continue to weigh on the sector, the strongest French retail brands have already demonstrated that they have the power to invent new models, enrich the shopping experience and create outstanding relationships with their customers. However, **agility, inventiveness and responsiveness** will be necessary to sustain growth in these challenging times.

01	Carrefour	10,264 $m
02	Auchan	3,449 $m
03	Leroy Merlin	1,999 $m
04	Sephora	1,786 $m
05	L'Occitane	1,594 $m
06	Conforama	1,070 $m
07	Decathlon	990 $m
08	Darty	673 $m
09	Fnac	503 $m
10	Casino	484 $m

01 **Carrefour**
−7% 10,264 $m

The future is looking brighter for Carrefour since the arrival of its new CEO. Georges Plassat joined the group in 2012 taking on a recovery strategy to clarify the values and promising to redefine Carrefour's image. Following the implementation of the new policy, the group announced encouraging results for the third quarter of 2012, with sales up 2 percent to 22.62 billion euros (USD $30 billion), slightly above analysts' expectations. In France, which comprises 40 percent of Carrefour's sales, the same-store sales excluding petrol were still down 1.5 percent, but an improvement over the 3.3 percent decline in the second quarter. The next few years will be a test of Mr. Plassat's new strategy.

02 **Auchan**
+9% 3,449 $m

Auchan has sped up development in Eastern countries, India and China with the opening of 106 new stores. The company has been working to innovate around its retail experience with Flash N Pay, allowing customers to use their smartphones to store their loyalty card, coupons, shopping list and m-payment. It also launched Aushopping.com, with the goal of creating the premier shopping social network. Aushopping is the first website to combine a price-comparison tool, a social networking platform and a 3D shopping mall. The company has been focusing on its smaller format and the expansion of its Drive concept, which allows customers to order online and pick up merchandise at a pre-determined time at a drive-up location. While the brand looks to innovate, Auchan still remains focused on its traditional core business of hypermarkets, which has created positive results for the group despite challenges in the category.

03 **Leroy Merlin**
+4% 1,999 $m

Leroy Merlin continues to be the DIY leader in France. Rooted in the values of "man at the heart of the business," Leroy Merlin was named the 5th best place to work in France. The brand has a good media presence through television, social media and smartphone apps, in addition to its own website. Leroy Merlin has tested some innovations such as biometric payment in France and a drive in Brazil, where you can order online and collect by car. Leroy Merlin is working on its cross-channel management in order to provide inventory level and product availability to customers and offer the ability to place an order from the store. Viewed as more expensive than many of its competitors, Leroy Merlin has lost market share. Continuing to innovate around why shoppers should pay a little more should drive Leroy Merlin in 2013.

04 **Sephora**
+15% 1,786 $m

Sephora continues to perform well under the relatively new CEO, Christopher Lapuente. The last year has seen an updated technology strategy with more applications for mobile, improved website functionality and in-store tools for employees. M-payment has been available in the U.S. since 2011, and it has also been launched in France. In addition, the continued strategy of celebrity collaboration has helped maintain the relevance of the Sephora brand. Sephora opened 100 stores last year and now has 1,400 stores in 30 countries. Sephora is accelerating the roll out of its nail bar, which was first launched in 2011. Plans include adding more than 200 nail bars within U.S. and Canadian stores.

05 **L'Occitane**
+8% 1,594 $m

L'Occitane has continued its substantial international growth by focusing on natural products, changing product lines and its in-store experience. The brand is also compelling in the French home market as it is seen as one of the top-third most attractive brands, according to the classification established by the firm OC & C, published in September 2012. L'Occitane is seeing progress from its investment in social media, and e-commerce has become its fastest growing channel. In order to sustain its growth rate of 25 percent per year, L'Occitane is investing in its manufacturing facilities and logistics. L'Occitane also opened more than 100 stores last year to reach 1,500 stores worldwide. Worldwide sales are up to 900 million euros (USD $1.2 billion) with net profit of 13 percent.

06 **Conforama**
−2% 1,070 $m

Furniture and electronics retailer Conforama was acquired by the Steinhoff Group with the primary objective of developing the brand nationally and internationally. Through the acquisition, Conforama gained presence through points of sale, media, advertising and social networks, yet some of the recent strategic decisions indicate a lack of market understanding. This is evident through the focus on low cost versus increasing the relevance of the offer. Conforama worked to decrease operational costs by merging its purchasing department with Steinhoff to gain purchasing power. Conforama is expanding its Confo Deco store format in main French cities and has opened a flagship in Paris. Sales are up to 3.1 billion euros (USD $4.1 billion).

07 Decathlon
+9% 990 $m

The future seems bright for Decathlon as it continues to grow, opening 60 new stores throughout Europe and China. Within France, Decathlon is viewed by consumers as one of the favorite brands and a top company for which to work. The only dent in the group's results has been the competition from a growing number of smaller specialty sports retailers that have responded to increased consumer demand for professional sports equipment. Intersport, its main competitor in France, is positioning itself to appeal to this segment. Decathlon, therefore, continues to innovate in products to meet these requirements, most recently with the launch of pliable bikes and scooters.

08 Darty
–25% 673 $m

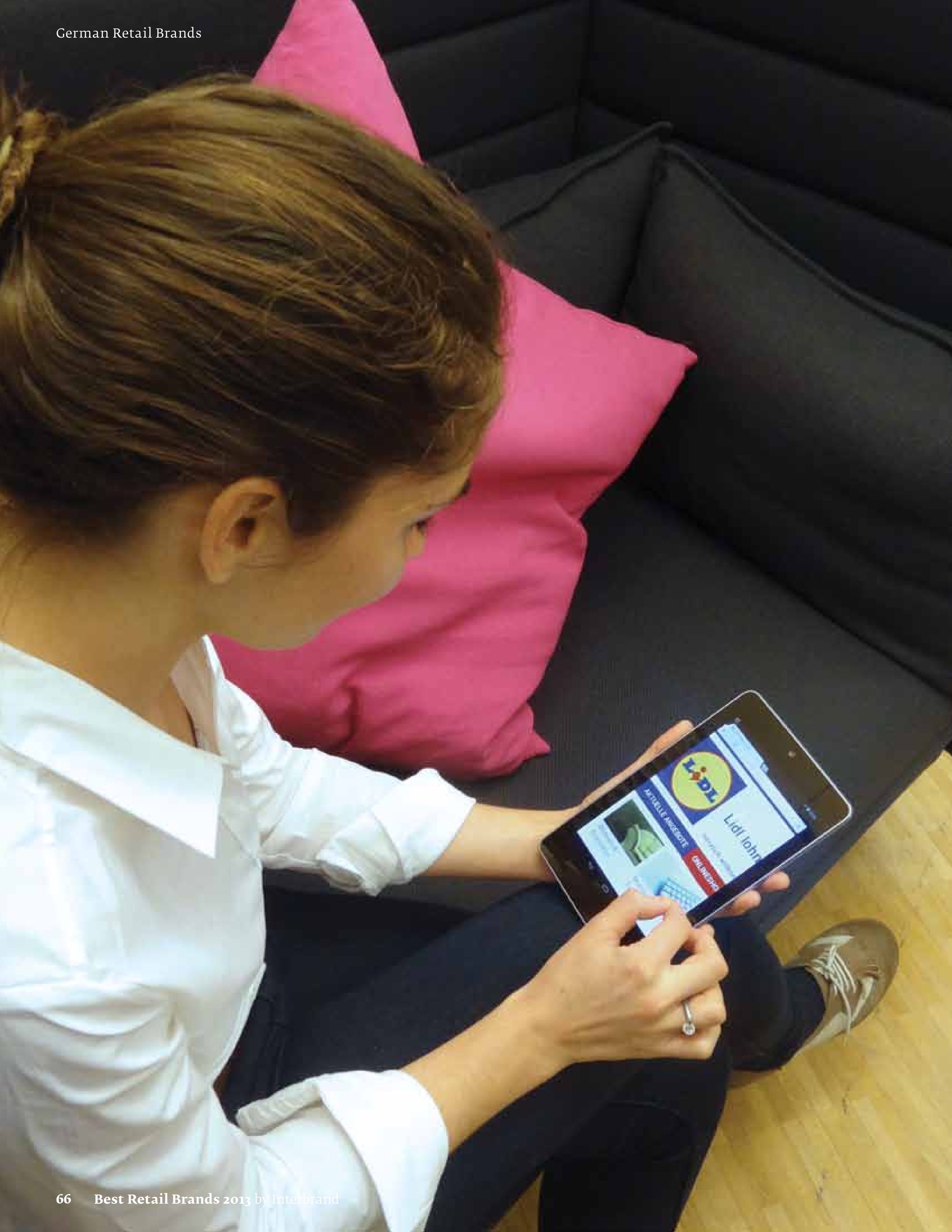
The last year has been difficult for the group as it withdrew from the Italian market and sold its mobile offer to Bouygues. However, consumer electronics retailer Darty has made it a priority to develop its service-led positioning and to incorporate it into every stage of the consumer interaction: choice, purchase, delivery and after sales. The brand has leveraged all its communication tools to clearly own the promise of service. The opportunity for the brand is to translate the service-led promise into profitable growth. However, its stores lack design appeal and there is nothing special about the in-store customer experience, which is complicated by limited self-service. The promise is meaningless if it can't be delivered, and Darty must find a way to turn its words into meaningful action.

09 Fnac
–4% 503 $m

Fnac sells books, CDs, DVDs and technical products—all categories with declining sales thanks to commoditization and internet appeal for low price. Fnac is faring better in these product categories than its historical competitors, and gaining share in all of its markets. The store and website remain the preferred browsing destinations for consumers. In the last year, the brand has worked at achieving a greater coherence between its brick and mortar and online stores, while reinforcing its online presence. Store development is also a focus as Fnac is experimenting with an innovative franchise model that includes travel and small convenience stores. Fnac has also launched an ereader range called "Kobo by Fnac" with successful sales. The brand has extended into new categories such as kids toys and games and home appliances, which has helped increase traffic and frequency to drive more sales, which is encouraging and demonstrating the brand strength.

10 Casino
+4% 484 $m

Even with positive business results this year, Casino continues to lack a clear positioning. In addition, very little of the larger Casino group's innovations and improvements have occurred under the Casino brand banner. The retailer has a reputation for being more expensive (highest price index in France) than its competitors in both its supermarket and hypermarket formats. With a good location strategy, there is opportunity for Casino to create greater attachment with today's French consumer who rarely sees the store as a destination. Casino has launched several convenience store formats under the Casino banner such as Casino Shopping and Casino Shop. It is working on improving hypermarket performance by reallocating space between hypermarkets and malls, developing new areas within the stores dedicated to specific customer targets such as young mothers, and emphasizing the quality of its private label.



The Most Valuable German Retail Brands 2013

German retailers that advance from delivering static brand-related content to a coherent two-way conversation across touchpoints will come out ahead.

Unlocking Customer Potential through Innovation

By Marco Rivolta

While debt-related difficulties continue to affect the German economy, retailers are already adopting the kinds of solutions for which Germans are perhaps best known: innovative ones. In an environment where market saturation and pressure on margins are the norm, retailers are vying for a competitive edge in an overcrowded space. In an effort to anchor brand propositions in uncertain times and stand out from the competition, German retail brands are exploring solutions in three key fields: leveraging digital touchpoints, creating a diversified store network and bringing private labels to the next level.

