The Most Valuable U.S. Retail Brands 2010

InterbrandDesignForum

Why strong brands are stronger

Profiles of the top 50 brands

Opportunity for innovation

InterbrandDesignForum

Since 1978, we have been creating retail brand experiences for companies around the world. Interbrand Design Forum's talent for game-changing innovation led us to create a business model that integrates analytics-based strategy — the first and only company to do so.

This unique ability to address retail's growing complexity has brought many of the world's top companies to our doorstep and propelled Interbrand Design Forum to the forefront of the industry.

We have been part of Interbrand since 2002, and two years ago we added Interbrand to our Design Forum name to reflect our place in the world's largest branding consultancy.

Today, we have 1,200 associates in almost 40 offices around the globe and a practice that brings together a diverse team of thought leaders. This deep talent pool makes our business both rigorously analytic and highly creative.

As a result, we have changed the dialogue, defined the meaning of brand management, and continue to lead the debate around brand as a valuable business asset. By making brand central to our clients' strategic business goals, we help them create and manage the value of their brands.

Contents

Managing Brand Value

This year, the most striking shift in the 50 Most Valuable Retail Brands is the overall increase in the value of the top 25, and the descent of the bottom 25. Proof that you can't just manage a brand. You have to defend it.

With all the headlines about dropping demand, shuttered stores and beleaguered consumers, you'd think our second Most Valuable U.S Retail Brands study would read like a train wreck. The opposite is true.

Of the one and a half million retail companies in America, 2009's 50 top brands are remarkably intact. Together, the top 25 retailers have increased their brand's economic value over the previous year. As calculated through Interbrand's rigorous proprietary analysis, the upper half of the list not only survived but prospered. By that same calculation, the next 25 as a group lost value.

Broadly speaking, companies that declined in value slashed prices at the expense of brand equity, and failed to see any return on their innovations this year. Rising companies, on the other hand, had their brand proposition fully in place to take advantage of the downturn, invested in their brands and convinced the customer of their relevance and worth.

There's more to it than that, of course. Retailing is a complex business. That's why we continue to debate and discuss the actions and strategies of the leaders. The conversation provides an opportunity to learn from their success as well as their missteps.

Lessons from the leaders

From a competitive perspective, the tough market demands differentiation, innovation and value-add like never before. Brands need to be clear and compelling to stand out from price-based competition.

One of several lessons we draw from the list, is that the strong get stronger. The performance of Walmart, which increased its lead by an even greater margin this year, demonstrates that as a company refines its idea of brand, it unlocks pockets of value creation which can lead to big impact due to increasing returns to scale.

Brand-led companies know the customer, know themselves and create an environment for innovation.

Some brands that increased significantly in value this year, such as Target, proved themselves more efficient and effective. We attribute that to the fact that brand-led companies maintain their brand equities at the same time they streamline their assets, guided by what matters most to the customer.

It's not news that customers have changed. And you don't need our league table to tell you that the market played to the retailers with low price propositions.

But Dollar General shows us that although the importance of brand might be less as price becomes more of a priority, there's a battle brewing for the loyalty of the new deal seeking shopper. The winners will be those with engaging brand experiences and more trend-relevant offerings.

In every category, however, we can see that an undifferentiated proposition quickly kills a brand's economic value, most dramatically in the case of Abercrombie & Fitch.

The recession happened in the midst of social change brought on by technology. We shop differently, we think differently, and our social behavior has changed. The profile of American Eagle Outfitters shows how retailers win by embracing these new social and technological trends.

And finally, we can see that even within the ranks of the top retailers in America there's more going on than just a drop in retail demand overall. Some businesses have been slow to bring something new to the shopper which caused them to lose brand value — it's remarkable how quickly it can happen. Once again, the list tells us that brand-led companies know the customer, know themselves, and create an environment for innovation.

Thoughtfully,

D. Lee Carpenter
CEO Interbrand Design Forum
and Interbrand North America

The Brand Primer: How to build value

"Brand" is the particular set of tangible and intangible assets that consumers attribute to a retailer. The more distinctive your proposition, the tougher it is for the competition to copy.

Brand functions as an asset. If a brand plays a role in choice and the consumer must choose between competitors, then the brand contributes to earnings and profit. It is therefore quantifiable and valuable to its owner. The companies at the very top of the rankings understand the dynamics of their brands' influence, so they can bring their power to bear in times of change.

Brand ideas must have the power to generate value. Take Whole Foods Market, which crafts a unique sensory laden experience with the promise to engage in responsible food production. The idea produces exceptional value, affecting as it does everything from the merchandise and its display to the behavior of employees.

Brand drives demand through every aspect of the business. By using brand valuation as a diagnostic tool, retailers gain insight to the precise economic benefits of their brands. It clarifies which factors drive demand, what role the brand plays across each factor and how strong the brand is versus its competitors.

Brand helps us see at which point in the shopping experience we are in danger of losing the customer. When you can pinpoint the role brand plays in driving purchase, you can craft an experience that will influence shopper choice.

Brand helps us understand exactly what must be changed and how in order to maximize value. A change to the existing delivery could provide increased customer commitment. It might be as complex as a whole new service offering or as simple as consistency. When you identify which business elements create economic power, you can make smart decisions about investing resources into these previously unrecognized market opportunities.

Lastly, leaders understand that brand building isn't a separate exercise from the day-to-day running of the business. It is integral to it.

The Most Valuable U.S. Retail Brands 2010

For the second time, Interbrand Design Forum is delighted to unveil what is possibly the most useful barometer for successful retail brand management. Brand valuation is a great tool for showing a business how to optimize its brand. When done right, the brand becomes a value creation engine.

1
2009 Rank 1

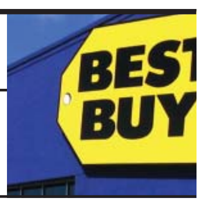
Walmart
154.144 $B
Change in Brand Value 19%

2
2009 Rank 4

Target
25.500 $B
Change in Brand Value 49%

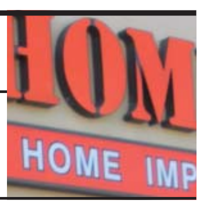
3
2009 Rank 2

Best Buy
17.806 $B
Change in Brand Value -19%



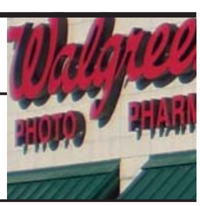
4
2009 Rank 3

The Home Depot
17.043 $B
Change in Brand Value -18%



5
2009 Rank 7

Walgreens
14.319 $B
Change in Brand Value 28%



6
2009 Rank 5

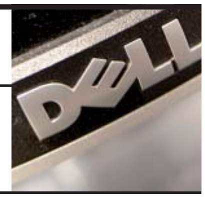
CVS
14.122 $B
Change in Brand Value 12%

7
2009 Rank 9

Sam's Club
10.540 $B
Change in Brand Value 11%

8
2009 Rank 6

Dell
10.291 $B
Change in Brand Value -12%



9
2009 Rank 10

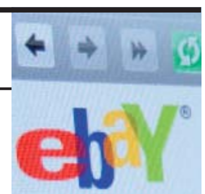
Coach
8.887 $B
Change in Brand Value -2%

10
2009 Rank 14

Amazon.com
7.858 $B
Change in Brand Value 22%

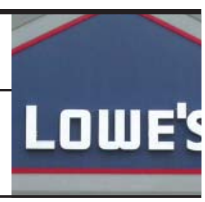
11
2009 Rank 11

eBay
7.350 $B
Change in Brand Value -8%



12
2009 Rank 8

Lowe's
7.072 $B
Change in Brand Value -34%

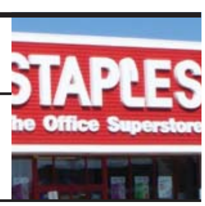


13
2009 Rank 13

Nordstrom
6.753 $B
Change in Brand Value 0%

14
2009 Rank 12

Staples
5.805 $B
Change in Brand Value -20%

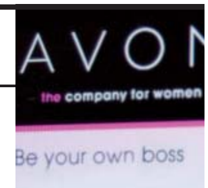


15
2009 Rank 15

Costco
5.488 $B
Change in Brand Value -4%

16
2009 Rank 17

Avon
4.917 $B
Change in Brand Value -7%



17
2009 Rank 18

GameStop
4.729 $B
Change in Brand Value -7%

18

Dollar General
4.679 $B
NEW

19
2009 Rank 22

Kohl's
4.580 $B
Change in Brand Value 40%

20
2009 Rank 25

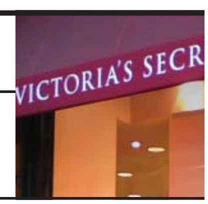
AutoZone
4.055 $B
Change in Brand Value 44%

