The Most Valuable U.S. Retail Brands 2009

InterbrandDesignForum

Contents

The Age of the 'Retail Brand'

No longer just the focus of the marketing team, brand is being adopted as an idea that drives business strategy.

After thirty years of creating retail brand experiences, I can tell you this: companies still don't have a clear idea of what brand is and what it can do. And there's an urgent need to clear up the misunderstanding. Not just because we're in a major recession. But because within the downturn there are opportunities that brand can capture.

So let's cut to the chase. What is a retail brand?

A brand is not just a logo, a name or a snappy slogan. It's the particular set of tangible and intangible assets (or liabilities) that customers attribute to a retailer. A brand is a shopper's perception, the sum of all his or her experiences doing business with that store.

Shopping defines modern life. Because it accounts for 70% of the U.S. gross domestic product, the growth or contraction of retail as a total market impacts us all. While shopper attitudes are changing rapidly due to economic conditions, the subsequent discounting and promotions are only part of the story.

Consumers thrive on change. They judge stores by how well they keep up with the fast pace of life. Retailers have stepped up their speed-to-market imperatives to feed shopper appetite for newness. Yet most retailers still cling to a 20th century view of themselves as an operations-driven enterprise, not as brands. Numerous distribution points, hundreds of SKUs, and thousands of daily transactions between customers and vendors have until recently made retail seem too complex an enterprise to be encompassed by one idea.

A study of the top retail brands shows otherwise. Case in point: Walmart tops the list, not simply because of its offering and scale, but because of its place in shoppers' hearts and minds. It is, in fact, the most valuable retail brand—proof that brand is not the sole province of famous makers such as Coca-Cola or Rolex. All the same principles are at work in retail. A clear proposition creates demand because of the value it bestows on the product or service. Brand thinking provides a way to orchestrate everything about the business that attracts and touches the consumer—from the real estate, to human resources, the supply chain, store design, e-commerce, private labels, messaging and packaging. In fact, retail is branding at its best and most complex.

Understanding brand dynamics through its concerted analytic tools gives a company—especially retail—the ability to measure the economic power of its brand and identify which business elements create that power. The role brand plays in any business decision versus the other components of that choice can be gauged and connected to strategy. Legacy biases can be overcome so that managers can make smart decisions that take brand, space and finance into account simultaneously. Light can be shed on previously unrecognized market opportunities and new investments justified. Brand helps a retailer create demand, not cater to demand.

Interbrand has been studying the world's most valuable brands since 1984. Today brand decisions can be measured and thus held accountable for the investments that make a brand stronger. A strong brand ensures relationships that create future earnings by growing customer preference and loyalty.

Which brings us to the list—our first 'Annual Report Card' of the most valuable retail brands in the United States, plus the top 5 in Canada and Mexico. It's an assessment of the companies that are most successful at managing their brand, as well as a look at those that didn't make the cut. We're delighted to share the lessons from the leaders, and give some insight into how they tackle the challenges of today's market. We also hope it provides a push to those who still cling to the outmoded operations-driven way of viewing their business.

The Most Valuable U.S. Retail Brands report sends a clear message: The rules of success have changed. Brand has arrived at retail.

Thoughtfully,

Lee Carpenter
Chairman & CEO Interbrand Design Forum and Interbrand North America

InterbrandDesignForum

The Most Valuable U.S. Retail Brands 2009

2009 Rank	Brand	Brand Value ($m)
1	Walmart	129,809
2	BEST BUY	21,981
3	THE HOME DEPOT	20,809
4		17,111
5	CVS/pharmacy	12,566
6	DELL	11,695
7	Walgreens	11,145
8	LOWE'S	10,710
9	Sam's CLUB	9,478
10	COACH	9,052
11	ebaY	7,991
12	STAPLES	7,224
13	NORDSTROM	6,753
14	amazon.com	6,434
15	COSTCO	5,718
16	VICTORIA'S SECRET	5,670
17	AVON	5,264
18	GameStop	5,078
19	GAP	4,357
20	TIFFANY & CO.	4,208
21	POLO RALPH LAUREN	4,190
22	KOHL'S	3,282
23	SHERWIN WILLIAMS	3,021
24	JCPenney	2,884
25	AutoZone	2,825

2009 Rank	Brand	Brand Value ($m)
26	Bed Bath & Beyond	2,568
27	Abercrombie & Fitch	2,551
28	Old Navy	1,592
29	American Eagle Outfitters	1,552
30	Banana Republic	1,545
31	PetSmart	1,523
32	Netflix	1,268
33	RadioShack	1,254
34	urbanoutfitters	1,134
35	Bath&BodyWorks	1,124
36	T.J.Maxx	1,112
37	Marshalls	1,103
38	Dick's Sporting Goods	1,073
39	J.Crew	959
40	Hollister	907
41	American Girl	641
42	RAC	614
43	Big Lots!	603
44	Barnes & Noble	564
45	Men's Wearhouse	557
46	Tractor Supply Co	547
47	Whole Foods Market	496
48	Gymboree	496
49	Aéropostale	447
50	Anthropologie	420

How we calculate the value of a brand

All contenders for the list must qualify as follows: the brand must be a market-facing brand, with publicly available financial data, and positive Economic Value Added (EVA). 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 economic value added by the brand, or **Role of Brand**, is discovered with a proprietary analytic framework that expresses brand earnings as a percentage of Economic Value Added. It answers questions like: "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.