Creating a seamless customer experience

Increasingly, consumers expect retailers to prove their value not only in-store, but also online. The fast rise of digital-only stores like Zalando, for instance, shows how **traditional channels are under pressure and need to be integrated with digital ones to gain a competitive advantage.** According to one e-commerce trends report, 6 out of the 15 most popular German companies are online retailers. Another study, from strategy consultancy OC&C, reveals that online retailers are performing better than traditional retailers in terms of quality, product diversity and services. Further reflecting the shift in consumer preferences, e-commerce sales reached close to 29.5 billion euros (USD $39 billion) in 2012, an increase of 13 percent from 2011. During the 2012 Christmas holiday shopping period alone, a 7.4 billion euro (USD $9.8 billion) turnover was generated online, compared to 6.5 billion euros (USD $8.6 billion) last year. While the majority of brick and mortar retailers fell short of revenue targets last year, online shopping sales are expected to increase by 12 percent in 2013.

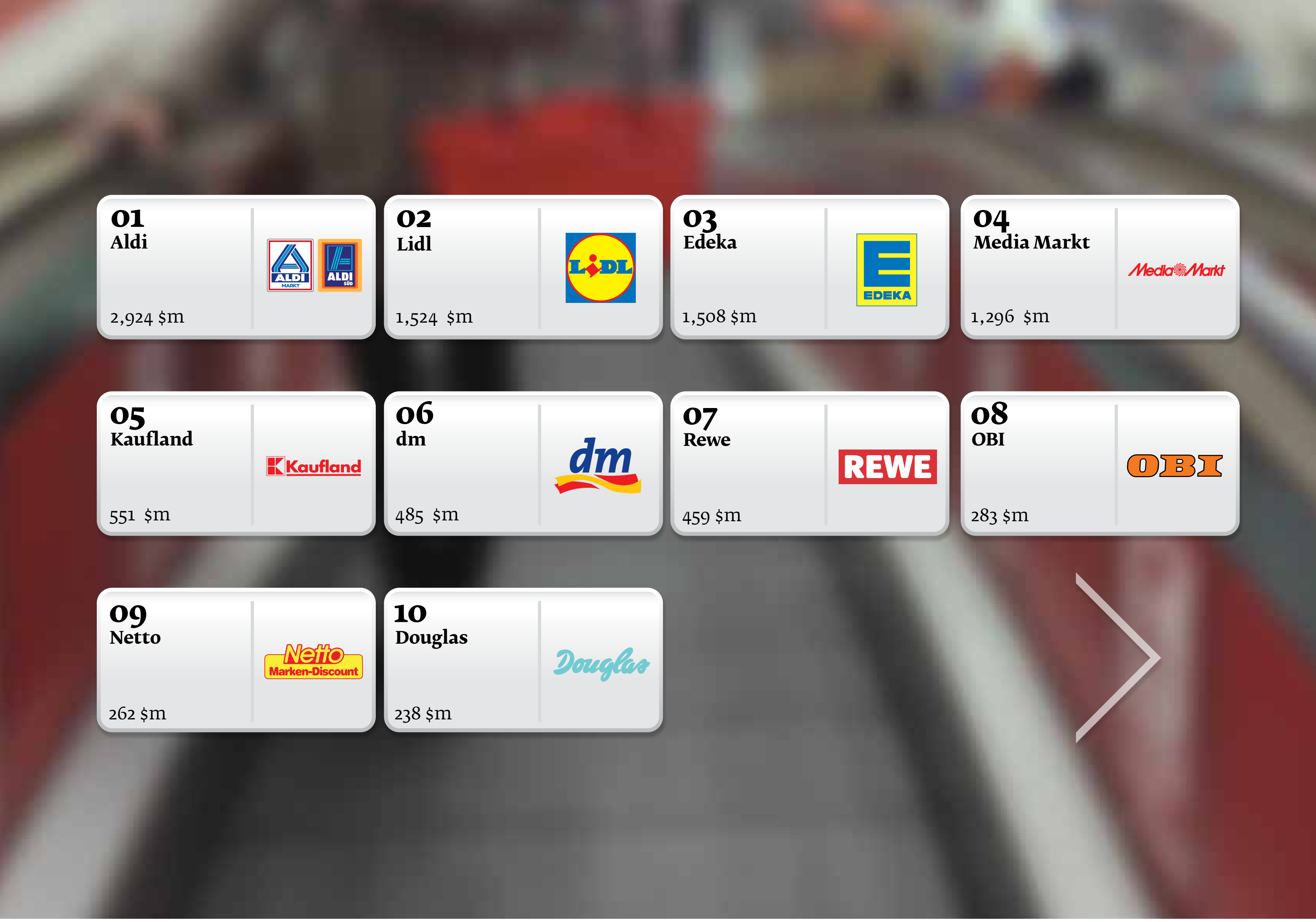
While it has never been more important for retailers to combine on-site business with online channels, a website and Facebook page are not enough. As our online and offline worlds continue to merge, a brand-centric digital media strategy can smooth disjointed experiences and create consistency across touchpoints. How many digital initiatives a brand executes is now less important than how well a retailer's digital initiatives support a larger effort to create a seamless brand experience. Through **interlinked online and offline activities**, the customer journey is simplified and a rich, consistent experience is delivered.

Germany's Edeka supermarket excels in this area by communicating its commitment to fresh food and nutrition consistently and authentically through a seamless online and offline experience, giving the chain a substantial edge over competitors. In another example, Douglas, a leading European perfumery, has one of the most successful online stores in Germany and effectively uses social media to engage consumers and tell a story. With 50,000 online shoppers daily, high customer loyalty and 8.3 million customers across Europe, digital has played a key role in strengthening the Douglas brand and ensuring that its values and corporate identity are communicated thoroughly and thoughtfully at every point of contact. As enthusiasm for in-store promotions wanes due to already high retail density and the shift to online and mobile sales, brick and mortar retailers are finding that a smart digital strategy **builds brand strength,** delivers the seamless experience customers expect and effectively augments in-store sales.

Going where customers are

Although the role of digital is undisputed, interactions between brands and consumers in the physical channel still represent a tremendous opportunity for retailers. It's no wonder that heavy investments are allocated to reinvent business models. Motivated by the need for customer proximity, retailers are evolving their store network strategy in two different directions. Players such as Kaufland and OBI are pursuing an integrated strategy that will involve the **launch of huge stores**—exceeding 10,000 square meters that operate as hubs—while also opening **smaller, more nimble stores in city centers.** Similarly, supermarket chain Rewe is opening vast Rewe Centers while promoting express concepts like the more compact Rewe-to-go model. Increased presence and coverage are expected to increase sales as well as brand value. That said, expansion alone does not automatically ensure brand strength and profitability, as the 2012 insolvency of Germany's biggest drugstore chain, Schlecker, illustrates.

Convenience-seeking consumers are increasingly looking to purchase via smartphone, meaning proximity no longer guarantees loyalty. Indeed, one in three German consumers is already using a smartphone for shopping, according to *Lebensmittelzeitung*. As traditional retailers grapple with



plans to expand or restructure, mobile commerce is seen by some as yet another competitive threat. However, given the success online retailers have seen (21 percent of German online retailers have a mobile website or a mobile app with a shopping function), **mobile represents an incredible opportunity to drive loyalty, maximize revenue and extend the brand experience further.**

Creating private labels that embody brand values

Private labels used to be considered "house brands" that were positioned as lower cost alternatives to regional, national or international brands. Now **private label brands have evolved to fill niche markets at a premium quality level**. A strong line of high quality, great value products that can only be purchased in-house attracts customers, builds loyalty (as consumers develop a preference for the in-house brand) and can be an effective differentiator.

Leading retailers are diversifying the breadth and depth of their private label product portfolios and developing multiple tiers of private label products. Increased communication and branding efforts in this area reflect a trend toward developing and marketing private label products as a means to drive **customer loyalty in a highly competitive market**. Rewe and dm, for example, are not only strengthening their private product lines, but also building a compelling and distinctive world around them.

Through strong digital strategy, the development and promotion of private label brands and by balancing close physical proximity with mobile access, German retailers can get closer to consumers and gain an advantage for the brand in the process. While the European debt crisis will continue to weigh on the sector, those retailers that engage with consumers effectively in this age of participation—and have the willingness to move from delivering static brand-related content to ensuring a **coherent two-way conversation across touchpoints**—will come out ahead as the European economy regains its momentum.

01 Aldi
−7% 2,924 $m

Aldi still ranks as the most valuable German retail brand, but its main competitor, Lidl, is narrowing the gap. In 2012 Aldi was able to retain its position as market leader, but the business was under a lot of pressure from competition. According to Horizont, Aldi's customer satisfaction declined last year. In order to face the growing competition, Aldi has expanded its offering to include more well-known branded products such as Coca-Cola. For the first time Aldi feels the need to adapt its stringent business model to market changes. In terms of social media, Aldi lags behind competitors with almost no presence. On the other hand, in order to revamp its image, a large-scale modernization of the store network was announced. Until Aldi begins to embrace the new realities of shopping, poor brand performance may persist.

02 Lidl
+8% 1,524 $m

Last year Lidl continued to catch up with its main competitor, Aldi, and is gradually becoming the trendsetter of discount retailing. Competitive price campaigns such as "Super-Samstag" (Super-Saturday) are an inherent part of Lidl's business model of being the low price leader. Its online store is helping Lidl stay ahead. The online marketplace was voted one of the top 10 online stores in Germany based on coverage and number of visitors, and with it the company is strengthening its competitive advantage. Its private label "Ein gutes Stück Heimat" is performing well and receiving increased recognition. As part of its private label brand development story, Lidl recognized the 260 farmers that provide milk and other raw materials to thank them for the positive impact on Lidl as a whole.

03 Edeka
+5% 1,508 $m

Edeka's branding investments have been steady since last year. Edeka is visually strengthening its claim "We love food" and supporting it through interlocked on- and offline measures, which transmit the values of Edeka in a consistent and authentic way. The strong marketing effort focused on the company's attention to nutrition and fresh food is providing Edeka with a competitive advantage. According to Horizont, customers were very satisfied in 2012, and Edeka was named best full-range retailer by various institutions. Additionally, the Trendence Institute recognized Edeka as the most innovative Employer Brand. Edeka's corporate social responsibility activities remain a priority as it continues its support of WWF and the Deutschlandstiftung Integration, an association that promotes tolerance and communication between people from different backgrounds.

04 Media Markt
−3% 1,296 $m

The Media-Saturn Group celebrated the opening of the 250th Media Markt store in Germany, increasing its store network further in 2012. A huge step forward was the launch of its online shop at the beginning of the year. In supporting its aggressive growth strategy, the Saturn chain in Hungary was rebranded into Media Markt, as the brand is believed to drive better market share. Marketing expenditures are still high and seasonal campaigns support the steady growth of the organization. In 2012 these efforts were aimed at younger, tech-savvy target groups. Although the goal was to appeal to these segments, a change in brand colors in a broad and massive campaign has impacted the communication consistency.