21
2009 Rank 20

Tiffany & Co.
4.000 $B
Change in Brand Value -5%

22
2009 Rank 16

Victoria's Secret
3.992 $B
Change in Brand Value -30%



23
2009 Rank 19

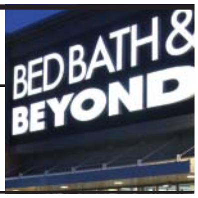
Gap
3.922 $B
Change in Brand Value -10%

24
2009 Rank 21

Polo Ralph Lauren
3.094 $B
Change in Brand Value -26%

25
2009 Rank 26

Bed Bath & Beyond
3.045 $B
Change in Brand Value 19%



26
2009 Rank 32

Netflix
2.303 $B
Change in Brand Value 82%

27
2009 Rank 28

Old Navy
1.981 $B
Change in Brand Value 24%

28
2009 Rank 23

Sherwin-Williams
1.928 $B
Change in Brand Value -36%

29
2009 Rank 30

Banana Republic
1.686 $B
Change in Brand Value 9%

30
2009 Rank 33

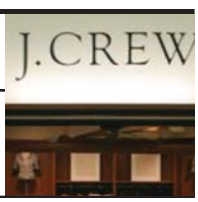
RadioShack
1.439$B
Change in Brand Value 15%

31
2009 Rank 31

PetSmart
1.317 $B
Change in Brand Value -14%

32
2009 Rank 39

J. Crew
1.224 $B
Change in Brand Value 28%



33
2009 Rank 37

Marshalls
1.185 $B
Change in Brand Value 7%

34
2009 Rank 36

T.J. Maxx
1.154 $B
Change in Brand Value 4%

35
2009 Rank 49

Aéropostale
1.036 $B
Change in Brand Value 132%

36
2009 Rank 29

American Eagle
1.021 $B
Change in Brand Value -34%

37
2009 Rank 34

Urban Outfitters
935 $M
Change in Brand Value -18%

38
2009 Rank 47

Whole Foods
926 $M
Change in Brand Value 87%

39
2009 Rank 24

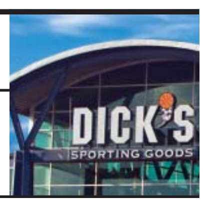
JCPenney
923 $M
Change in Brand Value -68%

40
2009 Rank 42

Rent-A-Center
868 $M
Change in Brand Value 41%

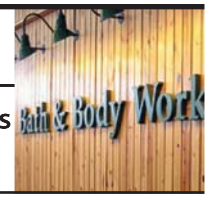
41
2009 Rank 38

Dick's
868 $M
Change in Brand Value -19%



42
2009 Rank 35

Bath & Body Works
843 $M
Change in Brand Value -25%

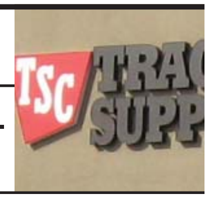


43
2009 Rank 43

Big Lots
825 $M
Change in Brand Value 37%

44
2009 Rank 46

Tractor Supply Co.
631 $M
Change in Brand Value 15%



45

Buckle
624 $M
New

46

Family Dollar
620 $M
NEW

47

Advance Auto Parts
561 $M
NEW

48
2009 Rank 41

American Girl
534 $M
Change in Brand Value -17%

49
2009 Rank 27

Abercrombie & Fitch
484 $M
Change in Brand Value -81%

50

Macy's
472 $M
NEW

Evaluating the Top U.S. Retail Brands

The Interbrand method for valuing brands examines brands through the lens of financial strength, the importance of the brand in driving choice, and the likelihood of ongoing revenue generated by the brand.

To start, all contenders for the list must be a market-facing brand, with publicly available financial data, and positive Economic Value Added. Interbrand determines brand value the same way analysts value other assets: on the basis of how much they're likely to earn in the future.

Those projected profits are then discounted to a present value based on how risky the projected earnings are; that is, Financial Forecasting.

The value contributed by the brand, or Role of Brand, is derived by using a proprietary analytic framework that expresses brand earnings as a percentage of Economic Value Added. It answers questions such as: "Are people shopping at Walgreens because the store is conveniently located or because of the brand?"

Last, Brand Strength is assessed by figuring out how risky the future brand earnings are according to factors like market leadership, stability and geographic coverage. This risk analysis produces a discount rate that is applied to the brand earnings to come up with a Net Present Value, which represents the true economic value of the array of forces that make up a brand.

In the belief that brand is a corporate asset that belongs on the balance sheet, Interbrand pioneered valuation and brand analytics to enable clients in the strategic creation and management of their brands to make business more profitable.

Although this is the second league list exclusively for U.S. retail, Interbrand's rigorous, straightforward and profound analysis of brand value has appeared annually in *BusinessWeek* as "Best Global Brands" since 2001.

Climbers and Fallers

Which brands are new to the list? Which brands dropped off?

While the long-term fallout from the recent economic crisis is still in motion, a few new dynamics have emerged in the short term. The most evident is that consumers are more value conscious, trading off ego benefits for price. Some brands are proving to be out of sync with a world where frugality is being called "the new form of conspicuous consumption."

The Internet continues to transform the relationship that brands have with their customers. Speed, interactivity, and personalization are becoming increasingly important purchase drivers. Retailers without digital integration are missing the opportunity to stay connected with today's mobile customer.

Despite the pragmatic and practical consumer attitudes, the shopping experience — in any channel— is still about winning their hearts and minds.

Gaining sales through price and accelerating growth through a better experience

After its public offering last year, Dollar General is making a strong debut at number 18 in the rankings. Family Dollar (46) and Advance Auto Parts (47) have been favored by the market. Both are working to find a way to keep the customers the recession has sent their way. Family Dollar has aggressive expansion plans in the works, while Advance Auto Parts is concentrating on improving its retail experience.

Staying on course

The biggest challenge any company faces in a downturn is to go forward with its brand vision intact when pressure for short-term results intensifies. By steering a strong, steady course through economic turmoil, Buckle (45) kept its customers shopping without resorting to price tactics. Brand watchers have certainly been keeping a close eye on Macy's (50) for the same reason, as its strategy is finally beginning to pay off.

Not special enough: The challenge of relevance

While "sameness" continues to be a source of dissatisfaction for consumers, it's an issue that many companies can afford to ignore in flush times. However, downturns tend to accelerate the failure of undifferentiated brand propositions, as is the case with high-priced surfer inspired clothing brand Hollister (last year it ranked 40). Shoppers could find similar clothing at lower price points elsewhere. Men's Wearhouse (45 last year) admitted it's been slow to make itself more relevant, particularly in the online channel. Both fell out of the rankings this year. Going forward, these businesses would be wise to look inside their brands for latent competitive advantages.

Children's specialty apparel retailer Gymboree (ranked 48 last year) wasn't so much hit by the economy as by its reaction to new federal safety laws regulating embellished clothing. The ensuing "loss of bling" drove them off-trend and took away their justification for higher prices relative to the competition. The whimsical, romantic wares of Anthropologie continue to capture the imagination of its core customers; the apparel brand, ranked at 50 last year, was simply edged off the list by the overall market's flight to value.

A market in transition

Hit with the recession and the migration of readers to digital formats, book superstore Barnes & Noble (last year 44 on the list) tried to keep up by entering the e-reader competition while resorting to aggressive discounts and price wars. As inventory becomes digital, the brand may find its balance in a smaller footprint.