Although this is the first time the valuation methodology has been applied exclusively to retail, Interbrand's rigorous analysis of brand value has been appearing annually in *BusinessWeek* as "Best Global Brands" since 2001. In the belief that brands are a corporate asset that belong 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. "Best Global Brands" is one of the top three published business rankings in the world.

1 Walmart

Brand Value: 129,809 $m

Walmart. Number one on the Most Valuable U.S. Retail Brands list by a huge margin, the largest mass retailer in North America is making significant rebranding efforts, including a new logo, the new tagline "Save Money. Live Better." and rebranded stores. The company is working to make brand touchpoints clear and relevant, including store environment, website, in-store messaging, product mix and sustainability. Customers are staying an average of 14 minutes longer per trip at stores with wider aisles and brighter lights. Product decisions are organized around a new "win, play, show" strategy. The win categories are those the company will grow with a broad assortment; e.g., flat panel TVs. Play includes apparel, such as denim; not a full assortment but enough for incremental sales. Show products are those necessary to maintain Walmart's one-stop shop status. This new approach will also help determine the best way to mix private label, exclusive label and national brand products into shelf sets. The company is also striving to be entirely supplied by renewable energy; it's partnering with sustainability suppliers to facilitate the creation of green jobs. Walmart continues to be well above the same-store sales of its competitors and has a strong introspective hold on its brand.

2 Best Buy

Brand Value: 21,981 $m

Best Buy. Consumer electronics is the fastest growing retail sector in the U.S. The current market size is $100 billion; the top 10 retailers by volume account for 70% of the market. Best Buy is the clear leader, stealing points from competitors. Its service offerings from the Geek Squad to the new mobile in-store concept continue to find favor. A large selection of DVDs, CDs, TVs, PCs, video games, etc., cover a wide range of price points from the expanding top-line Magnolia products to more affordable brands. Store environments and selling styles are tailored to customer insights, with current emphasis on employee expertise and commitment. Rollout is complete for the high-performing Best Buy Mobile store-within-a-store, and its conversion to thirty 3,000 sq. ft. mall stores has begun. A 12-airport test of robotic vending machines branded "Best Buy Express" carrying cell phones, computer accessories and cameras began in 2008.

3 The Home Depot

Brand Value: 20,809 $m

The Home Depot. The home improvement market is highly fragmented; The Home Depot has the largest piece of pie with 7.7% of the industry's market share. The brand benefits from very high awareness, huge revenue streams, (historically) impressive sales and very deep pockets so it can afford to strengthen brand relevance during the downturn. Right now the company is concentrating on long-term growth and evolving the brand through product mix and pricing strategies. Consumers have criticized the store's shopping experience and in response THD is seeking a better understanding of their needs, especially women. It has succeeded in reinstituting the regionally-focused product mix it was once known for and has put more resources behind its private labels. Marketing strategy includes re-emphasis on in-store clinics and refreshed consumer relevance, moving from home improvement to home management. Having recently lost its competitive advantage on key brand drivers, The Home Depot has identified its weakest metrics and is working to improve preference and loyalty.

4 Target

Brand Value: 17,111 $m

Target. Mass retailer Target is demonstrating its commitment to being the industry leader by investing in expansion, technology, sourcing and design. Target's iconic bullseye is recognized by 96% of Americans and it claims a disproportionate share of affluent shoppers under 45. The brand spends roughly $1 billion a year on advertising, well above their biggest competitor, Walmart, and continues to steal share from the apparel industry by offering high-design "cheap chic" merchandise branded by major fashion designers. Target ranks 14th on *BusinessWeek's* list of 119 Best Places to Launch a Career, has a very loyal and satisfied shopper base and scores high on the American Customer Satisfaction Index. The company is sensitive to the fact that shoppers are choosing their mass merchant based on its environmental footprint, and four of its Chicago stores have green roofs. Store formats are flexible, including multi-level stores in urban locations. In 2009, it will unveil a new prototype with expanded food sections, as well as new architectural and visual elements. Currently, Target is focusing on domestic growth and performance, expanding into Alaska and Hawaii.

5 CVS/pharmacy

Brand Value: 12,566 $m

CVS/pharmacy. The drugstore industry is dominated by CVS, Walgreens, and Rite Aid who are forced to compete on both pharmacy and convenience with supermarkets, mass and warehouse clubs. CVS has adapted well to market conditions and the need to stay relevant against online pharmacies. The druggist fills or manages about 1 billion prescriptions per year and leads in revenue over Walgreens, which has a slightly greater number of stores. With the acquisition of Long's, CVS will substantially increase its fleet and gain instant presence in Hawaii and Southern California. Despite the downturn, it maintained consistent same store sales growth and revenue growth for the first 26 weeks of 2008, attributed to the increased average front-of-store ticket size. More than 65% of front-end sales use the store's loyalty card. As a result, CVS continues to grow and take a greater share of wallet. CareMark and MinuteClinic, separate divisions of CVS, add pharmacy benefit management and clinic services to the format. Exclusive contracts with Lumene, XCD and Cristophe give it a cachet of "captive brands." In addition, private label makes up 15% of front-of-store sales, a reflection of both the downturn and the company's brand strategy. To differentiate the shopping experience, a new layout has been designed to make stores more consumer friendly.