05 **Kaufland**
+2% 551 $m

Kaufland supports its brand internally and drives employee satisfaction, resulting in 22,000 employees that have been working for Kaufland for over 10 years as of 2012. To further match customers' needs, the company has increasingly expanded the product assortment that is already the widest among German retailers. Contrary to the overall industry trend, Kaufland expenditures in marketing didn't decrease. Particular attention was dedicated to the digital world, where it manages two presences on Facebook, to strengthen customer relationships and foster employer branding. In addition, the retailer was named "Best Food Product Market" in 2012 by the German Service and Quality Institute. Although the brand is highly supported internally, Kaufland does not effectively communicate its brand proposition externally. Therefore, customers are not yet able to perceive Kaufland as truly differentiated. Translating the brand from internal strength to external strength will be key for Kaufland in 2013.

06 **dm**
+19% 485 $m

In 2012, Germany's fastest growing drugstore chain secured the market leader position in its segment, benefiting from the bankruptcy of competitor Schlecker. The brand ranks among the 50 most popular employers in Germany according to the Trendence Graduate Barometer. dm proactively interprets evolving customer needs and constantly fulfils those with its private labels. In addition, the company is strengthening its cooperation with Amazon to sell all its private label product tiers. Since 2012 all stores operate with green energy and dm received the sustainability award from the German Ministry of Environment as well as the "German Culture Award" for its initiative of "singing kindergardens," one of the many CSR activities in which the company is involved. The company is focused on digital and successfully doubled its Facebook fans, which now exceed 1 million. Moreover, dm reached customer loyalty levels over 80 percent, widening the gap between it and its relevant competitors.

07 **Rewe**
+5% 459 $m

Rewe concentrated on transmitting the brand value proposition "Better living" to customers through a high-profile media campaign in 2012. Rewe also extended its sponsorship of the German Football Association (DFB) through 2016. The brand enjoys high customer loyalty (83 percent), and was named Supermarket of the Year in 2012 by the magazine *Lebensmittelpraxis*. Rewe expanded its private product line Beste Wahl, which was relaunched with 750 products. Rewe also increased the number of Rewe-to-go stores. In order to differentiate from competitors, Rewe is testing the integration of Rewe Travel shops into selected stores, enabling the customer to take advantage of all of Rewe's offerings at once.

08 **OBI**
+2% 283 $m

OBI remains the market leader in the do-it-yourself arena despite growing competition. OBI is heavily investing in continued expansion into Eastern Europe while maintaining leadership in Germany. The company is focusing both on opening huge stores (more than 10,000 sqm) together with maintaining a presence in town centers with smaller locations. In accordance with this expansion strategy the brand is moving to a common price system across all markets as well as its online store. Thanks to a clear and consistent usage of corporate design, OBI's awareness is stable at 97 percent. In 2012 OBI increased its marketing expenditure for digital media, with specific focus on social media platforms and its own DIY blog.

09 **Netto**
-5% 262 $m

In 2012 Netto sought to overcome the impact of the negative press from the previous year concerning low wages, high working hours and overall poor working conditions. It invested in social media and now also publishes a blog that integrates its online nutrition consultancy. Its commitment in digital is underscored by the fact that it wants to become the first discounter that offers mobile payment to customers. Netto is steadily increasing its presence and opened approximately 150 stores this year. The brand is also leveraging its relationship with parent company, Edeka, to sell some of Edeka's most popular products in Netto stores. Nevertheless, according to the GPRA trust index, its trust level is lower than competitors, showing that Netto has to invest even more in its brand reputation.

10 **Douglas**
NEW 238 $m

Douglas is the leading perfumery in Europe with 450 stores in Germany. In 2010 the brand celebrated its 100th anniversary and this year it joins our ranking for the first time. The brand values and corporate identity are communicated thoroughly and consistently across touchpoints. Digital plays an especially key role for Douglas's brand, as it views social media as a tool to engage consumers and deliver a story. Furthermore, Douglas has one of the most successful online stores in Germany with 50,000 daily visits. Customer loyalty is high, which is evidenced by the 8.3 million customers across Europe who subscribe to its customer loyalty program. The rumored, imminent takeover by investor Advent would mean even stronger support for the perfumery, while an international expansion would strengthen brand presence even more.

The Most Valuable Japanese Retail Brands 2013

Japanese brands are seizing the opportunity to deliver meaningful innovation.

A Demographic Evolution

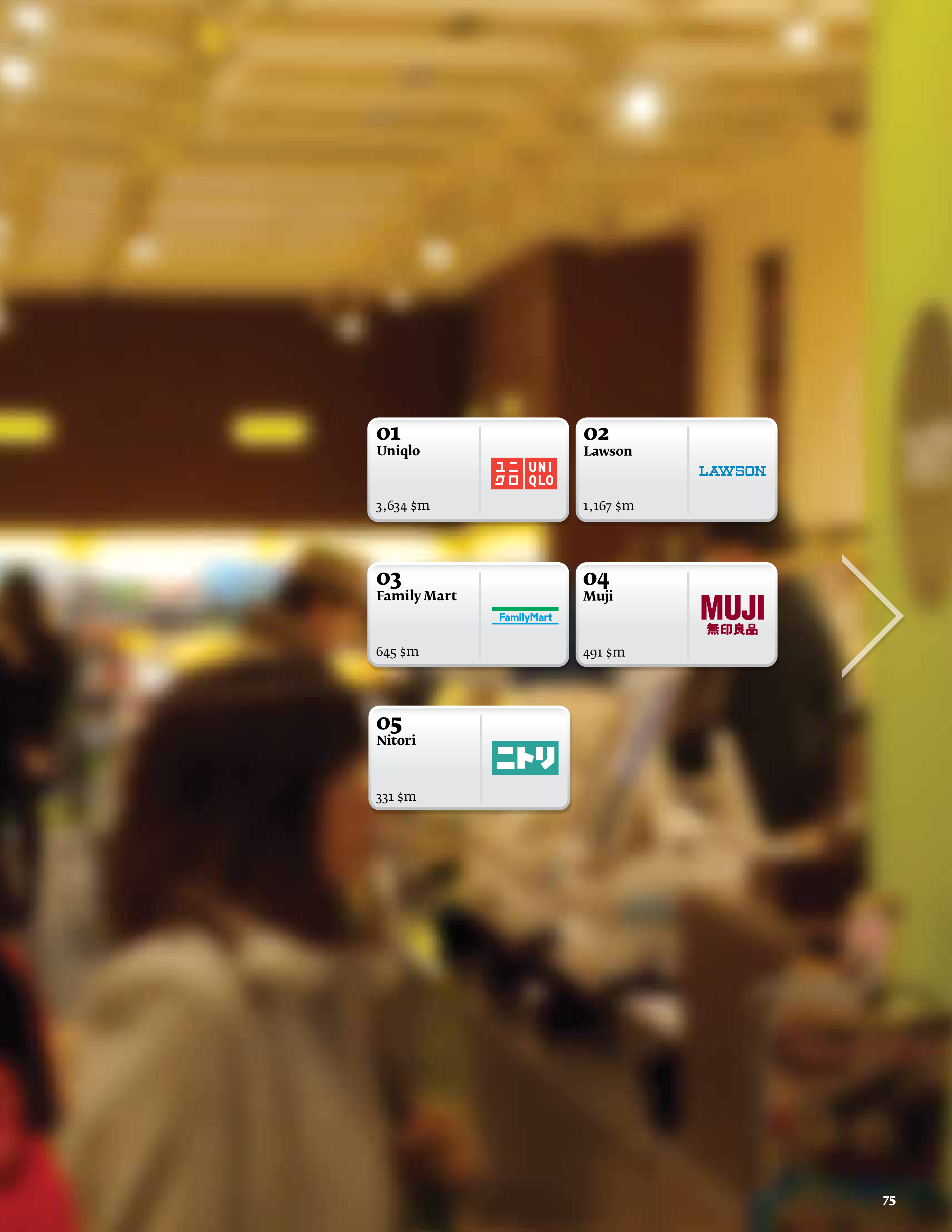
By Alex Murray

It is no secret that Japan is a rapidly aging society. The fact that consumer packaged goods giant Unicharm's sales of adult diapers in Japan exceeded those for babies for the first time last year (a trend that is expected to continue this fiscal year) is a very real indication of the challenges the country faces. However, rather than mourning the passing of an era, Japanese brands are **seizing the opportunity** to deliver meaningful innovation.

In this vein, convenience store operators are looking to reposition their entire category. As their traditional male customer ages, the **focus now is to attract new, older consumers**. From small portion fresh food to home delivery services, companies are investing in different strategies to capitalize on the demographic shift underway. Stores already offer a wide range of services that extend far beyond the products sold, acting as post offices, banks, places to pay bills and refuges late at night or in the case of disaster. Open 24 hours a day and with a consistent, reassuring presence across Japan, they are aiming to become **"community hotspots."** The fact that the segment is one of the few that has grown steadily suggests the repositioning is paying off and they are successfully expanding their appeal.

Uniqlo, ranked again as Japan's top retail brand, is a veteran of redefining expectations. Heattech, one of the brand's flagship product lines, celebrated its 10th anniversary in 2012. In that time, the company's revenues have roughly tripled. Developed with Toray and steadily improved over a decade, the introduction of **cutting-edge Japanese technology into the fashion world** was creative thinking at its best. Delivering new value to consumers, it changed perceptions of what "fast fashion" meant. However, the market is unforgiving and the company needs to constantly deliver innovation to maintain its momentum.

The other change that has long been on the horizon is the rise of the private brand. All of this year's top Japanese brands owe some or all of their success to this phenomenon. Growth for Lawson and Family Mart is, in part, driven by their house brand food offerings. Meanwhile Uniqlo, Muji and Nitori depend entirely on **selling under their own brand names.** Emulating their achievements is one of the key challenges for other retailers seeking their place in a digitally empowered, deflationary economy.



01
Uniqlo
3,634 $m

02
Lawson
1,167 $m

03
Family Mart
645 $m

04
Muji
491 $m

05
Nitori
331 $m

01 **Uniqlo**
+23% 3,634 $m

Uniqlo continues to make news. Parent company Fast Retailing has maintained its expansion with over 100 international openings and a flagship store in Ginza. Its digital campaigns win praise, from innovation on Pinterest to the Uniqlo Wake Up social app. The Uniqlo Magic Mirror, showcased at its San Francisco store, brings the online and offline world together, allowing shoppers to virtually try an item. Domestically, the brand has developed interesting crossovers, such as "BIQLO," an alliance with home appliance retailer BIC Camera. The brand also jointly promotes a corporate citizenship initiative called "Clothes for Smiles" with top tennis player Novak Djokovic. This supplements other programs including support for those affected by the Great East Japan Earthquake and Super Storm Sandy. As sustainability is pushed up the corporate agenda for apparel brands, activities like these will be increasingly important to maintain and build public goodwill.

02 **Lawson**
NEW 1,167 $m

Despite the tough economic climate, Lawson is anticipating a tenth straight year of operating income growth. This impressive track record is testament to the brand's continued innovation. The company is staying ahead of wider demographic trends with new formats such as Lawson Store 100 for fresh food and Natural Lawson for the more health conscious. This approach has helped the brand reach out beyond the younger male customer, to seniors and women. The company is also looking to capitalize on the aging population through Lawson Pharmacy which will offer prescription drugs. Online, Akiko-chan is the face of the brand. With over 200,000 Twitter followers and a presence on all the major social media platforms, this clever personalization of the company's communications is clearly working. However, with more consolidation likely, the brand will need to stay nimble to keep ahead of competitors.