Dollar General
4.679 $B
Rank 18

Buckle
624 $M
Rank 45

Family Dollar
620 $M
Rank 46

Advance Auto Parts
561 $M
Rank 47

Macy's
472 $M
Rank 50

Hollister
2009 Rank 40

Barnes & Noble
2009 Rank 44

Men's Wearhouse
2009 Rank 45

Gymboree
2009 Rank 48

Anthropologie
2009 Rank 50

1

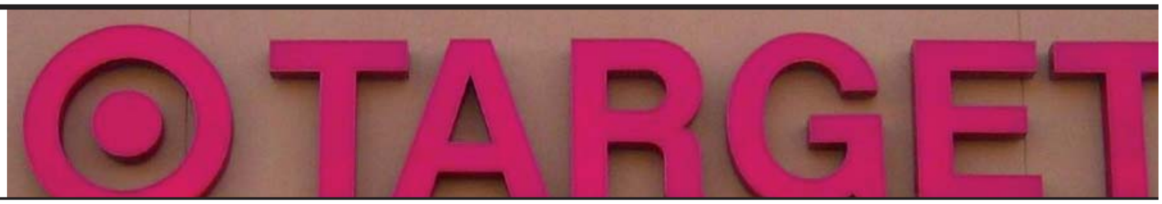
154.144 $B **19%**

Walmart

Although Walmart was already the most valuable retail brand in the U.S., the economic downturn made it relevant to an even greater number of shoppers. Its store remodel program Project Impact — less inventory, wider aisles, lack of in-aisle displays — paid off in high same-store sales. The company's revamped 5,000-item Great Value grocery brand line and the nation's cheapest prepaid wireless plan, Straight Talk, continue to solidify its brand proposition. Additionally, the marketing efforts that deliver the "save money, live better" message have become increasingly more efficient and effective. In keeping with what matters to its shoppers, Walmart has committed to a long-range, environmental labeling program and added one million items to its online assortment.

2

25.500 $B **49%**

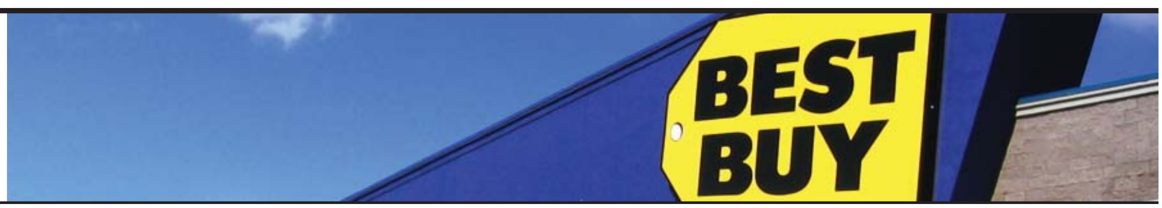


Target

Target's enduring blend of style and mass discount proves that value and hip are not mutually exclusive. Although traffic and same-store sales slid this year, the company improved its financial operations and market forecasts are positive. While the shopper experience is not completely brand integrated, the new up & up private label is strongly on-brand, as is the purchase of the Smith & Hawken name. Additionally, its Archer Farms grocery brand introduced a new budget nutrition line, which should only bode well for the brand. The company will invest US $1 billion in its P-fresh food-oriented concept, renovating stores to drive frequency. Target continues to differentiate and create excitement with limited-edition soft goods from an ever-changing roster of high fashion designers.

3

17.806 $B **-19%**



Best Buy

The consumer electronics industry saw revenue decline last year. For Best Buy, revenue rose while same-store sales dipped. Sales of its private label electronics soared 40 percent. It now offers free financing for shopping carts full of items versus one product at a time. The company influences which products come to market by working with suppliers; it has even set up its own venture capital fund. Best Buy is also creating a media network to run promotions on the thousands of TVs, PCs, and cell phones in its store. In addition to offering an electric motorcycle, the store also helps shoppers sustainably dispose of their old electronics. In the highly competitive gadget market, the chain has plenty of clout.

4

17.043 $B **-18%**

The Home Depot

Despite a few signs of recovery, the collapse in the home improvement category will depress The Home Depot's business until the housing market picks up again. As a result, it continues to control expenses to help offset a decline in sales, as consumers pare back on big ticket purchases and contractors stand by. Despite these setbacks, The Home Depot's strength has been its ability to quickly cut losses and preserve capital; it shuttered its high-end decor EXPO business.

5

14.319 $B **28%**

Walgreens

By encouraging the adoption of e-prescriptions, Walgreens filled more than 45 million electronic prescriptions in 2009 compared with 15 million in 2008. Yet, it's not impervious to downturns. Hit with more competition, greater low-price demand, and less prescription traffic, Walgreen's pharmacy commanded lower margins. The company is slowing its expansion rate while improving its pharmacy, health, photo, and mobile options. The brand also enhanced online shopping for its 13 million monthly visitors.

6

14.122 $B **12%**

CVS

It was a good year for CVS. Although it slowed the roll out of its in-store, nurse staffed MinuteClinics, the company's integration of Caremark is going well. Caremark, a pharmacy benefits manager business that handles drug coverage for large employers and health plans, is a game-changer, enabling CVS to capture the business of Caremark members. The remodeled stores continue to offer a pleasant shopping experience, and its loyalty program is driving front-end business.

7

10.540 $B **11%**

Sam's Club

Sam's Club wants to steal customers from its warehouse rivals and grocery stores by offering more variety. This includes private label spirits, and more brands that have higher sales and returns. Revamped stores will cut costs. Business membership requirements have been simplified, and free technical support is now offered for consumer electronics purchases. The company is expanding its membership base through Más Club, which targets the Hispanic market.

8

10.291 $B **-12%**

Dell

In the first quarter of 2009, HP dethroned Dell as market share leader. This was due partly to Dell's lack of speed in adopting netbooks as a flagship product. The role of brand is falling in this sector as well, as consumers demand functionality, but focus on price. Still, the company's track record of successful branding and its effort to cater directly to customer needs have allowed it to maintain leadership. A drive to target students may help rally Dell's position and prevent further losses.

9

8.887 $B **-2%**

Coach

The launch of its Poppy collection may help Coach recover from last year's poor performance. The youthfully designed handbags, priced as an entry point to the brand, helped boost store traffic and drive gain. On the higher end, the brand announced plans to extend its reach by opening its first men's only format next to its limited-edition Legacy store in NYC. The company's pricing and expansion strategy, however, may dilute the Coach brand, leaving it more aspirational than luxury.

10 ↑

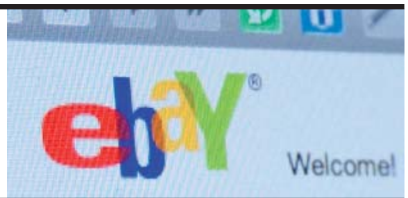
7.858 $B **22%**

Amazon.com

The multi-department retailer confirms what everyone has been speculating — the advantage of not owning a retail footprint in a recession. The company has benefitted from the downturn, the exit of Circuit City, and the struggles of the Borders book chain — all driving traffic to Amazon.com. The Kindle and continued improvement to its site, which now enables access from anywhere, have also contributed to its upward path. Additionally, Amazon will begin selling downloadable e-books for the iPhone and iPod touch. To reduce packaging, with an eye toward sustainability, Amazon entered partnerships with Fisher-Price, Mattel, Microsoft, and electronics manufacturer, Transcend.

11 ↓

7.350 $B **-8%**



eBay

Despite predictions, eBay is not benefiting from the recession. It faces tough competition from Amazon.com. This is linked to the discretionary nature of much of its sellers' inventory. Lawsuits from luxury brands, which cost eBay US $32 million to settle, have cemented its image as a channel that could benefit from more regulation as opposed to a managed retail environment. Still, due to its offer of wide distribution at a low price with high visibility, it remains the most popular option in the start-up B2B world.

12 ↓

7.072 $B **-34%**

Lowe's

While retailers of home goods, furniture, and home improvements are among the hardest hit by the recession, Lowe's cites improved sequential quarterly gains and market share growth, although low sales of big-ticket items indicate recovery is still far off. Meanwhile, the brand has upgraded and improved its website as a source of information and inspiration. This positioning will be further reinforced through its partnership with HGTV and the 2010 launch of its magazine, *Lowe's Creative Ideas*.

