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BEST RETAIL BRANDS 2014

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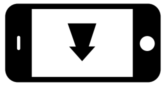

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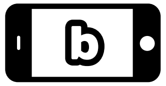

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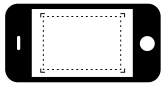

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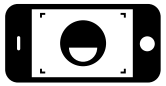

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RETAIL'S DIGITAL DESTINY

BY JEZ FRAMPTON, GLOBAL CHIEF EXECUTIVE OFFICER, INTERBRAND

There is no doubt that the retail landscape has changed dramatically in recent years. Demographics are shifting, behaviors are changing, and consumer spending priorities reflect an atmosphere of economic uncertainty around the globe. As a result of these trends, in-store traffic is slowing for brick and mortar retailers and cumulative sales are shrinking by the billions.

But, above all, one macro trend prevails and shows no sign of letting up: digital. Today, anyone with a product and a website can build their own sales channel—and, as we've learned, new entrants can shake things up fast. Meanwhile, established online giants like Amazon are capturing a growing share of the retail pie. And as pure online players increasingly look to enter into—and disrupt—new categories, such as grocery, the penetration of e-commerce will continue to impact traditional retail.

Is this the end? Well, it depends how you look at it. At Interbrand, we do not say "The world has the power to change brands"—we say, "Brands have the power to change the world." And we stand by that proclamation. In this Darwinian struggle playing out in the malls, shopping centers, and internet retail hubs of the world, a great turning is afoot which brings with it a historical opportunity.

Digital, which currently threatens all that retail once was, also promises to make it what it was destined to become: a living theater, a crucible of human creativity, and the field where brands and consumers meet to foster prosperity and co-create a new reality.

From mobile shopping and augmented reality apps to virtual storefronts and fitting rooms, retail brands are reimagining the customer journey through a digital lens. They are also taking the art of display and presentation to new heights and creating meaningful social experiences in physical retail environments—giving customers more reasons than ever to get out the door and into the store.

Knowing that many retailers are still searching for the most effective omnichannel strategy, the 2014 Best Retail Brands report highlights what successful retailers are doing to meet swiftly evolving consumer expectations—online and off. We also share key findings on digital trends, insights on enhancing the in-store experience, snapshots of seven major retail sectors, and overviews of retail activity in four global regions: Asia-Pacific, Europe, Latin America, and North America.

While digital has brought more commonality to brand management and the issues, challenges, and opportunities brands face across these regions, our report reveals that what works in one region does not necessarily work in all. In many markets, expansion is the strategy *du jour* but, as The Home Depot found in its forays into China, more stores do not always equal success. Others are expanding their reach and broadening their appeal through mergers and acquisitions. But, in a finite world, expansion has its limits. In a diverse, fast-moving world, consolidation and "colossalization" has its disadvantages.

In the end, it is the brand, not the footprint, that will endure. And that brand's growth or decline, especially in retail, ultimately depends on the loyalty and satisfaction of customers. Yet, how this is achieved varies from region to region.

With the entire world now serving as our real-time research lab, what lessons can Western brands learn from Eastern brands—and vice versa? What can dominant big box retailers learn from brands that have learned to thrive in dense urban centers at a smaller scale? Which consumer behaviors reflect universal human tendencies, and which are a variable product of culture? (To help you answer some of these questions, please refer to the following pages, which will provide you with an at-a-glance cross-cultural guide to building retail value.)

If anything has become clear, it is that wherever a retail brand operates, standing still is not an option. In today's rapidly evolving global marketplace, brands must be more agile, flexible, and responsive than ever before.

Consistency still matters, but it's not enough. Living brands adapt and that means testing, experimenting, stretching, and understanding the cultures and communities you're operating within. The structural shift from physical to digital retail has not been painless—and reinvention is a must. But we know that extraordinary retail brands will not only survive the transition—they will become more extraordinary because of it.

Jez Frampton
Global Chief Executive Officer
Interbrand

THE REGIONS AT A GLANCE

#BESTRETAILBRANDS

NORTH AMERICA

Emerging trends

- Amazon continues its relentless growth to become "the everything store." Analysts predict Amazon will soon carry more than 85 percent of the products sold at leading retailers—including groceries with Amazon Fresh—at better prices, with more delivery methods and payment options.
- A fully functional mobile presence is a given for every brand; the new omnichannel reality has led to a rise in "connected stores for connected customers."
- Health clinics inside retail chain stores have doubled over the last six years led by CVS, which, in a move to strengthen its image as a healthcare retailer, will remove tobacco from its stores this year.
- Increased cross-border activity (e.g., Target arrived in Canada this past year; Saks Fifth Avenue will go north in 2015).

Challenges and Risks

- Electronics retailers are facing increased pressure due to showrooming.
- The general merchandise department store is facing challenges; Sears and JCPenney are in decline.
- North American brands with an overabundance of stores may not be able to withstand declining top-line revenue growth for long.
- Online retail is rapidly taking share in many retail categories.
- As one of the highest consumption, high output regions in the world, sustainability must be a priority.

Lessons for all

- While e-commerce sales continue to grow 10 percent each year, questions about the role of brick and mortar seem to be largely resolved.
- The store is now a brand experience that drives revenues across all channels.
- Nearly all North American retail brands on our list this year offer competitive pricing, convenient purchasing and payment options, a pleasant shopping experience, offerings that are meaningful and relevant, and demonstrate that they understand the complex and challenging relationships between analog and digital, retail and the shopper.

EUROPE

Emerging trends

- E-commerce accounts for an estimated 5 percent of retail sales in European retail; traditional retailers such as Zara, John Lewis, Carrefour, and Fnac are catching up with digital pure players.
- The drive-through hypermarket format has become one of the secret weapons for food retailers to protect their business and build on the strength of their brand; Walmart is replicating this format in the U.S. with Walmart To Go.

Challenges and Risks

- Brands must be willing to invest to take advantage of the omnichannel revolution and work harder to ensure that convergence benefits consumers and increases satisfaction online and off.
- Retailers must bridge their brand proposition with customers' needs and desires and pursue growth sustainably.

Lessons for all

- Digital must be used strategically to bridge a compelling in-store experience with a multi-dimensional digital strategy (omnichannel selling, seamless access and transactions, etc).
- Retailers must use data to gain a true understanding of shopper insights and create a frictionless shopper journey, putting their brands at the cornerstone of that journey to achieve engagement, responsiveness, authenticity, and relevance.

ASIA-PACIFIC

Emerging trends

- Home to approximately half the world's population and witnessing rapid urbanization and income growth, with China set to overtake the U.S. as the world's biggest retail market by 2016.
- Online retailing is giving traditional retailers the opportunity to expand more rapidly; multichannel retailing is finally starting to take hold; innovation is everywhere.
- China has the world's largest online population and Asia's most vibrant e-commerce sector.

Challenges and Risks

- Adapting to diverse cultural preferences and languages as well as navigating a variety of regulatory hurdles.
- Increased competitive threat from more agile online retailers.

Lessons for all

- Online and offline offerings need to work in harmony.
- Retailers must innovate, or suffer a potential decline to their dominant positions as competition broadens.
- Use back-end data to know the customer and gain competitive advantage.

LATIN AMERICA

Emerging trends

- With a growing middle class and an increase in consumer spending, most retailers are seeing strong financial results.
- Supermarket and apparel brands are particularly strong in the region.
- To meet rising consumer expectations, brands are improving service in both traditional and digital channels.
- Major retailers such as Renner, Casas Bahia, Lojas Americanas, and Extra, are using lending (credit cards and financing) to increase revenue as well as customer loyalty.
- Many brands are taking advantage of the region's increased internet and broadband penetration.

Challenges and Risks

- Economic uncertainty and a degree of political and social turmoil.
- Devaluation of local currencies, which can have a negative impact on brand value.
- Bureaucratization continues to pose obstacles.

Lessons for all

- Adapting retail formats to accommodate the shift in consumer preferences for e-commerce is proving to be the key to success for many retailers.
- Brands must become more responsive to stay relevant and add differentiating value, especially when it comes to integrating the online and physical retail experience.
- The winning retail brands are those that provide a consistent and pleasant customer experience.

THE MAGIC OF RETAIL THEATER

BY ALISON CARDY, MANAGING DIRECTOR, HMKM &
COLIN MELIA, CREATIVE DIRECTOR, HMKM
HMKM IS AN INTERBRAND GROUP COMPANY

The concept of the store is evolving and the 'retail experience' is anything but standard—it is now limited only by the human imagination. From social media to social spaces, from digital touchpoints to "art malls," smart retailers are bringing their brands to life by engaging customers' lives and the desire for social, connected meaning.

Pop-up, omnichannel, immersive, destination, online, brick and clicks—today's retail experiences are multi-dimensional. Incorporating taste, touch, smell and sound, they are also rich, tactile and exciting. This is the language today's retail brands are speaking—a new vocabulary that unites art, design, commerce, digital technology, and consumer psychology. It is a very specific language, combining practical, aesthetic, and high-tech elements, and one that has evolved in response to a changing retail landscape and a more complex range of consumer expectations.

Shoppers' desire for a remarkable branded shopping experience is revolutionizing the way retailers deliver brand propositions across all touchpoints. Gone are the days when shopping was a mundane chore to check off one's to-do list. Today, consumers have an overwhelming array of options to consider when making a retail purchase, so it is paramount for brands to express the true essence of who they are and give customers a unique and memorable experience.

THE EVOLVING ART OF PRESENTATION

One word captures today's retail zeitgeist:

Theater. It's what's being sought after by all of our clients across the globe.

More than ever, consumers are seeking a point of difference and are eager to become "fans" of a brand that makes a positive impression by inspiring them, engaging their imagination, and making them happy. Such a fan, of course, is much more likely to share his or her interest via social media or physically through conversations with friends, which is why brands, as many celebrities know these days, must engage audiences and cultivate a fan base.

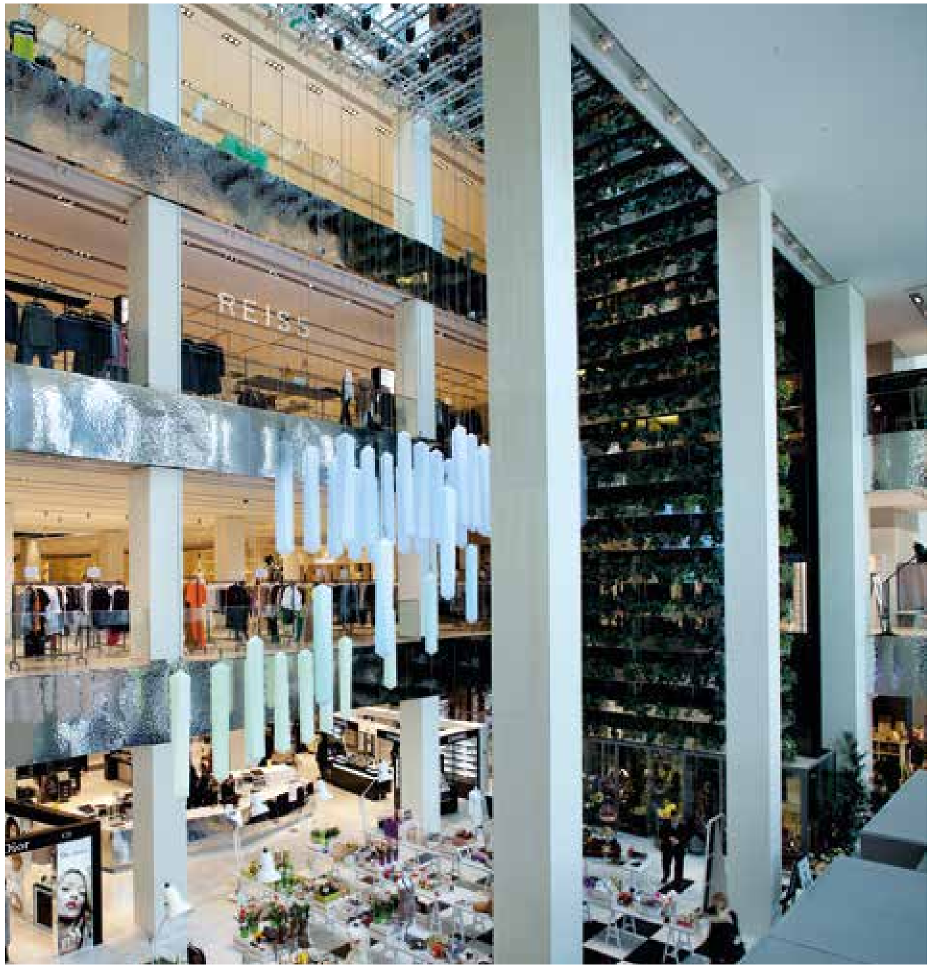
Retail brands that provide the most novel, interesting, or convenient physical interaction are the ones that tend to win hearts and mindshare. These brands give people compelling reasons to leave the comfort of their homes (and the ease of online and, increasingly, mobile shopping) and venture into a brick and mortar retail space.

Theater—the art of dramatic presentation—is the key to creating a differentiating retail experience that whets the shopper's appetite, incites action, and keeps customers coming back for more. It is these spaces that generate word of mouth both pictorially and verbally via a plethora of social media platforms and also hit the design news in printed press. Some brands that have successfully managed this include Nike, Dover Street Market, Hermès, and H&M.

IGNITING THE IMAGINATION

Our firm, HMKM, approaches its design for large (and we mean big!), multi-floor destination stores as if they were a boutique-scale client, bringing custom details and a personal touch to larger spaces that are ordinarily experienced only in smaller store concepts. This approach is exemplified by our work with Selfridges in the U.K., Tsvetnoy in Moscow, and the soon to launch Emporium in Bangkok—each an iconic department store that fully embodies the "retail theater" concept.

Selfridges' Festival Of The Imagination event, that ran in January and February earlier this year, invited customers to experience Selfridges not only as



a store, but also as a "portal into the creative mind." From its "No Noise" logo-free retail experiment in 2013 to the interactive style and fit digital table featured in our Denim Studio concept, Selfridges has long sought to innovate and reinvent the shopping experience. And it's not just Selfridges that's creating a connected world.

Burberry is leading the pack by being the first retailer (and a heritage one at that) to be recognized today as a forerunner in digital experimentation—consider the brand's amazing holographic catwalk presentation in Beijing in 2011—and digital implementation, as seen at the recently revamped Regent Street flagship in London. Further, their FW2014 collection was streamed live and customers were able to select and shop straight from the catwalk, with the added bonus of gleaning free shopper insights by crowdsourcing reactions to filter through to the commercial buy. Clever stuff!

ONE-OF-A-KIND SOCIAL EXPERIENCES

While social media platforms, home entertainment systems, and online shopping keep many of us entertained and socially engaged indoors, even when we're alone retailers are finding creative ways to get us out the door and into the store by connecting to others who share similar interests. We are, after all, social creatures by nature.

Counteracting any tendencies toward isolation in this high-tech world we live in, more retailers are responding with community-driven experiences hosted by their stores. NikeTown offers fitness classes in Berlin and running clubs around the globe. Reebok's Fifth Avenue store in New York has a CrossFit studio. Lululemon stores worldwide have long offered yoga classes.Beyond sport retailers, hybrid retail concepts are creating communal spaces to bring their brands to life. Shed, a sustainable "food community" and kitchen/garden retail space in Healdsburg, California, offers a fabulous café, workshops, talks and gathering areas in addition to its unique merchandise.

In China, K11 "art malls" in Hong Kong and Shanghai are bringing "art, people and nature together in harmony" to create a truly unique shopping and dining destination.

With creative architecture, high-end boutiques, and displays of local artists' work at every turn, engaging food options—some sourced from organic produce grown inside the mall—are also a big attraction.

POSH PAMPERING

Breuninger, the aspirational German department store, also differentiates itself through its Stuttgart dining offer, (karls) kitchen, an upscale food court that is as glamorous as it is convenient. A trio of seating areas features luxurious materials and stylish décor, each with its own distinct character. Open kitchens feature large fridges stacked with fresh produce, which double as display cases. The kitchen and bar areas serve sandwiches, juices, and pastries alongside made-to-order local, Asian, and European specialties. There is even a private space for events, parties, and workshops.

It's a smart strategy because shoppers don't always venture into a dining area simply because their stomachs are growling—their souls are hungry, too. They come because they want to be social, soak up the ambiance, linger over coffee, and be part of something special.

At the top end of the spectrum, luxury retailers are reinventing what true luxury shopping should be about. As emerging markets become increasingly brand savvy and quicker to embrace affordable designer brands, the Kering- and LVMH-owned brands are losing out to newer kids on the block such as Michael Kors, Tory Burch, Furla, and Isabel Marant.

THE NEW LUXURY LEADERSHIP

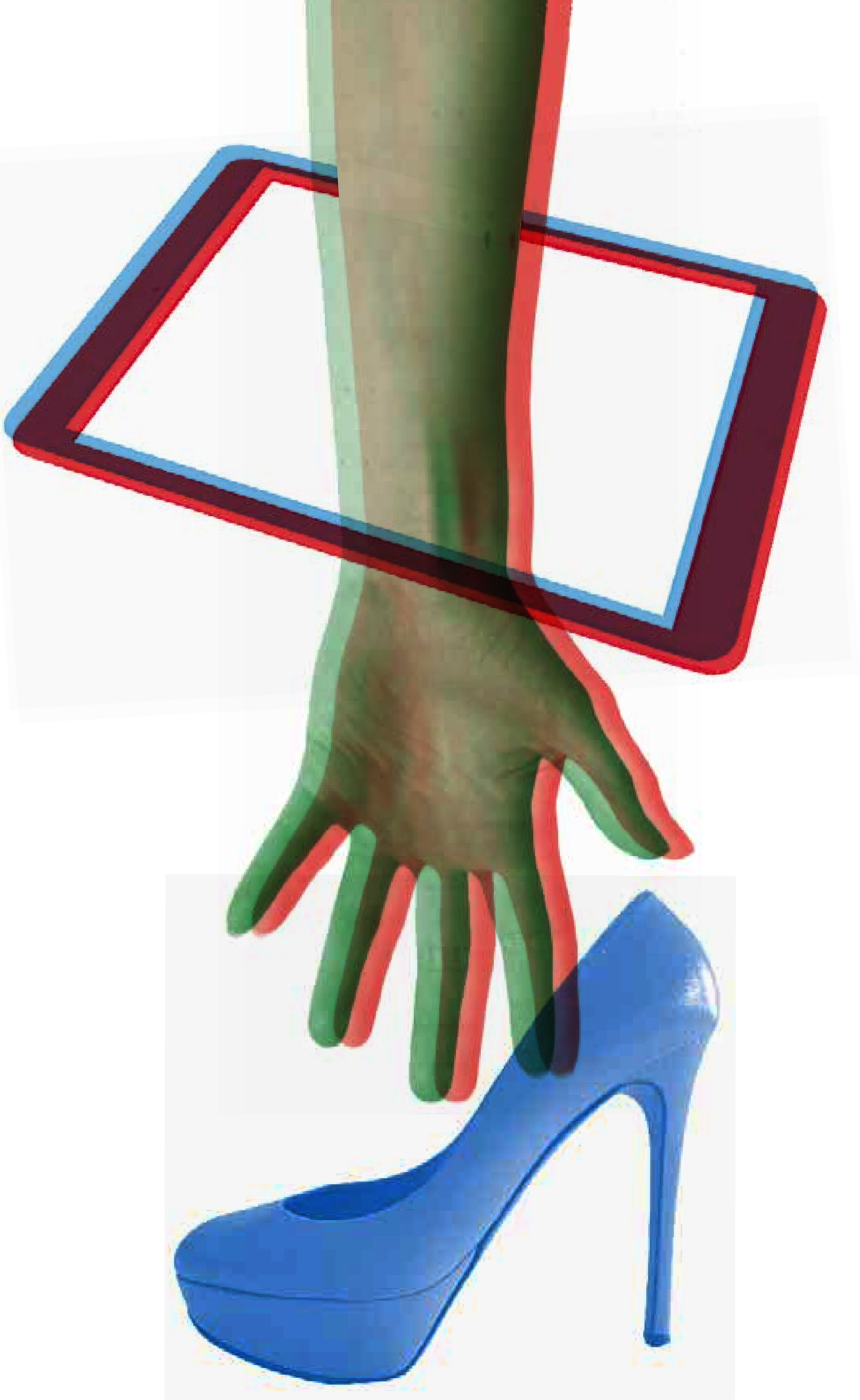
Today, true luxury brands are adding value through impeccable service and delivering all the frills a hefty price tag implies. But we believe that to remain relevant, luxury brands should also pave the way for the next-generation retailing experience. Augmented Reality, 3D printing, digital presentation, bespoke detailing, limited edition collaborative product lines—much of this technology is still too expensive for many retailers to fully integrate and realize, leaving room for luxury retailers to innovate and pioneer with high tech.

Luxe brands have a window of opportunity to create spaces that truly reflect their brand ethos across all platforms in a connected seamless manner. By creating the kinds of experiences others feel moved to blog, tweet, and spread the word about, luxury brands can benefit in a big way, even as they reward their high-spending customers with unique interactions.

From boutiques to malls, from department stores to meta-luxury brands, the leading retail brands today are casting magical spells within the theaters of their physical stores. If a brand sets the stage right, ordinary happenings can be transformed into extraordinary ones that captivate customers, influencing them to keep choosing your brand from among so many others, again and again.

SUMMARY

- Retail brands that provide the most novel, interesting, or convenient physical interaction win hearts and mindshare.
- Theater—the art of dramatic presentation—is the key to creating a differentiating retail experience.
- One-of-a-kind social experiences, ambiance, and eateries also add value.
- Luxury retailers are paving the way for high tech innovation.



WHAT DIGITAL MEANS TO RETAIL

BY PAUL PHILLIPS, DIGITAL DIRECTOR, INTERBRAND EUROPE

In a remarkably short period of time, the social web and mobile technology have transformed the way consumers live, work, play, and shop. Against this high-tech, hyperconnected backdrop, retail brands are innovating continually in order to remain relevant.

RETAIL BRANDS ARE USING DIGITAL TO TRANSFORM THE SHOPPING EXPERIENCE

As internet use has grown, retailers have launched—and relaunched—their websites. As consumers began to adopt mobile technology, retailers responded with mobile-ready shopping experiences. But, increasingly, consumers are looking to integrate their physical and digital worlds into a seamless experience that will allow them to get the benefits of value and convenience wherever they are.

While many retailers are still searching for the best ways to integrate digital into a holistic brand experience, others are already using digital channels to delight customers, win fans, build loyalty, and generate brand value. To help you get your organization up to speed digitally, we're sharing some findings on digital trends and highlighting what successful retailers are doing to meet swiftly evolving consumer expectations.

SHOPPING IS EVERYWHERE—AND IT'S GOING MOBILE

Building a digital presence is no longer an "extra"—it's a must.

Consumer behaviors are changing fast, and retailers that want to stay ahead will have to keep up. Accenture's report, *Energizing Global Growth*, puts the retail landscape into sharp relief:

- 73 percent of consumers researched or purchased online more than they did 5 years ago, with social media an important part in the process
- 68 percent say it's important for them to be able to buy what they want, when they want it
- 63 percent want to customize products or services to their exact specifications
- 51 percent say they consider the environmental impact of a product before buying
- 73 percent of business executives recognized a marked change in consumer behavior in the last three years, but 74 percent admitted they did not fully understand those changes, and 80 percent believe their companies were not taking full advantage of current trends and opportunities

According to Forrester's *U.S. Online Retail Forecast, 2012 to 2017*, e-commerce, which accounts for about 8 percent of total retail sales in the U.S., is expected to outpace brick and mortar retail sales to reach USD $370 billion in sales by 2017. Digital research firm eMarketer projects that e-commerce growth will be greatest in the Asia-Pacific region, followed by North America and Europe, where it will reach nearly 40 percent of total sales in the business to consumer sector.

In order to design the best shopping experience, it's imperative to understand which devices people are using, as well as the context in which they're using them. The type of device shoppers choose is primarily determined by opportunities, location, and economic status followed by context—what mood they are in, where they are, what time of day it is, what they want to accomplish, and how much time they have for the task.

Google's *The New Multi-screen World* study revealed that consumers are juggling mobile devices: 65 percent of people start the online shopping journey on a mobile device, usually a smartphone, but increasingly they're starting on a tablet. If the purchase is not completed via smartphone, shopping then continues on a laptop, PC, or tablet.

However, the adoption of mobile phones is what has really shifted behavior. As consumers realize that mobile web lets them fulfill their most spontaneous shopping desires instantaneously—anywhere, anytime—mobile shopping has become irresistible. The *Digital Marketers United* research by Econsultancy confirms just how much people are using mobile to shop. As one might expect, among people aged 18-34, 44 percent in the U.K. and 42 percent in the U.S. are shopping via mobile. However, among those aged 35-54, 21 percent in the U.K. and 28 percent in the U.S. are also using mobile to shop. As retailers master the mobile shopping experience and mobile payment systems improve, this mode of purchasing will only continue to grow.

VIRTUAL SHOPS BRING THE STORE TO THE CUSTOMER

Innovative digital shopping experiences are accelerating as physical retailers increasingly go virtual. When Tesco, for instance, wanted to gain market share in South Korea, it had to take on emart, the country's leading supermarket and discount retailer. Though Tesco's Homeplus retail chain is second to emart in market share, Tesco had to innovate to stand out and impress the one-fifth of the population who use smartphones. In a brilliant move, it brought the convenience of mobile shopping to commuters waiting for trains and buses.

Laid out just as they'd be in a traditional shop, Tesco created 22 virtual stores in subway stations and bus stops. The product images on the "shelves" featured QR codes that could be scanned by the Homeplus app, allowing the shopper to fill a virtual cart and have groceries delivered home in minutes or hours—not days—later.

While many big supermarkets have mobile-optimized websites for online shopping, Homeplus's Cannes Lion-winning virtual store pushed the idea of mobile shopping into the minds of people who could use it on the go. The result? According to *The Telegraph*, Homeplus's online sales increased 130 percent in three months. It's now the number one e-grocer in the market, narrowing the offline gap between the Tesco-owned brand and emart; and its app has been downloaded more than one million times.

Making its mark in the offline world last year, eBay debuted connected digital storefronts for shoppers at the Westfield Mall in San Francisco. Integrating shoppable windows, mobile technology, and digital payments, this partnership gives Westfield brands Sony, TOMS, and Rebecca Minkoff the ability to sell from virtual storefronts.