03 Family Mart
NEW 645 $m

Family Mart has just completed a major brand integration. Following the acquisition of am/pm Japan in December 2009, the company moved all the stores under the Family Mart brand in only two years. As the company looks to maintain growth, expansion in overseas markets is a central theme. 2012 saw the announcement of the 1,000th store in China, entry into the Indonesian market and a planned entry into the Philippines. This network will be supplemented by an existing presence in Taiwan, South Korea, Thailand and Vietnam. Domestically the company is aiming to widen its appeal. The brand operates a flagship "otona store" (grown-up store) in a fashionable Tokyo suburb and recently unveiled a premium confectionery line targeting older consumers. With competitors pursuing similar strategies, differentiation will be critical in a crowded market if Family Mart hopes to see brand value growth next year.

04 Muji
+38% 491 $m

Muji's expansion into Asia is gaining momentum. The brand is targeting nearly 150 stores in the region by the end of this fiscal year up from just over 100 the previous year. In China alone, the aim is to have 70 stores with a presence in 29 cities. 2012 also saw increased optimization of the brand's marketing with a global "Muji to Go" campaign and cross-department promotions in Japan. A pioneer in the digital space, the brand continues to move its communications online. The Muji Life social game saw participants from more than 100 countries. Muji Home Made was broadcast live over the internet and Muji KNIT Like Collection integrated Facebook into an interactive display. With a strong e-commerce platform already in place, the brand needs to ensure that these eye-catching activities are converted into long-term growth.

05 Nitori
+20% 331 $m

For the first time in several years, furniture and interior goods retailer Nitori announced large-scale, nationwide price discounts. At the press conference, Mr. Nitori suggested that deflation is no bad thing for consumers in a country where salaries are declining and products are still more expensive than in the U.S. His stance highlights several of the key factors in the brand's ongoing success. Despite a severe retail environment, operating income has more than doubled in the last five years. The company shows a relentless focus on providing customer value, driven by a vision that people everywhere should be able to enjoy a lifestyle as affluent as in the U.S., and a willingness to take fast, decisive action. The company's track record so far has been impressive but staying ahead of competitors and consumers will require constant vigilance.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The Most Valuable Chinese Retail Brands 2013

Chinese retailers that invest in mobile and e-commerce, focus on innovation and enhance the customer experience will be better positioned for success.

China's New Focus on Customer Experience

By Rachel Tang

Long driven by macroeconomic growth, China's prosperous **retail industry is now facing a turning point**. Since 2009, growth rates among China's top 100 retail brands continue to shrink. In 2012, due to low demand, the sales numbers and profit of most retail companies declined. The continuous deterioration of PMI (Purchase Management Index), an important indicator of the manufacturing sector's economic health, showed that oversupply had pushed the Chinese retail industry into deceleration.

Meanwhile, traditional retailers have been grappling with the **daunting challenge of increased costs.** Rents have gone up by 30 percent and labors costs have increased 20-30 percent annually during the past two years. To stay competitive, even leading department store chains are starting to review each store's performance and closing locations with negative margins. The situation that small to mid-sized businesses are facing is even more severe.

However, **e-commerce is a bright spot in this economic picture**. In 2012, e-commerce soared in China, accounting for more than 5 percent of total retail sales and exerting tremendous pressure on traditional retailers. Online shopping portal Taobao, for example, smashed last year's record by tripling sales and reaching 19.1 billion yen (USD $ 200 million) in a "double 11" promotion (November 11th). The downside of this trend is showrooming. Brick and mortar stores have become the fitting rooms for e-commerce—consumers come in to inspect a product in person or try on garments, but ultimately make the purchase online where better bargains can usually be found.

Facing stiff competition from e-commerce players, **traditional retailers are exploring new ways to boost business.** Going online is the most common approach. Even Wanfujing, a department store established more than half a century ago, launched an online shop in January 2013. Among the top 100 traditional retailers in China, 54 now operate an online store.

While e-commerce is growing among Chinese and foreign retailers (such as Toys "R" Us, which last year launched online sales in China), many retailers are still trying to figure out how to better position their brick and mortar businesses. Many have scaled back plans to open new stores, instead putting **more effort into improving customer experience.** As retailers experiment with ways to encourage customers to stay in the store longer, they are realizing that anticipating consumer needs and providing innovative services are the keys to customer satisfaction. Walmart, for example, is developing a mobile app that sends promotional information via free Wi-Fi to customers once they enter the store. It will also track consumers' transactions in order to provide product recommendations that are relevant to each customer uniquely.

Some retail companies are taking things further and adopting **information technology solutions** that can streamline operations and reduce costs. In April 2012, Suning launched its first automated warehouse to become more efficient. Technologies like automated checkout and packaging have even been adopted by some local supermarket chains. It's only through the improvement of information systems and value chain management, which are core competencies of modern retailers, that China's retail industry can mature and evolve.

Overall, 2013 may be a bumpy ride for Chinese retailers, even as **China's General Chamber of Commerce remains optimistic** (projecting 15 percent growth this year). While sales were up 14.3 percent in 2012, growth was slower compared to 2011 (+17.1 percent). A cause for optimism, e-commerce maintained fast growth (+54 percent) and accounted for 6.3 percent of total retail sales.

Mobile commerce, another bright spot, is just revving up with sales more than tripling in 2012. Just as Walmart is stepping up its mobile efforts, the Taobao virtual mall is rolling out a Qianniu (literally, "Thousand Oxen") mobile platform for its vendors, allowing sellers to better manage their online inventory, transactions, marketing, analytics and other data.

While deceleration continues and an unstable global economy has dimmed hopes of external demand driving double-digit economic growth, Chinese retailers that invest in mobile and e-commerce, focus on innovation and work to enhance the customer experience will hold strong through more economic uncertainty ahead—and be better positioned for long-term success.

01
Suning
550 $m

02
Belle
343 $m

03
Semir
298 $m

04
Bosideng
267 $m

05
Gome
152 $m

01 Suning
+12% 550 $m

In 2012, Suning's sales volume reached CNY $194.7 billion (USD $31 billion) and continued to lead the Chinese retail market for the third consecutive year. This year, Suning came out with several business development strategies. The acquisition of two online retailers—Redbaby, which focuses on mother and baby products, and Binggo, which sells cosmetics and food—indicates its multi-category expansion strategy. Its new retail outlet, Suning EXPO, provides various product categories, smart service and a fresh shopping experience. This new business symbolizes Suning's transition to technology and service in the coming years. In July, however, the price war between Suning and 360buy.com pushed Suning to focus on low prices, diluting its investment in brand building.

02 Belle
+11% 343 $m

Belle International consists of two main businesses: shoes and sportswear. From its humble beginnings as a wholesale manufacturer, Belle has firmly established itself with a multi-brand and multichannel strategy. The multitude of brands offered by Belle helps the group target different segments and cover diverse needs. This enables the brand to enjoy sustainable growth. Besides business strategy, Belle has been committed to building its young, lighthearted and glamorously elegant brand image. In 2011, Belle entered the e-commerce industry by launching yougou.com. With the expansion of its business, it is time for Belle to think about how to create synergy among multiple sub-brands in order to build a consistent association for the master brand and ensure that all activities ladder up to value creation.

03 **Semir**
NEW 298 $m

As a homegrown Chinese apparel brand, Semir has enjoyed steady growth since its launch in 1996. Its retail network has expanded to over 7,000 stores in China. Semir defines its brand personality as “Youthful Vitality” through its store design and modern, interactive marketing tactics, such as the use of SNS (Simple Notification Service). It also capitalizes on the influence of young celebrities by having them serve as brand ambassadors; most recently, it hired Korean heartthrob Lee Min Ho. Impacted by the market slowdown and the competition from e-commerce players, Semir has suffered weak selling and profit decline over the last year. Semir is taking a series of actions to adjust its retail structure, improving individual store performance and increasing investment in e-commerce.

04 **Bosideng**
NEW 267 $m

Bosideng is the largest down apparel company in China and has 11,904 retail outlets. By owning its own supply chain, Bosideng not only provides high quality, but also represents the most advanced technology and innovation in the category. With a complete range of sub-brands, Bosideng is able to fulfill the needs of different segments and sustain its growth. Revenue increased by 12.4 percent last year. Bosideng is quick to respond to consumers’ needs and continues to expand its non-down apparel business. In 2012, the brand opened its first flagship store in Europe, choosing a location at the center of London’s West End, the renowned central district for high-end luxury brands. In the future, Bosideng needs to further explore a more distinctive brand image as well as a more integrated brand experience, ultimately generating a more consistent brand association.

05 **Gome**
NEW 152 $m

Gome is China’s biggest national retail franchise focusing on appliances and consumer electronics. Facing declining consumer demand and the termination of government policies that stimulated home appliance consumption, Gome is scaling down the size of its retail chain and spending more effort on e-commerce. In December 2012, Gome completed the integration of its two e-commerce websites, Gome Online and Coo8, adopting a dual-brand model to provide a stronger platform with more extensive selection. In the meantime, Gome has shifted from a focus on price competition to a more service-oriented position. It is paying more attention to solving quality issues, addressing a common consumer complaint about online shopping. Gome also committed to increasing its efforts on communications through mass media.


Parkson
Retail and Consumer Merchandise
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105k
Likes
Photos
Parkson
We're in the mood for love!

The Most Valuable South East Asian Brands 2013

With tens of millions of consumers, rising incomes and huge potential for economic growth, South East Asia presents enormous opportunities.

A Burgeoning Opportunity

By Prithi Manian

Across South East Asia and its key markets (Singapore, Malaysia, Indonesia, the Philippines, Thailand and Vietnam), the retail industry has seen tremendous changes over the past few years. Spurred by spending from middle class consumers, most markets have seen increasing demand for a range of goods, including grocery, home improvement and fashion—all of which indicate a vibrant, economically active region.

Improved economic conditions lead to accelerated growth

Despite the global economic downturn, **South East Asia has been growing at a steady pace.** As a result, department stores, discount store chains and other retailers are increasingly turning their attention to these burgeoning nations.

As the growth of the middle class has surged in South East Asian countries, so have levels of disposable income. Complementing this growth, stronger local currencies in the region have meant an influx of foreign capital into each market. Consequently, governments are taking measures to improve infrastructure, encouraging trade and providing tax breaks to boost domestic and foreign spending.

Adapting store formats

Retailers, of course, have had to adapt to changing demographics and the **shifts in preferences and expectations** that come along with rising income levels. Some have been more successful than others. One of the most recent and high profile exits from the region, for instance, has been the French brand, Carrefour. Unable to meet emerging consumer needs through hypermarkets alone—and with no plans to offer new formats—Carrefour closed its outlets in Singapore, Malaysia and Thailand. Retail chains that adapted their store formats and experiences to **align with changing consumer needs,** however, have seen better results.