13

6.753 $B **0%**

Nordstrom

This luxury department store chain continues to be a model of brand clarity, consistency, engagement, and innovation. Although Nordstrom saw full line, same-store sales drop in the third quarter of 2009, its online channel increased. Its commitment to connect better with customers has since boosted sales. Nordstrom shoppers trust the brand to give them a compelling reason to shop, and it works to earn their confidence through services — for example, its recent addition of international online shopping.

14 ↓

5.805 $B **-20%**

Staples

The best operator in the big-box office supply category got hit by a category-wide drop in demand. Staples offers the right levels of product and maintains healthy margins. This year's successes include its rebrand of B2B supplier Corporate Express (which it acquired in 2008). Now known online as Staples Advantage, it serves Staples' small- to medium- sized business customers. Online, Staples ranks second to Amazon.com; however, its brick and mortar shopping experience offers opportunity for improvement.

15 ↓ 5.488 $B **-4%**

Costco

Costco managed to hold its own, even as it lost revenue after slicing margins on some goods to please price focused shoppers. Although Costco doesn't target new members and advertises very little, more customers joined its club. Support for the brand happens primarily in the store. Costco's online offering is fully integrated and gets a high satisfaction rating from its customers. Last year, the company announced plans to add 16 to 18 more facilities to its 566-store fleet.

16 ↓ 4.917 $B **-7%**

Avon

Product line simplification is pushing Avon into a less is more proposition, as it struggles to innovate and gain share. The company has increased advertising spend on its "smart value" positioning, while relying on celebrity endorsement to support product launches and charitable causes. Avon's new hero product, Mark, is taking the brand digital, with e-boutiques, iPhone apps, and a new Facebook e-shop, one of the beauty industry's first.

17 ↓ 4.729 $B **-7%**

GameStop

The world's largest video game retailer felt the impact of the weak economy, the lack of new hit games, and a shortage of the most popular consoles, such as PlayStation 3. Same-store sales decreased and the company did not expand as planned. Yet, GameStop gained market share. It continues to offer a great experience to its devoted hardcore gamers. Plans are afoot to test the sale of add-on digital downloads.

18 4.679 $B **NEW**

Dollar General

One of the few IPOs in 2009, Dollar General had a very strong year thanks to the increase in consumer penny-pinching and improved store operations. Same-store sales rose 9.2 percent. It plans to remodel 500 of its 8,700 stores and add 600 more this year. The company is adding more national brands, pushing into proprietary brands, especially in non-consumables, and becoming more trend relevant—all activities that could make it an attractive place to shop even after the recession.

19 ↑ 4.580 $B **40%**

Kohl's

Kohl's hit the sweet spot of value, quality, relevance, and exclusivity. Smarter advertising allowed the discount department store to enhance its media presence across broadcast, print, online, digital and social media with a pitch-perfect message. Kohl's offers "power strategies" to customers who take shopping seriously: stackable savings, layered discounts, and special sales events. Kohl's continued its Stardoll online community, grew its shopper email data-base by 50 percent, and invested in marketing efforts to Latino consumers.

20 ↑

4.055 $B **44%**

AutoZone

The vehicle parts vendor is thriving in a tight economy as more people learn to repair their own cars. AutoZone is attracting a wealthier customer, more women, and first-time DIYers. Customers have learned to turn to the brand for advice. Economic factors that have played into AutoZone's favor include less car leasing—people do more maintenance on cars they own— and lower gas prices, which has left people driving more and in need of more repairs. They are also controlling costs, and managing inventory.

21 ↓

4.000 $B **-5%**

Tiffany & Co.

Tiffany's sales declined most significantly in its U.S. stores. In response, the glittering brand cut costs and trimmed inventory rather than discount. It continues to be bolstered by new store openings worldwide. Fourteen were added last year for a total of 220. The brand appears to be moving away from affordable luxury to its roots as a premium retailer. If so, it may see positive results. U.S. fourth quarter 2009 comp sales increased 12 percent, an indication that the high end is on the mend.

22 ↓

3.992 $B **-30%**

Victoria's Secret

The iconic lingerie brand continues marketing Victoria's Secret fantasies with its viral videos. Its college brand, Pink, owes its growing popularity to playful, social media romps. To lure business in a tough year, the brand resorted to in-store events, sales, giveaways, new product introductions, and a New York flagship store. Six 1,000-square-foot shops opened in airports. The smaller format has high traffic and higher profitability; more are planned.

23 ↓

3.922 $B **-10%**

Gap

Economic conditions have forced Gap to make store closings and serious price concessions. Gap's cheap chic is not cheap enough, especially in comparison to Target or Walmart. Meanwhile, the brand continues to lose ground to those with bigger ideas. Gap's brand architecture is also dissolving as functional benefits begin to outweigh brand benefits. 2008's launch of a universal website for Gap, Old Navy, Banana Republic, Piperlime, and Athleta has diluted some of the brand experience.

24 ↓

3.094 $B **-26%**

Polo Ralph Lauren

The brand's lifestyle appeal continues to allow it to develop and expand products across price tiers and markets without dilution. Although some may deem the brand's role as the official outfitter of the U.S. Olympic team as more elitist than athletic, sponsorships such as this and Wimbledon help to build its image globally. This year also saw the launch of an iPhone application that lets users experience the glamour of the Ralph Lauren Collection by allowing viewers to look behind the scenes with its backstage pass photo gallery.

25 ↑

3.045 $B **19%**

Bed Bath & Beyond

Even though Bed Bath & Beyond does not win on price compared to mass market and discount stores, the brand held onto its customers and picked up many new ones, following the demise of Linens 'N Things. Without format reinvention, experience diversification, or marketing initiatives to concrete its position, it capitalizes on its market presence and consumer desire to shop in a specialty environment. The company carries no debt, enabling it to self-finance a planned expansion.

26 ↑

2.303 $B **82%**

Netflix

To the "always online generation," Netflix has become the definition of movie delivery. The changes it made to its business model starting in 2008 paid off this year. The "Watch Instantly" streaming service, new content, online community features, and rollouts on multiple devices like Xbox LIVE and Roku resulted in a 70 percent surge in profits, more site visits, and record breaking growth. Inspired by a million dollar prize, subscribers improved the accuracy of Netflix's movie recommendations by 10 percent.

27 ↑

1.981 $B **24%**

Old Navy

Two years ago the brand lost its way in pursuit of fast fashion. Sales were sliding until the end of last year. Old Navy returned to its bold, offbeat brand beginnings in colorful fashion basics with quirky new ads that deliver the value message with humor. Focus is back on delivering a fun experience to the young, budget-minded mom. The campaign uses new and old media, with webisodes on a dedicated microsite, as well as the trusty Sunday circular.

28 ↓

1.928 $B **-36%**

Sherwin-Williams

Even though business is down along with the housing market, Sherwin-Williams remains resilient and stable with a dominating network of paint stores. As a partner in the U.S. EPA Climate Leaders program, the company remains committed to sustainable practices. However, the lower-priced big-box home improvement stores are stifling its trade. If the company doesn't invest in its brand or create new service proposition drivers, it may lose market share.

29 ↑

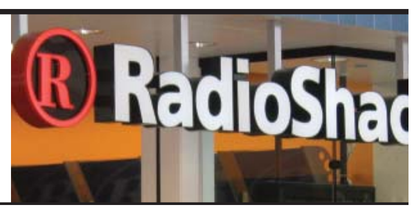
1.686 $B **9%**

Banana Republic

Although it reacted to the downturn by adjusting its product mix and offering its share of sales and promotions, it wasn't all recessionary tactics for Banana Republic. It evolved the open plan shopping experience with a new prototype featuring small sales areas for specific wardrobe needs. A line of clothing inspired by the TV show "Mad Men" with an accompanying style guide gave the brand new resonance. It also announced plans to test a 1,200 square foot spin-off store for women's accessories, which it named "Edition by Banana Republic."

30 ↑

1.439 $B **15%**



RadioShack

After spending the last three years cutting costs and closing stores, RadioShack reintroduced itself to consumers with its friendly new nickname, "The Shack." The company spent most of its US $200 million ad budget on the campaign which received some ridicule in the press. Although the brand has become largely a "phone store," there's still value in selling products that can't be found anywhere else. However, stores need to be brightened and contemporized as well.