Aiming to bring itself closer to where the majority of transactions are happening—in stores—eBay has tested similar ventures with Kate Spade's Saturday brand in New York. If these trials continue to see success, it could help eBay build its offline presence and its eBay Now delivery service. The screens also allow eBay (and participating retailers) to collect shopping metrics and sales data.

Whether we see virtual stores as a display advertising campaign or a new way of building mini-stores in spaces that already exist, either way, it's a completely new way to shop and a leap in retail innovation.

KEEP IT PERSONAL

Email is still the key marketing channel whereas social is still in its experimental phase, but when enhanced by content and personalization, social media is a force to be reckoned with. In the fashion world, perhaps no brand is using social platforms as effectively as Burberry. In 2011, the success of its first Tweetwalk sent the #Burberry hashtag trending worldwide on Twitter—and showed retailers a whole new way to excite and engage consumers. From its HD live stream of the catwalk—and accompanying tweets, Instagram shots, song tracks, and animated GIFs of key looks—Burberry's mastery of digital technology is reaching consumers in more territories and on more platforms than ever before.

Fab, online purveyor of everyday design products, built the world's fastest growing e-commerce site using a combined approach, bringing together direct email and content marketing. According to Mashable, Fab had attracted 10 million customers across 26 countries within its first 18 months. Kicking off the effort with a 200,000 member pre-launch list, the site's reputation and member base grew through social sharing, which is how most customers discover the brand.

Fab has also integrated analytics to understand its customers and track their purchase behaviors, which helps the brand curate its offer. Further personalizing the shopping experience for its members, the company maintains an Inspiration Wall where members can upload and share design inspirations and a "Live Feed," which enables users to share what they are buying, liking, and tweeting on Fab.com. Selling an average of 5.4 products per minute, Fab has found a winning approach—and has even ventured offline with its own retail stores.

Personal recommendation is still one of the most effective ways to sell something—a fact perhaps best demonstrated today by Amazon's recommendation engines' ability to drive sales. Brands such as Burberry and Fab are successfully using social media and social communities to step outside of the traditional advertising model and allow customers to help build the brand through their own discussions and recommendations.

Clearly, social technologies present a key opportunity for retailers to build relationships with their consumers. There are, however, different levels of activation and engagement. Here are a few ways retail brands are using digital to make the shopping experience more personal:

- From Burberry to Walmart, brands are using customer data to help staff know their customers—by name, preferences, and previous purchases—to help them find what they want.

- Retailers are also using email, social media, and mobile to keep customers informed about sales and in-store events. Geofencing, for example, a location-based service that sends messages to smartphone users who enter a defined geographic area, is a way to deliver alerts, relevant offers, and information about coupons and discounts. Text messaging has proven to be an effective way to reach consumers, especially younger ones who are more likely to read a text than an email. On average, 98 percent of SMS communications in the U.S. are opened and read, according to LogMyCalls

- Increasingly, many brands are using digital technology to help customers personalize products. Clinique, for instance, has created a custom-fit beauty experience at its counters using iPads and exclusive software. The self-guided skin care diagnostic tool helps consumers identify skin care concerns and processes over 180,000 product combinations that precisely match each consumer's personal needs. At the end of the analysis, consumers receive a printout or email with a list of very specific product recommendations. As the Clinique example also illustrates, more retailers are seeking to create a physical shopping experience that is as intuitive as the best web sites.

- Virtual fitting rooms and augmented reality mobile apps are another growing digital trend in retail. IKEA's mobile app helps consumers visualize what furniture items might look like in their own home—exactly to scale and where one would want each item to fit—directly from the digital versions of its catalog.

- Social media is also allowing retailers to explore new models of collaborative consumption. B&Q, the largest home improvement and garden center retailer in the U.K., has created the Streetclub social network, which aims to build communities, virtual and real. With over 1,000 clubs set up, members are using Streetclub to talk, share information, swap tools, and address neighborhood issues. While encouraging DIY skill sharing and tool borrowing might not sound like a smart way to do business, B&Q sees its initiative as one that is contributing to a greener economy, future-proofing its business, and building its reputation as a community resource and innovation leader.

- Sephora is taking advantage of social media in a different way: by launching a Pinterest-like community called The Beauty Board, which is integrated with the Sephora to Go mobile app. Fans can pin a photo that will be linked directly to Sephora.com for an opportunity to buy the products necessary to get the look.

BE CUSTOMER-CENTRIC, NOT CHANNEL-CENTRIC

Creating a single customer-centric view with an integrated multi-touchpoint customer journey will make the shopping experience more enjoyable—and your retail brand more valuable. Here are some examples of how retailers are joining up online and offline channels to deliver better customer experiences and greater business and brand value:

- Emailing receipts at the point of sale to grab customer data for future communications and eliminate printing—saving cost in the long run and a plus for the environment.

- Furnishing staff with tablets to enhance customer service by helping customers see more products than are displayed in-store, personalize items, and get information on stock availability.

- Offering remote customer service and collaboration technology—including interactive kiosks—that help bring retail services, support, and remote product expertise closer to the consumer. Nationwide Insurance in the U.S., for instance, has teamed up with Cisco to provide high-tech mortgage service.

- Using mobile to boost in-store service. The Neiman Marcus brand in the U.S. has launched a number of apps, such as the NM Service app, which included QR codes, plus NM Gifts, and NM action. The latest: the NM app, which allows iPhone users to text, email, call or FaceTime favorite sales staff, track loyalty rewards points, and stay on top of promotional events.

- Experiential stores and showrooms like Audi City, the auto brand's new digital car showroom format that uses state-of-the-art technology to make clever use of precious city space. Under Armour's shop in Shanghai employs "storytailing"—a new way of conceiving shops as 80 percent story and 20 percent store. Hointer, the Seattle-based high-tech apparel store that uses robots to deliver jeans to fitting rooms, has deftly merged the physical and digital. Showing the way forward for brands that must adapt in the age of Amazon, Hointer is now helping other retailers disrupt and reinvent the world of shopping with technology. Digital players, on the other hand, will also be building up their physical presence as illustrated by eBay's click-and-collect deal with Argos and Google's 2013 Winter Wonderlab pop-up stores in the U.S. As Apple's senior vice president of retail has stated, "Online, offline, it's gotta be the same."

THE CUSTOMER JOURNEY IS STILL WHAT MATTERS MOST

The shopping experience will continue to change as many retailers reduce their physical presence and invest more in experiential, digital-enabled spaces. Today, retailers will have to constantly think of new ways to meet customer needs and fulfill desires—better and faster than ever before.

In many cases, retailers are benefiting from working with partners to help innovate their offer and make it more relevant, differentiating, and valuable. By making purchasing easier, stepping up service, using storytelling, and integrating the physical and virtual, brands are reimagining the "final mile" and creating unique experiences for consumers that convert browsers into buyers.

Branded service innovation is the key to it all, which means designing experiences that capture the core idea of a brand and bring it to life across the entire customer journey. The experiences retailers create must work at each touchpoint—and also in combination—to constantly reinforce the brand and build value for customers, staff, partners, and shareholders alike.

SUMMARY

Building a digital presence is no longer an "extra"—it's a must. From mobile shopping and augmented reality apps to virtual storefronts and fitting rooms, retail brands are reimagining the customer journey through a digital lens. Consumers, meanwhile, are looking to integrate their physical and digital worlds into a seamless experience that will allow them to get the benefits of value and convenience wherever they are.

- Retailers must master mobile to make purchasing easier, step up service, emphasize storytelling and personalization, and integrate the physical and virtual to create better customer experiences

- Innovative digital shopping experiences like virtual shelves, storefronts, and fitting rooms are accelerating

- Social technologies present a key opportunity for retailers to build relationships with their consumers

- As traditional retailers go increasingly virtual, digital players are building up their physical presence

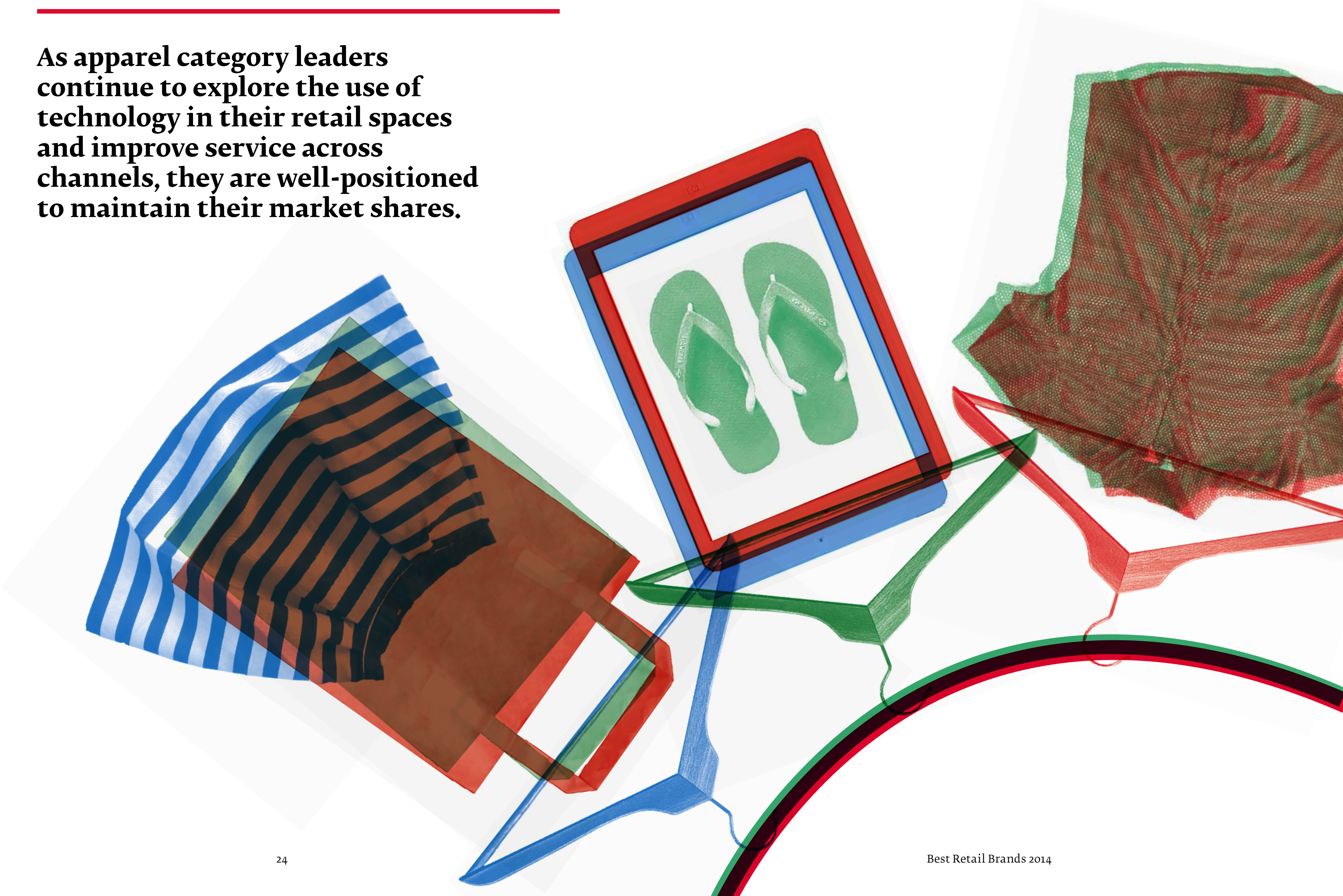
SECTOR OVERVIEWS

A CROSS-REGIONAL LOOK AT TRENDS, INNOVATIONS AND OPPORTUNITIES FOR SEVEN KEY RETAIL SECTORS

TO REMAIN RELEVANT IN AN INCREASINGLY COMPETITIVE MARKETPLACE, TOP BRANDS IN THE APPAREL, CONSUMER ELECTRONICS, DEPARTMENT STORE, GROCERY, HOME IMPROVEMENT, DRUGSTORE, AND MASS MERCHANDISE SECTORS ARE EXPERIMENTING WITH TECHNOLOGY, EXPLORING NEW FORMATS, AND CREATING MEANINGFUL EXPERIENCES FOR THEIR CUSTOMERS.

APPAREL

As apparel category leaders continue to explore the use of technology in their retail spaces and improve service across channels, they are well-positioned to maintain their market shares.



TRADITIONAL STORES EXPAND, E-COMMERCE INNOVATES

The remarkable success of apparel retailers can be attributed to scale rather than any unique associations with their brands. H&M alone has over 3,000 stores in 53 countries and continues to increase its number of stores by 10 to 15 percent annually. By the end of 2014, it will have three multi-storey flagships in Manhattan in an apparent attempt to capture market share from competitors like Zara and Forever 21.

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Beyond real estate dominance, these big players ably manage to stay on top of trends while feeding shoppers' social media appetites. The fast fashion model, in which companies design and manufacture their own product quickly and cost-effectively, continues to keep prices low and inventory fresh.

While there have been rumblings of a slowdown in fast fashion growth due to lack of sustainability and unfair/unsafe labor practices, consumer spending has not slowed significantly so far. Nevertheless, in the wake of garment factory disasters in Bangladesh, most notably the 2013 factory collapse at Rana Plaza that killed more than 1,000 people, global fashion companies—from H&M and Inditex to Primark and Tesco—pulled together to sign the Bangladesh Fire and Safety Accord. Many of these same brands have also won green plaudits for pledging to detox garment production.

Despite the extra supply chain scrutiny, traditional brick and mortar brands continue to build flagships as exciting destinations and high-volume performers, move into new areas, and encourage sharing through social media marketing efforts. Hering will expand into kids' clothing, Mango plans to push into plus sizes, and Bershka hopes to see success with exclusive wardrobe maximizing capsule collections. Asia's biggest clothing retailer, Uniqlo, has ambitious goals to become the world's largest retailer by 2020—with or without a big acquisition.

For the past several years, innovations in the apparel category have come from online-only companies, such as fashion eyewear retailer, Warby Parker, and Bonobos, known for superior fitting slacks. While such retailers have limited inventory, it is available to sample, highly relevant, and affordable. By serving a narrower consumer base with more specific needs and desires, these young brands are delivering high returns to their investors.

One particularly clever brick and mortar innovation comes from Hointer, a retailer that makes shopping for jeans a breeze, especially for men. In Hointer's Seattle pilot store, shoppers use their smartphones to scan a floor sample instead of rummaging through racks and shelves. The app directs the shopper to a dressing room where the appropriate size is delivered robotically within 30 seconds. A purchase transaction can be completed on a tablet in the fitting room. Store expenses are minimized and shopper convenience is maximized.

APPAREL INNOVATIONS AND OPPORTUNITIES

A mobile app that puts a new spin on showrooming
Japan's largest online fashion brand, Zozotown, launched a mobile-social app called Wear to drive fashion lovers into stores by leveraging data from its 5 million consumers and 500,000 product code numbers from its merchants. Wear is described as a mobile Facebook for fashion. Users share one another's looks for inspiration, create wish lists, and scan the barcodes of items they find in brick and mortar stores to share or purchase. If purchased on Zozotown.com, the showroomed store gets a commission.

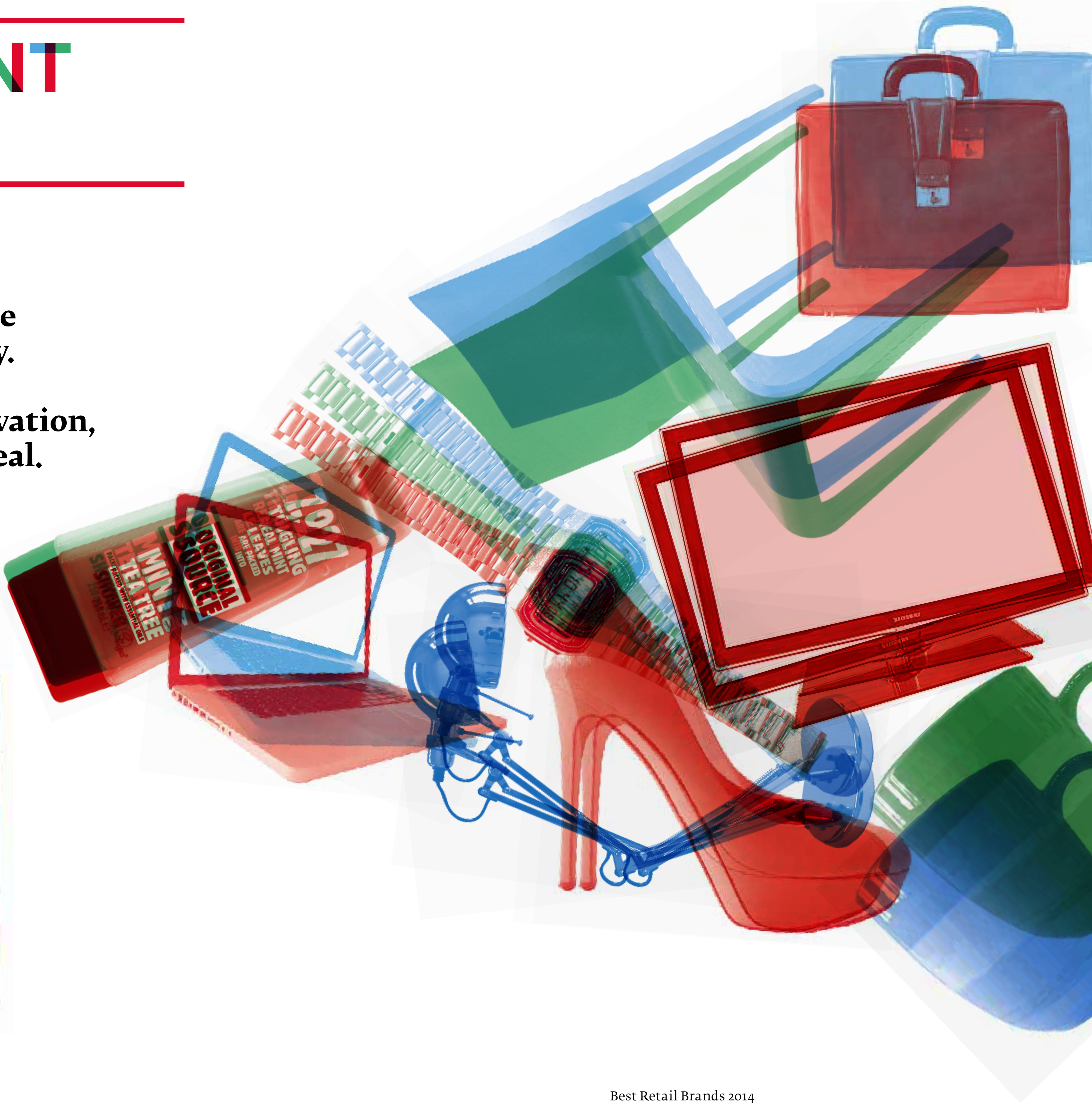
Shoppable store windows, immediate delivery
In partnership with eBay, Kate Spade Saturday experimented with interactivity and same-day delivery via 24/7 "window shops" placed in vacant stores in New York. Shoppers made their selections from a touch screen, entered their phone numbers, and a messenger was dispatched with their goods for which they paid upon delivery.

Online players need stores too
A growing number of online companies believe the future of retail is at the intersection of brick and mortar and e-commerce. For example, Bonobos, an online technology-driven men's clothing brand, opened Guideshops in eight U.S. cities. These Guideshops, or showrooms, enable consumers to sample and later purchase online. By increasing real world interaction with customers through showrooms, kiosks, and pop-up shops, online players are not reverting to a traditional offline model, but rather using offline to enhance the overall customer journey.

An entire lifestyle revolving around a brand
Taking the idea of a flagship one giant step farther, Urban Outfitters unveiled plans for a 6.5 acre "lifestyle experience" in Pennsylvania, similar to the "mini-cities" developed by IKEA. It will feature Urban Outfitters and Anthropologie stores, a Terrain garden center, eateries, and a boutique hotel. In a world in which consumers are faced with a plethora of choices every time they shop, apparel brands that go the extra mile to deliver service, convenience, or an extraordinary experience will gain competitive advantage.

DEPARTMENT STORE

Although the biggest still have name recognition, the traditional department store format is largely fading away. As a group, the category is perceived as lacking in innovation, relevance, and youthful appeal.



WEAK IN MATURE MARKETS, STRONG IN DEVELOPING ECONOMIES

Retail analysts in North America have long had department stores on the endangered species list. Given the very public decline of JCPenney and Sears, it's tough to imagine how these legendary retailers will be able to recover. While the remarkable performance of Macy's can be attributed to its unrelenting focus on brand, clarity, and relevance, it's also likely picking up the slack from its fallen competitors. Macy's now dominates the department store category in the U.S.

Even though its brand value slipped a bit this year, Nordstrom remains in a class by itself, catering to the moneyed crowd with exceptional service. Not afraid to adapt to changing times, Nordstrom has altered its merchandise mix to attract a younger demographic and is preparing its New York flagship debut. By getting bricks and clicks to work hand-in-glove, the U.K.'s upmarket department store, John Lewis, gets plaudits for its performance—the brand managed to beat analysts' expectations for the fifth Christmas in a row in 2013.

Venerable British retailers Marks & Spencer and Debenhams, meanwhile, saw little growth in their European stores. In fact, for the first time, Marks & Spencer's 2013 profits were eclipsed by rival Next, which already boasts a higher stock market value than the 130 year-old retailer. Department store growth is also flat in markets such as Japan, Australia, and Korea, indicating the need for fresh brand appeal to new consumer segments. Yet there are bright spots.

By strategically expanding in Asia, department store brands such as Indonesia's Matahari—Southeast Asia's largest department store operator—are seeing strong growth. The SM retail group is a top department store operator in the Philippines and China, with enormous potential to expand its footprint. High smartphone penetration throughout Asia continues to energize the category, along with the population's strong affinity for social networking. The ensuing rapid spread of information influences preference, which, in turn, is feeding aspirations and driving demand.

South America's biggest retailer in terms of market value is also a department store brand: Falabella. It may be a century old, but it's not showing its age. It competes on the loyalty created through its installment-payment store card which enables cash advances to cardholders. Falabella also has its own bank, tapping into a niche market of lower-income consumers with scant access to traditional lines of credit.

In general, department stores react more slowly to trends than specialty retailers. The format is still distinguished by a high level of departmentalization, which makes it difficult to create a unified brand experience. However, rather than attempting wieldy chain-wide implementations to address this issue, department stores would benefit more from experimenting with brand experience in individual stores. While the category is bouncing back somewhat, getting the "fleet" to deliver the energy and initiatives of the flagship remains a challenge.

Flagships make a comeback

The department store model can only work if it plays to its strengths. That means a finely curated mix of options that keep shoppers in the store and an experience that makes them feel valued and included. A new era of high-profile flagship storefronts in city centers have made brick and mortar exciting once again, and the internet has helped boost the reach and appeal that such places lost to the suburbs decades ago. Nordstrom's planned Manhattan flagship store, for example, fits this new integrated retail model.

Adding new brand dimensions

Retail innovations often include service features that fit the brand, suit the audience, and even benefit the community. Debenhams decided to answer its shoppers' question "What should we do this weekend?" by offering a ticketing service for anything from music and theater events to beauty treatments. It adds another dimension to the brand's "life made fabulous" promise.

Small risks, displays that pop

Some department stores are using "pop-in" stores, the in-store version of the short-term "pop-up" format, to generate excitement and traffic. One successful 2013 collaboration saw the über cool I.T Group, the unique Hong Kong-based fashion house, "pop in" to Selfridges London with an exclusive collection of seven streetwear brands. Additionally, with more in-store emphasis on design than ever before, window display artists are reaching new creative heights in their efforts to impress customers. Clever interactive digital window displays, striking art installations, and live tableaux such as designers dressing models, swanky evening parties, and other provocations behind the glass are pulling eyes away from mobile devices.

Tearing down remaining silos

Aiming for a complete convergence of online and in-store, Macy's no longer breaks out web sales from store sales when it reports financial results. Macy's believes the old method of financial reporting does not accurately capture the movements of today's shopper. Hundreds of its stores already ship web orders to consumers, eliminating the need for separate online fulfillment centers, while it's also testing in-store pickup of online orders. In its drive to leverage its stores and online channel, the brand's robust mobile initiatives are also helping Macy's achieve omnichannel dominance.

IMAGE COURTESY OF NORDSTROM, INC.

DRUGSTORE

While the traditional drugstore format continues to carry health and beauty products, the pharmacy is moving away from simple prescription dispensing to an active healthcare service function.

ADAPTING TO AGING POPULATIONS AND THE GROWING DEMAND FOR HEALTH SERVICE

Two critical market trends continue to impact the growth of the drugstore category. First, is the world's aging population, which is accompanied by rising levels of health consciousness. (In Japan, for example, sales of adult diapers have exceeded sales of baby diapers—and, globally, the probiotics market is on track to reach nearly USD $24 billion by 2017.) Second, there's a rising demand for affordable and accessible healthcare worldwide.

For the past several years, top drugstore chains have been making the front-end of their stores more productive with fresh food, redesigned health and beauty departments, expanded photo services, more private labels, and exclusive offerings. Additionally, major investments have been made in health information technology (HIT) infrastructure. HIT is helping transform the pharmacy as it assumes a more central role in healthcare.

In Latin America, older consumers and the growing middle class—an estimated 50 percent of the population—want more from their drugstores. In response, top brands such as Farmacia Benavides and Raia Drogasil are staying open 24 hours, conducting home deliveries, and offering outpatient services. Shoppers increasingly count on these retailers for information about medicines, living healthier, and new beauty products.

In the U.S., expansion plans for category leaders Walgreens and CVS/pharmacy, driven by the Affordable Care Act, are set to have a major impact on the drugstore retail market. With physicians expecting to see a surge in new patients—perhaps more than many clinics can handle—the convenience and transparent pricing of in-store clinics will present an attractive alternative for consumers seeking health care and solutions.

In Asia, Australia, France, and Germany, the drugstore sector is divvied up among smaller players and independently owned shops. Language barriers, cultural differences, and regulatory hurdles continue to keep many global brands from entering these markets and consolidating, but the presence of so few truly regional brands signals opportunity.