In Thailand, Tesco has expanded with express versions of its stores, which have given consumers a desirable alternative to the big box format stores that exist only in a few locations in the country and are hard for many people to access. Also, SM Supermarket, the Philippines' largest supermarket chain, has created the Savemore Market as a new brand of standalone independent neighborhood stores to serve smaller cities and provinces. Offering groceries and general merchandise at low prices, SM can now bring fresh, affordable goods to budget-constrained customers in underserved areas.

As these examples illustrate, being relevant and accessible to every kind of consumer on every kind of budget has proven to be a successful strategy in markets that are expanding, presenting customers with more choices—and introducing new challenges and competition for established retail brands.

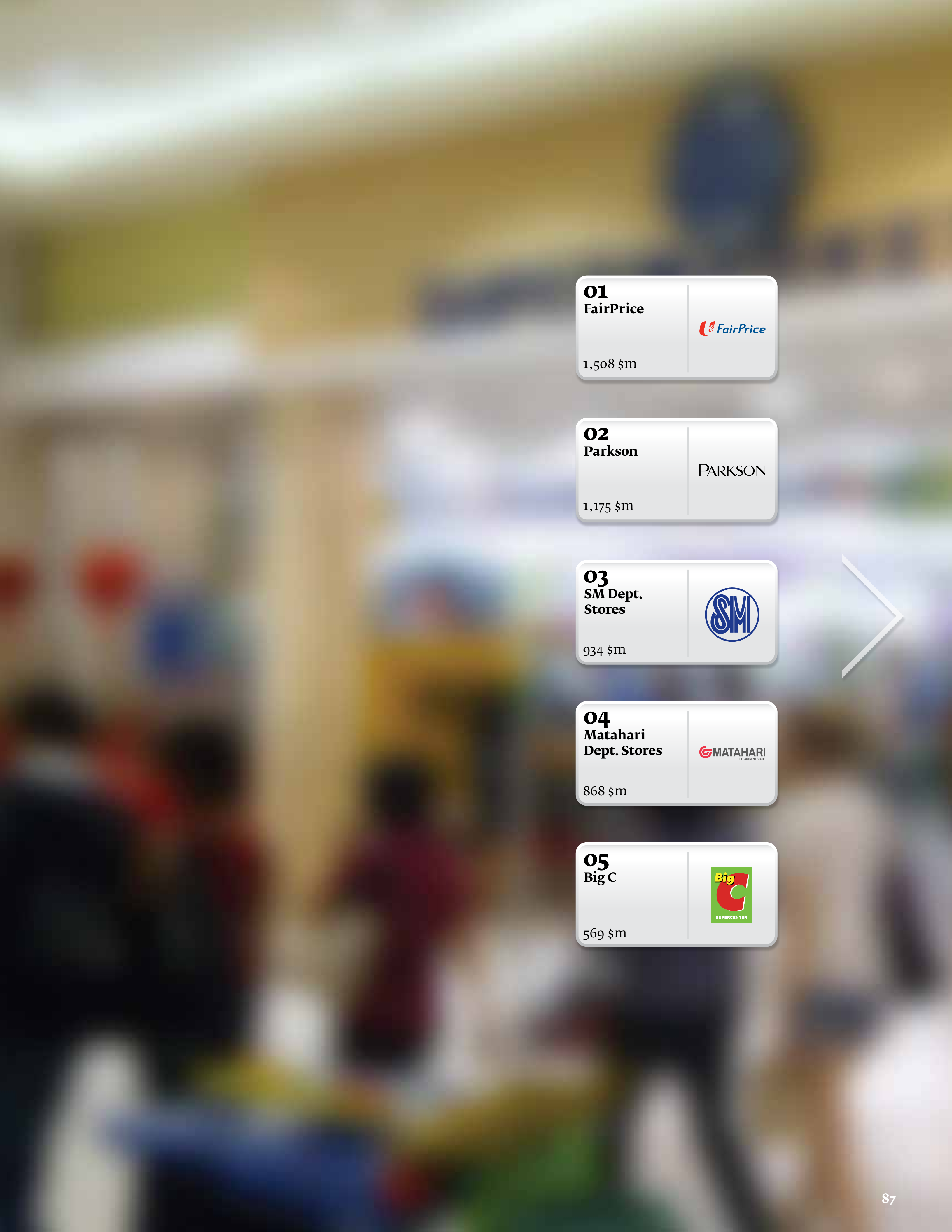
Internet retailing increasing in popularity

Another option for consumers in South East Asia that is growing increasingly popular is online shopping. While internet penetration rates are still relatively low compared to other regions, the number of users is growing rapidly. Brands in Thailand and the Philippines are also capitalizing on the **growing number of consumers looking to shop online** by offering innovative services such as online gift registries (still relatively new to the region). Online shopping combined with in-store pickup or delivery services aim to provide a better shopping experience for urban dwellers, and are proving to be an operationally efficient way to sell goods for many brands.

Responsive brands come out ahead

Many of the retail brands in South East Asia are a part of the fabric of daily lives, and this is reiterated during times of natural disasters and crises where these same brands work together with communities to provide shelter, emergency supplies and medical supplies. During the 2011 floods in Thailand, leading hypermarket chain, Big C, collaborated with the Red Cross to use its facilities to store and distribute donations, as well as provide relief and shelter to residents and emergency response officials.

With tens of millions of consumers, rising incomes and huge potential for economic growth in 2013, **South East Asia presents enormous opportunity for brands that want to establish operations in the region**—and a growing threat to existing retailers that are unable to keep up with the pace of change. However, more digitally savvy brands that focus on accessibility, customer experience, responsiveness and innovation will be able to share in South East Asia's blossoming prosperity.



01
FairPrice
1,508 $m

02
Parkson
1,175 $m

03
SM Dept. Stores
934 $m

04
Matahari Dept. Stores
868 $m

05
Big C
569 $m

01 FairPrice
NEW 1,508 $m

Singapore's homegrown retailer, FairPrice, a cooperative within the NTUC group of companies, has long been known for its value proposition. Over the years, the brand has increased its presence to 131 stores across the island nation–more than any of its competitors. FairPrice has also kept pace with the changing needs of Singaporeans and expat residents alike, by offering a range of store formats: FairPrice Finest offers gourmet products, FairPrice Express operates 24/7, FairPrice Xtra sells electronics and basic household goods in a hypermarket format, and FairPrice Online is its e-commerce platform. Keeping convenience and value at the heart of its efforts, the brand has rolled out mobile apps, self-checkout counters and banking services in its growing range of stores to stay ahead and be the retail brand of choice in Singapore.

02 Parkson
NEW 1,175 $m

Malaysian retailer Parkson operates 108 stores across four countries—Malaysia, Indonesia, China and Vietnam. Since it began operations in Malaysia 25 years ago, the brand has grown by tailoring different retail experiences to its audiences, and staying true to its philosophy of "for everyone, no matter who you are." The brand has set up an e-catalog that allows customers to order merchandise online and have it shipped to a store within two working days. To keep the shopping experience fun and rewarding, the brand offers a range of promotions and vouchers, along with a loyalty program. In 2012, the brand acquired Odel Plc in Sri Lanka, marking its first foray into the Indian subcontinent and setting the stage for more expansion and growth in the future.

03 SM Dept. Stores
NEW 934 $m

SM Department Stores and Hypermarkets, part of the retail arm of one of the Philippines' largest conglomerates, SM Investments Corp., is the leading retail brand in the country. The brand's network of 46 department stores and over 140 grocery outlets across metropolitan Manila and various provinces around the country prove to be accessible and convenient to a growing consumer base. To cater to smaller, provincial towns, the brand aims to expand its SaveMore brand, which is positioned as a neighborhood store for the more budget conscious buyer. In the non-food sector, apart from driving in-store sales, the brand has focused on online shopping by offering an online gift registry to enhance its digital offering. Creating customer loyalty has also been at the forefront for the brand, and the SM Advantage card rewards customers who shop at various SM offerings—SM Hypermarkets, Supermarkets and Department Stores.

04 Matahari Dept. Stores
NEW 868 $m

Indonesia's oldest and largest department store—Matahari—is one of the country's most renowned homegrown brands. Matahari was the first to introduce the department store format in Indonesia, and now operates 116 stores around the country. The brand has tried to stay ahead of increasing competition by sponsoring key fashion events such as Jakarta Fashion Week, and positioning itself as a retailer of more fashionable brands at affordable prices. The relaunched Matahari Club Card offers enhanced rewards and benefits for customers, broadening their shopping experience and building loyalty. The brand is also transforming the look and feel of its stores, in line with the roll out of a new brand identity.

05 Big C
NEW 569 $m

Big C had a big year after acquiring Carrefour's assets in Thailand, making it the second largest hypermart brand in the country after Tesco Lotus. Thailand's consumers have come to prefer shopping at larger, big box stores and brands such as Big C have catered to this change of attitude by opening stores around the country, and offering a wider range of products at lower prices and better value than independent retailers. The Big C brand has deployed many new initiatives to take on this wave of expansion. A new HR structure, appraisal system and improved training with a new retail training center, show management's commitment to maintaining high levels of quality across the workforce. Through its loyalty programs (Big Card) and its range of retail formats—Big C Extra and Big C Jumbo brands—the company aims to take on the competition with greater gusto.


Premium Online Shopping
el LOTTE

The Most Valuable Korean Retail Brands 2013

Korean brands must focus on what they can control, such as customer experience, strategic marketing and brand building, as opposed to what they can't—like government regulation.

A Marketplace in Flux

By Elaine Choi

2012 was a difficult year for the Korean retail industry. Economic recession and the rise of household debt weakened consumer confidence. The retail industry grew 3.8 percent, but considering that the rate of inflation was 3 percent, growth was actually relatively flat. Complicating matters further, deterioration of the traditional market environment is expected to accelerate when the revised Distribution Industry Development Act passes. A **government effort to curb the operations of mega-stores** in Korea (ostensibly to protect small businesses and traditional markets), the bill will require big box retailers to reduce business hours and close up shop at least three days a month.