31 ↓ 1.317 $B **-14%**

PetSmart

The brand continues to be very clever about serving its "pet parent" niche with hotels, hospitals, Halloween costumes, and pet photo credit cards. Same-store sales are essentially flat, capital expenditures are down 50 percent, and store growth has slowed while the retailer looks to increase productivity. In response to competition from Walmart, PetSmart plans to differentiate by exploring in-home services and boosting its private label. It's also considering a smaller urban format.

32 ↑ 1.224 $B **28%**

J. Crew

Thanks to a strong identity, exclusivity, service, differentiation, and innovative offerings, all the brand planets aligned for J. Crew in 2009. Gross margins improved. Revenue, same-store sales, and direct sales rose as well. J. Crew is known for its creative environments and regularly breaking out new formats like its recent men's stores. A laser-like focus on refining its brand idea continues to win the devotion of fans, including the First Lady and many adoring bloggers.

33 ↑ 1.185 $B **7%**

Marshalls

The sluggish economy has made this off-price retailer even more relevant. Merchandise is in season. It is also moving slightly upscale, as both vendors and retailers have so much inventory to unload. The designer-invigorated mix is tempting frugal shoppers to troll the racks. Marshalls continues pushing its teen trends message, using four-minute web videos to promote the "Shopportunity." Additionally, Twitter alerts announce new merchandise arrivals. While the store experience is still a hunt through endless merchandise, the online experience is clean and contemporary and encourages brand fans to share their finds.

34 ↑ 1.154 $B **4%**

T.J. Maxx

T.J. Maxx has trimmed costs, restructured to improve efficiency, and plans to open more stores while expanding its vendor base. Same-store sales are up six percent. To capture newly frugal shoppers, it created an ad campaign explaining the off-price concept. The brand would do well to find a way to improve the cluttered shopping experience while still exciting customers with a treasure hunt. There is some concern that new customers will return to higher end retailers and/or that manufacturers will have fewer goods to sell as the economy recovers.

35 ↑ 1.036 $B **132%**

Aéropostale

This hot mall destination for 14 to 17 year-olds saw its brand value skyrocket this year and its top line rise by double digits. While some credit can be given to the recession, the brand's success is born of its skill as a retailer. Its deceptively simple brand promise is to give teens what they want and can afford. Unlike fast fashion retailers, which bring the looks on the runway straight to stores, Aéropostale stays a little behind to be right for the customer, which it clearly studies and understands. The stores are bright, fun, and lively.

36 ↓

1.021 $B **-34%**

American Eagle Outfitters

American Eagle Outfitters may fly a little higher next year, having recovered momentum lost to the recession and some merchandise missteps. Comparable stores sales dipped five percent which is up from the previous year. Stores now carry clothing for ages two through 10 in addition to its core teen demographic. Its online experience continues to sell the AE lifestyle with unique entertainment, shopping, and sharing.

Additionally, an aggressive marketing strategy extends to mobile commerce. A strong emotional connection to the brand is nurtured through its 18-million-member loyalty programs. And for added glamour, a new Times Square flagship location projects photos of customers onto 25-story high LED screens outside the store.

37 ↓

935 $M **-18%**

Urban Outfitters

A rich shopping experience is paramount to Urban Outfitters. Each store offers a unique sensory experience that tells a story, enhanced by employees, who create their own displays. While sales were down, the company negotiated lower rents for its 143 stores, typically found in renovated buildings in urban settings, while it continued to sell inventory at full price. Considering its core customer, the brand may be a little slow to extend its lifestyle experience into the mobile world.

38 ↑

926 $M **87%**

Whole Foods Market

When the recession hit, Whole Foods started losing customers earlier than most but stabilized earlier too. Its core customer is sticking with it and more shoppers are cautiously returning. Business and earnings are up. The grocer widened profits by cutting costs and slicing new store growth in half. Its grocery experience still outpaces national supermarkets, while it continues to help local and global food economies and promote natural organic eating.

39 ↓

923 $M **-68%**

JCPenney

Despite compelling prices, effective inventory management, and low unprofitable discounting, Penney's same-store sales slid 6.5 percent. The retailer was also weighed down by qualified pension plan expenses. Shoppers didn't respond to the "American Living" lines from Polo Ralph Lauren, and home furnishing sales were sluggish. Although the company will no longer print the 1,000-page Big Book, Internet sales remain robust as the brand continues to improve an already well-executed e-commerce site that has received many "best in industry" awards.

40 ↑

868 $M **41%**

Rent-A-Center

Owner of a third of the rent-to-own appliance and furniture market, Rent-A-Center saw a 22 percent profit increase and a slight rise in the average income of its typically low-income customers. The retailer deployed a new layout in every store for better visibility and optimized merchandise mix. On the downside, the brand received bad press for alleged predatory business practices. The brand plans to add financial services, such as short-term loans and debit cards, to more of its stores and add 25 stores to its base of 3,000.

41 ↓

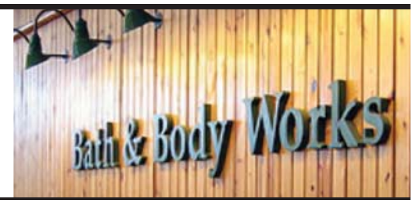
868 $M **-19%**

Dick's

Despite the merger costs and low sales that brought its numbers down, Dick's is still the clear leader in sporting goods, with plans to expand, albeit more slowly, in the future. It kept inventory lean and overhead low, and benefited from lack of competition. Once considered an innovator in its category, this year the brand sat on the sidelines, offering nothing new to its experience to help offset top-line difficulties.

42 ↓

843 $M **-25%**



Bath & Body Works

Bath & Body Works' five-year plan for redesigning products, packaging, marketing, and in-store experience culminated with a reinvigorated fragrance line. It initiated partnerships with Wyndham Hotels and Holiday Inn to introduce its signature lines in guest rooms. The brand is now competing better against department stores, drug stores, and a slew of specialty retailers. Following two years of flat same-store sales, the brand recently posted gains.

43 ↑

825 $M **37%**

Big Lots

Last year the retailer closed underperforming stores to improve profitability, found new vendors to improve its product assortments, and added more food and other consumables which helped grow its bottom line. Eight of the 40 stores Big Lots opened this year went into A-level locations and are achieving sales 15 percent higher than the store norm. A new prototype with wider aisles, improved presentations, enhanced lighting, and new signage continue to test well. The brand also launched a loyalty program to acquire new customers and build engagement. Big Lots plans to open 50 stores next year.

44 ↑

631 $M **15%**

Tractor Supply Co.

Tractor Supply prides itself on its highly relevant array of products for hobby farmers in its small-town, rural niche where big boxes don't compete. This year it expanded its 800-plus store base by 58. Taking a cue from its customer, the brand focused on basic needs rather than discretionary items. Same-store sales rose. Premium feed brands Purina and Nutrena have been added alongside its well supported private label brands to help attract customers. A new marketing team will promote the brand as a lifestyle concept while it continues its expansion strategy.

45

624 $M **NEW**

Buckle

The low-profile Buckle turned in one of the best performances in retail this year with same-store sales climbing as high as 13.5 percent, although men's sales are lagging. Rather than advertise, the company relies on word of mouth to promote a mix of brand names highly desirable to its youthful target. The store also tests new brands. Add to that top-notch service, free alterations, a great shopping environment, and clerks who are helpful about fit, style, and brand. Buckle continues to expand cautiously.

46

620 $M **NEW**

Family Dollar

Although its main competitor is Walmart and its core customer is spending less, Family Dollar had a good year. This fast-growing discount chain of 6,700 stores now targets shoppers with household incomes of up to US $40,000. It's investing in technology to make it easier to use food stamps and credit cards, while pushing into print advertising to convince new shoppers that its many name brand products are equal to those at the local grocery. The brand has aggressive expansion plans.

47

561 $M **NEW**

Advance Auto Parts

Advance Auto Parts, with 3,400 stores and expansion plans, is working on being a better business, with a new e-commerce site, inventory upgrades, improved productivity, increased efficiency and lower distribution expenses. It's working to increase the commercial side of its business, while improving the retail side by taking the intimidation out of the shopping experience. The company's challenge is to differentiate itself from competitors.