The U.K.'s Alliance Boots, in the midst of acquiring Walgreens, inked an agreement in early 2013 with generic drug wholesaler AmerisourceBergen—a deal that brought both companies purchasing power and cost savings. Similarly, in early 2014, McKesson Corp., a leading North American healthcare services and information technology company, acquired Celesio, a Germany-based wholesaler supplying 65,000 pharmacies and hospitals with up to 130,000 pharmaceutical products. The union enhances McKesson's chances of becoming a global leader in drugs distribution. Reflecting a growing trend, these examples show how pharmaceutical producers and suppliers are intersecting with retail pharmacy. As retail pharmacies and clinics expand, they have an opportunity to play a greater role in the healthcare ecosystem, support the healthier lifestyles of customers, and drive down the overall cost of healthcare.

DRUGSTORE INNOVATIONS AND OPPORTUNITIES

Opportunity in mobile
When it comes to effectively utilizing mobile applications, Walgreens and CVS/pharmacy lead the way. These brands makes it easy to fill a prescription, shop by smartphone, manage one's rewards program, or send pictures to in-store photo centers for printing. Customers who engage with Walgreens online and via mobile applications spend six times more than those who only visit stores.

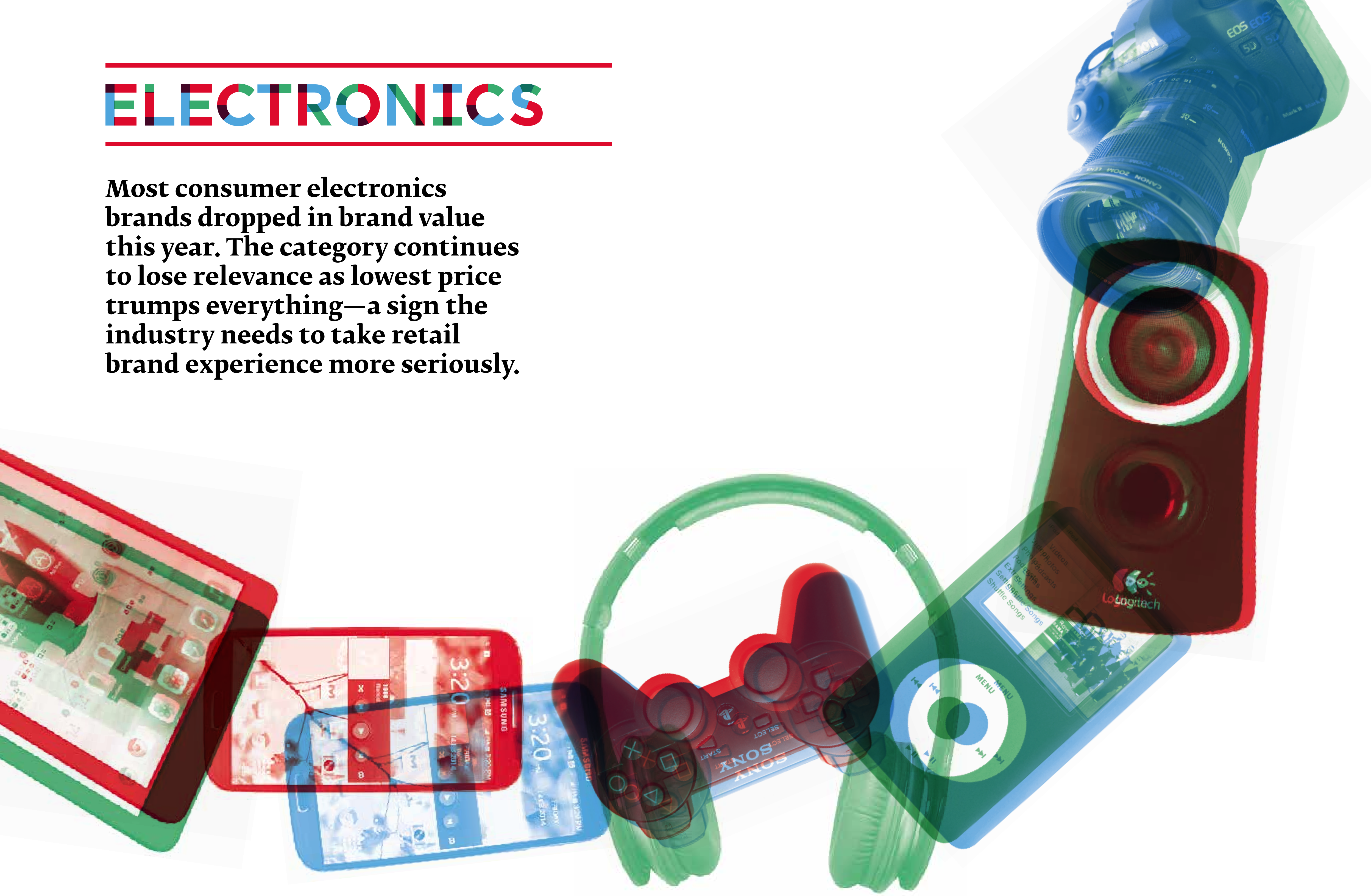
The end of the printed circular
To reach a younger demographic and prepare for a future without printed sales circulars, CVS/pharmacy took a big step forward in online personalization. Data gathered from loyalty cards generates a customized version of weekly sales, savings, and rewards. A potential downside to consider: With such personalized ads, some shoppers are concerned they might miss out on savings if they're only able to see some, rather than all, deals.

No place for tobacco products
In many countries, it's common for drugstores to sell cigarettes. But that practice may be coming to an end. It is already prohibited in most of Canada and in some parts of California and Massachusetts. CVS/pharmacy is removing tobacco from its stores to strengthen its image as a healthcare retailer.

A new retail category: specialty pharmacy
The use of specialty medications (which include injectibles and biologic agents) for complex diseases such as cancer will continue to rise and outpace traditional (usually oral) drugs. Because patients taking specialty drugs face substantial risk for high out-of-pocket spending, collaborations between retailers, hospitals and manufacturers are likely to become more commonplace to reduce cost and make administering medications more convenient. Walgreens, for example, plans to have its retail clinics assist consumers in the management of chronic conditions.

ELECTRONICS

Most consumer electronics brands dropped in brand value this year. The category continues to lose relevance as lowest price trumps everything—a sign the industry needs to take retail brand experience more seriously.



THE BATTLE FOR MARKET SHARE MOVES TO E-COMMERCE

As recently as 2009, Best Buy was the second most valuable retail brand in the U.S. after Walmart. Consumer electronics was the fastest growing retail sector, with Best Buy far out front. Two years later, however, weak sales and online competition chipped away at the company's dominion and, by 2013, Best Buy had lost more than 50 percent of its brand value. This year, its brand value drops 42 percent.

The Best Buy story illustrates that consumer electronics has become a mature industry. The sector expects some growth in the Asia-Pacific region and softening demand in most developed countries. Korea's Himart, even with a market share of 47 percent and high awareness, saw its brand value dip in this year's report. Retailers around the globe face a fiercely competitive environment. Ongoing challenges include waning customer loyalty and shrinking profit margins.

Online competition—coming primarily from Amazon—is price-centric and notoriously fierce. Shoppers visit as many as 14 online sources for product information before buying and the e-tailer that "upended the book industry and displaced electronics merchants" typically lands high on their search lists. Furthermore, like many online players, Amazon has enormous pricing advantages—not just due to low overhead, but also due to its ability to make millions of price changes per day compared to traditional retailers' thousands a month. These price changes have begun escalating at brick and mortar stores as retailers fight for consumer dollars. Best Buy, for example, has begun matching any online price for the products it sells in its physical stores.

Traditional retailers are scrambling to find ways to transform the expensive liabilities of physical locations into assets. The best of them, such as France's Fnac, which boasts one the country's most-visited retail websites, is adopting hybrid models by focusing on a competitive online channel, developing its mobile experience, and digitally enhancing the in-store experience with features such as interactive kiosks. Aiming to break down all barriers between its stores and its internet and mobile sites, the goal is to be omnipresent. Fnac continues to expand its store network, mainly through new formats for high-traffic areas (such as airports) and smaller proximity format stores—which all benefit from the brand's omnichannel functionalities.

China's Suning is working to de-emphasize its consumer electronics image in favor of becoming a multi-category retailer with a fully integrated online/in-store presence. Like Germany-based Media Markt, whose stores spread across 14 countries, Suning is giving itself a makeover in the hopes of becoming a "youthful and daring" brand. Media Markt only launched its online store in 2012 and is busily trying to recover lost ground with younger, tech-savvy shoppers.

In general, when it comes to retail, there's not as much innovation as one might expect from the consumer electronics sector. Consumers are liable to get far more excited about the product itself than they are by the in-store experience they have when actually purchasing the product.

CONSUMER ELECTRONICS INNOVATIONS AND OPPORTUNITIES

Bring online payment options in-store
RadioShack is allowing customers to use PayPal as a form of payment in its (shrinking number of) physical stores. RadioShack's shoppers get the same convenience and efficiency in-store as they would conducting mobile or online purchases.

Match competitors' online prices in-store
Based on the fact that it commands a market share more than four times larger than Amazon, Best Buy is banking on a comeback. Amazon will soon be charging state sales taxes across half the U.S. market and raising Amazon Prime to USD $99, stripping it of some of its price advantage. Meanwhile, Best Buy claims to be closing more in-store sales by immediately matching any online price—an attempt to muscle in on Amazon's share.

Add services to create value for shoppers
In Australia, JB Hi-Fi, with its "always cheapest prices" and energetically chaotic brand persona, had a decent year. In addition to its online/in-store sales of electronics and appliances, the retailer has found a way to profit from the demise and consolidation of the traditional music category with the 2011 launch of its JB Hi-Fi NOW subscription-based music streaming service and the 2013 addition of e-book sales.

Expand by creating a franchise
French retailer Darty has charted an interesting new course to steer itself out of the doldrums. With its stores mainly in urban areas, the European electronics giant is exploring a franchising model to extend its multichannel capabilities to France's 2,000 small independent electronic retailers.

GROCERY

Grocery retailers are reinventing themselves according to how consumers want to shop. Trends driving change include mobile technology, home delivery, consumer income disparity, and the strategic necessity of e-commerce.

FIERCE COMPETITION, FRAGMENTATION, AND FORMAT CHALLENGES

Grocery retail continues to move rapidly away from a one-size-fits-all approach to a vigorous search for the store of the future. While brands are experimenting with new formats, the success of today's grocery leaders seems to be less about format and more about a brand's style of doing business.

In pursuit of the smartphone-savvy, city-dwelling consumer who is grappling with inflation and valuing price and convenience ahead of quality, some of the largest chains are expanding by getting smaller. France-based Carrefour, for example, is now opening more small-format grocery concepts than hypermarkets. In the U.K., Sainsbury's convenience stores will outnumber its grocery stores by the end of the year. In France, there are now over 2,500 drive-through supermarket units for consumers who shop online and prefer pickup to home delivery.

German-based Aldi, the world's top discount grocery chain, may have to update its business model from a single channel, single format grocer to one that is more dynamic, modern, and multichannel. Already, Aldi has lost ground to competitor Lidl, which has a trendier image and a thriving online marketplace.

At the other end of the spectrum, for those who can afford to pay more, there are still small regional players offering more upscale grocery experiences that emphasize service, selection, quality, organics, fair trade, and locally grown foods. Epitomizing this kind of shopping experience in Britain, Waitrose opened the U.K.'s first supermarket farm shop, which offers produce grown on its 4,000-acre farm estate, as well as goods from vendors within a 30-mile radius. In Brazil, premium grocer Pão de Açúcar has found another way to stand out in an undifferentiated function-driven landscape by positioning itself at "the place of happy people." Rather than priding itself on value or quality alone, the brand brings an added emotional dimension to grocery shopping.

In North America, competition from nontraditional food retailers—such as warehouse clubs, supercenters, drugstores, and discount retailers—is blurring the grocery segment's retail boundaries. In the U.S., price-conscious consumers buy more food from these nontraditional retailers than traditional supermarkets. Further, the average U.S. supermarket shopper buys only 260 different products per year, ignoring 99.3 percent of the in-store options.

If selection is not a real draw and value is still top priority, subscription shopping starts to make more sense. Amazon Fresh and long-time online players like FreshDirect and Peapod are filling that niche—and as they find ways to deliver preferred products profitably on a larger scale, they will further challenge brick and mortar supermarkets.

As the segment that most closely reflects economy and society, grocery will continue to evolve as time passes and conditions shift. Based on the macro trends that are redefining the game, however, the next few years promise some very dramatic changes.

GROCERY INNOVATIONS AND OPPORTUNITIES

Food as a lifestyle destination
Québec-based Provigo Le Marché, owned by Canada's Loblaw Cos., wants to nourish shoppers' *joie de vivre* through a full-service grocery store with a distinctive market style layout. It's an expansive showcase for products grown and made in Québec and supports healthy eating through its proprietary nutrition-labeling program and on-staff dietician.

Better experience with mobile technology
Natural Market Food Group, a fast-growing chain of natural/specialty stores in Canada and the U.S., seeks to educate and inspire communities to eat and live well. At the company's Richtree Natural Market venue in Toronto, which features 11 different foodservice stations, customers can shop from any of the stations by scanning QR codes with their smartphones. This allows customers to pay for as many other members of their group or their family as they like—even if they are separated within the store.

A full suite of digital shopping platforms
Showcasing its leadership in both digital and brick and mortar, Big C, with multiple formats in Laos, Thailand, and Vietnam, sells its wares via e-commerce, mobile app, QR code-based virtual stores, and call centers. As a result of its strong omnichannel engagement strategies, Big C is enjoying a massive increase in sales.

Reinvent the center store
Giant Eagle is experimenting with an in-store greenhouse, using the center of its store to grow fresh products hydroponically. The coming shift of merchandise from in-store to online will open up opportunities to offer new services, experiences, and features that will enhance the in-store experience.

Making service more personal
The tailored recommendations consumers can find so easily online are still missing from supermarkets. Grocers that use technology to inspire ideas around food, personal preferences, and occasions—and help shoppers manage their pantry replenishment with mobile data—will be the brands that matter most in the lives of customers.

HOME IMPROVEMENT

To remain relevant in an increasingly competitive sector, top home improvement brands are creating meaningful experiences for their customers and communities. Shoppers are encouraged, inspired, and supported with service and instruction. Internationally, companies continue to experiment with the best way to expand.

MODERATE GROWTH, IMMENSE POTENTIAL

The global home improvement market is growing. Mexico is emerging as a fertile and important market, thanks to its growing middle class. The Home Depot, the leading home improvement retailer in the U.S., is strengthening its existing operations south of the border in the expectation that Mexico is projected to add 14 million homes over the next 25 years.

Despite global opportunity for the sector based on population growth and an increase in dual income families, The Home Depot has only been successful in North America. It found its big box format to be a logistics challenge as well as a cultural mismatch in both China and South America. In China, for example, consumers aren't particularly interested in DIY, how-to videos, or in-store remodeling forums. After closing its big box stores in the country, the chain is now shifting its focus to e-commerce in the hopes of winning over younger Chinese customers.

In Latin America, France-based Leroy Merlin is one of the largest home improvement brands based on sales, even though it has fewer stores than competitors C&C, Telhanorte, and Sodimac. Leroy Merlin credits its success to a rich merchandise mix, its online channel, and a clean, unique presentation style. Besides the usual home improvement tools and supplies, the store also carries home furnishings, ensuring that any household project—from renovation to redecorating—has a high probability of ending in a shopping trip to Leroy Merlin.

The biggest home improvement brand in Asia is Thailand's HomePro. It stands out in an increasingly competitive market with an extensive footprint, as well as a commitment to meaningful customer service that helps do-it-yourselfers make more informed choices and get better results. It builds community through its quirky advertising as well as clever promotions like The Other Side Project, which was created to help local poor people who use sidewalk billboards to build or repair their street shelters. In this dual-purpose campaign, HomePro created billboards with its advertising message on one side, and wallpaper and a fixture—such as a shelf, reading light, or closet rod—on the other. As soon as the campaign ended, locals were free to use these signs to improve their homes.

Bunnings Warehouse continues to capitalize on Australia's fascination with home improvement. Recently recognized as one of the country's most trusted brands, it has built its reputation on community and authenticity. This year, Bunnings took a big, much-needed step in developing its e-commerce channel, bringing it more in line with the brand's in-store experience. An omnichannel presence will help Bunnings compete against new entrant, Masters Home Improvement, a joint venture between Woolworths and U.S.-based Lowe's.

While promotions and low-price offers are still the norm, brands in this sector are putting more effort into developing emotional connections with consumers to take advantage of the "IKEA effect," the high value consumers place on products they partially create and projects they do themselves. High service levels are a must as is mobile technology, which gives customers and store associates access to more products and information. Overall, the global home improvement retail market will continue to grow, while its leading players get even better at meeting consumer demand.

HOME IMPROVEMENT INNOVATIONS AND OPPORTUNITIES

Engage the imagination with 3D visualization
Latin America's Sodimac created a mobile app that lets shoppers view its catalog in 3D. Thailand's HomePro helps aspiring home improvers via its in-house design consultation service, which features a 3D system for improved visualization.

Collect shopper insights continuously
Leroy Merlin launched a Housing Observatory to identify new trends and spur innovations. Insights gained into its customers' lives will help the brand inspire its customers, stay relevant, and adapt to local markets.

Differentiate via display techniques
Recognizing that big box home improvement stores can be hard to shop, U.S.-based Lowe's has changed is merchandising strategy to focus on highly innovative products, significant values, and its exclusive private and national brands. To remain relevant and drive high-margin sales, the retailer also revamped its seasonal promotional spaces.

Dynamic price tags lure shoppers

French DIY chain Castorama is using dynamic price tags to change the price of a product based on demand and time of day. Not only is the task of manually adjusting price stickers eliminated, the electronic tags can be changed in real time. Items can be made cheaper during off-peak hours to encourage shoppers to visit at those times.

MASS MERCHANT

Consumers still love big, everyday-low-price stores filled to the rafters with consumer goods and groceries. But behaviors are changing. Mass merchants must fight harder to attract the low-income and fixed-income shoppers that built some of the world's biggest retail brands.

TAKING THE STORE ONLINE AND INTO SMALLER BOXES

You know it's a tough year for mass merchants when Walmart, the world's most valuable retail brand, drops a few percentage points in brand value. Walmart faces the same challenges as its peers around the globe: price competition from pure e-commerce brands—in particular, Amazon—and the growing popularity of small-box discount stores in the dollar and convenience categories.

For the past several years, Europe's mass leaders Carrefour, Auchan, and Casino have been exploring new formats for their hypermarkets in combination with smaller stores and new services. Carrefour City, Auchan's A 2 pas, and Petit Casino respond to local markets and serve shoppers close to home, saving them transportation costs. Traditional big box formats have also been redesigned for better shopping experiences, some with drive-through options.

In North America, small-format stores have proliferated to take advantage of new shopping habits. Low-income shoppers, unsure of the next paycheck, typically make more trips closer to home and spend less per trip. In response, Walmart has doubled the number of 12,000-square-foot Walmart Express stores it plans to open. It's taking an offensive stance online as well, revamping its site search capabilities to raise conversion rates by 20 percent.

Generally, traditional mass retailers have been slow to make their online channels as effective and efficient as their brick and mortar stores. Kaufland, Germany's leading hypermarket brand, is a relative newcomer to TV advertising and engaging its customers in social media, but will not launch e-commerce until 2015. With Amazon launching grocery delivery in Germany, Kaufland's online experience will need to be best in class.

Lojas Americanas wants to be Latin America's Amazon, and has invested heavily in e-commerce to complement its brick and mortar and catalog channels. The brand developed its own scalable logistics system, able to deliver orders in 48 hours throughout Brazil.

In Australia, the mass battle is brewing between three players that make the list: Big W, Target, and a recently reinvigorated Kmart (the latter two, not to be confused with their North American counterparts, are locally owned and operated in Australia). All three have potential to improve their experiences online, where they face increasing competition from direct competitors and other e-tailers.

One of the brightest spots in mass can be found in South Korea at emart. The retailer doesn't have a cookie-cutter format but every location seems to be neat, colorful, and lively. Its electronics megastore in Seoul's Yongsan district has nine levels, each floor dedicated to a single category such as cameras, TVs, or computers. Advertising and promotions are both clever and whimsical.

Recently, emart sent remote-controlled helium balloons with Wi-Fi capability out into the streets. These balloons, in the shape of the company's mascot, enabled customers to wirelessly download coupons via the brand's mobile app. The delightful experience led to a surge in online and offline sales, with a 157 percent increase in the e-commerce channel.

MASS MERCHANDISE INNOVATIONS AND OPPORTUNITIES

Expand into new categories
Besides its famous experiment with same-day delivery via drones, Amazon made news by adding a number of niche stores, including flowers and fine art, to its e-commerce empire. The online retailer also made it easier for consumers to find and manage magazine subscriptions with its new one-click feature.

Augmented reality, digital beacons
Argos began life as a catalog-based retailer, and then pioneered the click-and-collect format in the U.K. This year, it introduced digital concept stores—where tablets take the place of catalogs—so items can be selected in-store, picked up, and paid for in minutes. For those who order online, Argos is testing the use of short-range wireless to inform customers when orders are ready to be picked up. To make the experience more engaging, the catalog also features augmented reality.

Add some high-end excitement
Following a series of acquisitions that have made it the biggest sports retailer in Canada, Canadian Tire opened "ProShop" mini-boutiques in 50 of its big box suburban stores, including higher end, higher margin merchandise from rival retailer Sport Chek.

Tap into employee and customer creativity
Auchan has put innovation at the center of its business strategy. Its "Creative Attitude" crowdsourcing initiative solicits thousands of ideas from employees and customers for improvements and product suggestions, with the best ideas implemented in its stores.

REGIONAL OVERVIEWS

NORTH AMERICA

WHILE E-COMMERCE SALES CONTINUE TO GROW 10 PERCENT EACH YEAR AND SOME SECTORS ARE FACING DEFINITE CHALLENGES, TRADITIONAL NORTH AMERICAN RETAILERS REMAIN STRONG. NEARLY ALL BRANDS IN THIS REGION OFFER COMPETITIVE PRICING; CONVENIENT PURCHASING AND PAYMENT OPTIONS; A PLEASANT SHOPPING EXPERIENCE; OFFERINGS THAT ARE MEANINGFUL AND RELEVANT; AND DEMONSTRATE THAT THEY UNDERSTAND THE COMPLEX RELATIONSHIPS BETWEEN ANALOG AND DIGITAL, RETAIL AND THE SHOPPER.

01	-6%	$131,877M	Walmart
02	+8%	$27,123M	TARGET
03	+12%	$25,696M	THE HOME DEPOT
04	+27%	$23,620M	amazon
05	+12%	$17,779M	CVS/pharmacy
06	+8%	$15,519M	Walgreens
07	0%	$13,543M	Sam's Club
08	+20%	$13,162M	ebay
09	-21%	$11,588M	COACH
10	+2%	$10,157M	Publix
11	+9%	$9,634M	Lowe's
12	-12%	$8,957M	NORDSTROM
13	+13%	$8,286M	Costco Wholesale
14	+8%	$7,711M	DOLLAR GENERAL
15	+2%	$6,249M	VICTORIA'S SECRET
16	+383%	$6,084M	macy's
17	+3%	$5,825M	KOHL'S
18	+5%	$5,440M	TIFFANY & CO.
19	-11%	$4,931M	STAPLES
20	-41%	$4,793M	BEST BUY
21	+7%	$4,669M	AutoZone
22	-11%	$4,610M	AVON
23	+173%	$4,166M	WHOLE FOODS MARKET
24	+5%	$3,920M	GAP
25	+6%	$3,860M	BED BATH & BEYOND
26	+15%	$3,214M	OLD NAVY
27	+15%	$3,118M	Sherwin-Williams
28	-5%	$3,111M	SHOPPERS DRUG MART
29	-13%	$3,087M	lululemon athletica
30	+16%	$2,444M	ROSS DRESS FOR LESS
31	-8%	$2,336M	GameStop
32	+22%	$2,123M	TJ·maxx
33	+4%	$2,035M	Michaels Where Creativity Happens
34	+19%	$2,028M	Marshalls
35	+3%	$1,868M	J.CREW
36	+10%	$1,812M	PETSMART
37	+2%	$1,795M	BANANA REPUBLIC
38	-3%	$1,760M	Canadian Tire
39	+7%	$1,528M	DICK'S SPORTING GOODS
40	+14%	$1,496M	DOLLAR TREE
41	+16%	$1,492M	TSC TRACTOR SUPPLY CO
42	+7%	$1,421M	Bath & Body Works
43	+8%	$1,294M	AMERICAN EAGLE OUTFITTERS
44	+17%	$1,183M	FAMILY DOLLAR
45	-5%	$1,122M	URBAN OUTFITTERS
46	NEW	$1,109M	Advance Auto Parts Service is our best part.
47	+6%	$1,082M	Buckle
48	+27%	$1,066M	Cabela's World's Foremost Outfitter
49	+15%	$983M	EXPRESS
50	NEW	$932M	chico's

NORTH AMERICA OVERVIEW

BY LEE CARPENTER, CEO, INTERBRAND NORTH AMERICA &
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Rebounding from five years of economic turmoil, technology changes and altered consumer behaviors, North America's leading retailers are still recovering their balance, making major moves to reassert their relevance. The mad race to throw money at e-commerce, apps, QR codes, and interactive screens has come to an end. "Omnichannel" is already an old buzzword. This new reality has led to a rise in "connected stores for connected customers" as evidenced by our top 50 North American brands.

This year, the total value of the top 50 North American retail brands is up slightly, by USD $18 billion, with striking increases in value by Macy's and Whole Foods Market. The threshold for the league table rose 11 percent compared to last year.

While e-commerce sales continue to grow 10 percent each year, questions about the role of brick and mortar seem to be largely resolved. The store is now a brand experience that drives revenues across all channels.

DIGITAL IS NO LONGER A SEPARATE CONVERSATION

The North American retail brand with the greatest percentage increase in brand value this year is a master at achieving relevance at scale. Macy's is recognized as something of a hybrid superstar. With bona fides in both digital and brick and mortar, it has set the standard for highly personalized shopping, harnessing some of Amazon's key strengths while heightening the in-store experience.

Amazon itself continues its relentless growth to become "the everything store." While CEO Jeff Bezos considers his brand to be without competitors, most retailers have come to see they are locked in battle with the e-commerce juggernaut. Analysts predict Amazon will soon carry more than 85 percent of the product sold at leading retailers, at better prices, with more delivery methods and payment options.