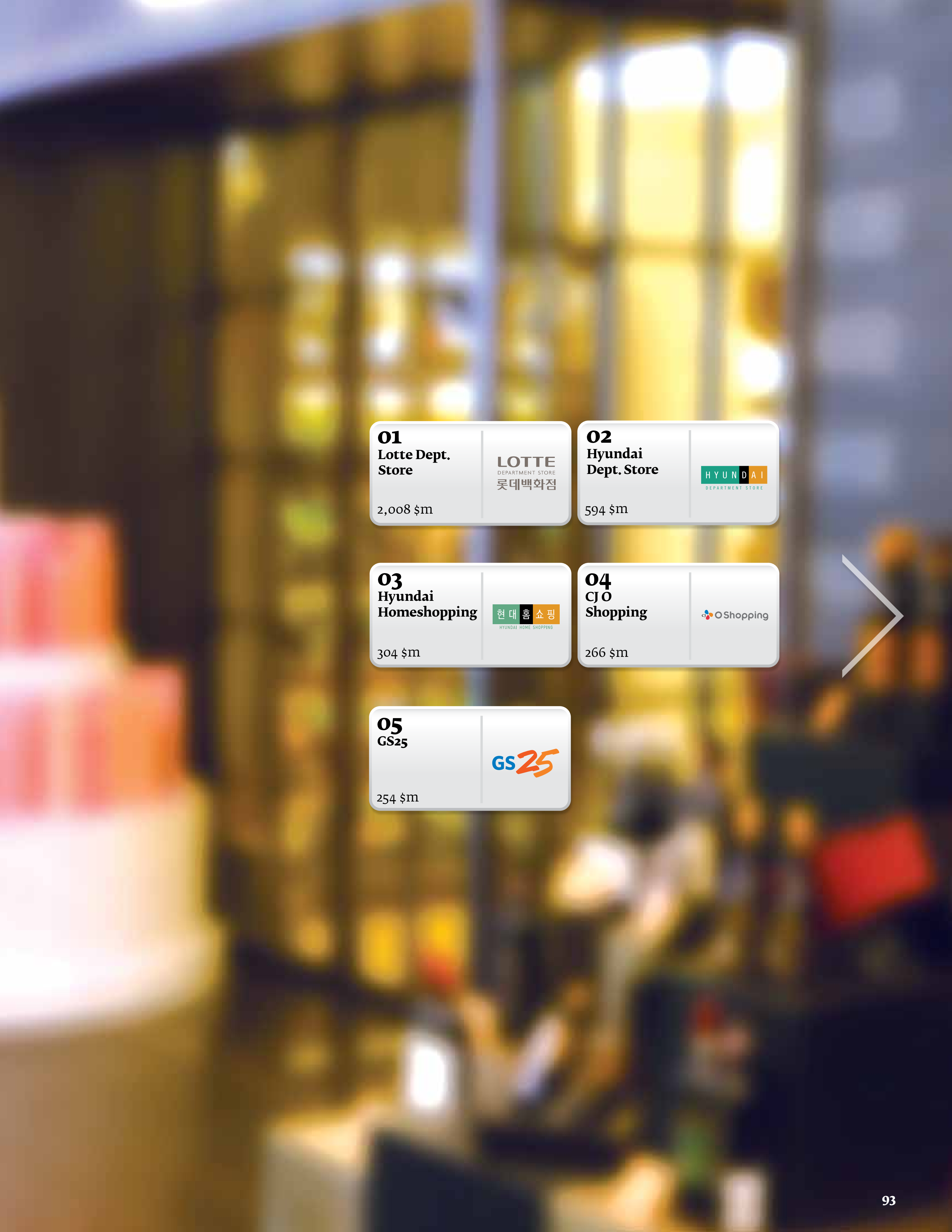
Under these conditions, discount stores have grown at a sluggish 1.4 percent rate. In an effort to maintain growth, discount stores have implemented various strategies such as lowering prices, increasing direct sourcing to provide exclusive products, developing private brand products and strengthening online shopping. Despite these efforts, the worsening market environment and **consequent reduction in profit** have negatively impacted the brand values of discount stores.

As a result, **many budget-conscious consumers have migrated to TV home shopping channels** in search of better deals. At a time when goods with higher profit margins, such as clothing, saw a significant increase in demand, home shopping companies capitalized on the trend by launching sub-brands of famous brands, broadening their private brand lines, and introducing co-branded lines in collaboration with celebrities and designers. To sustain growth, home shopping companies have been expanding into e-commerce and mobile.

Despite weakened consumer confidence, department stores—typically frequented by more wealthy customers whose spending only continues to increase—are less affected by macro factors. Department stores have tried to mitigate the effects of economic fluctuation by emphasizing luxury brands and courting affluent shoppers through targeted marketing. In an effort to attract wealthy consumers, department stores are introducing more high-end brands and expanding their presence to online malls and outlets to meet the demands of department store customers.

Convenience stores have grown significantly with an estimated growth rate of almost 20 percent. This double-digit growth has been driven by an increase in people living on their own who make small purchases; a surge in spending in frozen foods and quick meals; the approval to sell over-the-counter drugs; as well as aggressive price promotions and the addition of delivery service. However, government regulations on the new store openings and growing competition from drug stores and online options might slow growth. To maintain momentum, **convenience stores will try to differentiate** themselves from small neighborhood supermarkets and drug stores with smartly devised new store formats targeting specific consumers and with designated drug corners in the store.

While retail sales were disappointing last year and obstacles to growth remain, Korean brands must focus on what they can control, such as customer experience, strategic marketing and brand building, as opposed to what they can't—like government regulation. Until market conditions improve, **Korean brands will have to be nimble, flexible and responsive**. They will have to figure out what customers want and need—whether that's greater access to goods online, home shopping deals or attentive in-store customer service—and adapt accordingly.



01
Lotte Dept. Store
2,008 $m

02
Hyundai Dept. Store
594 $m

03
Hyundai Homeshopping
304 $m

04
CJ O Shopping
266 $m

05
GS25
254 $m

01 Lotte Dept. Store
NEW 2,008 $m

Lotte Department Store is the top department store in Korea in terms of scale and sales. Management has a clear focus on being customer-oriented, quality-oriented and open to challenge. Lotte promises to offer customers top quality goods and services, aiming to become a global company. Lotte has both department stores and outlet stores which include plaza, outlet and mall locations. It continues its record growth, opening four new stores and carrying out a number of marketing campaigns recently. At home, it opened the Lotte Mall Daegu Esiapolis, the Lotte Premium Outlet Paju, and the Lotte Mall Gimpo Airport, while overseas it opened a store in Tianjin, China. Sales rose by 8.5 percent this year, led by growth in global fashion and women's and men's sportswear. This helped Lotte Department Store reinforce its status as Korea's leading department store.

02 Hyundai Dept. Store
NEW 594 $m

Since its opening in 1971, Hyundai Department Store has been achieving continuous growth and is currently operating 13 branches nationwide. Hyundai Department Store has been delivering upon its premium image by providing quality service and cultural experience. Its main branch is located in Apgujeong in Gangnam, which is a leading upscale Korean shopping destination with a comprehensive roster of luxury brands and supreme customer service. Offering customers an enticing selection of merchandise and exceptional customer service, Hyundai Department Store has been loved by customers for meeting their needs and aspirations for a better lifestyle. Recently, in an effort to appeal to a younger target audience, Hyundai Department Store has opened a separate store called U-Plex. To strengthen its fashion business, it acquired fashion brand Handsome in 2012 and opened an in-house multi-brand handbag shop to cater to younger shoppers anxious for fresh and unique merchandise.

03 **Hyundai Homeshopping**
NEW 304 $m

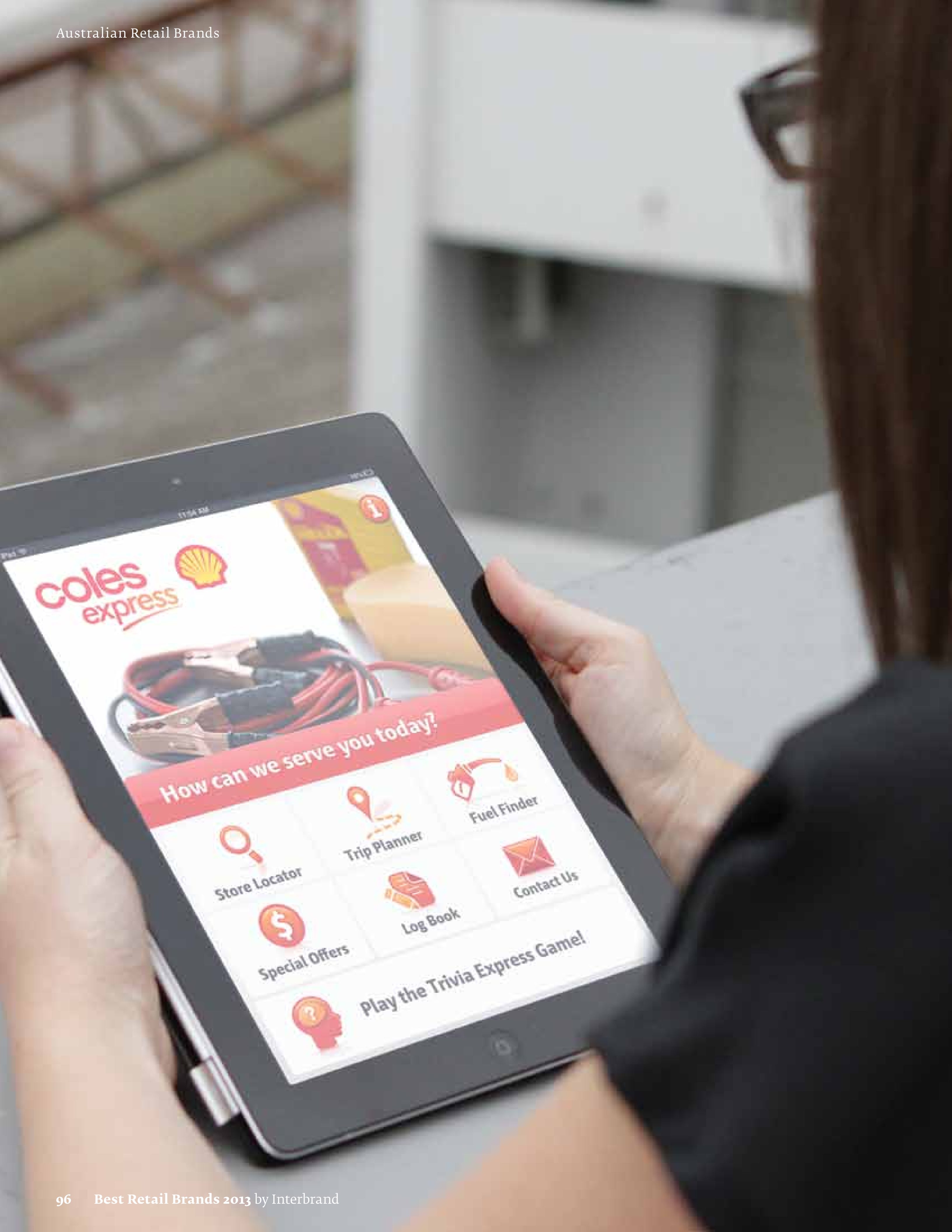
Hyundai Homeshopping provides high quality products at a reasonable price to customers through TV, internet, and catalog channels. It has upgraded its home shopping services with innovative customer service. In an era of convergence of media and communication, Hyundai Homeshopping has launched t-commerce (television commerce) and m-commerce (mobile commerce) to establish a ubiquitous shopping environment for the first time in Korea. All these developments are the result of the company's endeavor to meet customers' needs and to become the best in the home shopping industry. Hyundai Homeshopping received the Grand Prize at the Korea Service Grand Awards this year and has ranked first in its category on KCSI (Korean Customer Satisfaction Index) for four consecutive years.

04 **CJ O Shopping**
NEW 266 $m

As Korea's first TV home shopping company, CJ O Shopping is a trustworthy company that provides high quality goods at reasonable prices with reliable delivery. The "O" in the brand name stands for optimum, representing that the company provides goods and services online and on-air; it also stands for omnipresent, implying customers can shop anywhere, anytime. As a part of CJ Group, a major consumer goods, retail and entertainment media group, CJ O Shopping enjoys synergies between channels and sister companies such as CJ E&M, (Entertainment & Media), Cheil Jedang (consumer goods), CJ Korea express (logistics) and so on. It also looks to fuel future growth by entering global markets, such as China, India and South East Asia. These efforts are expected to bring globalized images to the audience and strengthen the merchandising power from Eastern Asian countries.