6 Dell

Brand Value: 11,695 $m

Dell. Despite the design influence of Apple and HP's big advertising budget, only direct-seller Dell makes the list. It's a clear leader in computer products with roughly 30% of the market. It gets props for doing brand right. However, Dell makes a fairly standard product, innovating only to the extent of faster processors and new technology. The company concluded its attempts at retail in the form of inventory-less mall kiosks, deciding instead to allow outside retailers to carry the brand. It recently entered into agreements with Walmart, Best Buy, Staples and Costco Wholesale to sell products at appropriate price points for those retailers. While it is now faced with the challenge of competing on price, the retail presence has given Dell increased shipments and share.

Target's iconic bullseye is recognized by 96% of Americans.

7 Walgreens

Brand Value: 11,145 $m

Walgreens. Walgreens is everywhere; 139.1 million people live within 2 miles of one of its stores. Although its growth has slowed, it continues to adapt to new market conditions, and will likely remain a top-three pharmacy player for years to come. Same-store sales have been hit by generic drug offerings from non-drug stores as well as the growing popularity of mail order and online pharmacies. Walgreens' confidence may have slipped when it lost its bid for Long's to CVS. However, the company recently merged with Option Care, enabling it to offer in-store nurse practitioners. The company has created an internal brand police to protect and evaluate the quality and standard of its product offerings so brand equities won't become diluted. Although Walgreens still lags when it comes to the shopping experience, it does excel at offering a variety of formats to meet the needs of each community, such as smaller footprints in high density markets. Even with drive-thru pharmacies, 24 hour druggists and online services to accommodate all customer types and needs. Like its competitors, it lacks the ability to truly differentiate the experience since innovations in this category quickly become table stakes.

8 Lowe's

Brand Value: 10,710 $m

Lowes. Lowe's created the service-centered, value-add standard that set the pace in the home improvement sector. Lowe's is the second home improvement market leader after The Home Depot with 4.0% of the market, winning on customer satisfaction and loyalty, and competing for market share based on this metric. While same store sales have declined dramatically for both leaders due to the housing debacle, Lowe's has a promising proposition: concentrated efforts on customer service and in-store experience which could continue to steal share. Lowe's has the ability to shift product placement and mix from specialty items to conservative everyday items mirroring consumers' need to manage—not dramatically improve—their homes. Its message of value, convenience and customer service/in-store experience is integrated across all touch points. Further, the brand has been smart with its advertising during the downturn, cutting back on promotional spending with low return and instead looking into new store formats. Lowe's is unafraid to conform to a new market or take a smaller footprint. Although it is still ahead of the competition in maintaining and growing value-add in the store, it isn't differentiating on products, inspiration or price to protect its position. Its service is consistent, but not revolutionary.

9 Sam's Club

Brand Value: 9,478 $m

Sam's Club. Warehouse clubs as a group have great potential to grow offerings, expand locations, capture market share and improve consumer loyalty. While Sam's Club is second in market share to Costco, its brand value is higher because of its niche with the small-business market. However, Sam's has had a hard time driving sales and stability. Product quality is viewed in terms of simple low-price deals. Warehouse clubs' insulation from the recession is beginning to thin; vendor pricing is increasing which hurts margins. Membership fees account for the majority of Sam's income. The company has made some effort to increase membership ties and loyalty, for example, by allowing college memberships, but on the whole hasn't innovated much. It has employed few new merchandise-mix strategies even though there's a high and growing demand across retail for private labels. In-store signage has improved, but little is being done to get consumers in the door. Sam's has tried to reproduce some of Costco's value as a "treasure-hunt" but loses on relevance since consumers do not expect it. Although Sam's has altered its format, revamped its planogram and refreshed its logo, it needs to do a better job focusing on its target segment and creating a better shopping experience. If mass market and discount retailers choose to compete in bulk and price, warehouse clubs could suffer.

11 eBay

Brand Value: 7,991 $m

eBay. Even though eBay is one of the largest advertising spenders on the BRB list, it has been losing share in the online retail market for the past couple of years. Growth through acquisition succeeded in the case of Paypal and Bill Me Later, but Skype has not proven to be a winner yet. The online auction sector is slowing and eBay needs a more concerted effort to fend off encroaching Amazon, something more in keeping with its brand roots rather than its move into fixed-price selling. The company has no customer loyalty system in place but continues to maintain the quality of its sellers through customer reviews. The company's touchpoints are also inconsistent among the different groups which operate under its name. Despite a remarkably high level of awareness for the brand, it looks as though eBay's long-term survival and ability to maintain its place in the market hinges on its ownership of several payment services that are becoming increasingly important in the marketplace.

The online auction sector is slowing and eBay needs a more concerted effort to fend off encroaching Amazon.