48

534 $M **-17%**

American Girl

If flat is the new up, American Girl had a successful year. Sales of the award winning toy dolls saw no growth. The shopping experience around doll characters, books, and films designed to make history accessible for girls age 8 to 12 is still a delightful high-end playground. However, the 2009 release of the brand's "homeless" doll that sold for US $95 inspired some controversy.

49

484 $M **-81%**

Abercrombie & Fitch

The brand known for preppy clothes and bare-chested models suffered double-digit sales declines as teens' allegiance shifted to value. The store's sexy nightclub atmosphere couldn't save it from an offering that neither fit into the cheap and cool category or the high quality and worth-it category. Unable to defend its prices, the brand succumbed to discounting like everyone else. The company may shed some of its store base over the next two years.

50

472 $M **NEW**

Macy's

Three years ago, Macy's was "debranding" by acquiring and renaming regional department stores. The real estate play that began then is paying off now, and the results are showing up in organic sales growth in its 850 stores. By holding steady to its strategic direction, Macy's has the clarity and power of a national brand. Although same-store sales were down slightly, its online sales grew and customer satisfaction saw a huge improvement. Its ongoing initiative to tailor local assortments and shopping experiences has it poised to build sales and loyalty.

Strong Brands Get Stronger

As a company refines its idea of brand, it unlocks pockets of value creation. Expressing the brand idea through seemingly small things can lead to big impact.

It's human nature to appreciate small thoughtful gestures. Often they mean the most and are long remembered, whether they come from a friend or a retail brand. A retailer's meaningful actions, however, have a far-reaching impact due to increasing returns to scale. These pockets of value creation can be found within four brand fundamentals: clarity of purpose, a relevant experience, delivery of the brand promise, and consistency.

Surround the purchase with a relevant experience

Walmart pulled even farther ahead of the pack this year. With a brand value of US $154 billion, it's worth over six times as much as the second most valuable retail brand, Target. The company that began as an old-school discount store has grown to think of itself as a brand — with the idea that you can live better while still spending within your means.

That Walmart is today an even smarter brand manager can be seen in its product choices and communications. Its narrow, cluttered, and highly promotional "action alleys" have been replaced with the aptly named remodeling program, "Project Impact." Instead of dodging in-aisle displays, shoppers enjoy wider aisles, less inventory, and better merchandising in the faster-growing categories. Shoppers are noticing more of the store they once overlooked.

Walmart has also gotten better at communicating low prices by improving its media voice. Recent television ads have generated positive online buzz and viewership on YouTube.com. Aware that with recession comes the need to work harder to build an emotional bond with customers, the retailer has invested heavily in market research and continues to build a pool of marketing talent.

Delivery of brand promise, clarity, relevance

Last year, we noted that Macy's, the brand many consider to be a true piece of Americana, was conspicuously absent from the Top 50 list. Despite its considerable brand strength, its financial forecast kept it out of contention. Although it debuts this year in 50th position, according to Interbrand's valuation this represents a virtuoso performance in brand and is a cause for celebration.

Three years ago, Macy's declared its intent to become a national brand — a daunting task, met with much skepticism by retail analysts. By definition, a department store has a high level of departmentalization, which immediately presents a challenge to the brand experience. Multiply that by 330 regional stores operating under ten different banners, and you'll understand the challenge to develop any kind of clarity and delivery around your brand promise.

Against those odds, Macy's has succeeded in capitalizing on its brand to improve its financials, and the results are showing up in organic sales growth in its 850 stores. By holding steady to its strategic direction, Macy's has the clarity and power of a national brand.

Two critical elements that have heightened its relevancy are reaping results faster than anticipated. The "My Macy's" initiative has localized merchandising teams to better adapt assortment to local tastes. And according to Macy's CEO Terry Lundgren, the plan going forward is to win business based on execution of brand and merchandising, with the diligence and finesse that marks the Macy's brand as a leader.

When asked if Macy's would consider following Bloomingdale's into outlet malls, Lundgren replied that although the company has no formal plan to do so, he sees outlet stores as having potential. As with Bloomingdale's, adding a value message to the Macy's experience could risk dilution of the brand.

Buckle: A study in consistency

While a store like Buckle doesn't immediately spring to mind in a discussion about strong brands, it is an excellent example of leadership within the category of specialty apparel, where brands are conceived from a central brand vision rather than folded into the business model over time.

The teen apparel store has been cautiously but steadily expanding while keeping its brand values intact. It arrives on the Most Valuable Retail Brands in 45th place — without advertising. The company relies on word of mouth to promote a mix of brand names that are highly desirable to its youthful target, such as Affliction, Obey, Rampage and Silver. Its focus is on a great shopping experience and earning potential for their helpful but not pushy store associates who earn a three percent commission. The brand believes "its customer experience is the best marketing." Buckle makes shoppers feel good.

Buckle's ongoing challenge is to stay on top of the hot labels its customers desire, especially in denim. The store tests new clothing brands, and has some of its vendor brands customized. A wide and shallow inventory of fast-turning items reduces risk; and inventory varies by location. Stores are located in smaller regional malls where there is less direct competition (400 stores in 39 states). This year, prices increased slightly and same-store sales climbed double digits.

Going forward, Buckle will need to keep its brand personal and agile so the company can continue to operate at peak margins. The key to its success is an ongoing exercise in brand building.

2010: The year of optimization

Last year, store expansion slowed nearly to a halt. Forced to focus on the resources at hand, brand-led companies will continue to streamline their assets according to what matters most to customers.

Before the recession, when retailers were growing their store bases and consumer spending was continually on the rise, profit was enhanced by the net gain of each unit added. Today it's a different story. How do companies hit growth targets when customers are cutting back? To keep sales from stalling, top brands turned their attention to leveraging their growing skills in brand management.

Of the 21 Most Valuable Retail Brands that increased in value this year, two are notable for having become better operators than they were two years ago, even with slowed expansion.

Although retail analysts warned that Target and Whole Foods Market were going to lose share because of price perceptions, their brand values increased substantially — Target up 49 percent; Whole Foods up 87 percent. Both retailers improved performance in the face of reduced growth without compromising brand.

How did they do it? First and foremost, these brands understand what they are trying to be. They constantly drive insights that lead to the things that matter before they decide what to do and what to say. Smart companies heighten the focus on brand value because they possess a detailed understanding of brand mechanics — that is, how operational actions influence customer behavior and choice. The clarifying perspective it provides helps retailers get the most out of the existing store base, edit assortments and evaluate categories, trim brand portfolios, and maximize the return on advertising investments.

Unlike other retailers who just reduce investment to generate profits, value creating retailers know where to cut and what to emphasize. For example, business and earnings are up at Whole Foods Market. The grocer attacked the inefficiencies in its business, and widened profits by cutting costs and slicing new store growth in half. But the brand has not abandoned any of its ideals.

Target continued to pursue differentiation and improve margins by extending private label offerings with its new up & up core commodities, and its Archer Farms grocery name. Still, the store overall reduced net inventory. Smart technologies that offer long-term cost reduction and enhance customer service are also part of many companies' efforts to streamline. Checkout time at Target continues to be less than a minute, which keeps customer satisfaction scores high.

Of course, you can't win strictly on being efficient. The trick is not to lose the differentiated experience and the right proposition for the core segment.

Whether by choice or necessity, consumer frugality is likely to linger. Brand can help clear the obstacles that might be in your way as you determine how to operate differently than in the past. The key is to look at value creating levers such as real estate, marketing, e-commerce and inventory management through a brand lens before you act.

RadioShack: Shacking things up

Inspired by the likes of Coca-Cola (Coke) and Chevrolet (Chevy), RadioShack gave itself a friendly new nickname, "The Shack." Despite its teasing at the hands of the media, Interbrand gives it credit for investing in brand by trying on a new personality to reintroduce itself to tech-savvy mobile consumers.

RadioShack also occupies a niche that makes it unlikely that a brick-and-mortar competitor would copy the concept. While the brand pushed phones to the front of the store, such as AT&T, Sprint, T-Mobile and Nextel, there's still value in selling products that can't be found anywhere else — multiple kinds of speaker wire, connectors, and copper clad perfboard, much of which is private label.