05 **GS25**
NEW 254 $m

Launched in 1990, GS25 is a major convenience store brand with the second largest number of stores in Korea. Its main goal is to deliver products and services that bring fun and happiness to customers' lives. To differentiate from competitors, GS25 operates various formats including supermarkets, bakeries, liquor stores and cafés to cater to the demands of area-specific consumers. In addition, GS25 tries to distinguish itself by forming alliances with restaurants to create unique and exclusive private brand products. Taking full advantage of Korea's advanced IT infrastructure, GS25 has been offering mobile coupons since 2010, allowing customers to purchase and send coupons to their family and friends through mobile apps or online. CSR is also an important aspect of GS25. Through these efforts GS25 was ranked first on the KCSI (Korean Customer Satisfaction Index) for convenience stores in 2012.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How can we serve you today?
Store Locator
Trip Planner
Fuel Finder
Special Offers
Log Book
Contact Us
Play the Trivia Express Game!

The Most Valuable Australian Retail Brands 2013

International retailers and digital entrepreneurs have identified that Australia's market is wide open for disruption.

A Year of Reckoning Ahead

By Andy Wright

There were two distinct sides to the Australian retail coin heading into 2013. More shoppers have been flocking online to buy a better range of products at lower prices than ever before, causing post boxes and corporate mailrooms to fill up across the country. Unfortunately, as those mailboxes indicate, our mainstream brick and mortar retailers can't report as exciting an experience. In 2012, the **gap between the Australian consumer and the Australian retailer widened**, and the lack of creativity and differentiation in the Australian retail market became apparent. Australia's reputation as a testing ground for new products hasn't translated into retail experimentation. International retailers and digital entrepreneurs have identified that this market is wide open for disruption.

While the Australian economy is faring better than its counterparts across the globe, the majority of domestic retailers are still finding it tough. Results towards the end of 2012 saw an almost 3 percent annual improvement in retail sales. According to government data **Australians were eating their way to recovery,** bringing better than expected results for food retailers but disguising relatively flat results in categories such as department, clothing and footwear stores.

Moreover, Australia's pace of change is crippling. Historically, monopolistic market dynamics have made it difficult for new entrants. The digital revolution has removed this barrier. International retailers Amazon, ASOS, Macy's, Net-a-porter and Wiggle are tailoring their e-commerce, supply chain and delivery solutions for the Asia-Pacific consumer, creating challenges for homegrown retail brands.

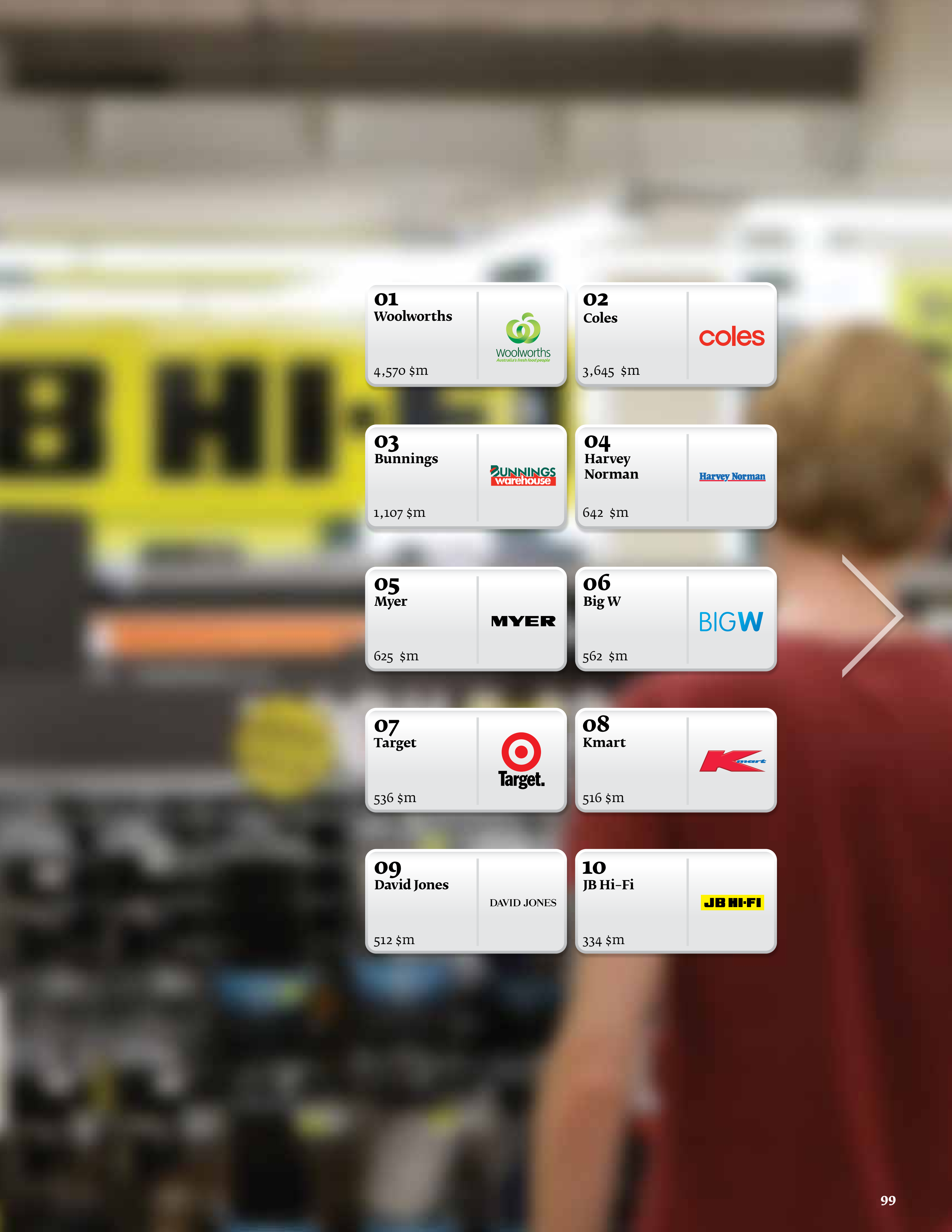
Domestically, we may not be witnessing world-leading innovation, but smarter and faster movers are taking advantage of the inactivity of the competition. Online fashion retailer The Iconic is growing substantially with its differentiated offer and **sophisticated understanding of the customer journey.** Canadian fitness outfitter Lululemon, seeing a gap in the marketplace, is accelerating plans for a community-driven store presence.

Despite a sector-wide quest for digital presence (and a game attempt to boost e-commerce with "Click Frenzy," a national online shopping promotion that launched during America's Black Friday 2012), in-store experience improvements lagged in 2012. As overseas counterparts spotted digital and international opportunities, Myer and David Jones finally launched online and mobile shopping offers. A painfully slow step in the right direction, although cynics would argue that **if customers aren't walking in off the street, why would they click through online?**

While the more common complaints of retailers have been reported—GST threshold for overseas imports, high Australian dollar—the new ecosystem has taken some notable casualties: entertainment console retailer GAME folded, Borders closed its bookstores and Allans Billy Hyde, a musical instrument retailer, went into liquidation. It's not that Australians are turning off computer games, reading fewer books or creating less music—it's the fallout from Apple, Microsoft and Sony expanding across the value chain and offering more rewarding experiences to Australian consumers. These global brands understand that **valuable customer relationships** aren't just about selling product, a lesson that Australian retail brands would do well to take to heart.

A Choice (the public face of the Australian Consumers' Association) customer service study proved grim reading for Harvey Norman, although Bunnings put in a "standout performance," no doubt helped by a strong focus on culture. Woolworth's and Coles continued their price and freshness war, but we saw more promising momentum in technology and store experience from Coles and similarly contemporary thinking by retail property group, Westfield. Facelifts and fit-outs for Rebel Sport and JB Hi-Fi were launched, but nothing resembling the countless international case studies on customer experience and integration that were presented and reported throughout the year.

In 2013 we hope to report a step change in Australian retail, and that Australian shoppers are flocking to new, fresh and interesting offers. It's clear they're just waiting for one of their own to find focus and take some calculated risks, proving that **new models can work at scale and reinvent the retail experience.** Which brands will rise to the challenge remains to be seen.



01 Woolworths — 4,570 $m

02 Coles — 3,645 $m

03 Bunnings — 1,107 $m

04 Harvey Norman — 642 $m

05 Myer — 625 $m

06 Big W — 562 $m

07 Target — 536 $m

08 Kmart — 516 $m

09 David Jones — 512 $m

10 JB Hi-Fi — 334 $m

01 Woolworths
+9% 4,570 $m

Australia's largest food and liquor retailer is emerging from a period of change and evolution, where improvements in food quality, in-store experience, digital retail and loyalty are plateauing. At the same time, the brand is being drawn into a price and supply chain war with rival Coles. As a result, Woolworths took a "back to basics" operational approach to improve performance in 2012 with a focus on supply chain and improving channel integration. Marketing revisited familiar themes too, with a renewed emphasis on the brand's core. The addition of "Australia's" to the brand's "fresh food people" tagline was an attempt to ingratiate the brand with local shoppers over rival Coles. An encouraging sign on the brand's horizon is its recent foray into multichannel retail innovation.

02 Coles
NEW 3,645 $m

Since being acquired by Wesfarmers in 2007, Coles has embarked on a journey of improvement, turning around a relatively underperforming supermarket business through a focus on food quality, in-store service, better delivery, an enhanced loyalty program and improving supply chain efficiency. By deploying campaigns and initiatives to bolster its fresh food credentials, Coles is closing the perception gap with rival Woolworths. The exploration of smart trolleys that combine barcode scanning and RFID technology could provide consumers with a smoother grocery cart experience in the future. Despite these promising signs, Coles continues to invest much of its equity in price-driven communications. The recurrent "Down, down, prices are down" messaging, however, cheapens the brand's perception. The ongoing price war is also intensifying media scrutiny on the duopoly and the negative implications for the welfare of Australian farmers.

03 Bunnings
NEW 1,107 $m

Owned by Australia's Wesfarmers conglomerate for more than 15 years Bunnings has dominated, and in many ways re-defined, the market for hardware and home improvement in Australia with its warehouse format stores. Bunnings has achieved a high degree of authenticity, topping the 2012 *Reader's Digest* survey of "Australia's most trusted brands." Low prices, a strong and consistent in-store experience, service levels, range and a focus on employees and community engagement have earned the brand a loyal following. 2012 brought Bunnings' first real challenger: Masters Home Improvement, a joint venture between Woolworths and American retailer Lowe's, which plans to roll out 100 stores by 2016. As competition emerges we're interested in how Bunnings will respond. Addressing a relatively unevolved digital offering would be a good step in the right direction of cementing customer loyalty in 2013.