10 COACH

Brand Value: 9,052 $m

Coach. Although luxury retailers can be confident of their place with the upper class, the lower and upper end of the middle class is where they are currently losing customers. The recession is making it clear that even the strongest luxury brands can feel the pinch. Although Coach was ranked number one on *BusinessWeek's* 50 Top Performers, the company's recent decision to stop reporting outlet and retail sales separately makes analysts suspect it of trying to hide weaker numbers. Coach customers loyal to the brand do not currently want to pay full price and catering to their more cost-conscious consumers with less expensive items may detract from its allure. Its advertising conveys the same image experienced in its stores and on its website, making for nice touchpoint integration. Coach is also experimenting with buzz marketing by previewing new items online before they appear in the store. Although the customer's perception of Coach as a luxury brand has not changed, the brand has had to follow other top retailers by lowering its prices. Despite its exclusive lines, brand differentiation may be on the wane.

12 STAPLES

Brand Value: 7,224 $m

Staples. Staples is a clear leader in office supplies and services, but is unfortunately the main runner in a slowing sector. Margins are typically low on office supplies; it's very easy to enter the saturated market and almost any retailer can add office supplies to their format. The company seems to have done everything right. The brand has taken on new formats (stand-alone copy stores, improved website), new services (easy tech, installation services), and new partnerships (Dell provider, recycling efforts, and green initiatives earned it 4th place on Dow's Sustainability Index). It also began the trend of higher-end, private label office supplies, something to delight the consumer. In advertising, Staples has integrated its messaging across TV, online and in-store. It has remained brand-true throughout by staying consistent to the brand's core values. However, the brand has also reformatted to meet a changing consumer's price-centered needs. Staples gets a big bump for their private label efforts which account for 22% of total sales with a goal to hit 30% by 2009. Its in-store and online experiences are relevant and differentiating, but not particularly resistant to imitation.

13 NORDSTROM

Brand Value: 6,753 $m

Nordstrom. The fifth largest U.S. department store with net sales of $8.8 billion and a five-year annual growth rate of 8.12%. Nordstrom consistently hits all the big "best" lists. It is one of Fortune's "100 Best Companies to Work For," and "Top 20" most admired companies overall. Its store experience and customer service make it a destination for shoppers time and time again. Due to economic conditions, shoppers are buying less, but still visiting their favorite store. Nordstrom has always been on the forefront of buying quality, relevant products and merchandising them in the store to best effect. Private label apparel accounts for 13% of sales. Amenities include a spa, restaurant(s), in-store boutiques and an on-site tailor. A top priority for the company remains devoting a significant portion of capital to store remodels. Online, Nordstrom features lifestyle merchandising with Head to Toe looks and Ten Things to Evolve Your Style Right Now. Juniors direct marketing includes a MySpace page/video channel, mobile phone and email alerts, back-to-school fashion shows and partnerships with Teen Vogue. By the end of 2008, the retailer will have 109 full-line stores. Its longer-term plan is to have 140 to 150 stores by 2015. Its skill at balancing the department store format with luxury will keep it going strong.

14 amazon.com.

Brand Value: 6,434 $m

Amazon.com. Amazon owes its retail leadership to pioneering technology, borrowing and improving aspects of eBay's seller review model, and growing its relevance among consumers through an ever-expanding selection. Additionally, it has its own branded product, the Amazon Kindle. It's also a fairly big advertising spender and reaps the benefit of co-op advertising. Its shipping programs are highly successful, often resulting in customers spending more on merchandise than they would have otherwise because of the perceived savings. Being exclusively online gives the brand control over its experience from start to finish; it's consistent throughout all its touch points. That said, it is difficult for an online retailer to own a protectable experience. Customers are drawn to the Internet for its convenience, and Amazon is just as convenient as the next site. However, the company is strong on customization, and strives to make online shopping as simple as possible. And while Internet usage is widely rampant and becoming even more so, there will always be some consumers that aren't comfortable buying products online.

15 COSTCO

Brand Value: 5,718 $m

Costco Wholesale. Costco is the warehouse club market leader by revenue. Costco focuses on a high-income consumer, but the company's primary attention is on being a low-price provider and investing in the success of its popular Kirkland private label. The retailer enjoys high consumer satisfaction scores in a Colloquy survey whose metrics are a mix of quality, low-price and experience. For the sector, however, vendor prices are increasing which hurts margins (and prices are the main draw for members to renew).Membership prices account for the majority (approx. 75%) of revenue. However, Costco has tried its best to protect that membership structure by keeping prices low. The brand has done a solid job of evaluating trends across its store experience, product mix and supply chain. Current marketing support is based solely on new store openings and direct-mailings to target area consumers. Costco has 518 stores in 39 states (compared to 594 of Sam's in 48 states) and invests in more premium real estate than its peer. It hasn't changed store format, but has expanded offerings into banking, pharmacy, gas, etc., and has refreshed its online services.

16 VICTORIA'S SECRET

Brand Value: 5,670 $m

Victoria's Secret. North America's top specialty retailer of women's intimate apparel is the most influential brand in the category, continually launching new relevant products and brand extensions, such as Pink and VSX. Victoria's Secret has become the backbone of Limited Brands' company profits, operating in about 1,300 mostly mall-based stores, with thriving online and catalog channels. A recent revitalization of the shopping experience includes an increase in store size and improved merchandising. However, its aging core customers feel the brand may be abandoning them for younger, less sophisticated shoppers. And although the Victoria's Secret runway show with its supermodels in thongs and wings has generated massive amounts of awareness, the brand appears to be catering to male tastes; similar images in the store itself tend to make women less comfortable. There has also been a perceived drop in quality. The company has acknowledged these challenges and is working to correct them.