Today a fully functional mobile presence is a given for every brand. Knowing this, The Home Depot has armed its store associates with handheld technology to help them track inventory, aid shoppers, and share new problem-solving tips both in the store and online as a result of that shopper interaction. It conveys the "more doing" brand essence while adapting to a customer's particular needs in real time. The Home Depot remains ahead of Amazon in brand value this year.

DRUGSTORES MUST BECOME HEALTH CARE PROVIDERS

In the U.S., health clinics inside retail chain stores have doubled over the last six years led by CVS, the pioneering cigarette-quitting pharmacy giant that plans to have 1,500 in 35 states by 2017. Walgreens, meanwhile, is projecting double-digit growth, confident that simple care delivered by licensed pharmacists and nurse practitioners will increase trips and spend.

The Patient Protection and Affordable Care Act drove this year's retail expansion plans in the U.S. As more consumers obtain insurance coverage, an inevitable shortage of physicians, in conjunction with the convenience of store hours, makes retail an attractive alternative to slow traditional systems. Even in Canada where residents have received publicly financed health care

#BESTRETAILBRANDS

NORTH AMERICA

since the 1960s, Walmart Canada targets shoppers through its nearly 30 retail health clinics, anticipating a need for easier access to convenient medical care as the population ages.

Fashionable mass merchant Target also houses retail health clinics in about 70 of its stores in the U.S. Target stopped selling cigarettes in 1996 without crippling its bottom line, which suggests that CVS will recover from the USD $2 billion loss it expects after removing tobacco from its stores this year. The move will strengthen CVS's image as a healthcare retailer. Pressure is now certainly on Walgreens, with its "Happy & Healthy" brand promise, to do the same.

INCREASED CROSS-BORDER ACTIVITY

Target arrived in Canada this past year, with Nordstrom planning its own cross-border activity beginning in the fall of 2014. Canadian retail icon The Hudson's Bay Co. will bring Saks Fifth Avenue north in late 2015, making some of America's favorite brands more continental than national. Within Canada's borders, grocery giant Loblaw Companies Ltd. shook up the retail scene by paying USD $12.4 billion to acquire Shopper's Drug Mart 1,250+ stores, many of them in profitable urban locations.

It was once said there were only three kinds of retailers: those that compete on price, those that compete with a unique experience, and those that can't compete. Now even dollar stores are improving their environments with offerings that are meaningful and relevant. For the brands on our list, actions based on lessons learned from the last five years are paying off. There's a greater understanding of the complex and challenging relationships between analog and digital, retail and the shopper. Judging from the overall increase in brand value, consumers are rewarding those actions.

SUMMARY

- Online retail is rapidly taking share in many retail categories, led by Amazon
- A mobile presence is a must; the new omnichannel reality has given way to "connected stores for connected customers"
- Health clinics inside retail chain stores have doubled over the last six years, with CVS—which, notably, will drop tobacco from its stores—leading the trend
- Electronics retailers are facing increased pressure due to showrooming; department stores are facing challenges—but increased cross-border activity may lead to gains for brands like Target

01

WALMART
USA
MASS MERCHANT
$131,877M
-6%

It's been a tough year for the world's biggest retailer. Its U.S. stores reported sluggish sales as customers cut back or turned to dollar stores. Stuck with excess inventory, it trimmed orders and staff, even while expanding domestically with smaller stores in urban areas. The U.S. is still its strongest market, one that's seemingly impervious to negative press such as wage protests at home or internal bribery probes, as the retail giant has struggled internationally, closing stores in Brazil and China and reassessing its India strategy. With a new U.S. CEO (Douglas McMillon) and international CEO (David Cheesewright) to get the business back on track, it's also investing in mobile, smaller stores and e-commerce to keep up with the 10 percent annual growth rate of U.S. online spending.

02

TARGET
USA
MASS MERCHANT
$27,123M
+8%

Never mind catching flack for refusing to sell Beyonce's album. The biggest challenge to Target's brand in the past year was the massive data breach during the holiday season, which sent store traffic and confidence plummeting. Yet the brand stayed true to its reputation for creativity and innovation. The retailer partnered with *Wired* magazine on a curated line of electronics, collaborated with Latin music producer Emilio Estefan and Monster on an exclusive headphone design, and introduced a family-friendly movie streaming service. Rounding out a busy year, it also launched a subscription service for baby goods, acquired CHEFS Catalog and Cooking.com, and opened 120-plus new stores in Canada—where it's still finding its footing. Coming soon in the U.S.—Target Express, a quick-trip store format, and more secure pin-and-chip Redcard technology.

03

THE HOME DEPOT
USA
HOME IMPROVEMENT
$25,696M
+12%

The DIY retailer surprised Wall Street with impressive sales and earnings, not just maintaining its lead in a fragmented category serving an ever-fluctuating market—but thriving. Credit strategic use of key assets: store location, tech innovation, and in-store moves including lower pricing, simpler merchandising, and improved customer service. Investments in digital retail systems significantly increased in-store purchases this year, while well-managed exclusive private labels differentiated the brand from competitors. Expanding beyond its core home improvement customer base, it successfully introduced services to support contractors, with professional business and construction now accounting for 35 percent of sales. On top of its commanding brand presence and impressive agility, The Home Depot has succeeded in responding to marketplace changes, climate fluctuations, and consumers' changing needs.

04

AMAZON
USA
MASS MERCHANT
$23,620M
+27%

The world's biggest e-tailer saw 2013 net sales increase 22 percent, even while it lost a staggering USD $3.5 billion on shipping—which it aims to address by hiking the cost of Amazon Prime membership to USD $99. It also made headlines with its plan to test same-day delivery via drones, showing its focus on innovation and long-term thinking. Expanding into online advertising and original programming for its streaming video service (with a streaming set-top box in the works), it's becoming a force to be reckoned with in the entertainment industry. While its storage lockers with other retailers met with mixed success, its presence inside P&G and other CPG partners' warehouses helped reduce costs, while it's continuing to build infrastructure for same-day delivery of perishables.

05

CVS/PHARMACY
USA
DRUGSTORE
$17,779M
+12%

Its network of more than 7,600 stores gives CVS/pharmacy a competitive edge throughout the U.S., making it the nation's second-largest pharmacy chain. Shopper research is helping the brand improve adjacencies and localize assortments in its brick-and-mortar stores, while city locations are being updated. In addition to gaining consumer insights, profitable long-term pharmacy benefits management contracts won by its parent company have boosted sales online and in-store. Ever-evolving private labels continue to improve front-of-store margins, while its MinuteClinic format holds the lead in the retail clinic space. With pharmacy making up 70 percent of sales, CVS is looking for ways to help customers achieve health goals, including its recently announced landmark ban on cigarette sales.

06

WALGREENS
USA
DRUGSTORE
$15,519M
+8%

Walgreens is shifting its brand image, store design, and inventory to better compete with rival drugstore brands, as well as Walmart and Amazon. However, rather than making sweeping changes across its 8,500+ U.S. locations, the brand is proceeding with care. The "general merchandise with pharmacy" format is slowly transforming into a health-and-wellness experience, in which the pharmacy is perceived as part of the community. In the long-term, that means a renewed focus on its in-store pharmacy, immunizations, clinics, vitamins, as well as beauty and skincare offerings. Helping position it for growth, 2013 net earnings soared thanks to success in the company's pharmacy business, its loyalty program, and its new 10-year distribution agreement with drug wholesaler AmerisourceBergen to help offset pressures from generic drugs.

07

SAM'S CLUB
USA
WAREHOUSE CLUB
$13,543M
0%

Walmart-owned Sam's Club has over 47 million members and serves over 600,000 small business owners every day. The warehouse club has been focusing on innovation to make the shopping experience more efficient, especially for small business owners, by offering small business loans, invoice comparison, instant savings, and earlier hours. For general consumers, it's promoting e-commerce and mobile apps, greater in-store Wi-Fi capability, expanded self-checkouts, and convertible cash registers, as well as new brands and ways to save. The retailer's mobile app, Scan & Go, differentiates its shopping experience by allowing customers to scan and total their own purchases as they shop. Transitioning gracefully into the digital era, Sam's Club has managed to remain a top retailer by adapting to changing times and changing customer needs.

08

EBAY
USA
MASS MERCHANT
$13,162M
+20%

Faced with competition from the likes of Amazon, Google, and Apple, eBay is shaking off its established role as the web's communal auction house and merchant partner. Its aim: to be a global commerce platform and payments leader that enables shopping and transactions virtually anytime, anywhere. It's a grand, but achievable, goal. Proving it can create exciting end-to-end customer experiences, in 2013 it brought connected glass storefronts to a mall in San Francisco and partnered with Kate Spade Saturday to bring 24-hour shoppable pop-up storefronts to New York, showcasing its mobile tech, same-day delivery via eBay Now and its mobile payment solution, PayPal Here. With a zeal for innovation and a willingness to reinvent itself, and a global mobile commerce advantage by owning PayPal, eBay looks poised to fend off its formidable rivals.

9

COACH
USA
APPAREL
$11,588M
-21%

Fierce competition has knocked Coach off its perch, and the brand was slow to respond when its customers migrated to competitors like Michael Kors, Kate Spade, and Tori Burch. Unexpected weakness led to a change in leadership and a parting of the ways with creative director Reed Krakoff. To recover, Coach is transforming itself into a lifestyle brand. Besides adding categories, the company plans to expand in online sales, men's collections, and its overseas markets—holiday sales were up 25 percent in China—but must address the fact that customers are flocking to its outlet stores. Despite falling sales, Coach will open 20 new stores in North America and expand 20 more, displaying its bags in the context of new outerwear and ready-to-wear offerings.

10

PUBLIX
USA
GROCERY
$10,157M
+2%

Since 1930, the Publix brand has been recognized for excellent customer service and stellar employee treatment. In fact, only employees may own shares in this privately held company. *Fortune* magazine has named Publix a "Best Company to Work for" for fifteen years running, citing educational and training opportunities among other perks for employees. In addition to looking after its employees, Publix pays close attention to economic conditions and consumer research and trends. Recognizing the need for a quicker and more efficient shopping experience, tests continue for an online/mobile ordering system that will reduce long wait times at its deli counters. Overall, its competitive pricing, highly refined private label program, and community involvement keep shoppers loyal and happy, leading—not surprisingly—to an increase in 2013 sales.

11

LOWE'S
USA
HOME IMPROVEMENT
$9,634M
+9%

The home improvement giant delivered consistently on its brand promise while growing in both financials and size, although it's still trailing its rival, The Home Depot. This past year Lowe's acquired 72 stores from Orchard Supply Hardware, a purchase that boosted sales in California, home of the small-format neighborhood stores that will complement Lowe's big box strengths. "Never Stop Improving" is both Lowe's tagline and its internal call to action for innovating and improving the brand experience, which it did by improving its MyLowe's online project management tool, along with the mobile technology that allows employees to spend more time with shoppers, strengthening the brand value of partnership with the customer. Lowe's continues its commitment to energy efficiency and was named Energy Star of the Year.

12

NORDSTROM
USA
DEPARTMENT STORE
$8,957M
-12%

The specialty retailer known for high-end merchandise and impeccable service improved its brand experience with digital tablets in-store, 3D imaging software to aid online shoe fitting, and "pop-in" stores described as in-store celebrations with different themes, such as French designers. To attract its key demographic of men and women aged 25 to 35, Nordstrom partnered with Bonobos and Topshop and launched a hip, quirky online campaign, Youphoria. New "of the moment brands" are being sold at lower price points. The retailer also shifted attention to its off-price Nordstrom Rack division, expansion into Canada, and its upcoming New York flagship debut, slated to open in 2018. Soft sales in its full-line stores, of which only one opened in 2013, were offset by strong direct sales and increases at Nordstrom Rack.

13

COSTCO
USA
WAREHOUSE CLUB
$8,286M
+13%

Costco is the world's dominant warehouse club operator, with more than 72 million members worldwide and record sales in 2013. Despite limited marketing, Costco's store experience and product mix keeps demand for its quality, low-priced goods high. It has opened 26 warehouses in seven countries and continues its expansion—next stop, Spain—while the U.K. and Mexico can now shop Costco online. Known for excellent customer service and Corporate Citizenship, including respect for suppliers, livable wages, and health care for its employees (it's one of the few retailers to support raising the minimum wage), Costco also rewards shareholders. Perhaps because of its overall strength, the brand appears untarnished by recent legal tussles with Michael Kors, Tiffany & Co., and the settling of a gender-bias class action suit.

14

DOLLAR GENERAL
USA
DOLLAR STORE
$7,711M
+8%

Dollar General is the clear category leader when it comes to presence, even though the no-frills experience continues to lack true differentiation from its competitors. This extreme-value, small-box player ended 2013 with strong numbers, a bright outlook and more than 11,000 stores in 40 U.S. states. Spurred by sales of tobacco and grocery, its stores saw more traffic from the brand's targeted low-, middle-, and fixed-income shopper. It also entered a new line of sales this year, testing a fuel offering in partnership with Mansfield Oil. Dollar General continued to sponsor NASCAR and invest in community programs for youth education and literacy, but was hit with fair labor and discriminatory lawsuits, which may negatively affect its brand image, and possibly employee engagement.

15

VICTORIA'S SECRET
USA
APPAREL
$6,249M
+2%

Despite increased competition in the women's intimates category and a soft market for apparel, Victoria's Secret shows no sign of weakness. The brand reported comparable store sales growth thanks to creative product offerings, widespread media exposure, and a dynamic online presence. Its fleet of 1,000+ stores in the U.S., Canada, and the U.K. are smartly managed for productivity, underperformers are routinely consolidated, and new openings are carefully considered. The 120+ franchised beauty and accessory shops in airports from Kuala Lumpur to Athens generate double the chain average. And, after nearly 20 years, the Victoria's Secret annual fashion show still captivates audiences. Even a protest over the store's racy PINK spring break collection led to a bump in sales after the collection was pulled.

16

MACY'S
USA
DEPARTMENT STORE
$6,084M
+383%

Macy's continues to work its magic, defying forecasts for the death of department stores with three consecutive years of significant sales growth. Indicative of its strength, its brand value rose again by a large margin. Macy's is indeed a leader worth studying for its strategy and the relentless dedication that brings the brand to life. Referring to its rapid response to shoppers' new digital behaviors, the retailer calls itself America's Omnichannel Store. Adopting a "digital hybrid" model, Macy's uses technology to create a tailored shopping experience within an environment that is fashion-forward, celebrity-infused, and luxurious. To grow its brand, Macy's is elevating the store experience and pushing into new areas via its USD $400 million Herald Square flagship renovation in New York, scheduled to open in 2015.

17

KOHL'S
USA
DEPARTMENT STORE
$5,825M
+3%

The good news is family-focused value department store Kohl's is keeping pace with the competition. The not-so-good news is that fighting for share in the deal/trend space makes brand a less distinguishing factor in maintaining margins and inspiring customer loyalty. However, the retailer's practice of exclusive collaborations with famous fashion designers like Catherine Malandrino and Vera Wang and celebrities such as Lauren Conrad and Jennifer Lopez remains lucrative. While Kohl's new chief customer officer, Michelle Gass, raised eyebrows when she opened stores on Thanksgiving evening and stayed open for 108 straight hours leading into Christmas Eve, she continues the work of evolving the Kohl's brand in its e-commerce channel, recommitting the retailer to the creation of a "total omnichannel experience" for its shoppers.

18

TIFFANY & CO.
USA
JEWELER
$5,440M
+5%

Following up a celebrated 175th anniversary year that saw new collections, global expansion, and Hollywood exposure via Baz Luhrmann's *The Great Gatsby* starring Leonardo DiCaprio, Tiffany & Co. exceeded performance expectations in 2013. As part of the year-long celebration, the iconic luxury brand also renewed its two-decade long collaboration with Italian designer Elsa Peretti and introduced the Ziegfeld collection, the Harmony engagement ring and a reinterpretation of its iconic Atlas collection. Steadily expanding internationally, the brand opened 28 stores in Brazil, the Czech Republic, and China—all growth markets. It is also opening its largest European boutique, a multi-story flagship on Paris' Champs-Élysées. Not surprisingly, Tiffany & Co. shares are performing well, prompting *Forbes* to declare in an admiring headline, "Tiffany Looks like a Jewel for the Bulls."

19

STAPLES
USA
OFFICE SUPPLIES
$4,931M
-11%

Following a profitable decade, Staples is firmly established as the office supply leader in North America and Europe, and making headway in South America, Asia and Australia. The second-biggest online retailer in the world expanded its inventory (from 70,000 to 300,000 SKUs) in the past year, a fact it's playing up in a social media-savvy campaign (What's the L?) that removed the "L" from its signage. *Internet Retailer* listed it second from the top in its U.S. e-commerce rankings, and indeed Staples has prioritized its continued online growth. Building its reputation as an upstanding Corporate Citizen, its Staples Soul platform aims to both differentiate and establish the brand as socially conscious with a positive impact on employees, customers, communities, and the planet.

20

BEST BUY
USA
ELECTRONICS
$4,793M
-41%

While it is still the dominant player in consumer electronics, Best Buy struggles to live up to its name. Its turnaround strategy included cost-cutting, more competitive pricing and efforts to enhance the shopping experience in 2013, while a new store prototype was scrapped in favor of boosting its e-commerce capability. Although online sales increased this past holiday season by 23.5 percent year-over-year, expanding its online presence remains a top priority along with mobile and creating a seamless omnichannel experience. Ship-from-store, in-store pickup, and a loyalty program were more immediate wins for the brand. The success of its in-store Samsung boutique will serve as a model, overtaking floor space devoted to low-margin physical media, as the brand attempts to continue to turn around its fortunes.

21

AUTOZONE
USA
AUTO PARTS
$4,669M
+7%

In 2013, AutoZone's net income and earnings per share grew significantly, making it the leader in its category. While the DIY car repair category is thriving, competition is stiff. It spent this year integrating AutoAnything.com, an online marketplace for auto accessories and aftermarket automotive parts it acquired in 2012—a smart fit, as both brands put customers first. For example, AutoZone stores open earlier than competitors' stores, and in some locations stay open until midnight, seven days a week. AutoZone's strong customer base, including its B2B segment, appreciates customer-friendly services such as its Z-net digital inventory and information catalog, tool loans, free diagnostics and advice. With more than 5,200 stores in North America, the company is venturing abroad, recently opening three stores in Brazil.

22

AVON
USA
SPECIALIST
$4,610M
-11%

Loyal customers still appreciate Avon's values, philanthropic work, and commitment to empowering women. But recent setbacks mean the next few years will be a crucial test for the 126-year-old brand as it dramatically cuts costs and prioritizes what matters most. That includes investing in technology, providing digital tools to its six million representatives worldwide, and creating mobile apps and more opportunities for customers and representatives to connect through social media. The international beauty brand's makeover plan includes exiting the Vietnamese, South Korean, and Irish markets. It also announced the steeply discounted sale of its Silpada jewelry home party business. With focus, discipline, and recommitment to its values and heritage, Avon could reach its goal of single-digit percentage revenue growth by 2016.

23

WHOLE FOODS MARKET
USA
GROCERY
$4,166M
+173%

The leader in the natural foods/organic grocery category delivered 2013 results that included a continuation of increases in comparable store sales and gains in market share. While others try to nose into the space, Whole Foods continues to dominate mind share and draw ever more consumers into its sphere of healthy eating. With more than 350 stores in North America and the U.K., the company sees enough demand to justify operating 1,000 stores in the U.S. alone. To keep its brand robust, Whole Foods is betting on experimentation, such as its store in Detroit that's testing a new product mix and pricing structure that may help reposition it as a provider of everyday staples for cost-conscious consumers.

24

GAP
USA
APPAREL
$3,920M
+5%

Gap saw financial growth for its fiscal year 2013, but must work to keep pace with—or stay ahead of—nimbler rivals. Looking to differentiate with consistently great products, compelling marketing, and a seamless customer experience, Gap is building an integrated omnichannel experience and true personalization. Its Styld.by co-creation platform for fashion, music, and lifestyle influencers is going global, while tests are underway on a reserve-in-store feature. Soon, shoppers will be able to scan items with a smartphone for outfit suggestions as well. Parent Gap Inc. is moving to rapid-response manufacturing to navigate fashion, color, and design trends, which will improve speed to market, minimize risks with assortment, and make it easier to restock merchandise and increase orders of popular items across Gap and its sibling brands.

25

BED BATH & BEYOND
USA
SPECIALIST
$3,860M
+6%

Despite Amazon's ability to undercut prices, Bed Bath & Beyond continues to capitalize on consumers' desire to shop for home goods in a specialty environment. While its stores haven't undergone full redesigns, the focus on extensive selection and merchandise displays that encourage impulse buys still serves it well, although analysts are skeptical about its reliance on coupons. Its online sales channel, representing just 3 percent of overall revenues, needs a boost. It's thus investing in IT development, analytics, and e-commerce improvements, with plans to make point-of-sale improvements in its stores. With a global network of 7,800 suppliers, lack of quality control of its supply chain also leaves it vulnerable to recalls, such as the 34,000 baby bath seats recalled in June.

26

OLD NAVY
USA
APPAREL
$3,214M
+15%

Gap Inc.'s family fashion brand continues to engage shoppers with its value, nostalgically quirky ads, and an interactive music-and-fashion brand experience that extends across stores, online, television, and mobile. Old Navy's target shoppers are mothers in their 30s, busy juggling children and work, who like to buy for the entire family in one trip. As promised, the brand has opened stores in Japan where it is performing well, and also has plans for stores in the Philippines. The company made a few stumbles recently, finding itself accused of patent infringement for boardshorts, selling graphic t-shirts with typographical errors, and offering a coupon program that irritated customers. Nevertheless, the brand achieved respectable gains and benefits from its parent's e-commerce and cross-branded digital sales sophistication.

27

SHERWIN-WILLIAMS
USA
HOME IMPROVEMENT
$3,118M
+15%

Sherwin-Williams boasts remarkably high brand recognition and loyalty from both paint professionals and home improvement consumers. The global paint and coatings specialist added 20 new stores to its U.S. fleet this past year, staffing them with paint-knowledgeable associates who can help contractors improve margins and give DIYers valuable advice. The company's controlled distribution platform gives it a distinct competitive advantage and allows direct interaction with customers. Consumer-directed ad campaigns declare its love for color, as does its HGTV® HOME by Sherwin-Williams line, partnerships with Williams-Sonoma and Pottery Barn, and the introduction of clever website and mobile capabilities, like its app for Google Glass, called ColorSnap Glass. The company continues on the path to growth, reaching over USD $9 billion in sales in 2013.

28

SHOPPERS DRUG MART
CANADA
DRUGSTORE
$3,111M
-5%

Despite ongoing prescription drug reform in Canada, Shoppers Drug Mart (SDM) started 2013 with a rise in earnings and higher sales driven by its non-pharmacy business. With many profitable urban locations, the leading pharmacy and food retailer was an attractive acquisition target and in July, grocery giant Loblaw Companies Ltd. shook up the retail world by paying CAD $12.4 billion (USD $11.93 billion) for SDM. The ability to cross-sell Loblaws' market-leading private label food brand, President's Choice, and SDM's market-leading health and wellness Life brand in each other's stores could provide the synergies to justify the purchase price (and also shelved Loblaw's planned Nutshell health store concept). Let's see how consumers react after the recently approved merger closes and the integration plans are set in motion.

29

LULULEMON ATHLETICA
CANADA
APPAREL
$3,087M
-13%

The yoga-inspired athletic brand known for its meteoric rise and impressive growth suffered a year of turmoil. A much publicized product recall and attempted correction caused supply chain delays, late inventory, and quality complaints. The product recall also resulted in major changes in its leadership team—most notably with founder Chip Wilson and CEO Christine Day stepping aside. Although much of 2013 was spent in damage control, Lululemon continued to open stores in North America, a showroom in Hong Kong, and diversified its product offering through new swimming and ballet lines for women and cycling and running lines for men. It will not be easy for Lululemon to recover its premium brand cachet, but the company maintains a solid financial position and a passionate customer base.

30

ROSS DRESS FOR LESS
USA
APPAREL
$2,444M
+16%

In strictly operational terms, America's second largest off-price department store chain is a clear success. Comparable stores sales are solid and the outlook for the category remains strong. Though mostly present in Western and Southern states, Ross Dress for Less is expanding in Chicago and the Midwest. It's not apparent that the company operates from a strong set of brand values, yet its shoppers are clear on its offering. Its strategic focus includes maintaining the right mix of name brands and fashions, localizing store assortments, managing real estate growth effectively, and delivering an experience that is in line with shopper expectations. Its challenge: retain its core base of treasure hunters, who love bargains enough to tolerate endless racks, understaffed checkout counters, and general untidiness.

31

GAMESTOP
USA
SPECIALIST
$2,336M
-8%

The retailer engages gamers through its sizeable network of stores, e-commerce, print and online magazines, and loyalty program. The brand serves as a marketing outpost for enthusiasts, keeping them informed about newly available and highly anticipated games. Because of this intense customer relationship, the company is optimistic about its ability to remain relevant in the future. Case in point: its business got a boost in 2013 from the release of next-generation game consoles, Microsoft Xbox One and Sony PlayStation 4. Both consoles allow gamers to play used games, which are crucial to GameStop's appeal and profitability as its customers routinely sell old games to afford new ones. But with gaming's shift to digital downloads, GameStop will need to adapt its business model to survive.

32

T.J.MAXX
USA
APPAREL
$2,123M
+22%

In a testament to consistency, T.J.Maxx and Marshalls, the two brands that make up The TJX Companies' Marmaxx Group, again occupy nearly adjacent spots on Best Retail Brands. The off-price apparel and home goods leaders are thriving by updating merchandise and responding quickly to current trends thanks to what's been described as "a brilliantly run" buying operation. T.J.Maxx increased customer traffic for the fifth consecutive year, with more young people shopping the brand. After an eight-year hiatus, it relaunched its e-commerce site, spending USD $200 million to acquire e-tailer Sierra Trading for its technology and expertise. Now that the inventory challenges of selling close-out merchandise online have been addressed, T.J.Maxx expects the channel to be a new profit center.