04 Harvey Norman
-27% 642 $m

An iconic Australian retailer for over 20 years, the Harvey Norman brand is famous for selling brand name electronics and homewares. Its distinctive "Go Harvey Go" jingle, interest free financing and charismatic founder Gerry Harvey are embedded in the Australian psyche. Nevertheless, a tough retail climate with poor consumer sentiment, increased online competition and price deflation in core AV and IT product categories have led to an overdependence on its franchisee model and property portfolio to generate revenue in the face of declining sales. That said, Harvey Norman is starting to embrace an experiential multichannel retail model under CEO Katie Paige, leveraging the brand's local presence and sales expertise to build points of difference in the market. Promising signs, but the brand has a lot further to go to restore relevance with consumers in 2013 and beyond.

05 Myer
+4% 625 $m

Department stores are rapidly losing relevance as both Myer and David Jones are starting to blur in the eyes of Australian shoppers. Myer's digital execution and exclusive brands strategy gives the brand a slightly stronger position, bolstered by moves such as the recently launched Click and Collect service. It's a step in the right direction, but like many Australian brands, digital revenues aren't replacing declining offline revenues at a fast enough rate. Offline, the biggest complaints are still customer service and the in-store experience. 2013 is promising some significant strategic changes. Successful execution will be essential as Myer fine-tunes strategic priorities including the brand's retail footprint, service levels and MyerONE awards program. Myer's new chairman may think beefing up e-commerce is a significant risk, but we would argue that the reported AUD $30 million (USD $31 million) investment is an absolute necessity.

06 Big W
NEW 562 $m

The Woolworths-owned general merchandise retailer is firmly positioned at the value end of the market. Big W's commitment to "Australia's Lowest Prices Everyday" defines the brand, with its "Everyone's a winner" campaign and the catch-phrase "Cha-Ching" reinforcing this message. Unfortunately, its price-led positioning does little to differentiate Big W from recently reinvigorated competitor Kmart, which is more structurally committed to low pricing with extensive product lines and Wesfarmers' buying power. Big W has sought to maintain relevance by expanding services such as launching Big W Vision, a low cost optometry service available in-store and online. But with a smaller physical footprint than competitors, even its emerging advantage in mobile means it lags behind rival Target in social media and digital platforms. The brand will have to bring something new to the market in 2013 to stand apart from a toughening playing field.

07 **Target**
NEW 536 $m

As the most expensive of the discount department store chains, Target positions itself as a mid-tier retailer, offering competitive prices without compromising on its brand. It continues its differentiated approach as a discount fashion store chain, recently announcing designer collaborations with fashion brands such as Collette Dinnigan, Ksubi and Roberto Cavalli. In addition to opening 12 new stores and upgrading 26 locations last year, it's expanding digitally as well, increasing its online product offer from 36,000 items to 60,000 by 2014. While the brand's premium discount fashion positioning gives it an advantage over smaller chains, it's also facing increasing competition from digital leaders such as The Iconic and ASOS. Target Australia must wow online and on mobile—or lose its share of the retail pie.

08 **Kmart**
NEW 516 $m

With new management and a re-engineered business, Wesfarmers-owned Kmart has transformed its business over the past three years. Slashing its product range from 100,000 items to 40,000 and shifting from branded to private label merchandise to leverage Wesfarmers' strong supply chain, Kmart's new positioning aims to combat sales fatigue by offering "Irresistibly low prices, everyday, on everything." Bold words, but this has given Kmart a viable shot at owning the "low cost" position over its main rival, Big W, while better differentiating Kmart from its Wesfarmers sibling, Target. However, despite its repositioning, the approach to communicating the brand has been more evolutionary than revolutionary, with minimal evidence to signify the change in store formats, business model and private label approach. To reap the benefits of its new strategy, Kmart's identity must reflect its new business model to ward off the competition and excite shoppers.

09 **David Jones**
-9% 512 $m

Australia's oldest department store continued to show brand value decline in 2012. The last two years have been described as the toughest period for Australian retailers since the 1960s—and David Jones has faced the full impact of this. In the past, David Jones has been slow to respond to customer demands for improved in-store service and shopping environments supported by a compelling online proposition, especially when compared to global peers. In March 2012, CEO Paul Zahra revealed a three-point strategy, which focused on channel transformation, network growth and strengthening the core business. Recent financial performance shows that there is still a way to go before the impact of transformation fully materializes, and despite the challenging outlook, David Jones must look well beyond playing catch up. There's a lot of latent love for the DJs brand and this need to be activated. David Jones' opportunity is to surprise the market and deliver a fresh, exciting perspective on its brand experience and on the department store of the future.

10 **JB Hi-Fi**
NEW 334 $m

Having grown from a single store location into a national chain, JB Hi-Fi is based around a local record store look and feel that has been consistent since the beginning. Stores are instantly recognizable with a distinctive no frills yellow hand-drawn look, manic store layout and low cost customer promise. As "Australia's fastest growing home entertainment retailer," JB Hi-Fi has profited from the demise and consolidation of the traditional music category. But its magic growth formula will be severely tested. The brand aggressively expands by replicating the low cost retail model online, creating the JB Hi-Fi Now subscription music service, diversifying into household appliances and transitioning many stores into a concession model with an upmarket feel. But this shouldn't dilute the brand's strong single-minded proposition. The challenge is to use the brand to replicate an equally compelling experience across channels and categories.

Criteria for Inclusion

There are several criteria for inclusion in Interbrand's Best Retail Brands ranking.

Using our database of retail brands, populated with critical information over the past five years of valuing retail brands specifically, and with over 35 years of consulting on retail brand experiences through Interbrand's retail arm, Interbrand Design Forum, we formed an initial consideration set of leading brands. All brands in the set were then subjected to the following criteria that narrowed the candidates:

1. There must be substantial publicly available financial data. If the company does not produce public data that enables us to identify the financials of branded business, as is sometimes the case with privately held companies, it cannot be considered for the list.

2. Economic profit must be positive, showing a return above the operating costs, taxes, and capital financing costs.

3. To be defined as a retailer, a brand must generate at least 50 percent of its revenues from sales through its branded retail stores and websites. For example, while Apple was considered, it failed to meet this requirement. In addition, we limit the list to those traditional stores and e-commerce sites that sell goods. In order to focus on traditional retail, we have excluded restaurants, auto dealerships, service providers and gas stations.

Methodology

Interbrand's brand valuation methodology determines, in both customer and financial terms, the contribution of brands to business results.

A strategic tool for ongoing brand management, it brings together market, brand, competitor, and financial data into a single framework within which the performance of the brand can be assessed, areas for improvement identified, and the financial impact of investing in the brand quantified. It also provides a common language around which a company can be galvanized and organized. We believe that a strong brand, regardless of the market in which it operates, drives improved business performance.

It does this through its ability to influence customer choice and engender loyalty; to attract, retain, and motivate talent; and to lower the cost of financing. Our approach explicitly takes these factors into consideration.

There are three key components in all of our valuations: analyses of the financial performance of the retailer, of the role the brand plays in the purchase decision, and the competitive strength of the brand.

Financial analysis

This measures the overall financial return to an organization's investors, or its "economic profit." Economic profit is the after-tax operating profit of the brand, minus a charge for the capital used to generate the brand's revenues and margins. A brand can only exist and, therefore, create value, if it has a platform on which to do so. Depending on the brand, this platform may include, for example, manufacturing facilities, distribution channels, and working capital. Interbrand, therefore, allows for a fair return on this capital before determining that the brand itself is creating value for its owner. We build a set of financial forecasts over three years for the business, starting with revenues and ending with economic profit, which then forms the foundation of the brand valuation model. A terminal value is also created, based on the brand's expected financial performance beyond the explicit forecast period. The capital charge rate is determined by reference to the industry weighted average cost of capital.

Role of Brand

Role of Brand measures the portion of the decision to purchase that is attributable to the brand, relative to other factors (for example, purchase drivers like price or location). The Role of Brand Index (RBI) quantifies this as a percentage. Customers rely more on brands to guide their choice when competing products or services cannot be easily compared or contrasted, and trust is deferred to the brand (e.g. organic foods), or where their needs are emotional, such as making a statement about their personality (e.g. fashion brands). RBI tends to fall within a category-driven range, but there remain significant opportunities for brands to increase their influence on choice within those boundaries, or even extend the category range where the brand can change consumer behavior. RBI determinations for this study derive, depending on the brand, from one of three methods: primary research,a review of historical roles of brand for companies in that industry, or expert panel assessment. RBI is multiplied by the economic profit of the branded retail sales to determine the earnings attributable to the brand (brand earnings) that contribute to the valuation total.

Brand Strength

Brand Strength measures the ability of the brand to create loyalty and, therefore, to keep generating demand and profit into the future. Brand Strength is scored on a 0-100 scale, based on an evaluation across 10 key factors that Interbrand believes make a strong brand. Performance on these factors is judged relative to other brands in the industry and relative to other world-class brands. The strength of the brand is inversely related to the level of risk associated with the brand's financial forecasts. A proprietary formula is used to connect the Brand Strength Score to a brand-specific discount rate. In turn, that rate is used to discount brand earnings back to a present value, reflecting the likelihood that the brand will be able to withstand challenges and generate sustainable returns into the future.

Operating Profits –
Taxes =

NOPAT –
Capital Charge =

Economic Profit

Economic Profit x
Role of Brand Index =

Brand Earnings

Brand Earnings x
Brand-Specific
Discount Rate =

Brand Value

Brand Strength

Our experience and knowledge show that brands in the ideal position to keep generating demand for the future are those performing strongly (i.e., showing strength versus the competition) across a set of 10 factors that are outlined below.

Four of these factors are more internally driven, and reflect the fact that great brands start from within. The remaining six factors are more visible externally, acknowledging the fact that great brands change their world. The higher the Brand Strength Score, the stronger the brand's advantage.

Internal Factors

Clarity
Clarity internally about what the brand stands for and its values, positioning and proposition. Clarity too about target audiences, customer insights and drivers. Because so much hinges on this, it is vital that these are articulated and shared across the organization.

Commitment
Internal commitment to the brand, and a belief internally in the importance of the brand. The extent to which the brand receives support in terms of time, influence and investment.

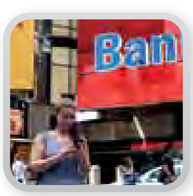
Protection
How secure the brand is across a number of dimensions: legal protection, proprietary ingredients or design, scale or geographical spread.

Responsiveness
The ability to respond to market changes, challenges and opportunities. The brand should have a sense of leader-ship internally and a desire and ability to constantly evolve and renew itself.

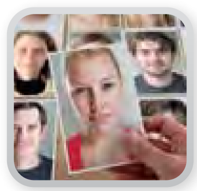
External Factors

Authenticity
The brand is soundly based on an internal truth and capability. It has a defined heritage and a well-grounded value set. It can deliver against the (high) expectations that customers have of it.

Differentiation
The degree to which customers/consumers perceive the brand to have a differentiated positioning distinctive from the competition.



Presence
The degree to which a brand feels omnipresent and is talked about positively by consumers, customers and opinion makers in both traditional and social media.



Relevance
The fit with customer/consumer needs, desires, and decision criteria across all relevant demographics and geographies.

Consistency
The degree to which a brand is experienced across all touchpoints and formats.

Understanding
The brand is not only recognized by customers, but there is also an in-depth knowledge and understanding of its distinctive qualities and characteristics. (Where relevant, this will extend to consumer understanding of the company that owns the brand).

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