17 AVON

Brand Value: 5,264 $m

Avon. The beauty market is growing even in a slow economy, but there is a high degree of competition for moderately-priced Avon coming from high-end cosmetic lines entering the mass channel. Direct-seller Avon has invested more than $100 million in its research and development operations, introducing more sophisticated skin-care products including a new $54 face cream. With fewer American women at home during the day to answer the doorbell when the "Avon lady" calls, the bulk of Avon's sales now comes from outside the U.S. The company is by far the world's largest direct seller with 5.4 million representatives in over 100 countries. It boasts that every second of the day, a woman buys an Avon lipstick.

The beauty market is growing even in a slow economy, but there is a high degree of competition for moderately-priced Avon.

18

Brand Value: 5,078 $m

Gamestop. The only major retailer whose entire focus is gaming, GameStop is small but mighty; its knowledge and service offerings are value adds its competitors can't match. It faces its strongest competition from mass and big box and the ever-present threat that game manufacturers will begin offering downloadable games. Video games are a $20 billion a year industry whose growth depends on manufacturers' new product rollouts. GameStop is the leader in video game sales with 4,264 stores in the U.S. It continues to grow revenue despite the global slowdown. Whereas mass and big box can compete on price, GameStop has the advantage in store experience, featuring a loyalty card program and a dedicated, knowledgeable staff. The retailer also buys and sells used games, a major differentiation point. Its magazine, *GameInformer*, connects the brand to its customers. The store also hosts special opening nights for popular game releases and takes advantage of cooperative advertising. GameStop recently acquired Electronics Boutique which aids its aggressive goal of opening 550-600 new stores in the near future. The company is currently testing a larger prototype with more demo kiosks and touch screens that allow customers to browse the 5,000 SKUs carried by most stores. The brand's hardcore gaming fans have declared it "awesome."

19

Brand Value: 4,357 $m

Gap. With 3,190 stores nationwide, Gap is the consistent fallback option for casual clothing staples. Nevertheless, this once-iconic brand has been losing ground for the last several years. Efforts to get back on track include streamlining operations. One website carries four of the parent company's brands and encourages shopping across brands, shipping them together for a flat $7 fee. Gap's main distribution center boasts the largest solar power installation in Northern California, and its (PRODUCT) RED (AIDS Foundation) campaign is part of a global charitable movement. The company plans to expand into Mexico as a joint venture with a major department store, and is offering franchise opportunities as far away as Egypt and Jordan. In the meantime, Gap has hired a new head of design to revive the product.

20

Brand Value: 4,208 $m

Tiffany & Co. Growth that looked positive for luxury has been put on hold due to the state of the world economy. While Tiffany does not appear to lead the market, the company claims a large share of mind, often mentioned in books, movies and songs; its trademarked Tiffany blue box is unmistakable, and the company invests in premiere real estate. The luxury retailer has been doing steadily well. Founded in 1837, the brand stands for quality and longevity. The brand had to refocus a few years ago to reaffirm their high-end appeal, as some merchandising mix drove the brand to novelty level. This reaffirmation has worked well and the brand's positioning has re-centered as exclusive. Tiffany's has expanded into eyewear and reentered watches to drive revenue and relevance to consumers. The company maintains exclusivity with a small number of stores, currently 184, to keep from diluting the brand. New formats include a men's only store and a smaller footprint store for urban and offbeat areas such as college campuses which would carry Tiffany's lower-end silver.

21

Brand Value: 4,190 $m

Polo Ralph Lauren. The brand's remarkable brand discipline and its lifestyle appeal continue to allow it to develop across an expanding number of products, price tiers and markets without dilution. Polo Ralph Lauren sells directly through 313 dedicated stores as well as on the parent-company website, RalphLauren.com. Centralized worldwide marketing ensures that customer touchpoints are fully integrated with themes and images of the brand. It also preserves Polo's distinctive image with its department store and licensing partners. Shop-within-shops enhance brand recognition, differentiation and merchandising of the line. While the brand's agreement to outfit the 2008 U.S. Olympic team struck some as more elitist than athletic, Polo Ralph Lauren's fashion line collaboration with Wimbledon suits it well, as does its role as the official 2008 outfitter of the world's oldest and most prestigious tennis tournament.

22

Brand Value: 3,282 $m

Kohl's. Kohl's focus on store productivity balanced with staying on-trend through relevant exclusive labels to meet targeted needs (from the likes of Tony Hawk, Avril Lavigne and Vera Wang) is its recipe for success. Despite the recession, the retailer continues to grow, offering low prices and quality merchandise. From 81 stores in 1992 with approx $1 billion in sales the brand has grown to 1,000 stores in 2008 generating roughly $16 billion. New stores are LEED certified (Leadership in Energy and Environmental Design), an important distinction in retail; and the concept is flexible enough for 62 small-format stores in 4 key urban locations. The use of online marketing to develop a conversation with younger shoppers helps maintain a loyal base and generates traffic without relying solely on sales and promotions. The website generates $240 million in sales and has demonstrated 30% growth in one year. Exclusive brands account for 35% of total sales. While the in-store shopping experience isn't remarkable, Kohl's is still in an excellent position to continue to grow and obtain leadership status in its category.