Although the campaign still didn't make it clear what RadioShack stands for as a brand, the quirky retailer continues to be surprisingly resilient. RadioShack spent the last three years becoming a better operator, improving its balance sheet by cutting costs and closing nearly 500 locations while pushing wireless front and center in its 4,470 stores. However, the customer facing assets are as worthy of investment as those behind the scenes. The Shack's brand idea needs to be further clarified while stores get brightened and contemporized along with the message.

Back to Basics

While price matters more this year, brand still has the ability to inspire confidence and generate an emotional connection. Undifferentiated propositions kill value.

As long as the shopper copes with fears of recession by putting basic needs before ego-satisfying wants, the market will move to retailers who feature low price as part of their proposition. The discussion then becomes: is it the "price" shoppers attach to or the "brand?"

In the mind of the American consumer, the definition of "value" is fluid. And price — despite all the deal seeking and coupon clipping — is only part of it. At the moment of transaction, they ask themselves, "what is this worth?" in terms of ease, time, effort, cost, past experience, enjoyment, fashion, thrill of the hunt, and many other factors.

Shoppers need a reason — especially with much of the same product available at many stores, across many categories. Many retailers have learned the hard way that price-based competition is simply not sustainable. To survive, they need a balanced value proposition unique to the brand. Without it, the company has less power to defend margins and create demand.

This holds true even in the value and extreme-value sectors. While players in value are expected to have margins smaller than those in other industries, strong brands help maintain margins. A top example is Walmart, which has had little change over the last several years in EBIT margin percentage, while many companies have seen persistent declines.

How to win friends and influence purchase

This year, retailers have been making headway in the battle against "sameness" by negotiating exclusive famous name brands, making sure their private labels stand for something besides "cheaper," and providing a shopping experience with emotional appeal.

Facing stiff competition from mass and big box, GameStop (17) clearly demonstrates the importance of the creation of an experience around the brand in terms of presentation with emotional content. GameStop understands the hardcore gamer it's devoted to, as well as their need for a smoother and faster experience. It strives to hire employees that are as obsessed with gaming as its customers. It offers plenty of interaction with demo kiosks and touch screens, and hosts special opening nights for popular game releases that frequently attract celebrity gamers. Despite the overall decline in video game sales, GameStop gained market share.

Three brands consumers turned to this year for value-plus-reason were online giant Amazon.com (10) for convenience, Old Navy (27) for its return to bright basic family fashions and teen clothier Aéropostale (35) whose brand value leaped 132 percent.

The hot mall destination for ages 14 to 17, Aéropostale, saw its top line rise by double digits with a deceptively simple brand promise: to give teens what they want and can afford. Some have called it a "miniature Walmart." By keeping close tabs on what its customers wear, the brand is allowing them to basically co-create the products. The company designs and sources its jeans and t-shirts, holding production costs down while responding quickly to trends. The company not only bucked the recession, but diversified its portfolio with a children's format, P.S. from Aéropostale. There is much to be said for a brand-infused culture as well. The company is led by not one CEO but two, which is uncommon and has a mixed track record.

Dollar General (18) arrived on the list this year thanks to scale and value proposition. However, aware that it needs more than these to compete in its category and retain the new recession-sent customers, the retailer is bringing its brand assets to bear, with store remodels, more national brands and trend-right apparel.

While it's true the market moved to them, these retail brands had the right format to begin with. Such is the case with Rent-A-Center (40) and AutoZone (20). Both brands invested in improving their shopping experiences to retain their newfound customers in the upswing.

A lack of differentiation kills value

It's safe to say that particularly in apparel, overall Role of Brand dropped this year. A retailer like Gap (23) owes its ranking to scale, not to emotional associations with the brand which it continues to struggle to find.

The most dramatic plunge in brand value belongs to premium teen apparel store, Abercrombie & Fitch (49). With the recession in full swing, the wayward sex appeal that young people loved and parents didn't quickly lost relevance. According to its profile in last year's Most Valuable Retail Brands report, where A&F occupied the 27th spot, the brand was already at risk: "if the recession brings frugality into vogue, it may hasten the brand's lifecycle."

Neither Abercrombie & Fitch nor Hollister could defend their prices in the mind of the consumer. The inherent quality and style of A&F's prep and Hollister's surfer-inspired apparel didn't provide enough distinction. While stores like Aéropostale stole market share by offering prep, surfer, skater and graphic fashions at low price points, the black-louvered store brought nothing new to the battle — finally resorting to price cuts.

Compare that to the performance of Coach (9), which bills itself as luxury, but does business more in the manner of a premium brand. Without the launch of its Poppy collection, "more affordable" handbags targeting a younger segment, it would likely not have been able to hold onto its ranking. However, as a moderate-price play Poppy marks a departure from Coach's core style and price. Both Coach and A&F will be interesting to watch in terms of ongoing brand strength.

Leaders Embrace Social and Technology Trends

Internet savvy. Value-demanding. Sophisticated. As retailers are quickly finding out, today's shopper doesn't follow, but sets the trends. This is as much due to progress in the technology sector, as it is to the recession.

Even before the recession, technology was reshaping consumer expectations. Wireless connectivity, smart phones, and social media created demand for consumers to be tapped in at every second. As a result, we saw brands scramble to bolster their online and mobile presence, to build connections with shoppers outside the store.

Then came the downturn. Suddenly, not just younger generations, but all shoppers, were going online to comparison shop and find the best deals. Less loyal shoppers meant that brands had to work harder to differentiate themselves, whether through service or connectivity. Combine this with reduced budgets and predictions that this change in shopper behavior is likely permanent, and retail brands are feeling new pressures. By the end of 2010, 1.2 billion people will carry handsets capable of m-commerce. Customers will expect their favorite retailers to deliver across mobile, website and store.

A seamless integration of mobile and a rich shopper experience

Although teen apparel brand American Eagle Outfitters fell a bit in the ranking this year, having lost momentum to the recession and some merchandise missteps, it has put itself in a great position to recover. It's target audience falls into the 16 to 34 age range, the shopper most focused on using technology.

The brand excels at aggressively integrating multi-channel marketing tactics into both its traditional and digital campaigns. It connects at all the right touchpoints, which goes a long way towards achieving brand loyalty —something that brands are going to be challenged with going forward.

This year, AE included a mobile field in its loyalty program, and used mobile as a point of entry into sweepstakes as well as an alerts program. Calls to action were posted on social networking sites such as Facebook and Twitter in the form of banner ads, status updates, and tweets.

The retailer was no slouch when it came to brick-and-mortar either. Understanding that a differentiated and rich in-store experience, with a fully integrated online and mobile shopping experience go hand-in-hand, the brand's 25,000-square-foot Times Square flagship features cheekily named departments like "Denim Library" and "Bra Conservatory." Digital handheld POS check out sites, called "line-busters," are available throughout the store. Customers will also be able to pose for a snapshot as they are leaving the store, which will be broadcast on the store's 25-story Jumbotron within minutes.

Invite feedback and give the customer what they want

While today's discriminating shopper creates numerous challenges, some retail brands have viewed them as opportunities. Movie provider Netflix (26), for example, has become part and parcel of the digerati lifestyle. As such, it uses customer feedback to make service and offering improvements. Netflix's recent use of crowdsourcing generated abundant buzz as well as a ten percent improvement in its movie recommendations. The million-dollar contest was a classic opportunity for customers to interact positively and co-create with the brand.

Netflix also continues to rapidly anticipate and adapt to customers' shifting technological needs. It was a pioneer in streaming TV. With consumers demanding one box to function in myriad ways, Netflix continues to invest heavily with the intention of leading the category.

Building digital bonds

Before the world wide web, Amazon was a large river in South America. CEO Jeff Bezos chose the name as something large and unstoppable, and 16 years later the brand has proved to be just that. It has not only changed consumer buying habits, Amazon.com may well become our largest retailer. Its sharp pricing could make even Walmart wince and its ability to find new and better ways to sell yet more merchandise appears to be unlimited.