33

MICHAELS
USA
SPECIALIST
$2,035M
+4%

In the third quarter of fiscal 2013, Michaels reported a 66 percent jump in net income. The leading specialty retailer of arts and crafts attributes this impressive growth to additional stores, more business, bigger transactions, and higher margins. The company has also benefited from its unique customer engagement strategy, which emphasizes crafting classes, products, and promotions. Michaels differentiates its brand through exclusive merchandise, partnerships and product associations that connect with customers. Although it has yet to offer true e-commerce, the company's website is rich with project inspiration, personalized photo-printed merchandise, a blog, and plenty of printable and mobile coupons. While it is a highly seasonal business, Michaels continually refreshes key areas of the store to stay relevant to its core audience and attract infrequent shoppers.

34

MARSHALLS
USA
APPAREL
$2,028M
+19%

Marshalls is the smaller of the two Marmaxx Group brands, with slightly fewer stores and a different product mix. As one reviewer put it, "it's like T.J.Maxx is Banana Republic and Marshalls is Gap." Still only brick and mortar, Marshalls' "no walls" store set-up gives it flexibility to make the quick changes necessary for the daily arrival of new merchandise. The shopping experience tends to be capricious, but its value-seeking customers expect it. The brand has a clean, fresh online presence at the Marshalls & T.J.Maxx Newsroom, complete with Instagram and Pinterest lookbooks along with fun advice from style and trend experts. Based on growth opportunities in the U.S. and Europe, TJX hopes to significantly increase the Marshalls store count.

35

J.CREW
USA
APPAREL
$1,868M
+3%

As a purveyor of well-made classic clothing cut to the latest trends, J.Crew excels in defining and defending its spot in specialty apparel. Evidencing the brand's success, sales and revenue increased this year, it opened a London flagship store with great fanfare—and made headlines as a potential acquisition target for Uniqlo owner Fast Retailing. Most of its growth came online via the 100+ countries served by jcrew.com, as well as from J.Crew Factory sales. Comparable store sales, however, increased only slightly. The brand has a tongue-in-chic presence in social media with a cult-like following of bloggers and fashionistas for brand president Jenna Lyons, a fall collection that debuted on Pinterest, Instagram in-store style sessions, and a Fashion Week diary on its lively Tumblr blog.

36

PETSMART
USA
SPECIALIST
$1,812M
+10%

The largest player in the pet supplies industry with USD $7 billion in annual sales, PetSmart has added 55 new stores and 3 pet boarding locations for a total of more than 1,314 PetSmart stores and over 196 PetsHotels in the U.S., Canada, and Puerto Rico. According to the company, broader foreign expansion "isn't needed yet." This year, the service-oriented one-stop-shop for pet parents put a new set of leaders in its C-suites—CEO, COO, and CFO—and unveiled plans for smaller urban locations with inventories below the 11,000 items typically carried in its big box stores. PetSmart's annual revenue is growing at slightly more than 10 percent, helped by new store openings. Comparable store sales, meanwhile, increased by more than three percent.

37

BANANA REPUBLIC
USA
APPAREL
$1,795M
+2%

Through its 700 stores in North and South America, Europe, and Asia, and an e-commerce platform serving 80 countries, Gap Inc.'s Banana Republic brand offers professionals work wear that can be styled for any occasion, "from desk to dinner." This past year, it snagged the spotlight with designer collections in collaboration with L'Wren Scott and Kate Middleton-favored Issa London, and was also chosen as formal attire supplier for Oracle Team USA, the sailboat racing syndicate defending the 34th America's Cup. In pursuit of a seamless brand experience, Banana Republic consolidated all channels under a single global brand. However, the U.S. apparel retail market has been particularly weak due to cautious consumer spending, which had an offsetting impact on financials as the brand registered negative growth.

38

CANADIAN TIRE
CANADA
MASS MERCHANT
$1,760M
-3%

Canadian Tire held its own in a field crowded by new U.S. entrant Target and the expanding footprint of both Walmart and Amazon in Canada. The iconic retailer and one-stop shop for everything from sporting goods and hardware to housewares and auto accessories has long played to its Canadian heritage in advertising. However, Canadian Tire has recently started to reshape its in-store and online experiences to better align with its brand positioning and remain competitive in the marketplace. Major initiatives include a lifestyle hub called The Canadian Way, testing a new rewards strategy, and the launch of Canadian Tire Express for urban centers. These initiatives demonstrate that Canadian Tire is proactively defending its market position and will not let go without a fight.

39

DICK'S SPORTING GOODS
USA
SPECIALIST
$1,528M
+7%

The sporting goods leader had a busy 2013, opening two Field & Stream stores, 40 Dick's Sporting Goods stores, one Golf Galaxy store, and two True Runner locations. In addition, 75 existing Dick's stores underwent partial remodeling. The company poured resources into its omnichannel strategy, including improved mobile capabilities, a click-and-collect in-store pilot, and a stronger e-commerce team. Despite high capital expenditures, the retailer is confident the result will sustain long-term advantages. Meanwhile, net sales were flat in 2013 compared to the 4.3 percent increase in consolidated same-store sales a year earlier. To reach its USD $10 billion sales target, the retailer plans to add 300 stores in the next four years to total more than 800 Dick's Sporting Goods and 55 Field & Stream stores.

40

DOLLAR TREE
USA
DOLLAR STORE
$1,496M
+14%

Dollar stores have been battling both a weak economy and big box discount chains competing for discount shoppers. Against tough odds, the world's leading operator of $1 price-point variety stores continues to grow, enjoying another healthy jump in value. The company opened over 300 stores in the U.S. and Canada for over 40 million square feet of selling space total, and reported record sales in the first half of 2013. To increase sales, drive traffic, and improve market share, the retailer remixed assortments to include fast-turning items people need every day, in addition to seasonal and discretionary merchandise. Dollar Tree's positive performance may owe less to a recent initiative to create a branded experience that's "bright, fun and friendly" than reigning macroeconomic conditions.

41

TRACTOR SUPPLY CO
USA
HOME IMPROVEMENT
$1,492M
+16%

To say the rural lifestyle retailer had a good year would be putting it mildly. Tractor Supply Co. continues to thrive by serving its target market: recreational farmers and ranchers and those who enjoy the "Out Here" lifestyle. Its stores, website, magazine, and advertising clearly differentiate the brand from general merchandisers and home centers. Although many consumers have never heard of it, Tractor Supply impresses with its strong earnings, solid financial position and a sustained focus on productivity. In 2013 the company opened more than 100 new stores, and is expanding into the western region of the U.S. While its e-commerce channel is still relatively young, it's learning fast how best to fulfill its customers' needs when it comes to property and animal ownership.

42

BATH & BODY WORKS
USA
SPECIALIST
$1,421M
+7%

Bath & Body Works aims to improve consumers' emotional and physical well-being with enticing fragrances for their bodies, hands, and homes. Judging by the loyalty of its young female fans, the brand is succeeding. The company's frequent and innovative product launches keep the customer engaged and lower-priced and mass competitors at bay. Successful ventures in taking the Bath & Body Works experience abroad have led to plans to open more international franchises in the near future. Also indicative of change on the horizon, the brand's long-running signature country-inspired gingham motif is being remade into a "modern day apothecary of beauty." Judging by the numbers, Bath & Body Works remains relevant as an affordable indulgence: in 2013, sales increased by 9 percent and operating income by 19 percent.

43

AMERICAN EAGLE OUTFITTERS
USA
APPAREL
$1,294M
+8%

A leading retailer of casual wear for tweens through college-age shoppers, American Eagle Outfitters continues to prove itself resilient in the face of its fickle audience and their over-reliance on promotions. While past efforts to expand into different target audiences via Aerie, 77kids, and Little 77 seem to have had little impact, more recent company initiatives led to modest growth this past year. Improved inventory management, the shuttering of underperforming stores in favor of new stores in underserved markets, and aggressive expansion of factory stores are lifting profit margins and boosting earnings. A robust online store accounts for about 13 percent of sales. With over 1,000 mall-based stores in North America, American Eagle Outfitters plans to raise its total store count closer to 1,250.

44

FAMILY DOLLAR
USA
DOLLAR STORE
$1,183M
+17%

2013 saw a major milestone for the Family Dollar brand with its 8,000th store opening. Even so, it lags in presence behind chief rival Dollar General, which boasts a fleet of 11,000. Nevertheless, Family Dollar has been working to differentiate its brand through updated store layouts, expanded consumable categories, and an increased selection of health and beauty. Its private labels are popular, representing more than 25 percent of total sales for the extreme value retailer. Yet, as the brand continues to gain market share and increase sales, it struggles to maintain profit levels. Customers living from paycheck to paycheck continue to be stretched, sticking to basic necessities and buying fewer high-margin items. In response, Family Dollar is clearing out unproductive merchandise while strengthening consumables and basic necessities.

45

URBAN OUTFITTERS
USA
APPAREL
$1,122M
-5%

It was another year of healthy sales for Anthropologie's Urban Outfitters brand. It announced plans for an additional distribution center to feed its almost 200 stores in North America and Europe, as well as web and catalog sales. The hip 18-to-30 crowd connects with the brand through its eccentric but entertaining omnichannel shopping experience and merchandise that's stylish to some, eclectic and slightly bizarre to others. Its tradition of riling up critics endures with the bad PR-generating graphic T-shirts bearing outrageous slogans its rebellious customers expect. In October, Urban Outfitters unveiled plans for a 6.5 acre "lifestyle experience" in Pennsylvania, (similar to the "mini-cities" developed by IKEA) that will include Urban Outfitters and Anthropologie stores, a Terrain garden center, eateries, and a boutique hotel.

46

ADVANCE AUTO PARTS
USA
AUTO PARTS
$1,109M
NEW

This year, Advance Auto Parts pushed past AutoZone to become the largest retailer of automotive replacement parts and accessories in the U.S. With its USD $2 billion acquisition of the Carquest chain of over 1,400 outlets, the combined company will have annual sales of USD $9.2 billion. With parts sales in the brand's more than 4,000 stores slipping as more Americans buy new cars, the move aims to boost Advance Auto's footprint in the commercial repair industry, as well as extend its geographic reach throughout North America. It also serves to future-proof the brand, as forecasts for the industry predict sales to commercial customers will outpace sales to do-it-yourselfers as cars get more complicated and younger people involve themselves less with DIY repairs.

47

BUCKLE
USA
APPAREL
$1,082M
+6%

Coming off a record year in 2012, the specialty retailer known for its exceptional service and denim selection saw sales remain essentially flat in 2013—but not for lack of trying. It opened a dozen new stores, added youth apparel, and extended its interactive brand-building online. It now operates over 450 locations in 43 states, where it's one of the rare brands that invests in employee training and differentiates on customer service. Its associates are well-educated "personal stylists" and "denim fit specialists" dedicated to fulfilling the brand promise of "the most enjoyable shopping experience possible." Positioning, however, remains muddled, since it describes its offering as casual apparel and delivers on branded and private label denim, the latter accounting for more than 40 percent of net sales.

48

CABELA'S
USA
SPECIALIST
$1,066M
+27%

Famed as a tourist destination, outdoor sports retailer, and direct marketer, Cabela's is the acknowledged leader in the hunting and fishing categories. Its enormous legacy stores at 180,000 to 250,000 square feet draw millions with museum-quality displays of taxidermied game and aquariums—often including a restaurant, travel service, gun library, and an archery range. However, such stores (due to their size and expense) tend to slow expansion, which has led Cabela's to explore smaller footprints of 70,000 to 125,000 square feet with more flexible floor plans. Even though these Outpost stores serve smaller U.S. towns, they consistently outperform the legacy stores and are expected to be an important growth driver. The company plans to open 14 more in the next two years.

49

EXPRESS
USA
APPAREL
$983M
+15%

Sales increased in 2013, along with the number of stores that are strategically strengthening the brand's presence. It now operates over 600 stores in the U.S., Canada, and Puerto Rico, and is expanding in the Middle East and Latin America. Even so, this 30-year-old specialty apparel retailer lacks a well-defined brand heritage. For its target 20- to 30-year-old shopper, it's an "also-shopped " option for work and weekend clothing. However, the brand's greater commitment to fashion and design seems to have sparked interest in its balanced assortment and quality/value sweet spot. Fashion bloggers recommend it for office staples. While its stores tend to have a generic feel and do little to tell a compelling brand story, Express remains consistent, over time and across touchpoints.

50

CHICO'S
USA
APPAREL
$932M
NEW

The specialty apparel brand popularized by Debbie Phelps, mom of Olympic athlete Michael Phelps, has turned 30 with style. Chico's success with Baby Boomer females comes from a flattering but ingenious sizing formula that begins at 000 and ends at 4.5. It translates to conventional sizes 0-22 but the size-shrinking illusion works, as does its trademark "Most Amazing Personal Service." Its private label fashions are sold in more than 600 boutiques in small markets and destination centers in the U.S. Assortments are localized, a loyalty program adds value, and associates are highly attentive to shoppers in-store, online, and on social media. Although sales were modest in 2013, a share repurchase program indicates a healthy cash flow and favorable prospects, including plans to expand into Canada.

EUROPE

EUROPEAN RETAIL BRANDS NOW HAVE THE POWER TO BE BOTH IN THE POCKET OF CUSTOMERS (VIA MOBILE DEVICES) AND CREATE SENSORY ENGAGEMENTS (VIA THE PHYSICAL STORE EXPERIENCE). IT IS BY LEVERAGING INNOVATION, CO-CREATION, AND CONVERSATIONS THAT LEADING RETAIL BRANDS IN EUROPE WILL BUILD AND DEFEND THEIR VALUE IN CONSUMERS' MINDS AND HEARTS AS THEY EMBARK ON, AND ENABLE, THE DIGITAL RETAIL TRANSITION TOGETHER.

01	NEW	$18,168M	H&M
02	NEW	$13,818M	IKEA
03	NEW	$10,821M	ZARA
04	0%	$10,299M	Carrefour
05	-16%	$9,042M	TESCO
06	-14%	$5,633M	M&S
07	+7%	$3,697M	Auchan
08	+2%	$3,376M	Boots
09	+1%	$2,940M	ALDI
10	+20%	$2,143M	SEPHORA
11	+2%	$2,039M	LEROY MERLIN
12	+7%	$1,791M	ASDA
13	+15%	$1,750M	LIDL
14	+5%	$1,668M	L'OCCITANE
15	+2%	$1,543M	EDEKA
16	+4%	$1,424M	next
17	NEW	$1,277M	MANGO
18	NEW	$1,268M	Bershka
19	NEW	$1,221M	El Corte Inglés
20	+12%	$1,192M	Sainsbury's
21	NEW	$1,115M	MERCADONA
22	-14%	$1,110M	Media Markt
23	+1%	$1,083M	Conforama
24	+4%	$1,027M	DECATHLON
25	NEW	$907M	Massimo Dutti
26	NEW	$866M	ah
27	+1%	$813M	Argos
28	NEW	$778M	Dia %
29	+59%	$661M	asos
30	-8%	$622M	DARTY
31	+11%	$610M	Kaufland
32	+32%	$566M	Waitrose
33	+13%	$548M	dm
34	+13%	$518M	REWE
35	+1%	$508M	fnac
36	+9%	$492M	MORRISONS
37	-2%	$475M	Casino
38	-5%	$437M	MIGROS
39	+36%	$427M	John Lewis
40	+3%	$417M	B&Q
41	NEW	$368M	BIM
42	NEW	$308M	coop
43	+3%	$308M	The Body Shop
44	NEW	$272M	МАГНИТ
45	-12%	$267M	DEBENHAMS
46	NEW	$231M	Carphone Warehouse
47	+24%	$212M	PRIMARK
48	NEW	$209M	Desigual
49	NEW	$204M	SPORTS DIRECT.com
50	NEW	$202M	TOUS

BEYOND COMMERCE, MAKE THE EXPERIENCE FRICTIONLESS

BY BERTRAND CHOVET, MANAGING DIRECTOR, INTERBRAND PARIS

In today's exciting new world of commerce, we see more opportunities than risks for strong leading brands. Leading retail brands have limitless possibilities to take advantage of this new landscape.

Digital must be used strategically to bridge a compelling in-store experience with the devices that now run our lives, creating a digital strategy that incorporates omnichannel selling, mobile shopper digitalization, conversations between brands and consumers, augmented experiences through digital interfaces, and a brand architecture built on seamless access and transactions.

This environment necessitates a true understanding of shopper insights by making sense of data and behavior. This approach also requires pragmatism, efficiency, and a dose of enchantment to deliver an engaging shopper journey and a strong business performance. It is both a structural revolution and a business challenge, and today most European retailers are working hard to make the transition with style and intelligence.

CLOSING THE GAP ON OMNICHANNEL

While e-commerce accounts for an estimated share of 5 percent in total European retail, the traditional retailers are back in the game and catching up with digital pure players. Zara, John Lewis, Fnac, Leroy Merlin, Carrefour, or Tesco (to name a few) are now part of the most visited e-commerce websites.

The battle also takes place in the physical space. A representative example is the success of the drive-through hypermarket format in France (representing 2,500 units on top of the 6,650 hyper/supermarkets in 2013), which Auchan pioneered in 2000. It has become one of the secret weapons for food retailers to protect their business and build on the strength of their brand.

As a proof of success, Walmart is starting to replicate this format in the U.S. with Walmart To Go. A same-day online delivery service, Walmart To Go may counteract Amazon Fresh, which will make its non-U.S. debut and European launch in Germany this year.

Grocery e-commerce sites that include home delivery have not taken off everywhere, however. In some regions, customers are often unwilling to pay delivery costs (or higher prices) and many do not want to block out time to wait for their goods. In such areas, the Drive (or drive-through) concept offers a convenient alternative. Though the Drive format has to consolidate its profitability, it is giving leading brands a competitive advantage and securing customer loyalty.

Lastly, by developing hybrid models such as Zara/Zara.com, John Lewis/johnlewis.com or Fnac/Fnac.com, European brands are not only proving their inventiveness, but also their ability to meet shoppers' expectations: being on the purchase funnel before, during and after, with better service leading to improved customer satisfaction. It is now clear that the digital gap will narrow, if not disappear, if leading retail brands use their brand assets to impose a strong landmark, defend their premium, and engender loyalty.

TOWARDS A FRICTIONLESS SHOPPER JOURNEY

Whatever the platform, European retailers are learning that the key is to maintain brand consistency and pay attention to details. If format convergence and consolidation are moving forward upstream, omnichannel is elevating change downstream. While 20 percent of shoppers already use a mobile device during the purchase funnel, 4 out of 5 European consumers are using their smartphones in-store.

When it comes to mobile, shoppers are seeking a customized approach, and the future will be paved with mobile/point of sale interactions. Mobile commerce, whether RFID, NFC, or MEMS, will accelerate adoption and strengthen shoppers' preference for such transactions. Success will belong to those retailers who embrace simplicity and immediacy in their mobile channels.

For retailers, the omnichannel revolution involves investments and necessitates questioning regarding the ROI of those investments and their scalability. But all are gamely embarking on this journey, and it is time to connect the dots more deeply.

Beauty retailers such as Sephora, L'Occitane, and The Body Shop are well on their way, while other categories need to approach it in a more comprehensive way to deliver a fully "on-brand" shopper journey. Europe's leading retailers must make their brands the cornerstone of this strategy, and articulate their goals in order to address the challenges of engagement, responsiveness, authenticity, and relevance.

A MORE HOLISTIC BRAND EXPERIENCE

Despite the e-commerce boom, the majority of commerce for the next decade will still occur in the traditional manner: through the physical, in-store retail experience. Omnichannel is really about making relevant emotional connections—and a strong brand is the key lever to drive the success of in-store/online retail integration.

Today, European retail brands must be more responsive than ever before. They must listen to shoppers and be incredibly consistent at every level of the purchase funnel if they want to bridge their brand proposition with customers' needs and desires and achieve sustainable growth. After all, the customer's experience with the brand is a critical factor in the purchase decision. In the near future, the substance of retail brands will grow through the ability to deliver functional expectations seamlessly and engage shoppers in an emotional experience.

The most successful retailers are already, and will indeed continue, deploying an omnichannel strategy. Availability of inventory will be paramount and allow retailers to develop online distribution, while physical retail combined with experiential touchpoints will enable them to serve eager consumers.

Both online and offline, European retailers will have to work harder to ensure that convergence benefits customers and increases satisfaction.

Retail brands now have the power to be both in the pocket of customers (via mobile devices) and create sensory engagements (via the physical store experience). It is by leveraging innovation, co-creation, and conversations that leading retail brands will build and defend their value in consumers' minds and hearts as they embark on, and enable, the digital retail transition together.

SUMMARY

- E-commerce accounts for an estimated 5 percent total of European retail; traditional retailers such as Zara, Carrefour, and Fnac are catching up with digital pure players
- The drive-through hypermarket format has become one of the secret weapons for food retailers
- Brands must invest in omnichannel solutions and ensure that convergence benefits consumers and increases satisfaction both online and off
- Retailers must bridge their brand proposition with customers' needs and desires and pursue growth sustainably

01

H&M
SWEDEN
APPAREL
$18,168M
NEW

The fast fashion giant keeps exciting consumers worldwide with its brand promise of stylish apparel at affordable prices, such as a USD $99 wedding dress and collaborations with designers such as Isabel Marant. Its "Conscious" eco-clothing line also drove buzz and sales. The world's biggest buyer of organic cotton plans to use 100 percent sustainable cotton by 2020, while a partnership with the WWF aims to improve stewardship of its water supply. The world's second-biggest clothing retailer behind Zara owner Inditex, H&M opened a new store nearly every day in 2013, with the U.S. and China its biggest focus for expansion. As it expands into India, Australia and the Philippines this year, H&M will extend e-commerce beyond select European markets and the U.S.

02

IKEA
SWEDEN
HOME FURNISHINGS
$13,818M
NEW

The world's largest furniture retailer operates 349 (and counting) stores in 42 countries, and is holding true to its brand promise of offering stylish products at affordable prices. Focused on customer experience and value, IKEA is trying to keep up with its on-the-go, design-conscious brand loyalists. It's busy expanding e-commerce, now in half of its global markets, and investing in digital (its innovative catalog app received 9.7 million downloads in 2013). Although forced to pull food items in the wake of the horsemeat scandal and an elk meat mix-up, its Corporate Citizenship commitment efforts are commendable, including electric vehicle charging, geothermal energy tests, donating flatpack shelters to UNHCR for refugees, and giving the proceeds of soft toy sales to UNICEF and Save the Children.

03

ZARA
SPAIN
APPAREL
$10,821M
NEW

Inditex, the world's largest clothing retailer with revenue of USD $21.7 billion its last fiscal year, continues to expand the Zara global empire—opening 110 new stores in 2013 and at least that many this year—and increase its brand value. While Spain is still its biggest market, China last year passed France to become its second-biggest market by store count. It's driving online sales by expanding distribution hubs and e-commerce to 21 countries including China, Russia, and Canada (and soon, Mexico and South Korea). Its debut on Interbrand's 2013 Best Global Green Brands report indicates that Inditex realizes the importance of sustainability to a brand's credibility. Inditex also signed the Bangladesh Fire and Building Safety pact, and promised Greenpeace it would "detox" its garment production.

04

CARREFOUR
FRANCE
GROCERY
$10,299M
0%

The world's second-largest retailer by sales is in the midst of a turnaround plan. Internally, the global hypermarket operator is refining its vision, reorganizing to respond to local markets, and developing a more relevant product offering. Externally, the priorities are a multi-format, multi-local model; strict financial discipline; managing decentralization; and upgrading stores. 2013 saw better than expected operating growth of 5.3 percent and organic growth of 2.5 percent overall and 3.5 percent internationally (including a robust 12.6 percent in Latin America). While sales slowed in China and Brazil, its largest market after France, domestic sales rose for the first time in two years. Now it must stick to its action plan in order to increase its flat brand value this year.

05

TESCO
U.K.
GROCERY
$9,042M
-16%

2013 was a turbulent year for Tesco, as the biggest U.K. grocer lost ground to competitors. It pulled out of the U.S., created five U.K. hubs to support online sales, and opened 150 convenience stores, but struggled to differentiate beyond price. Its revamped brand proposition—from "every little helps" to "we make what matters better, together"—failed to win consumers, and trust in the brand eroded. It was voted worst UK supermarket in a key poll and apologized for using horsemeat. Even its stake in the "indie" Harris & Hoole café chain was criticized, while Tesco.com was hacked in early 2014. But don't discount Tesco—it still claims more than £1 in every £8 spent in UK shops, and 2014 could be a defining year.

06

M&S
U.K.
APPAREL
$5,633M
-14%

The traditional British high street retailer aims to transform into a global multichannel brand, with 766 stores U.K. stores and 400 locations in Europe and Asia—including small-format stores in Hong Kong and Singapore—and Australia in its sights. Yet Marks & Spencer's performance still primarily hinges on its private-label apparel for the family as a gateway to its line of home goods, food, flowers, and banking services. Its revamped website, which offers free delivery to the U.S., Canada and Australia without having stores in those markets, aims to replicate its reputation for superior customer service and product knowledge. The eight-year-old Plan A sustainability platform, which helped it escape the horsemeat and Bangladesh factory fire scandals that plagued competitors, is also integral to the brand's turnaround plan.

07

AUCHAN
FRANCE
GROCERY
$3,697M
+7%

The world's 11th largest food retailer (and France's second-largest after Carrefour), Auchan saw 2013 sales increase by 5.8 percent. Expanding globally, with China and Russia as key markets, it's putting innovation at the center of its business strategy with an employee engagement program called "Creative Attitude" that selects 26 projects out of 1,000+ ideas submitted for implementation. It's also tapping into customers' creativity—a partnership with Quirky invited the public to propose products, with the best ideas to be produced and sold in Auchan stores. The hypermarket operator is further adapting to customer needs with, for example, fresh products priced at less than 1 € (USD $1.37). Corporate Citizenship is another focus, with an ethics and sustainability charter for suppliers adopted on January 1.

08

BOOTS
U.K.
DRUGSTORE
$3,376M
+2%

Boots is in the midst of finalizing a full sale to U.S. pharmacy giant Walgreens, which paid USD $6.7 billion in 2012 for a 45 percent stake in the iconic British high street drugstore chain with the goal of creating "the first global pharmacy-led health and wellbeing enterprise." As parent Alliance Boots looks to expand in China (where it's eyeing a joint venture with a domestic retailer) and India, its biggest market in Asia, its 2,500 U.K. shops continue to focus on core brand values: superlative customer service, unique product and service offerings (such as partnering with Diabetes UK to offer in-store assessments) and enhancing its flagship product brands through innovations such as the digital No7 Foundation Match Made Service.