23 Sherwin Williams

Brand Value: 3,021 $m

Sherwin Williams. With 3,325 stores in the U.S. and Canada, Sherwin Williams has exceptional success in its retail operation. It's bridged manufacturing with retail sales to deliver highly relevant, quality goods to its consumers, direct from R&D through plants. The market is still sluggish because of the housing market slow-down, but the brand is on top of the paints and varnish industry. Sherwin Williams has increased its stock dividends for 29 years and is hitting record revenue numbers for its 141-year legacy. The brand's deep offerings in automotive paints has helped those numbers. It continues to be highly relevant to its consumers although there is nothing of note in its shopping experience save the exceptional product mix. The brand has an ever-expanding portfolio of private label brands, many trend-forward, that are major players in the industry. Store formats are simple and service oriented. Advertising spend is relatively low; Sherwin Williams has a presence on channels such as HGTV, DIY, TLC and the Food Network, but it's the brand's expansion, acquisitions and market growth that help them gain stability and recognition, beyond the depth of their offerings.

24 JCPenney

Brand Value: 2,884 $m

JCPenney. A major contender in the retail industry, JCPenney is quick to launch new private labels, develop game-changing advertising campaigns and devote resources to improve the store experience. Its online store continues to grow increasingly relevant, with promotions and services that connect back to the store. Penney's has 1,660 stores and a demonstrated ability to increase productivity. With an experience aimed at the middle-class mom who can find something on-trend for herself as she shops for her family, the brand's mantra is 'Every Day Matters.' Its focus is on developing enduring shopper relationships and moving away from the promotional habits the retailer has become known for. Initially, the new brand position helped increase perceptions and satisfaction until the recent economic changes caused the retailer to again rely on promotions versus lifestyle advertising. JCP has proved successful with the launch of American Living and other exclusive and private label brands, the expansion of Sephora inside the store and the development of the Simply Green department.

25 AutoZone

Brand Value: 2,825 $m

AutoZone. The sale of automotive parts, accessories and maintenance is highly competitive with challengers in just about every retail category. AutoZone is the leader with over 4,000 stores, more than $5 billion in sales, and ranks 394 on the Fortune 1000 list. It wins on the basis of customer service, merchandise selection and availability, price, product warranty, store layouts and location. Customer surveys show increased satisfaction scores in recent years. AutoZoners (employees) strive to put customers first to encourage loyal relationships; a proprietary database looks up everything needed for a job, and a free Loan-A-Tool program saves consumers money. Advertising reminds consumers of the importance of vehicle maintenance. AutoZone intentionally keeps a similar format across stores with 80-95% selling space, 21,000 SKUs in inventory and overnight access to 750,000 SKUs. The retailer continues to improve assortment relevance and private label mix.

26 Bed Bath & Beyond

Brand Value: 2,568 $m

Bed Bath & Beyond. The retailer's historic leadership in the category is due to the depth and appropriateness of its product mix. Bed Bath & Beyond is a steady player in its category. Shopper loyalty is waning due to the poor housing market and the brand has not implemented anything substantial to further solidify its position; no new marketing initiatives, no updated customer experience or store formats to its fleet of 800, nor has it executed an integrated touchpoint strategy. However, Bed Bath & Beyond keeps doing what it's done consistently and efficiently. While the company does have a number of private labels, these do not seem to be a major draw. Customer relevance (i.e., merchandise curated for newlyweds, homeowners, college students, etc.) is solid and without surprises. Advertising support seems lacking—given the failure of Linens N Things, the company may have had the opportunity to capitalize on their market presence and customer loyalty rather than settle into lower costs and promotional advertising via circulars and mailings. However, the brand has put forth great effort to expand into Canada and Mexico.

27 Abercrombie & Fitch

Brand Value: 2,551 $m

Abercrombie & Fitch. The brand's notoriety with adults and popularity with young people comes from its club-like shopping experience and provocative imaging. The Canoe store design features white molding and black louvers on the exterior, interiors are dim with a lingering scent of Fierce, an Abercrombie & Fitch fragrance and the blasting of electronic dance music at 80 decibels. A&F maintains authenticity and exclusivity with 353 locations in the U.S. and Canada, and 3 flagships, one in London. Store associates are called models, and an "Impact Team" and "Visual Managers" maintain store standards of presentation. It works to imbue the polo shirts and jeans with a mystique far beyond collegiate inspired casual luxury clothing. Role of Brand is exceptionally high and the clothing demands a premium price. Although wayward sex-appeal will always attract youth, if the recession brings frugality into vogue it may hasten the brand's lifecycle. Until then, even with a decline in same store sales because of the recession, Abercrombie & Fitch is still holding up as a hot retailer.

A&F imbues shirts and jeans with a mystique far beyond collegiate inspired casual luxury clothing.

28 Old Navy

Brand Value: 1,592 $m

Old Navy. The most notable aspect of Old Navy is its kitschy, satirical tone and retro feel while purveying value-priced trends for the family. It has the highest revenue of all the brands in Gap Inc.'s portfolio. Old Navy faces wide competition and has been undergoing an identity crisis for the past several years. Refocusing on hip young Moms will help re-establish the brand, as will its planned joint ventures with MTV. However, the chain is beginning to get a negative quality perception. Target's designer fast-fashion has definitely hurt the Old Navy position. Its recent introduction of a faster product development process will allow it to better compete. Old Navy has just over 1,000 stores nationwide and an outlet chain. It is looking at the size of the box and better ways in which to use the space to be more operationally efficient.