The introduction of Kindle, an online digital music and video store, the addition of online grocery, and its purchase of Zappos allow the e-commerce giant to be relevant across categories. It's even challenging Best Buy in consumer electronics.

Though selling books and just about everything else on a vast scale, Amazon.com has tried never to forget the value of intimacy. Few e-tailers even come close to claiming the kind of digital bond the brand has with its customers, from its one-click ordering to its ability to become even more relevant with each visit. The result is a "barrier to exit" that other brands envy.

The success of Amazon and the fierce competition brought by the recession put pressure on all of retail to integrate the social and technological aspects of the shopping experience.

In the future, both online and brick-and-mortar retailers will need to focus on consumer mobility as a way to connect intimately with customers. Luckily, the giving won't be all one way. Amazon clearly demonstrates that digital connections also provide the valuable information that allows services and products to be personalized — one of the crucial insights that help brands stay relevant.

The Demand for Innovation

Some brands let their innovation engines stall. Without profitable new ideas, companies cannot create enough lift to sustain the value of their brands. To ignore innovation is to lose altitude quickly.

One reason a brand actually matters more in a downturn — to its owners if not its customers — is its ability to find opportunities for innovation that will set it apart from the competition.

Innovation, which simply means doing things a new way, gives consumers even more reason to attach to a brand and can increase their perception of value. A valued brand is better able to defend its margins, and will need to discount less — even those brands in the value and off-price retail categories.

Creating new offerings can help put retailers in sync with the market, especially those that increase trust or involvement. Connecting store associates to the brand experience is crucial in a downturn. Meeting customers' service and quality demands pays off in an emotional reward for the brand.

While Sam's Club (7) is testing a revamped assortment that pares down hard goods in favor of food, and health and beauty, it has also made service changes. For the small business customer, Sam's has simplified business membership requirements by eliminating a dozen previously required documents, such as permits and licenses. It's also offering free technical support for consumer electronics purchases. Both efforts will open the door to new shoppers while reconnecting with current members.

Two top companies whose brand profiles indicate a need for more innovation this year are Sherwin-Williams (28) and Victoria's Secret (22). Even though Sherwin-Williams owns a dominating network of paint stores known for quality and the loyalty they inspire, unless the company invests in its brand and creates new service proposition drivers, it risks continuing loss of market share to lower-priced big box home improvement stores as the economy recovers.

Victoria's Secret again relied on its sexy lingerie fashion shows going viral, while resorting to giveaways and promotions to drive traffic this year. The brand is breaking out of the mall in the hopes of encountering the shopper in a more open frame of mind via six 1,000-square-foot airport shops. Along those same lines, Bath & Body Works (42) teamed with both Wyndham Worldwide to feature its True Blue spa line in the guest rooms of its hotels and resorts, and Holiday Inn to introduce its Signature Collection to the guest bathing experience.

Best Buy, the brand that never stops innovating, has yet to see results from its latest efforts, such as free financing for shopping carts full of items versus one product at a time or helping shoppers with "green guilt" sustainably dispose of their old electronics. It continues to work on product innovations with its suppliers and offer venture capital funds to technology start ups. The media network Best Buy is developing that will run promotions on the thousands of TVs, PCs, and cell phones in the store could generate cash, but may also impact the shopper negatively if they feel bombarded by advertising noise.

Presenting the brand in a new light

Even though resources are limited and tension is high, there are signs of creativity in the world of retail. Besides revamping stores for simplicity and convenience, companies are exploring ways to create communities around their brands. In the era of social media, the store is becoming as much a relationship as it is a destination. Forward-thinking companies are giving their customers the opportunity to engage and co-create.

Popular movies and TV shows have the ability to influence fashion trends. Such was the case with AMC's hit TV show "Mad Men" set in 1960s New York. Upscale clothing brand Banana Republic (29) found a way to connect and engage more shoppers through a partnership with the show. If you hadn't thought of Banana Republic as clean, modern "classic styling," you probably do now thanks to the amount of buzz generated by the partnership.

According to Lowe's (12) recent survey, its shoppers perceive their home values as having stabilized somewhat. While big-ticket purchases are still far off in the home improvement category, Lowe's will help keep the "dream home" alive. It has upgraded its website, redesigning it to showcase the brand as a source of inspiration via idea-sharing images, how-to videos and project calculators. This positioning as a leader in inspiration will be further reinforced through its partnership with HGTV and the launch of its magazine, *Lowe's Creative Ideas.* HGTV's personalities will provide exclusive content for the publication and the online channel.

Brand partnerships ideally should be a "1+1=3" proposition for both participants. However, some work better than others. For example, Simply Vera Vera Wang works for Kohl's, but American Living by Polo Ralph Lauren was not a success for JCPenney. Before rushing into a "brand mash-up," brand managers would be wise to examine the strengths and potential weaknesses of such collaborations in depth. Is it being done to attract new customers or enter new channels? Or is it because one brand is tired from lack of innovation and seeks to ride the coattails of another?

Retailers working from a focused brand strategy tend to be more flexible than rigid, healthier and more resilient in the face of change, and more likely to see increased ROI. When brand informs a company's creative efforts, the result is imaginative leadership and innovative design — an aesthetic that strikes the right note with its customers and continues to delight them. Shoppers expect their favorite stores to speak in a consistent voice, and brand can bring all the components of the experience together — physical, sensorial, social, inspirational, and technological. Prices can only be reduced so much, but there is no ceiling on delivery of the brand experience.

Contributors

CEO **Lee Carpenter** founded the business in 1978 to encourage passionate dialogue among design, branding, research and architecture experts in the interest of serving a roster of international clients. Today, Lee is considered one of the most influential people in retail. His position as CEO of Interbrand North America reflects the new importance of retail brands and their value in the global competitive climate. A noted speaker, he is frequently asked to address design, business, retail and automotive groups.

Bruce Dybvad is the President of Interbrand Design Forum and Interbrand's Cincinnati office. His global framework, retail experience and industry knowledge have resulted in the creation and leadership of an exceptional creative process. He continues to refine, challenge and inspire world-class teams of strategy, creative and architectural professionals, and help cross-fertilize the firm's many disciplines. His expert opinion is often sought by major publications.

As Global Managing Director: Analytics and Valuation, the job of **Greg Silverman** and his team is to bend outputs to give precise, measurable insight into innovation. He helped develop Interbrand's techniques for tracking studies that calibrate decisions against strategic objectives as well as the proprietary measurement techniques that help put brand touchpoints in balance. Greg is a frequent lecturer on the subject of brand analytics.

Problem definition and resolution is **Sean Mead's** specialty. As Director, Analytics, he concentrates on solution architecture, analytics and project management, especially in interdisciplinary engagements. He and his team are uniquely positioned to ask and answer questions about the intersection of brand, space and finance. A key member of the retail brand valuation team, Sean also manages the development of decision modeling techniques and services.

As CMO/Executive Vice President **Lynn Gonsior** is responsible for the positioning and marketing of the company's comprehensive range of services. She also oversees strategy development of the company's global client base. Lynn believes retailers and manufacturers receive the greatest benefit when they combine strategy and consumer insight with creativity and innovation to help bring their brands to life at retail.

Bill Chidley has been working with global brands for over twenty years, and as Senior Vice President of Shopper Sciences, he is responsible for developing in-store solutions. His shopper sciences team uses the latest research and analytics tools to create intelligent and inspired client programs. Bill sees innovation as the process that marries insights with clear objectives. "It's about looking at challenges from new perspectives in order to change the game."

Chief Creative Officer **Scott Jeffrey** believes every retailer should have a distinctive, ownable personality, something that can be "architecturalized" as a rich shopping experience that connects emotionally with customers. His team does everything possible to support a client's innovative thinking, and his love of the creative process is infectious. Scott feels that creativity, when applied against the idea of brand, leads to competitive advantage.

The expertise of **Justin Wartell** spans brand, strategy and analytics. As Director, Brand Strategy, Justin helps to ensure that everything we do for clients, from strategy to creative, not only drives demand but builds brand value. His diverse background helps him ask the right questions that lead to new solutions and opportunities for innovation. As a team member, he helps evolve the relationship between research and design that leads to the creation of exciting, dynamic retail environments.

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