09

ALDI
GERMANY
GROCERY
$2,940M
+1%

Increasing competition is forcing the global discount supermarket chain to rethink its model of selling primarily private label products, which accounts for about 95 percent of inventory (with a smidgen of space to the likes of Coca-Cola). Winning accolades such as Grocer of the Year in the U.K. and with a global footprint that includes more than 1,200 stores in the U.S., the split of the Aldi brand at home, with Aldi Nord and Aldi Süd dividing the German market, remains an issue. Nevertheless, Aldi continues to be a strong performer and expanded its new businesses in 2013, including launching a budget intercity bus service in Germany and putting Nestlé's Nespresso brand on notice by promoting Expressi, its rival capsule coffee system.

10

SEPHORA
FRANCE
SPECIALIST
$2,143M
+20%

LVMH reported "exceptional" performance for its global beauty retailer in 2013, which gained market share, posted a 14 percent sales increase, and extended its lead as a digital innovator. Innovation, increased personalization of customer relations, and strengthening of service offerings, both in store and online (with Sephora.com the world's top beauty site), are at the core of Sephora's strategy. A pioneer in mobile shopping, the brand launched the Sephora to Go app and m-commerce payment system in the U.S., and has been equipping its sales associates with smartphones in France. In tandem with upgrading its global distribution network, Sephora opened its first store in Thailand, expanded in India and Brazil, and launched its biggest flagship store in China, where it now operates 133 stores.

11

LEROY MERLIN
FRANCE
HOME IMPROVEMENT
$2,039M
+2%

A major player in the global DIY market with more than 300 locations in 13 countries, France's Leroy Merlin has a clear positioning externally that is shared internally: to "help each homeowner dream up a house and realize it." To fulfill its mission, the brand's Housing Observatory helps gain insights into its customers, identify new trends, and spur innovation. It also allows the brand to stay relevant and offer a consistent offering, even as it's adapting to local markets and working with partners. It's committed to Corporate Citizenship, with 68 active projects and more than 100 sustainable products. Growing its global revenue by 5.9 percent last year, Leroy Merlin is still a market leader in France, where it's perceived as a premium brand.

12

ASDA
U.K.
GROCERY
$1,791M
+7%

Value-oriented Asda is fighting to keep money-conscious consumers from fleeing to rivals after a tough 2013 holiday season. The 2nd biggest supermarket in the U.K. behind Tesco is seeing Sainsbury's nipping at its heels and other competitors moving into its low-price territory. The Walmart-owned brand is fighting rivals' sales gimmicks with its "Price Lock" commitment. A USD $164.5 million (£100 million) investment is helping keep prices low on food and non-food items such as clothing, lingerie, and flowers, part of the "everyday low prices" positioning inherited from its parent. Partnering with Barclays and Subways outlets at key superstores has helped, as has the introduction of online click-and-collect functionality, with e-commerce revenue projected to reach USD $4.9 billion (£3 billion) by 2018.

13

LIDL
GERMANY
GROCERY
$1,750M
+15%

In 2013, Lidl managed to further close the gap with Aldi, its main grocery rival. If it continues on this track, it's projected to replace Aldi as the biggest global discount retailer by 2016. As customers not only demand extremely low prices but also high quality, Lidl is pursuing its growth strategy by raising the quality of goods on offer, moving away from the typical range of products other discounters are offering. Lidl aims to achieve this goal by not only introducing more branded and higher quality products, but also by successfully promoting its private label items. Boosting employee salaries in 2013 is also helping shore up internal brand engagement.

14

L'OCCITANE
FRANCE
SPECIALIST
$1,668M
+5%

The French cosmetics retailer reported a modest increase of 9.3 percent in net sales from April through December 2013, and is in the midst of a strategic global expansion plan, opening stores in the Asia-Pacific region and beyond. In addition to bringing its natural ingredients luxury products to the world, the brand opened a research and development lab with 100 employees focused on fostering innovation. L'Occitane is adapting its offer in Brazil with L'Occitane au Brésil, a new sub-brand at a lower price point. It's also investing in online and digital marketing, and extending its Corporate Citizenship commitment to Fair Trade sourcing for its iconic shea butter products. To that end, it's working with unions and cooperatives representing about 15,000 women in Burkina Faso.

15

EDEKA
GERMANY
GROCERY
$1,543M
+2%

Offering three different price tiers, Edeka is Germany's top supermarket brand for customer satisfaction and best shopping experience. But the mid-market supermarket brand isn't resting on its laurels. It's investing 1.6 billion euros (USD $2.1 billion) in a modernization plan in the hope that Germans will pay more for higher quality products and an improved in-store experience that will transmit the brand's values in a consistent and authentic way. Beyond tongue-in-cheek advertising, it's looking to private-label products such as its SoYes soy-based organic pasta line and artisanal in-store bakeries to reach more upmarket consumers. Scoring high points for Corporate Citizenship, with sustainable fish and fair trade products now a staple in its stores, it's still playing catch-up in one key area: e-commerce.

16

NEXT
U.K.
APPAREL
$1,424M
+4%

Pioneering home delivery in 1988, Next enjoys a loyal base of cost-conscious customers who value quality, reliability and convenience. With more than 500 U.K. retail stores, a solid online channel, and a well-established phone and mail order business, its blend of fashion for the entire family and homewares keeps ringing up business. The brand saw 2013 sales rise 9.4 percent year over year, while a brisk year-end holiday period saw an 11.9 percent in sales increase despite tough conditions. Largely regarded as safe and reliable (instead of fashion-forward) with mass market appeal, its shoppers are increasingly demanding and wooed by competitors that excel in speed to market and fast fashion. Next needs to innovate more to future-proof its brand and win new customers.

17

MANGO
SPAIN
APPAREL
$1,277M
NEW

Mango's 10-year goal is to unseat Spanish rival Zara as the world's biggest fast fashion retailer, and within a decade it hopes to quintuple sales (to 10 billion euros or USD $14 billion) and produce 300 million garments annually. With more than 2,600 stores in 107 countries, it's on its way, particularly in markets like China, where it's opening 800 stores. It's also diversifying, launching Violeta for plus-size women, Rebels for teenagers, and a Sport&Intimates lingerie line. These lines will be available in new megastores now in development. Its online and digital experience is helping boost sales and loyalty. The fast fashion retailer was slow to respond on the Bangladesh factory fire crisis last year, making Corporate Citizenship an area that still needs some work.

18

BERSHKA
SPAIN
APPAREL
$1,268M
NEW

Zara's cooler, more tech-savvy kid sister has increased in brand value, reflecting the evolution of the teen-oriented label as it grows up. With nearly 1,000 stores in 66 countries, Bershka is at its most creative in Asia, where its hip store in Tokyo shows the shape of things to come. The modern Bershka, as seen in the trendy Shibuya district features open spaces with illuminated signage highlighting fast-fashion with street cred. The garments stand out in a user-friendly shopping experience that invites visitors to watch videos on LCD screens and plug in digitally. This emotional connection to teens' sweet spots can now be found in all its touchpoints, from lookbooks on bershka.com to its Instagram feed, with e-commerce rapidly expanding to new markets including Russia.

19

EL CORTE INGLÉS
SPAIN
DEPARTMENT STORE
$1,221M
NEW

El Corte Inglés, Spain's largest department store chain, is struggling to remain competitive. Experiencing one of the biggest brand value declines in its history, in 2013 it sold the majority of its most lucrative asset, its consumer finance arm, to Spanish bank Santander. Pressured by creditors to take steps to restructure 5 billion euros (USD $6.9 billion) of debt, it issued bonds in a deal backed by the debts of more than 14 percent of the Spanish population. New CEO Dimas Gimeno clearly values the longstanding merits of the store: its wide variety of brands, localization, added value services, and return policy. He's also focusing on e-commerce, turning to domestic suppliers, and repositioning its Opencor brand, now Supercor Express, to offer more products at attractive prices.

20

SAINSBURY'S
U.K.
GROCERY
$1,192M
+12%

Sainsbury's boasts 17 percent of the UK's grocery market despite intense competition. CEO Justin King, who is stepping down in July, just saw the brand through its busiest ever holiday season and its 36th consecutive quarter of year-over-year growth. Its beefed up online entertainment hub will make it the first retailer to bundle books with movie downloads this year, while it's seeking to patent its Brand Match comparison tool. In 2013 it took full ownership of its bank, launched a mobile brand, and saw its Sainsbury's Local convenience stores surpass its supermarkets. The RSPCA's retailer of the year escaped the 2013 horsemeat scandal, while its "Live Well For Less" tagline is evident in campaigns that feature real people instead of celebrities, such as long-time spokesman Jamie Oliver, who parted ways with the brand in 2011.

21

MERCADONA
SPAIN
GROCERY
$1,115M
NEW

Mercadona's strong business model and ability to keep prices low in order to adapt to clients' financial needs in times of crisis, has made the supermarket one of Spain's most profitable stores and one of the retail brands with biggest growth in terms of brand value in the market. Mercadona continues to grow in terms of scale and offer, opening new stores in Spanish regions such as el País Vasco and increasing its product offer through new sections (i.e. fresh products), which shows the store's intention to return to quality products and supporting local producers and creating new jobs. To keep succeeding and growing as a business and remaining relevant to consumers amongst increasing competition, however, Mercadona's future challenges include internationalization, omnichannel selling and sustainability.

22

MEDIA MARKT
GERMANY
ELECTRONICS
$1,110M
-14%

Europe's number one consumer electronics retailer is highly focused on proximity to its customers. As the German-based brand is geographically spread across 14 countries with 750 physical stores, it intensively invests in advertising campaigns that continuously underline its low pricing and positioning. Relatively late to omnichannel selling by launching an online store in 2012, it has introduced electronic shelf pricing to match online and in-store sales in the Netherlands. Parent Media-Saturn Group has also acquired online retailer redcoon to create synergies and potentially improve the performance of Media Markt. The lack of online presence and the decision to pull out of China both led to financial losses that were reflected in the overall decrease of Media Markt's profit in the past year.

23

CONFORAMA
FRANCE
HOME IMPROVEMENT
$1,083M
+1%

Owned by South African furniture retailer Steinhoff, Conforama's 266 stores in eight countries posted more than USD $2.1 billion (3 billion euros) in revenue last year. Its three store formats—Conforama, Confo Déco and Confo Dépôt—are expanding in Turkey, Switzerland, Spain, and France. Despite economic challenges, Conforama gained market share in Europe, even with a sales dip of 3 percent. Its strategy is threefold: gain market share in the furniture and home decoration discount segment and in European countries where competition is fragmented; optimize the supply chain and distribution costs to improve gross margin and benefit from group scale consolidation, global sourcing, and supplier management; and extend multichannel strategies such as click-and-collect service to expand e-commerce sales beyond 5 percent of total sales.

24

DECATHLON
FRANCE
SPECIALIST
$1,027M
+4%

Decathlon sticks to its brand positioning and heritage by making the pleasure and benefits of sports accessible to all by offering innovative products at unbeatable value. The leading European sporting goods retailer had a solid 2013. Revenue increased 7.2 percent in a year that saw it add 58 locations, including 15 in China, 8 in Italy, and 6 in France, to reach 653 stores. Now in 20 countries, international revenue represents 56.5 percent of revenue, while e-commerce sales increased 43 percent. It continues to impress its core customers with products such as Tilt, a foldable bike. It was recognized for customer service, taking 2nd place in a Qualiweb trophy, and scoring high for loyalty in its homeland of France in an OC&C survey.

25

MASSIMO DUTTI
SPAIN
APPAREL
$907M
NEW

Yet another Zara sibling and member of the Inditex group, Massimo Dutti has grown in brand value thanks to its increase in 2013 sales, its constant contribution to the group (around 7 percent), and its reinforcement as a premium brand which fits in with the global group strategy of offering quality products. This repositioning is not only reflected in a more refined concept and the lifestyle it inspires, but also in the look and feel in its stores, as well as the personalized tailoring service and made-to-measure shoes—closer to that of a boutique than a fast-fashion chain. Its international growth, especially in the U.S., Canada, and Taiwan, and its increasing presence online in new markets are other signs the brand is on track.

26

ALBERT HEIJN
NETHERLANDS
GROCERY
$866M
NEW

The largest grocery retailer in the Netherlands, at more than 850 stores, Albert Heijn is making significant inroads into Germany and Belgium. Founded in 1887, the namesake founder's motto, "to make the ordinary affordable and the extraordinary attainable," is still highly relevant today. The brand's loyalty program added personalized offers to its Bonus Card program, while a variety of store formats and digital services, including in-store connectivity and collect-and-click technology, caters to time-pressed shoppers with collection points inside and outside stores—including at Amsterdam's Schiphol airport. In an increasingly competitive space, where competitors are sharpening the nature of their proposition, the leading Dutch supermarket will need to continue to innovate and ensure customers clearly understand why the brand is in touch with their specific needs.

27

ARGOS
U.K.
MASS MERCHANT
$813M
+1%

In 2013, British value merchant Argos launched a five-year plan to become a digital retail leader. After refreshing its website with click-and-collect functionality, 2013 e-commerce sales grew to 42 percent while online and mobile visits rose 24 percent year-over-year. In addition to testing a new hub-and-spoke distribution system and catalog format, the brand refreshed its product lines, making more online inventory available for immediate and next-day pick-up, and expanding its tablet range (its private-label £99 (USD $163) Mytablet proved a year-end bestseller). Six Wi-Fi enhanced digital concept stores wooed holiday shoppers by replacing traditional laminated catalogues with iPads, digital screens, and voice-activated computer systems for warehouse personnel, enabling quicker product retrieval in a bid to reposition the brand in shoppers' minds. Expect more digital innovations in 2014.

28

DIA
SPAIN
GROCERY
$778M
NEW

The world's third-largest discount grocer survived the economic crisis in markets such as Spain, Portugal, and Argentina by separating from the French group Carrefour and going public in 2011. Strategic management and diversification of products are steadily increasing the supermarket's sales, with net profit increasing 32.6 percent in 2013 over a year earlier. Madrid-based Dia understands the importance of managing its brand holistically. It has not only invested in upgrading its stores, packaging and its private-label products, but also expanded the brand through the Dia Maxi, Dia Market, and Dia Fresh store formats. Its diversification plan includes increasing its presence internationally and smart acquisitions, including its 2013 purchase of Spain's Schlecker chain, since rebranded as Clarel, which specializes in household and beauty products.

29

ASOS
U.K.
APPAREL
$661M
+59%

Online retailer ASOS aims to surprise and delight teens and twentysomethings with a fashion-forward trove of more than 40,000 items. Now available from China to the US, sales in the U.K., its biggest market, jumped 37 percent in the last quarter of 2013. The brand is characterized by a series of strategic pushes including savvy social marketing (it was the top retailer on Pinterest last year); mobile, which accounts for 30 percent of transactions; continuous innovation; constantly refreshed designer collaborations; and engaging content. Lookbooks and witty feeds inspire its audience to collect, curate, and share, as does the brand's focus on sustainability (it was the first fashion e-tailer to achieve Carbon Neutral status) and Corporate Citizenship, including a project in rural Kenya.

30

DARTY
FRANCE
ELECTRONICS
$622M
-8%

The French retail brand formerly known as Kesa is in the midst of a turnaround plan under new CEO Régis Schultz. While Darty claims 40 percent market share among French home appliance and electronics retailers, it is refocusing its business to address challenges ranging from undercutting by online retailers to a tough economic climate. In response, Schultz is implementing what he calls a four D's strategy: "drive trading, digitalize Darty, develop our brand and deflate our cost base." Nevertheless, Darty has a strong reputation with its "Contrat de Confiance" (contract of confidence) and a solid reputation for customer service. With its stores mainly in urban areas, Schultz is also exploring a franchising model to extend its multichannel capabilities to France's 2,000+ small independent electronics retailers.

31

KAUFLAND
GERMANY
GROCERY
$610M
+11%

Kaufland, a German hypermarket brand, remains customer-focused and service-oriented, offering a full range of products that runs the gamut from discount to premium items. The brand launched its first TV advertising campaign in 2013, aiming to strengthen its positioning as a "discounter for everyone" externally. Responsive to customer needs, its stores are stocking more vegan items, for example. As the brand scales to new markets and regions across Germany, it's also engaging customers on a variety of social media channels. The management team has also assembled a taskforce to launch what they hope will be a best-in-class e-commerce experience in 2015—a top priority, with Amazon looking to sell fresh produce in Germany, its second biggest market outside the U.S., this year with the launch of Amazon Fresh.

32

WAITROSE
U.K.
GROCERY
$566M
+32%

The food division of Britain's largest employee-owned retailer, the John Lewis Partnership, is expanding (creating 2,000 new jobs this year) while upholding its promise of quality and excellent service. The sixth largest grocery retailer in the U.K., its market share rose to 4.9 percent in 2013, helped by a record-breaking holiday period, while free online delivery and click-and-collect technology made it the fastest-growing e-grocer in the U.K. last year. The premium retailer is catering to busy consumers with the expansion of Little Waitrose convenience stores and in-store self-checkout, leading to high customer satisfaction scores. Its Corporate Citizenship platform, The Waitrose Way, also earned the upmarket retailer a Big Tick Award in the Sustainable Supply Chain category at the 2013 Responsible Business Awards.

33

DM
GERMANY
DRUGSTORE
$548M
+13%

The dm (Drogerie Markt) drugstore brand strengthened its market leader position in its segment in 2013. The German brand managed to increase its revenue and opened 135 new stores in Europe. According to Kundenmonitor, dm was the most popular drugstore chain last year in Germany. Management's biggest priority is to not only anticipate but also fulfill customers' needs by offering a wide range of high quality private labels. It's also active across social media and engaged in Corporate Citizenship activities such as protecting children from melanoma. Its various accolades include its private brands, Alverde and Alana, winning GREEN BRAND Germany 2013/14 awards. In perhaps its biggest missed opportunity, however dm lacks an online store, having ended a two-year deal with Amazon due to disappointing sales.

34

REWE
GERMANY
GROCERY
$518M
+13%

German mid-market supermarket Rewe is investing in order to live up to it brand value proposition of "Besser leben" ("Better Living"). While its private-label brands target low budget to gourmet tastes and offer a wide range of organic products, it's at the upper end that the brand is focused. Plans include creating in-store bistros and sushi bars, with events like caviar and oyster tastings. Investing 1.6 billion euros (USD $2.2 billion) in 2014 to expand stores, upgrade product, and improve the retail experience to keep up with rivals, it's also launching concept stores in upper middle-class communities. The social media savvy brand also maintains a large commitment to Corporate Citizenship, including CSR activities such as Fair Trade Products, sustainable fish products, and rainforest projects.

35

FNAC
FRANCE
SPECIALIST
$508M
+1%

In the wake of closing underperforming stores, Fnac's brand is moving ahead, reporting rapid growth in 2013 of omnichannel sales (up 29 percent, with Fnac.com now France's #2 e-commerce site) and the development of its online marketplace sales (which increased 30 percent). While still fighting to increase relevance in the face of declining markets, such as books and music, the 60-year-old retailer downsized its music unit and is now launching a streaming service, Fnac Jukebox, starting at 2 euros (less than USD $3) per month to compete with Deezer and Spotify. Diversifying its inventory to include new categories such as connected devices, it's still viewed as a destination brand and looking to grow by thinking small, including developing smaller stores in high-traffic areas such as near train stations.

36

MORRISONS
U.K.
GROCERY
$492M
+9%

The U.K.'s fourth-largest food retailer, struggling Morrisons continued its "Fit for the Future" strategy in 2013 by expanding stores, addressing infrastructure, and finally catching up with rivals by opening an online store. Launched in partnership with Ocado, Morrisons.com aims to be "the closest thing on the Internet to being in store" including a virtual butcher—but it was introduced too late to boost holiday sales, which slumped 5.6 percent over a year earlier. Investing £1bn (USD $1.65bn) over the next three years, the brand has high hopes for online deliveries, which started in January 2014 and will reach half the UK by 2015. Still, investor concerns persist following a run of quarterly declines, while its late entry into smaller convenience stores puts it at a disadvantage with higher-end peers Waitrose and Sainsbury's.

37

CASINO
FRANCE
GROCERY
$475M
-2%

Groupe Casino's branded revenue accounted for less than one-third of global revenue in 2013. It operates 10,000 stores worldwide but is primarily located in France, where it's reducing non-food surfaces in stores and working to keep prices low on 3,000 products. Its formats run from Superettes to Franprix convenience stores to the Monoprix urban variety chain and Géant hypermarket format—which saw sales decline 7.7 percent last year, of which 3.6 percent represented food sales. Its latest sales figures show it's increasingly competitive with Carrefour and Auchan. Casino is continuing its strategy of "Back to Basics" in France with competitive pricing, more efficiencies through operational excellence and structure optimization, store renovations, and other evolutions of the brand, including a focus on locally-sourced fresh product.

38

MIGROS
SWITZERLAND
GROCERY
$437M
-5%

More than 2 million Swiss residents are members of the Migros cooperative, the country's biggest retailer, supermarket chain, and employer. Its grocery sales increased by 9.1 percent in 2013, including a record 2 billion Swiss francs (USD $2.2 billion) in sustainable product sales. Switzerland's biggest online food retailer saw its LeShop.ch site boost sales 5.1 percent last year. It also opened its first organic supermarket in Zurich as part of its comprehensive Generation M sustainability program, which offers a variety of commitments, including adopting MSC-certified tuna in 2013 and becoming "bee-friendly" in 2014. Keeping prices low while increasing efficiency and profitability in 2013, the "orange giant" engages customers via the Migipedia.ch platform, which crowdsources ways to constantly improve its offering.

39

JOHN LEWIS
U.K.
DEPARTMENT STORE
$427M
+36%

The veteran British retailer, which opened on London's famed Oxford Street in 1864, continues to embody its 89-year-old tagline, "Never Knowingly Undersold." Named the U.K.'s favorite brand in a 2013 customer experience survey by Nunwood, its Corporate Citizenship commitment includes developing renewable energy sources. In 2013 it posted monthly sales in excess of USD $164 million (£100 million) following a year-end holiday season that saw it test in-store check-outs using tablets and generate social media buzz for the heartwarming "The Bear and the Hare" holiday campaign. Owner John Lewis Partnership (which also operates Waitrose) is eager to expand its flagship brand across the UK and digital via localized e-commerce in Europe and the JLab tech incubator to spur innovation, all the better to meet customers' needs.

40

B&Q
U.K.
HOME IMPROVEMENT
$417M
+3%

As the largest home improvement and garden center retailer in the U.K., B&Q enjoys high brand awareness. The DIY specialist, originally known as Block & Quayle, has won recognition for partnerships such as Children in Need and for sustainability initiatives. Delivering on its environmental commitments as part of parent company Kingfisher's Net Positive platform has led to awards from *The Guardian*, *Retail Week* and the Queen's Award. Its DIY.com site has updated product ranges, improved home delivery, and added reserve-and-click, while the in-store experience is being enhanced through shops within shops. Its social network, Streetclub, aims to build communities, virtual and real. Further enhancements to the omnichannel experience will make the B&Q range even more shoppable, whether at DIY.com or in-person.

41

BİM
TURKEY
GROCERY
$368M
NEW

BİM pioneered hard-discount retailing in Turkey when it launched in 1995 with 21 stores. Reporting year-over-year growth since, it accounts for the majority (12.5 percent) of FMCG sales in the country. Driven by efficient cost management and a commitment to customer satisfaction, its stores sell a narrow range of products (600 SKUs) in order to keeping quality high and prices low. In order to meet aggressive growth goals, it's streamlining its business from procurement to operations. The brand has passed 4,000 stores in Turkey, opening 345 new locations and four regional offices last year. It also expanded in Morocco, opening 54 stores for a total of 164 in the market, and made Egypt its second international outpost, with 35 stores open by year-end.

42

COOP
SWITZERLAND
GROCERY
$308M
NEW

Switzerland's number two grocer held its own in a highly competitive year, with Coop Supermarket sales up 1.5 percent. The Coop Group of retail brands, which includes Coop City department stores, makes sustainability a priority, with a goal to be CO2-neutral by 2023. The 20th anniversary of Coop's organic private label Naturaplan was celebrated with an advertising campaign and sales that rose 13.3 percent in 2013 to a record 1 billion Swiss francs (USD $1 billion), or 5.5 percent of its total sales for 2013. While the backbone of the company remains its physical stores, with six new supermarkets for a total of 828 locations, 2013 online sales grew 15.4 percent via the coop@home website and a mobile app connecting shoppers to 13,000 grocery items.

43

THE BODY SHOP
U.K.
SPECIALIST
$308M
+3%

Part of the L'Oréal family, The Body Shop has a clearly articulated vision and set of values that govern the business strategy and the consumer-facing brand proposition dating back to its days under founder Anita Roddick. Renowned for being cruelty-free and pro-Fair Trade, wits global Corporate Citizenship platform differentiates the offer, from Europe to North America, from Asia to Latin America. Repositioning to skew younger in 2012 with Millennial-geared items such as colored hair chalk, its Beauty With Heart platform creates a more relevant brand experience, including giving customers a choice of charitable causes which their purchase can go towards. The brand experience is consistent across channels, with an ongoing effort to align the in-store and online experience and its "Pulse" concept governing store design.

44

MAGNIT
RUSSIA
CONVENIENCE STORE
$272M
NEW

Russia's biggest grocer by store count and sales volume, overtaking rival X5 by revenue last year, primarily operates in communities of up to 500,000 citizens. Since 1998, it has opened more than 8,000 stores operating in four main formats: hypermarkets, convenience stores, Magnit Family stores, and Magnit-branded cosmetic stores. Its strategy is in line with the brand promise, "Always low prices." Due to lower performance of competitors, its store traffic has increased in the past year and it posted record profitability, sending its stock price soaring 65 percent in 2013. While it may be competing with more upmarket competitors in key markets such as Moscow, it continues to adapt to consumer demands and is reportedly eyeing acquisitions as a strategy to fuel growth.

45

DEBENHAMS

U.K.
DEPARTMENT STORE
$267M
-12%

Debenhams is focused on omnichannel retailing and moving seamlessly into the online selling space. Digital investments include mobile apps for Android, Apple and Windows; online box office ticket sales; and next day delivery, resulting in online sales leaping 46.2 percent in 2013. The U.K. department store brand is expanding internationally (and delivers to 66 countries) while updating its U.K. stores, including its flagship Oxford Street store in London. Its 200th anniversary and Life Made Fabulous campaigns resonated with customers and drove perception of the brand, supported by clothing lines, some exclusive, by designers such as Julien Macdonald and Matthew Williamson. Its private label range also accounts for more than 50 percent of sales, helped by the brand's clear identification of its target audience.