The poor housing market has Bed Bath & Beyond's shopper loyalty waning.

29 American Eagle Outfitters

Brand Value: 1,552 $m

American Eagle Outfitters. According to Teen Research Unlimited, the American Eagle brand was recently considered the "coolest" brand second to Nike. With that accolade, 1,100 stores and $3 billion in revenue, this retailer of casual wear for the 15- to 25-year-old customer has a strong market position. Continually improved merchandise, recent store remodels and an aggressive marketing strategy that reaches its target audience drives the brand's success. American Eagle created its own media company, 77Entertainment, to produce original content for its website, stores and networks such as Facebook, MySpace and YouTube in order to promote the brand to its customers. Promotional campaigns include a free online concert with the Jonas Brothers, sponsored tailgates and spring breaks. Because many of its young customers lack a credit card, website ae.com offers PayPal as an option. The brand sees itself approaching maturity within the next three years in terms of store expansion, when it intends to seek growth with additional categories—lingerie, lounge and workout wear, personal care products—much the same as other specialty apparel retailers.

31 PetSmart

Brand Value: 1,523 $m

PetSmart. In the heavily competitive pet products sector, PetSmart is the largest specialty pet store based on sales of $4.7 billion a year in over 1,000 stores, and growing. The company focuses on operational excellence to drive a great shopping experience for humans and their favorite creatures, which are encouraged to shop for their own toys and treats in clean stores with wide aisles and short check-out lines. Shoppers can find full-service vet hospitals in 685 of its facilities. Employees are trained for superior customer service and a portion of their incentive pay is linked to customer/pet satisfaction. Services are key. The company operates almost 100 PetHotels with 24-hour supervision, on-call vets, Doggie Day Camps and climate controlled conditions. An "Eating Green" guide informs shoppers about organic pet food. The brand promotes animal charities and the adoption of strays. It offers a loyalty program and carries private label foods at a variety of price points. As the shopping experience evolves, many PetSmart stores still need to be refreshed. And although there is room for improvement, touchpoints appear to be integrated and work at keeping passionate pet parents happy and involved with the brand.

33 RadioShack

Brand Value: 1,254 $m

Radio Shack. Radio Shack started in 1921, surviving economic ups and downs including the strong threat of big box and mass merchandisers. Thus far the company has successfully readjusted its strategy to compete financially, closing underperforming stores and making square footage more profitable. Its product offering isn't always the most attractive, Radio Shack is the biggest national retailer that sells private label wires and component audio and visual equipment. However, with 6,000 stores averaging 2,000 sq. ft. the retailer puts itself directly in the path of mall browers, increasing traffic without incurring high rents. The brand works very hard to remain relevant and innovative, upgrading their stores to make their products more interactive. It's unclear, however, how much credit consumers are giving the brand.

Mall staple Radio Shack has 6,000 stores that catch traffic from browsers.

30 Banana Republic

Brand Value: 1,545 $m

Banana Republic. As consumer spending has decreased, Banana Republic has seen the lowest decline in sales across the three stores that make up the Gap brands. It is perceived as offering classic styles, unique detailing and affordable luxury. With the fewest stores of Gap Inc. (575), it has a loyal base of customers among stylish urban professionals, 25-49. Banana Republic recently launched an eco-friendly line of apparel made from organic and soy materials. A new merchandise planning system will allow it to deliver its offering more efficiently. Furthermore, in an attempt to integrate the brand into local experience, it is offering a City Insider Guide booklet which outlines the best restaurants, bars and museums in major cities across the world. Banana Republic continues to remain relevant to its customers by bringing them a sophisticated yet still affordable shopping experience.

32 Netflix

Brand Value: 1,268 $m

Netflix. The company has gotten used to hearing predictions of its death as an online system for renting DVDs delivered by mail. Blockbuster is the market leader in DVD rentals. Walmart tried to take a piece of the business. Apple and Amazon have announced movie-downloading services; cable companies and new products promise the delivery of Internet video to television sets. However, Netflix shows how an innovator can establish and maintain such strong brand equity that it's valued higher than its bigger competitors. The brand boasts 12% of the $8.4 billion annual DVD rental market which it expects to be large and lucrative for a long time. However, the company recently introduced a service to deliver movies and TV shows to PCs as streaming video, an early and important step in the transition to movie distribution via the Internet—a shift that probably won't come quickly due to technology barriers and the entertainment industry's fear of piracy and cannibalization. The category will be a mix of DVDs, streaming and downloads much the way music is accessed via radio, CDs and iPods.