46

CARPHONE WAREHOUSE

U.K.
ELECTRONICS
$231M
NEW

Carphone Warehouse posted six consecutive quarters of growth, increasing its U.K. market share by the end of 2013. Investors and rivals are closely watching merger talks with Dixons, which owns Currys and PC World. CEO Andrew Harrison credits the mobile retailer's resilience to "strong brand awareness" and "excellent retail execution," including upselling customers to 4G. A multichannel sales push spurred record online holiday traffic, while an investment of £10 million (USD $16.7 million) this past year helped double its online budget, revamp its 785 U.K. stores and even woo model Kate Moss to design a first-of-its-kind "fashion tech" line. Its focus is customer-oriented growth, including opening more than 60 standalone Samsung stores across Europe this year, where it operates more than 2,000 stores.

47

PRIMARK

U.K.
APPAREL
$212M
+24%

Priding itself on having the lowest prices among high street retailers, Primark's brand awareness remains high as owner Associated British Foods looks to add a million square feet of selling space in Europe this year and expand its flagship Oxford Street store in London. The Dublin-based retailer reported an impressive 22 percent year-over-year increase in November thanks to 19 new European stores, with 20 more planned in 2014. Dipping into social marketing with the launch of a Twitter feed in November, it's avoiding its own e-commerce channel due to small margins, despite a successful online test with ASOS in 2013. ABF makes Corporate Citizenship a priority for the brand, signing the Bangladesh Safety Agreement and Greenpeace's toxic-free pact as part of its ethical business commitment.

48

DESIGUAL

SPAIN
APPAREL
$209M
NEW

Bright colors, edgy designs, and bold marketing that gives free clothes to underwear-clad shoppers are some of the cheeky traits of the Barcelona-based Desigual, which prides itself on being "Atypical." While Asia's a challenge, it has rapidly expanded to 60 new countries and 400 stores in the past three years, and aims to open 100 stores a year and expand in department stores, airports, hotels, and other locations to double sales annually over the next four years. Under its "La vida es chula" ("life is cool") tagline, new lines include perfume, cosmetics, home goods, and shoes. It's confidently targeting sales of 1 billion euros (USD $1.4 billion) in 2014, up 22% over 2013, and increasing online sales to 25 percent from 10 percent currently.

49

SPORTSDIRECT.COM

U.K.
SPECIALIST
$204M
NEW

SportsDirect.com is new to Best Retail Brands this year, emerging as a clear market leader following the demise of main rival JJB. While ostensibly championing consumers, it fails to articulate its values, vision, or personality. The tone of voice is purely functional and focused on low prices, while the visual impression is inconsistent, in keeping with a brand name that suits a website but not a store. On the plus side, a sound pricing strategy has helped differentiate the brand on the High Street, leading to a gross profit increase of 35.1 percent in 2013. Responding to criticism of the in-store experience, SportsDirect.com invested in staff training (via workshops with Nike) and extended London 2012 in-store specialist areas to solidify its expertise.

50

TOUS

SPAIN
SPECIALIST
$202M
NEW

Barcelona's family-owned jeweler offers affordable luxury, selling handmade products designed and produced in its own workshops. Its strategy has evolved from reducing the presence of its iconic "teddy bear" mascot to creating more evolved and mature jewelry. As part of that maturation, it's revitalizing the look and feel of its 450 stores and its website to offer a better customer experience. It's also customizing jewelry and leather products through TOUS by YOU, which is sold through tous.com along with other accessories, watches, and perfumes. Corporate Citizenship is a big priority, with founder Rosa Oriol active in the fight against breast cancer and other causes. Despite the brand's wide presence in Latin America, growing in China and the U.S. is still a priority.

ASIA-PACIFIC

IN THE ASIA-PACIFIC REGION, ONLINE RETAILING IS GIVING TRADITIONAL RETAILERS THE OPPORTUNITY TO EXPAND MORE RAPIDLY, MULTICHANNEL RETAILING IS FINALLY STARTING TO TAKE HOLD—AND INNOVATION IS EVERYWHERE. HOME TO APPROXIMATELY HALF THE WORLD'S POPULATION, WITH CHINA SET TO OVERTAKE THE U.S. AS THE WORLD'S BIGGEST RETAIL MARKET BY 2016, THE POTENTIAL OF THIS REGION IS PRACTICALLY BOUNDLESS.

01	+8%	$4,948M	Woolworths
02	+14%	$4,160M	ユニクロ UNIQLO
03	+11%	$4,061M	coles
04	-8%	$1,840M	LOTTE DEPARTMENT STORE 롯데백화점
05	NEW	$1,834M	周大福 CHOW TAI FOOK
06	+1%	$1,519M	FairPrice
07	+13%	$1,313M	LAWSON
08	+6%	$1,169M	BUNNINGS warehouse
09	+11%	$1,041M	SM
10	+11%	$963M	MATAHARI DEPARTMENT STORE
11	-32%	$801M	PARKSON
12	+17%	$755M	FamilyMart
13	NEW	$670M	TANISHQ
14	+15%	$653M	Big C
15	+28%	$630M	MUJI 無印良品
16	-3%	$620M	Harvey Norman
17	NEW	$613M	emart
18	+1%	$601M	HYUNDAI DEPARTMENT STORE
19	-7%	$584M	MYER
20	+3%	$579M	BIGW
21	+8%	$555M	Kmart
22	-7%	$511M	SUNING 苏宁
23	-5%	$511M	Target
24	-17%	$426M	DAVID JONES
25	+22%	$403M	ニトリ
26	+17%	$402M	Belle 百麗國際 International
27	+13%	$378M	JB HI-FI
28	NEW	$350M	ABC MART
29	NEW	$348M	Hi mart
30	+10%	$334M	현대홈쇼핑

TIMES ARE CHANGING IN THE ASIA-PACIFIC MARKET—BUT RETAIL BASICS STILL HOLD TRUE

BY STUART GREEN, CEO, INTERBRAND ASIA-PACIFIC

Home to approximately half the world's population and witnessing rapid urbanization and income-growth, the Asia-Pacific region is an appetizing retail market for domestic and international players alike.

This growing critical mass of consumers is certainly enticing, with China set to overtake the U.S. as the world's biggest retail market by 2016. However, as our analysis highlights, there are few truly regional brands to emerge despite the APAC region's incredible potential—not surprising, perhaps, given the challenges of adapting to diverse cultural preferences and languages as well as navigating a variety of regulatory hurdles.

A FRAGMENTED LANDSCAPE

Asia's consumer markets remain highly fragmented, both as a whole and within individual markets. Genuine liberalization is patchy at best, with traditional and local retailing dominating in many markets. At one extreme, there are highly concentrated markets such as Singapore, where FairPrice commands over 50 percent market share in the grocery category; at the other, markets such as India, where modern retail brands remain dwarfed by traditional local retailers.

WINNERS EXPANDING

Despite the challenges, and against this fragmented backdrop, some of this year's most valuable Asian retail brands are those that actively expanded beyond their home base, either regionally or internationally. Leading Japanese retail brands such as Uniqlo and FamilyMart are looking beyond their domestic customer base to younger, dynamic markets in China and Southeast Asia to fuel future growth. Meanwhile, brands such as Chinese jeweler Chow Tai Fook are finding that expansion into third- and fourth-tier domestic cities offers new sources of revenue. SM, the leading retail brand in the Philippines, also sees enormous potential for expanding its footprint.

DIGITAL DRIVING EXPANSION

The rise of smartphone penetration continues to revolutionize the retail sector. Already a region of early social media adopters, the availability of faster mobile broadband in Asia has facilitated a rapid spread of information, influencing preference, and in many cases, driving greater demand.

What's more, by lowering barriers to entry and removing the need for a physical presence in remote or underdeveloped areas, online retailing is giving traditional retailers the opportunity to expand more rapidly. This, of course, also increases the competitive threat from more agile online retailers. Although there are no pure-play Asia-Pacific online retailers on Best Retail Brands (yet!), it is striking that many of the region's leading e-commerce players such as Japan's Rakuten, India's Flipkart, and China's Taobao, Tmall or JD.com are web-only.

Across the region, multichannel retailing is finally starting to take hold, as traditional players realize that their online and offline offerings need to work in harmony. In Japan, Rakuten and Amazon are forcing the traditional stores to do more and in the concentrated and relatively protected market of Australia, department stores David Jones and Myers are only now beginning to build-out omnichannel strategies due to competitive threats. Indeed, the major supermarkets such as Coles and Woolworths may find themselves being forced to innovate, or suffer a potential decline to their dominant positions as competition broadens.

China's Suning, the nation's largest home appliance retailer, is transforming itself into an e-tailer so that it doesn't suffer the same decline as some of the brick-and-mortar stores in the U.S. and Europe. China has the world's largest online population and Asia's most vibrant e-commerce sector, where virtually anything can be bought and sold online. With 70 percent of e-tailing in China being peer to peer and a consumer class with money to spend, e-tailing is leaping ahead of brick-and-mortar stores in many parts of the country. Rapid digital adoption also means that market maturity is no longer a prerequisite for sophisticated engagement. For example, Bangkok saw the launch of a (literally mobile) virtual store—the first in Asia—when a BTS SkyTrain was converted into a Big C store, where consumers could shop by snapping QR codes placed inside the train.

While some Asia-Pacific traditional retailers are gamely joining this brave new world, others appear to be trying to turn back the clock. 2013 saw one of Japan's leading online fashion commerce sites launch WEAR, a "showrooming" mobile app allowing shoppers to scan barcodes in-store and purchase online, with the offline retailer receiving a commission. The response to this innovative solution was mixed: some Japanese retailers attempted to ban in-store mobile use, while established department stores such as Parco actively participated.

TARGETING MATTERS

The real story here is not the eye-catching execution—rather, it is back-end data capabilities. This is where true competitive advantage will accrue. The less-hyped aspect of the WEAR app is its potential as a massive database of personalized clothing preferences and its ability to suggest coordinated apparel based on what the shopper likes and may own, not just to sell a single item of clothing. From Lawson's 57 million-strong loyalty card database to the local corner shop, at least one rule of successful retailing remains unchanged—know your customer.

SUMMARY

- The Asia-Pacific region is home to approximately half the world's population; China is set to overtake the U.S. as the world's biggest retail market by 2016.
- China has the world's largest online population and Asia's most vibrant e-commerce sector.
- Adapting to diverse cultural preferences and languages as well as regulatory hurdles may prove challenging for brands in this region.
- Retailers must innovate and use data strategically to understand the customer—or suffer potential decline as competition increases.

01

WOOLWORTHS
AUSTRALIA
GROCERY
$4,948M
+8%

Drawn into a price war with its closest competitor, Coles, the launch of "more savings every day" has Australia's largest grocer working against the premium image it's been crafting since its last rebrand. However, the introduction of more health-conscious fare and a new partnership with celebrity chef Jamie Oliver shows Woolworths living up to its "Australia's Fresh Food People" positioning. With a focus on driving efficiencies, building new growth businesses, and online sales, which exceeded A$1 billion (USD $915) for the first time in 2013, it's also in the midst of converting its liquor stores to its BWS (Beer Wine Spirits) format. Forays into selling insurance and mobile phone plans have been less successful, however, suggesting that the Woolworths brand may not be completely aligned with the business vision.

02

UNIQLO
JAPAN
APPAREL
$4,160M
+14%

Japan's most valuable retail brand continues its impressive growth. With a solid base in its home country and a growing global presence of over 500 stores, Uniqlo aims to become the world's biggest apparel retailer by 2020 (hence parent Fast Retailing's interest in adding brands such as J.Crew to its stable). As the brand's new Shanghai flagship indicates, China and the Asia-Pacific region are vital in that plan. So is the U.S., where Forever21 veteran Larry Meyer is overseeing an aggressive rollout of 100 stores and tweaking its "Made For All" sizing for America. With plans to localize 10 percent of its designs and test price points in Asia, it faces a key challenge: to maintain its brand promise of affordable fashion without diminishing quality.

03

COLES
AUSTRALIA
GROCERY
$4,061M
+11%

Coles has firmly cemented its position around lowest prices with its "Down, down, prices are down" campaign. This perception has dominated the grocery brand for the last year and is giving Coles an edge in its price war with rival Woolworths. However, Germany's rapidly growing supermarket chain, Aldi, is also a player in Australia's low-cost space. adding to the competition. In an effort to challenge Woolworths on its "Fresh Food People" tagline, Coles is promoting the quality of its produce and more ethically sourced products. As the century-old retailer embarks on a massive USD $985 million (A$1.1 billion) expansion program, its challenge will be to maintain its price positioning and quality food commitment, without having to switch awkwardly between the two, as it is currently.

04

LOTTE DEPARTMENT STORE
KOREA
DEPARTMENT STORE
$1,840M
-8%

Since 1979, Lotte has modernized distribution and the department store business in Korea. Customer service, marketing, Corporate Citizenship, and accessibility—including a valet service for pregnant women and videophones for hearing impaired customers—are cornerstones of the Lotte brand. As a result of its efforts to accommodate customers with disabilities and limited mobility, its stores received "Barrier-free Building Certification." Its wide-ranging sustainability commitment includes reducing paper use by promoting its online "eco flyer," which has since evolved since 2011 to a mobile app, as well as launching an eco-shop that sells a range of earth-friendly products and donates proceeds to an environmental fund. Owner Lotte Shopping Corp. (which acquired discount electronics retailer Himart in 2012) is the world's third-largest department store operator, according to *Forbes*.

05

CHOW TAI FOOK
CHINA
SPECIALIST
$1,834M
NEW

Founded in 1929, the Hong Kong-based Chow Tai Fook is the world's largest jeweler, with about US$7.4 billion in sales in 2013 and over 2,000 points of sale, primarily in China, Singapore, and Malaysia. Offering items at all price points, from mass to luxury, it has long enjoyed a reputation for superior quality, partly driven by its iconic 99.99 percent pure gold products. In recent years, the brand has taken bold steps to expand its business, from investing in production, expanding its sales network in third and fourth tier cities, to co-branding with leading players in the fashion industry. Facing a booming e-commerce market, Chow Tai Fook has developed an e-commerce platform and is exploring social channels like Weixin to better engage with customers.

06

FAIRPRICE
SINGAPORE
GROCERY
$1,519M
+1%

Singapore's largest domestic supermarket, FairPrice continues to stay true to its purpose four decades after it was founded as a social enterprise that aims to temper the cost of living. "A world-class retailer with a heart," the brand manifests its Corporate Citizenship commitment through the way it treats its employees, charitable giving, and its affordable private-label products. In a largely price-driven sector, FairPrice competes strongly on value, but also continues to strengthen its brand image through such efforts as an online video channel, "Food for Life." These initiatives, on top of continuous efforts to stay relevant by offering more convenient payment options and passing along the savings from self-checkout counters and warehouse automation—the first of its kind in Asia-Pacific—are cementing the brand's positioning.

07

LAWSON
JAPAN
CONVENIENCE STORE
$1,313M
+13%

Differentiating itself from competitors remains a key component of Lawson's strategy. With food products being the brand's main offering, understanding consumer preferences in this area has become critical to delivering a unique and relevant experience. Lawson has expanded its MACHI café fresh-brew coffee offering and is increasing the number of in-store kitchen facilities that provide freshly prepared meals—a boon to Japan's aging population. It has also entered the agricultural market with Lawson Farms, a cooperative effort to procure and produce its own raw materials, as opposed to just selling. To achieve high levels of responsiveness, Lawson relies on sophisticated analytics from the point card data of over 57 million customers to manage store performance, optimize individual store offerings, and identify new store opening opportunities.

08

BUNNINGS WAREHOUSE
AUSTRALIA
HOME IMPROVEMENT
$1,169M
+6%

Well-positioned to capitalize on Australians' passion for DIY home projects, Bunnings Warehouse continues to dominate the home improvement category. The brand's only challenge has come from Woolworths' Masters brand, but it's not worried. As part of the Wesfarmers group, the big box retailer has built an enviable reputation based on strong community and consumer engagement. To fortify its multichannel capabilities, its website was revamped this year with a focus on two areas, "Our product range" and "DIY advice," to reflect the in-store experience. With an impressive presence and community engagement strategy, Bunnings must be mindful of competitors that seek to emulate its success and business model, as this could dilute the brand's image if it expands (as it's doing in Queensland) but does not evolve.

09

SM
THE PHILIPPINES
DEPARTMENT STORE
$1,041M
+11%

SM has performed well despite the growing strength of local competitors and the emergence of both regional and international players. As the leading retailer in the Philippines, SM continues to expand and now has over 200 stores consisting of The SM Store (department stores), supermarkets, hypermarkets, and neighborhood grocery stores. With a clear goal to become a world-class Filipino retailer, SM is stepping up its game with the 48 malls it operates in the Philippines and five malls in China. At home, the 2013 opening of the SM Aura Premier mall generated buzz as "The New Urban Market," offering international gourmet fare as well as locally produced favorites from different provinces, providing an around-the-world shopping experience—a unique and much welcomed concept in the Philippines.

10

MATAHARI
INDONESIA
DEPARTMENT STORE
$963M
+11%

Indonesia's oldest and largest department store, operating 125 stores in 61 cities, Matahari continues to stay ahead of competitors. Targeting the middle-income segment, Matahari is known for offering stylish, high quality products at affordable prices. Its improved merchandising strategy includes Indonesia-sourced merchandise and private-label brands such as Nevada—an exclusive brand sold in Matahari that is popular with young people and has increased Matahari's relevancy to this segment. In 2013, Matahari was also recognized as a provider of quality service and customer satisfaction. Reporting that net profit for 2013 was up 49 percent over a year earlier, the brand continues to meet the expectations of customers across the country through new and refurbished stores and the opening of a customer call service center.

11

PARKSON
MALAYSIA
DEPARTMENT STORE
$801M
-32%

Malaysian retailer Parkson is working toward its vision of becoming Asia's leading department store operator. With a diverse footprint that reaches across China, Vietnam, Indonesia, Sri Lanka, Myanmar, and soon, Cambodia, Parkson is facing the continual challenge of adapting to its regional audiences while managing the costs of its overseas expansion. The brand's 2013 performance was affected by the decline in operating margins from China and the temporary closure of three Malaysian stores for renovations. Going forward, Parkson must maintain the efficiency of its operations and work to stay relevant and differentiated in various markets. Making progress in that direction, the brand launched the Parkson Star e-learning program in 2013 to train employees in order to improve internal brand engagement and the customer experience.

12

FAMILYMART
JAPAN
CONVENIENCE STORE
$755M
+17%

Although currently the third largest convenience store chain in Japan, FamilyMart has an aggressive goal to become the world's number one chain. With a presence in eight countries and over half of its 20,000 plus stores outside its home market, there is a solid platform in place to make this possible. While the brand already has a strong presence in South Korea, Taiwan, and Thailand, there are opportunities to expand in China and fast-growing Southeast Asian markets. Given the intense competition in Japan, continuing to differentiate through a strengthened private brand lineup, distinctive food items like Famima Premium Chicken, and high quality service standards are crucial to solidifying its position within the domestic market and beyond.

13

TANISHQ
INDIA
SPECIALIST
$670M
NEW

The world's largest gold-consuming nation had no national jewelry chain until 1994, when Tanishq launched and helped create a branded jewelry market in India. The brand initially targeted the American and European markets before focusing on its home market, where it now operates a robust website and 157 stores in 89 cities. Part of the Tata corporate family, which emphasizes "leadership with trust," trust and purity were natural key messages at launch. However, the brand quickly moved to design-led themes that helped change the way India looked at jewelry. The lightweight and inexpensive Mia Collection, for instance, made jewelry an everyday item for women, not just something for special occasions. As a result, its marketing and communications campaigns have been recognized at India's Effie Awards.

14

BIG C
THAILAND
GROCERY
$653M
+15%

Big C made big strides in the past year. Internally, the Thai supermarket brand launched its Big C Academy to improve training and improve the level of service delivery across its retail formats. Externally, Big C doubled its convenience store presence and launched Asia's first moving virtual store. A local BTS SkyTrain was converted into a Big C store, with mobile shopping enabled by QR codes. Showcasing leadership in retail and digital, Big C launched a full suite of digital shopping platforms, including a website, mobile app/QR code and call centers—and its effort has been rewarded with a massive increase in online sales.

15

MUJI
JAPAN
SPECIALIST
$630M
+28%

As Muji successfully grows its global presence including expanding in the US, China remains a key focus for the Japanese home and lifestyle brand. This fiscal year, Muji opened a flagship store in Shanghai, launched an e-commerce site, and set the goal to grow its presence to 100 stores. Meanwhile, cross-platform promotions are bearing fruit. Campaigns such as the "MUJI to GO" effort married marketing efficiency with clever executions. One iteration of the campaign saw Muji and Japan's ANA airline using 3D printing to interesting effect—scanning shoppers and flying a family to meet miniature 3D versions of themselves. Increasing its digital presence, the retailer's "MUJI Passport" app, which enables in-store and online shopping, has passed more than 750,000 downloads since launching in May 2013.

16

HARVEY NORMAN
AUSTRALIA
DEPARTMENT STORE
$620M
-3%

Harvey Norman's home furniture and electrical stores face the challenge of managing a coherent and consistent brand across a franchise model. With a proposition focused on making financing easily accessible, the Australian-based chain is less known for its product offer or customer service standards. The store's founder, entrepreneur Gerry Harvey, has gained some recognition for the brand from his media appearances, but ultimately the brand lacks humanity. Toward the end of 2013, a marketing campaign focused on "real" customers and staff (instead of financing) demonstrated that Harvey Norman may have recognized the need to bring more warmth to its brand. However, such communications will have little meaningful impact if no effort is made to create a valuable customer experience to back up such claims.

17

EMART
KOREA
MASS MERCHANT
$613M
NEW

The leading Korean discount retailer has been a pioneer for more than 20 years. Aiming to benefit producers and consumers through improvements to distribution, its Fresh Center is the nation's largest agricultural products distribution and storage center, stabilizing prices and enabling longer food storage. It's also aligning loyalty, promotion and payments via mobile. Using GPS, its app literally guides shoppers to in-store sales, while its "sunny sale" campaign featured the world's first shadow-generated QR code: The sun's shadow at noon forms a QR code, allowing smartphone users to connect to the emart mall and receive coupons. In another innovation, its Flying Store brought free Wi-Fi to malls via helium-filled balloons to encourage shoppers to use their smartphones—and connect them, naturally, to its e-commerce site.

18

HYUNDAI DEPARTMENT STORE
KOREA
DEPARTMENT STORE
$601M
+1%

Established in 1971, the Korean department store chain has shifted its focus from providing shopping convenience to improving the quality of people's lives. It operates the nation's oldest community-based cultural center and regularly hosts events such as a blood donation drive that saw more than 10,000 people participate and a "green market" whose proceeds support the medical expenses of children with blood cancer. In-store, the brand has pursued differentiated food-court zoning, strengthening its bakery shop and dessert offering. Overall, it has focused on developing a differentiated, premium image to improve competitiveness, relying on foreign luxury branded goods to create high-end appeal. As a result, it is the number one shopping destination in Seoul's upmarket Gangnam district.

19

MYER
AUSTRALIA
DEPARTMENT STORE
$584M
-7%

As competition increases from overseas giants Zara and Topshop, with new entrants H&M and Uniqlo entering Australia this year, Myer must work hard to keep itself from losing relevance. Perceived as being more premium than mid-tier Target, but not as premium as direct competitor David Jones, Myer has not delivered on the proposition "to delight and inspire our customers." Its previous edge with its brand exclusivity model has been undermined by the web, yet significant investment in its own website has not boosted its e-commerce sales and it has only reached parity with other online retailers. The company expanded its "MYER one" loyalty program to other chains, while it remains to be seen if chatter of a merger with rival David Jones comes to fruition.

20

BIG W
AUSTRALIA
MASS MERCHANT
$579M
+3%

Woolworths has stated that it is transforming its Big W brand, but there is not much sign of change externally, as the business model and store formats remain the same and its CEO admits results have been "patchy." Building on its "Australia's lowest prices" positioning, Big W continued to use its "Cha-ching" catchphrase and hired Eric Stonestreet of the TV show *Modern Family* to endorse the brand. However, its late 2013 "Fashion at low prices" campaign introduced a look and feel that did not seem to align with its family-oriented image. Big W needs to first decide what defines its brand and positioning, and then adopt a platform that is truly distinctive and stick with it—especially with competitors such as Kmart nipping at its heels.

21

KMART
AUSTRALIA
MASS MERCHANT
$555M
+8%

Kmart Australia's new focus is paying off. Its shift toward perceived value for essentials is a welcome change for the country's family-oriented retail market. This has led to more thoughtful curation of its private label product range and a revamped in-store experience. While not all stores have been upgraded, this marked a visible change from presenting products in quantity to a focus on specific value for each product range. With advertising highlighting the value of Kmart products and as the only Australian apparel retailer to disclose its Bangladeshi factories, the brand is winning over new consumers and gaining mind share. After four years of double-digit earnings growth, if the Wesfarmers-owned Kmart can retain its focus in Australia, it will continue to pull away from competitors.

22

SUNING
CHINA
ELECTRONICS
$511M
-7%

Suning aims to transform from China's biggest home appliance and electronics retailer into a multi-category supplier of insurance, international express delivery, and other services with a more fully integrated online/offline presence. It's stepping up the pace of store upgrades and investing in cloud-based computing technology to seamlessly integrate its online channel and various brick and mortar store formats. Suning has further differentiated itself from competitors by successfully embodying a new brand proposition, "young and daring." Through its sponsorship of entertainment programs, celebrity endorsements, and the "Dream Come True" short film, the brand appeals to the dreams and aspirations of its customers. Suning's brand value has dropped slightly, however, mostly due to increased competition in the marketplace and lower profit margins after standardizing its prices.

23

TARGET
AUSTRALIA
MASS MERCHANT
$511M
-5%

The Wesfarmers-owned Target Australia is struggling to find a foothold in the country's competitive retail environment. Perceived as a mid-tier department store, the fashion cues that have defined the brand in the past no longer resonate with consumers. British celebrity stylist Gok Wan was hired in 2013 to rebuild the brand's fashion credentials, but the move was undermined by a messaging *faux pas* and continued discounting. This suggests that Target has lost touch with its customers, who want quality design and affordability. Its urban-focused marketing doesn't align with its strong rural presence, revealing another area where the brand lacks relevance. The size of the chain may protect it, but the brand needs to reconnect with customers to thrive in an increasingly turbulent retail environment.

24

DAVID JONES
AUSTRALIA
DEPARTMENT STORE
$426M
-17%

In business since 1838, the high-end department store leans heavily on heritage to drive sales. Yet increasing competition from overseas retailers, both online and offline, and a waning reputation for customer service is rendering David Jone's "house of brands" proposition less relevant. However, there are signs that indicate the brand may be making some constructive changes, even as its profit margins decline. Its omnichannel strategy has progressed with its online channel upgrading delivery convenience, generating more traffic, and ranking more prominently on search results. But, overall, headway is slow going and these steps alone will not compensate for the competitive challenges that David Jones faces, which may make rival Myer's case for a merger between the brands all the more compelling for its board to accept.

25

NITORI
JAPAN
HOME FURNISHINGS
$403M
+22%

Global expansion was the big news for Japan's leading home furniture and interior goods chain with the October opening of two "Aki-Home" stores in California. Although Nitori's first store outside Japan opened in Taiwan in 2007, the move is symbolic as it was on a trip to California where founder Akio Nitori got the inspiration to expand his original store into Japan's premier furniture chain. The company is also investing in overseas resources to fuel its business model, which integrates production and sales, and establish a basis for growth in new overseas markets. However, with a consumption tax increase on the horizon and a weakened yen, Nitori will have to utilize all of its efficiencies to absorb costs rather than pass them on to shoppers.

26

BELLE
CHINA
APPAREL
$402M
+17%

Established in 1992, Belle is China's largest seller of women's footwear. While the market demand remains soft, Belle outperforms its apparel competitors with a multi-brand strategy that covers all segments in the market and a well-established distribution network. Belle started its online business (yougou.com) as a shoe retailer in 2009, but extended its offering to include clothes, luggage and bags, outdoor items, and children's products in 2013. However, the added variety failed to bring significant growth, as competition has become extremely fierce in e-commerce. Buoyed by a shift from discounting in 2013, it still needs to align its sub-brands to achieve precision targeting, avoid cannibalization, and maximize market share. To sustain brand loyalty, Belle must work harder to fulfill its brand promise and improve product quality.

27

JB HI-FI
AUSTRALIA
ELECTRONICS
$378M
+13%

Despite an industry-wide decline in physical music and entertainment sales, the JB Hi-Fi consumer electronics chain is growing. It's expanding its NOW-branded digital sales of music, books and movies and looking at online rentals, and adding appliances to its product mix by converting a handful of stores to its JB Hi-Fi HOME sub-brand. Leveraging its reputation as a specialty discount retailer, second half 2013 sales rose 6.8 percent and online sales increased 15.4 percent. One key challenge will be to align the passion of its youthful employees with the level of service and expertise demanded by high-tech shoppers. As it continue spreading across Australia and New Zealand, the JB Hi-Fi brand must be nurtured strategically or risk becoming little more than a value price player.

28

ABC-MART
JAPAN
APPAREL
$350M
NEW

One of Japan's leading footwear retailers, ABC-Mart has seen fast growth over the last decade, expanding from 166 stores in 2003 to more than 800 stores in 2013. Increasingly, the brand is looking to expand internationally and has a growing presence in Asia, including South Korea and Taiwan. Its 2012 acquisition of America's LaCrosse footwear brand has also helped the brand establish itself in the U.S. market. With approximately half of domestic sales coming from its own branded products, the company delivers impressive margins and has cleverly built its brand by offering both domestic brands and licensed brands alongside each other. Adding to its portfolio to increase in-house sales and offering higher priced private brands will help to fuel ABC-Mart's ongoing growth.

29

HIMART
KOREA
ELECTRONICS
$348M
NEW

Himart has a market share of about 47 percent in Korea's electronics retail industry. The keys to its success are high brand awareness and a sophisticated distribution network, supported by owner Lotte's distribution capabilities. Himart is also characterized by its high sales per store. By launching in-store boutiques with Lotte Mart, the nation's largest distribution company, Himart increased its points of contact with more customers. Himart also takes Corporate Citizenship seriously. The "Good Morning Children" cause marketing campaign, for example, encouraged customer donations to support educational programs. The company also supports the construction of basic infrastructure in Kenya to help change the lives of children in the region, and provides financial and emotional support to single parent families through its "Happiness of 3" campaign.

30

HYUNDAI HOME SHOPPING
KOREA
MASS MERCHANT
$334M
+10%

Seoul-based Hyundai Home Shopping provides high quality products at reasonable prices to customers through its TV network, HMall website, mobile app, and catalog business. With the goal of being a global home shopping leader, it opened the industry's first "quality institute" in 2007, under the belief that strict quality control is the basis of service and trust formation with customers. It sells exclusive fashion brands such as its partnership with Basic House and merges on- and offline promotions to continually expand. Since 2009, the cross-channel emporium has provided strategic investments to small and medium-sized startups to spur innovation. The company also offers the opportunity of free broadcasting in order to showcase worthy products from small businesses with limited marketing budgets.

LATIN AMERICA

ACROSS THE DIVERSE TERRAIN OF LATIN AMERICA WITH ITS GROWING MIDDLE CLASS, THE RETAIL INDUSTRY HAS SEEN IMPRESSIVE CHANGES AND AN INCREASE IN CONSUMER SPENDING. DESPITE ECONOMIC UNCERTAINTY AND A DEGREE OF POLITICAL AND SOCIAL TURMOIL, RETAILERS—PARTICULARLY APPAREL AND SUPERMARKET BRANDS—HAD STRONG FINANCIAL RESULTS IN 2013. DUE TO THIS PERFORMANCE, INTERBRAND IS RANKING THE 20 MOST VALUABLE LATIN AMERICAN RETAIL BRANDS FOR THE FIRST TIME EVER.

01	-21%	$3,156M	natura bem estar bem
02	-29%	$2,615M	OXXO
03	+8%	$1,016M	Bodega Aurrera
04	NEW	$547M	falabella.
05	NEW	$485M	Liverpool
06	+10%	$420M	Casas Bahia
07	NEW	$381M	SODIMAC
08	NEW	$366M	elektra
09	-30%	$357M	RENNER
10	-11%	$320M	LOJAS AMERICANAS
11	-26%	$319M	Superama
12	-18%	$263M	extra
13	+23%	$261M	Hering
14	NEW	$246M	éxito
15	NEW	$173M	Suburbia
16	NEW	$160M	TOTTUS
17	-5%	$159M	havaianas
18	-22%	$147M	Pão de Açúcar
19	0%	$147M	pontofrio
20	NEW	$124M	AREZZO

RETAIL AND E-TAILING

BY GONZALO BRUJÓ,
CHAIRMAN OF INTERBRAND LATIN AMERICA & IBERIA &
ANDRÉ MATIAS, BRAND STRATEGY DIRECTOR &
HEAD OF BRAND VALUATION, INTERBRAND SÃO PAULO

Across the diverse terrain of Latin America with its growing middle class, the retail industry has seen impressive changes and an increase in consumer spending. Despite economic uncertainty and a degree of political and social turmoil, Latin American retail brands remain relevant.

Most retailers in the region had strong financial results in 2013, but the devaluation of local currencies in the majority of Latin American countries had a negative impact on brand value.

While sectors such as home improvement, furniture retailers, electronics, and specialty goods are fighting to find their place amongst the top Latin American retail brands, supermarket and apparel brands are the best-represented sectors on the table this year.

WHAT CONSUMERS VALUE MOST

Although there are still many challenges and bureaucratization continues to pose obstacles, service is the main strength of the leading Latin American retail brands. As the middle class increases its purchasing power and foreign competitors with high service standards continue to enter the market, consumer expectations are rising. In this context, the winning retail brands are those that provide a consistent and pleasant customer experience.

Chile's Falabella department store chain exemplifies how to use good service to stand out in its category and create a bond with customers. Mexico's Superama has also effectively embedded service into its brand's essence. While freshness, variety and high quality offerings also differentiate the Mexican supermarket brand, service has been a key brand ingredient, both in traditional and digital channels.

NEW REVENUE STREAMS

Major retailers are moving beyond their core businesses and are increasingly profiting from the credit card and financing businesses. With the middle class growing at such a rapid rate, many retailers are helping customers finance in-store purchases as well as offering debit and credit cards to help them with payments outside the store.

These options not only make purchasing easier for customers, they also boost income for retailers. Renner, Liverpool, Casas Bahia, Lojas Americanas, Extra, and Elektra are only some of the retail brands that are already benefitting from offering payment solutions to customers.

Latin America's leading retailers are expanding the ways in which they commercialize in order to bring more convenience and better service to their customers. Bodega Aurrera, a Mexican supermarket brand that is majority owned by Wal-Mart, for instance, has three different types of stores that allow it to adapt its offer to local consumers: Bodega Aurrera, located in popular areas with less than 100,000 inhabitants, Mi Bodega Aurrerá, located in lower-income areas, and Bodega Aurrera Express, an urban concept targeting busy areas in bigger cities.

Similarly, Brazil's Extra has expanded from hypermarkets to gas stations, drugstores, supermarkets, and neighborhood markets. Its digital store also has a strong online presence.

EXPANDING INTO DIGITAL E-TAILING

Latin American retailers are also taking advantage of the region's increased internet and broadband penetration rate to shift more selling online. According to comScore's *2013 Latin America Digital Future in Focus* report, this was the fastest-growing region for internet users, with a 12 percent increase over 2012. By comparison, Asia-Pacific's web-using population increased by 7 percent, Europe's by 5 percent, and the Middle East and Africa by 3 percent.

E-commerce is becoming more prevalent in the region, and adapting retail formats to accommodate this shift in consumer preferences is proving to be the key to success for many retailers. For instance, Mexican convenience store Oxxo has demonstrated its ability to keep up with consumer preferences by creating mobile apps. "Oxxo siempre ahí" points consumers to the closest Oxxo locations while a mobile game called "Raining Bitz" entertains them. The store also launched a debit card, Saldazo, in partnership with Banamex and Visa, which offers special promotions and helps customers pay for Oxxo purchases, purchases made through other online Mexican retailers, as well as those made through establishments affiliated with Visa.

In the Brazilian market, Extra, Lojas Americanas, Ponto Frio, and Pão de Açúcar are also investing in digital channels to expand sales and offer more convenience to customers.

UNTAPPED RETAIL POTENTIAL

However promising the retail market remains in Latin America, there is room for improvement. The sheer pace of growth will leave brands with no choice but to become more responsive in order to stay relevant and add differentiating value, especially in terms of integrating the online and physical retail experience.

While not included in Best Retail Brands 2014, brands such as Coto and La Anónima supermarkets—as well as Frávega and Garbarino in Argentina; Benavides and El Palacio de Hierro in Mexico; Plaza Vea, Bembos, and Supermercados Peruanos in Peru; Pollo Campero in Guatemala and El Corral in Colombia—are all proving how much potential there really is for the retail sector in Latin America.

SUMMARY

- With a growing middle class and an increase in consumer spending, most retailers are seeing strong financial results
- Supermarket and apparel brands are particularly strong in the region
- To meet rising consumer expectations, brands are improving service in both traditional and digital channels
- Major retailers (Renner, Casas Bahia, Lojas Americanas, Extra, etc.) are using lending (credit cards and financing) to increase revenue as well as customer loyalty

01

NATURA
BRAZIL
SPECIALIST
$3,156M
-21%

The eco-friendly cosmetics giant Natura remains the most valuable retail brand in Brazil. Among its main strengths are the clarity of its brand proposition and the consistency of the customer experience it delivers—even in a tough economy. From its clear and relevant name to its inspiring campaigns and music sponsorships, everything produced by Natura relates to its reason for being. As a result, it is recognized for its ethics, sustainable practices, and for promoting wellness in Brazil and beyond. As innovative as it is ethical, Natura's large investments in R&D have paid off handsomely, garnering the company numerous awards and even earning it a 10th place spot on *Forbes'* The Most Innovative Companies in the World ranking.

02

OXXO
MEXICO
CONVENIENCE STORE
$2,615M
-29%

Oxxo, the undisputed leader in Mexico's convenience store category, now accounts for about 7 percent of grocery sales in the country. Despite a tough economy, it is rapidly expanding—owner Fomento Economico Mexicano (Femsa) opened 1,120 stores in 2013, an average of three daily for a total of 11,721—and serving millions of customers. It's also responsive to local needs, offering a large variety of products, including many proprietary brands, and staying open 24/7, 365 days a year to fulfill its brand promise, "Always ready, always there." In order to bring even more convenience to its customers, it has forged an alliance to bring banking services to its stores, and stands to benefit from Femsa's planned USD $1.35 billion investment across its businesses.

03

BODEGA AURRERA
MEXICO
GROCERY
$1,016M
+8%

Bodega Aurrera is a strong self-service format owned by Wal-Mart in Mexico, where the company's net sales (also encompassing Superama and Walmart Supercenters) increased 3.1 percent last year. The brand's value proposition of offering the lowest prices in the market is embodied by its iconic character "Mamá Lucha," a Mexican wrestler/housewife who fights for low prices in a series of popular ad campaigns. The highly relatable character generates empathy for the brand along with high expectations, which Bodega Aurrera shows it is capable of meeting by offering guarantees and promotions to reinforce its price leadership and the brand's credibility in the country. By making a vast variety of products available at affordable prices, Bodega Aurrera has become an ally of low-income Mexican families.

04

FALABELLA
CHILE
DEPARTMENT STORE
$547M
NEW

Founded in 1889 by Salvatore Falabella, the store that began as a tailor shop is now one of the largest retailers in South America. There are currently 89 stores in four countries, with reported revenue of USD $4.42 million, and an ambitious expansion plan for the next five years. By providing access to a world of affordable design at a time when few brands had the courage to set down roots in the region, Falabella became a great ally of Latin American women. Synonymous with trust and expertise, in addition to the vast array of brands, products, and services (from banking to travel) it offers, it has become the answer to many consumers who are seeking to fulfill the needs of everyday life.

05

LIVERPOOL
MEXICO
DEPARTMENT STORE
$485M
NEW

Liverpool is the largest department store chain in Mexico. The brand has received high levels of investment, mainly focusing on opening new stores and remodeling old ones. It has nearly 100 stores across Mexico, catering to the middle class families that represent the country's social and economic foundation. In-store, it offers a complete shopping experience, including (in some locations) luxurious extras such as gourmet food. Liverpool also demonstrates that it's up-to-date with fashion trends by hosting the annual Fashion Fest event, replete with celebrity spokespeople. The retailer has also taken advantage of the credit card market, which has helped it become the third most important credit card issuer in Mexico, and is bringing U.S. brand Chico's into the market via a partnership this year.

06

CASAS BAHIA
BRAZIL
HOME FURNISHINGS
$420M
+10%

The Brazilian furniture and appliances retailer continues to strengthen its values and clarify the role it plays in people's lives: making their dreams come true and providing the best shopping experience. In order to fulfill that promise, the brand has invested approximately USD $700 million in advertising, which made it the second largest advertiser in its home market in 2013. The company also invested in expanding its operations in the north and northeast regions of Brazil, with a plan to open 25 more stores by the end of the year. The consistency of its communication and the strength of its business model prompted the newspaper *Folha de S. Paulo* to grant Casas Bahia a Top of Mind award in the home appliances category.

07

SODIMAC
CHILE
HOME IMPROVEMENT
$381M
NEW

Sodimac provides construction, hardware, and home products and services. The leader in its category, it has pioneered a comprehensive offer that smaller hardware and specialty stores are unable to match. Sodimac brought in a revenue of USD $5.343 million in 2012 and operates more than 135 stores in Chile, Argentina, Colombia, and Peru. Providing customers with all the tools and supplies they need in one place is the key to the brand's success. Sodimac has implemented a successful market segmentation strategy to meet the needs of different audiences (homeowners, builders, and businesses) through various store formats and sub-brands. Continuing its strong expansion strategy, Sodimac purchased 50.1 percent of Brazil's Dicico chain and is making inroads into new markets such as Uruguay and Brazil.

08

ELEKTRA
MEXICO
ELECTRONICS
$366M
NEW

Elektra knows how to respond to the needs of the base of the pyramid in Latin America, a market that represents huge growth opportunities because of its size. A leading specialty retailer and financial services company, Elektra focuses on enhancing quality of life through its product offerings and by making credit accessible. Elektra is supported by Banco Azteca, which has a presence in most of Elektra stores, offering an additional value to its customers. Last year, Elektra acquired the video rental chain Blockbuster Mexico, which will help the brand expand its locations across the country and reach untapped markets. Elektra plans to replicate this successful model in other parts of the world.

09

RENNER
BRAZIL
APPAREL
$357M
-30%

With 16 percent market share and a business strategy focused on enchanting consumers, the second largest department store chain in Brazil, Renner, continues to lead in its category domestically. To the brand's credit, its actions are well aligned with its strategy to delight consumers at every touch point. In fact, according to the company's annual report, 96.6 percent of customers among the 22.5 million polled declared they were satisfied in 2012. To further enhance customer satisfaction, Renner has expanded its portfolio of brands. Today there are six sub-brands, segmented by lifestyle and according to different fashion and marketing trends. Boasting a growing presence on social media as well, Renner placed among the top ten on IndexSocial's Engagement Ranking in 2013.

10

LOJAS AMERICANAS
BRAZIL
CONVENIENCE STORE
$320M
-11%

After 84 years of existence, Lojas Americanas has become one of the leading brands in Brazil's retail market—and its in-store experience is the reason its positive image continues to grow. With a strong focus on convenience, the brand excels at offering the right products at the right time, to the right audience. Its communications are primarily focused on promotions related to specific events of the year, such as Mother's Day and Easter. On the digital front, the brand invested in its website's distribution and after sales services, achieving an impressive 59 percent reduction in complaints to the Brazilian Consumer Protection Organization. The retailer was also honored with a Top of Mind award for e-commerce by the newspaper *Folha de S. Paulo*—for the seventh time.

11

SUPERAMA
MEXICO
GROCERY
$319M
-26%

Superama fulfills its "Superama pampers you" promise by meeting its customers' expectations for good service, variety, freshness, and convenience. The brand targets consumers of higher socioeconomic status, and proves to have a broad understanding of this segment's interconnected and busy lifestyle. In fact, for some time now, Superama has been working to develop more digital shopping experiences. Proof of this is the brand's mobile app, which is available for most smartphones. The app stands out from others in the supermarket category because it offers unique features and functions such as barcode and QR scanning, and automatic shopping lists based on previous purchases. From digital innovation to customer experience, the retailer's combined efforts have kept Superama ahead in Mexico's premium supermarket category.

12

EXTRA
BRAZIL
MASS MERCHANT
$263M
-18%

Extra remains one of Grupo Pão de Açucar's most powerful flagship brands, representing approximately 33 percent of the group's revenues. The positioning "More for Family Life," launched in 2011, continues to be expressed at all of the brand's key touchpoints, from collateral to TV and internet. Since Extra faces stiff competition from brands in its category that emphasize price and promotion, the challenge is to differentiate by touching a more emotional chord. In the digital space, the brand's presence is getting stronger. In a recent move, the portal extra.com has evolved from a standard retail site to a virtual mall, comparable to the U.S.-based Amazon.com. The brand also expanded its Minimarket Extra neighborhood grocery stores, supplying a demand for nearby stores and creating greater proximity with consumers.

13

HERING
BRAZIL
APPAREL
$261M
+23%

In Brazil, Hering is the clothing brand that many have worn "since always." It is democratic, versatile, and appeals to people of all ages, across all social classes. In the market for over 130 years, the brand has constantly evolved without diluting its identity. Though traditionally known for its casual basics, Hering has recently increased the perceived value of its products. In that vein, it plans to expand its offerings to include higher priced pieces, while continuing to deliver the value its customers expect. Despite its franchise model, the brand remains admirably consistent. From its physical stores to e-commerce, Hering's communications are simple, straightforward, and well aligned. The brand is also consistent in the area of Corporate Citizenship, which is an integral part of Hering's DNA.

14

ÉXITO
COLOMBIA
MASS MERCHANT
$246M
NEW

With more than 225 supermarkets, hypermarkets, and convenience stores, Éxito is Colombia's leading retailer. Going strong for more than 60 years, its success is rooted in its solid commitments to its employees, suppliers (90 percent domestic), and customers. While Éxito is already preferred for the variety of products, formats, and services it offers, the brand has also invested heavily in an online sales platform to provide a wider range of products at better prices. Additionally, Éxito has become a player in the mobile phone business via Movil Éxito and partnered with market leaders SURA, Bancolombia, and Avianca to create insurance services (Seguros Éxito), a credit card (tarjeta Éxito), and travel services (Viajes Éxito). With so much growth underway, Éxito's biggest challenge ahead is likely to be the internationalization of its brand.

15

SUBURBIA
MEXICO
APPAREL
$173M
NEW

Living up to its "Fashion for real life" slogan, Suburbia offers a place where the whole family can shop for trendy clothing at accessible prices. While the brand focuses on delivering fashion at the best prices to middle- and lower-income segments, it does so without sacrificing quality or variety. Investing heavily in building its social media presence in recent years, Suburbia found success with its "style guide" blog, which has increased traffic to its stores. Last year alone, sales grew 13 percent. With a total of 108 locations, Suburbia now has more stores than any other clothing retailer in Mexico.

16

TOTTUS
CHILE
MASS MERCHANT
$160M
NEW

Established in Peru in 2002, the Tottus chain of hypermarkets and supermarkets is a brand owned by Chilean retailer Falabella. Its target audience is the modern, multitasking woman who juggles her time between home, work, and shopping. As of 2012, the brand saw its revenues increase by 23 percent. That same year, it commanded 27 percent market share in Chile and seven percent in Peru. With continual efforts to strengthen its own brands (representing over 500 products) and aggressively push to open stores in new locations, the company is in a process of constant expansion. Tottus's outward and upward trajectory, however, is in line with the internationalization strategy of the Falabella group, which announced its growth plan for the 2014-2017 period with an investment of approximately USD $4,100 million for the holding.

17

HAVAIANAS
BRAZIL
APPAREL
$159M
-5%

Weaving humor, "Brazilian-ness," and variety into its brand and products, Havaianas has become a global sensation. Though the flip flop pioneers began with a limited portfolio, today Havaianas has extended its product mix beyond sandals, offering stylish espadrilles, sneakers, handbags and even towels. Its colorful magazine ads, celebrity TV endorsements, and in-store brand experience keep the brand fresh and relevant. A household staple in its country of origin, Havaianas sandals are considered the quintessential flip-flop in Brazil, but the brand is also increasing its recognition abroad. For instance, 91 percent of Australians and 55 percent of Europeans are aware of the Havaianas brand. Taking its quest for worldwide recognition further, the brand plans to not only open 90 new stores in Brazil, but also many others abroad.

18

PÃO DE AÇÚCAR
BRAZIL
GROCERY
$147M
-22%

The value of Pão de Açucar's brand lies in its ability to deliver "happiness." As such, it enjoys a premium position, which justifies higher average price points than larger supermarket chains. Willing to adopt retail models that have never been tested in the Brazilian market, the expansion of Pão de Açucar Delivery, the launch of the drive-thru model, and the brand's Virtual Showcase demonstrate Pão de Açucar's commitment to innovation. The brand is also increasingly committed to sustainability, a concept that is clearly understood, lived internally, and evidenced by the company's wellness initiatives for employees. On the strength of ad campaign in 2013, it appears Pão de Açucar may soon be reaping the benefits of improved communications and a stronger brand.

19

PONTO FRIO
BRAZIL
ELECTRONICS
$147M
0%

After abandoning its "all at the lowest price" discount approach in 2010, home appliances retailer Ponto Frio is pursuing a strategy built around premium. The positioning is still evolving, but the brand is now targeting the growing middle class and upper classes with a fresh visual brand identity and a new slogan, "Live the innovation." Though Ponto Frio is successfully building its presence on social media, the brand is reassessing its portfolio, inaugurating concept stores, and developing new campaigns to ensure that it delivers technology and innovation at every point of contact. Working hard to make the new positioning feel real and authentic, Ponto Frio is listening to consumers and responding to their preferences, while finding clearer, more consistent ways to align its brand communications at various touchpoints.

20

AREZZO
BRAZIL
APPAREL
$124M
NEW

Whether keeping up with trends or setting new ones, Arezzo builds its following by launching glamorous campaigns, investing in bloggers and opinion-makers, and promoting its goods via pop-up stores in locations like Oscar Freire Street (often billed as Brazil's Rodeo Drive). Arezzo is the largest women's shoe brand in Latin America and it continued its expansion throughout 2013, investing in new stores and building its presence on social networks. Bearing testament to the brand's reputation online, Arezzo has 1.3 million fans on Facebook and ranked fourth in indexSocial's 2013 social engagement ranking. Under the direction of a new president, Alexandre Birman, Arezzo is now looking outside of Brazil to help sustain revenue growth that's five times the global industry's average.

METHODOLOGY

THERE ARE THREE KEY COMPONENTS IN THE FOUR REGIONAL VALUATIONS FOR BEST RETAIL BRANDS 2014: ANALYSES OF THE FINANCIAL PERFORMANCE OF THE RETAILER, THE ROLE THE BRAND PLAYS IN THE PURCHASE DECISION, AND THE COMPETITIVE STRENGTH OF THE BRAND.

METHODOLOGY

BY MIKE ROCHA, GLOBAL DIRECTOR OF VALUATION, INTERBRAND

Interbrand's brand valuation methodology determines, in both customer and financial terms, the contribution of the brand 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 of the competitive strength of the brand.

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 several years of valuing retail brands specifically) and with 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 the 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.

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 five 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 report 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.

ABOUT 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 the world. The higher the Brand Strength Score, the stronger the brand's advantage.

#BESTRETAILBRANDS

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 brand, and a belief internally in the importance of 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 leadership 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.

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

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

Consistency
The degree to which a brand is experienced without fail across all touchpoints or formats.

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

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.)

APPENDIX

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ADDITIONAL INFORMATION

interbrand.com
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Founded in 1974, Interbrand is the world's leading brand consultancy. With nearly 40 offices in 27 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 annual 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, the award-winning resource for brand marketing.