34 urbanoutfitters

Brand Value: 1,134 $m

Urban Outfitters. With 130 fashion apparel stores in North America and Europe, the brand's retail strategy is to create an emotional bond with the 18-30 urban dweller by making shopping a distinctive form of exploration. Urban Outfitters uses design as a business strategy. With no significant advertising, the brand depends on its stores, as well as shopper and media buzz, to generate business. Visual merchandisers and display artists develop a unique look for each store, which typically has multiple levels and a grand staircase that allows shoppers to make their own dramatic entrances onto a loggia overlooking the store. The brand has developed a methodology for reinventing itself for every teenage generation and continually hunts cool through countercultures, taking style risks and resisting "chain store" behavior, i.e., duplication of stores. Analysts attribute last year's double-digit growth to the delivery of spot-on merchandise where it previously had been too fashion-forward. The brand seems to be learning to manage the downside of risk and share best practices between its sister stores (Anthropologie and Free People). As a result, the retailer looks to be in better control of its inventory, the design of which will continue to be the ongoing challenge for its merchants.

35 Bath&BodyWorks

Brand Value: 1,124 $m

Bath & Body Works. In spite of the slow economy, fierce competition and little brand loyalty in the personal care and beauty sector, Bath & Body Works is investing in its brand. Last year it improved the store experience, creating a modern day apothecary to replace the original country store feel. The company also updated its online and order fulfillment capabilities, designed a new look for its signature lines and zeroed in on the needs of the core customer. The product assortment was narrowed by 40% after smaller assortments tested well, and a new supply chain system is poised to pay off, giving stores the ability to stock shelves based on what is selling at a particular location. A mall staple for almost 20 years, Bath & Body Works has around 1,600 U.S. stores and is expanding into Canada.

36 T.J.maxx

Brand Value: 1,112 $m

T.J.Maxx. The off-price retailer is performing well in the downturn. Its competitive advantage comes from its price, selection, broad customer base and the weak economy that's driving bargain hunter traffic. The company is an opportunistic buyer, sourcing closeouts from 10,000 manufacturers in 60 countries and buying up some store stock. They are also working on maintaining inventory discipline and wider margins during the downturn by operating with leaner than usual inventories and buying closer to need to increase return on inventory. Within its stores, the brand has enhanced its visual merchandising with lifestyle images, and introduced a Runway section for designer brands—however, the clutter typical in off-price environments is still apparent. Online, customers can sign up for "What's In" alerts from other shoppers via mobile phone who spot designers like Dooney & Bourke and Roberta Gandolfi at the local store. T.J. Maxx has 847 stores in 48 states and plans to expand. It differentiates itself from Marshalls with expanded accessories and fine jewelry.

37 Marshalls

Brand Value: 1,103 $m

Marshalls. The other major player in the TJX Group, Marshalls has 762 stores in 42 states and 14 in Puerto Rico. Though both banners are synergistic in their philosophies and operating platforms, Marshalls differentiates itself from T.J. Maxx with a larger shoe offering, a broader men's selection and an expanded juniors department supported by youthful energetic marketing that touts the advantages of being "shamelessly shopportunisitic," a fun message that encourages frequency. Like T.J. Maxx, buyers strategically source closeouts from designers and manufacturers to stay on-trend. Sluggish sales growth at other retailers mean plenty of inventory is available to resellers. Marshalls recently introduced "The Cube" juniors fashion boutique into its stores and is integrating it online. Still, the store environment is challenged by the seemingly endless racks that are part of the off-price "treasure hunt" atmosphere. Since its business model is tied so closely to consumer spending, traffic is up and margins continue to be strong.

38 DICK'S SPORTING GOODS

Brand Value: 1,073 $m

Dick's Sporting Goods. The brand has been extremely successful offering the widest variety of sporting goods products. Its in-store boutique concepts promote exclusive lines and establish its credibility as an expert. However, its primary competitor Sports Authority has copied the strategy, and even a clear leader like Dick's must compete with mass merchants and specialty shops. It wins by aligning with major sporting organizations and is now focusing on services. The marketing budget is spent very efficiently, the brand touchpoints are consistent, and its message is clear. Dick's recently acquired sporting goods retailer Chick's to expand its presence on the West Coast. It has yet to experiment with different formats, sticking to the big box.

Last year, J.Crew's sales per square foot were $569, well above the $400 average for the sector.

39 J.CREW

Brand Value: 959 $m

J. Crew. This specialty apparel company offers "heritage classics with a modern twist but without elitism." Everything is J. Crew labeled; its 285 stores, catalog and website are brand consistent. The stores are located in upscale malls and shopping centers and carry very high quality clothing with a solid pricing structure and little need for markdowns. Renowned CEO Mickey Drexler works with his design teams to keep the merchandise fresh and popular for its targeted 25-40 year olds. Drexler is betting big-name designers are played out, repositioning his brand as quality goods at a fair price. The company is leery of a store-building binge that would induce the brand to over-promise and under-deliver, a la Starbucks and Gap. Last year, J. Crew's sales per square foot were $569, well above the $400 average for the sector; 28% of total revenues came from web and catalog sales, also markedly higher than competitors.

40

Brand Value: 907 $m

Hollister. The brand strength of this California surfer-inspired retail chain has thus far enabled it to avoid reducing prices in the face of competition and a tightening economy. The company believes that full price is essential to preserving its aspirational stance. A recent study by U.S. Bancorp Piper Jaffray ranked it first for four consecutive seasons as Teens' Top Clothing Brand. The store has developed standards for every aspect of the shopping experience: product design and presentation, marketing imagery, music and lighting, fragrance and energetic associates. Live images from Huntington Beach stream to a 5-foot-wide flat screen "window" in 366 Hollister beach cottage stores that target 14- to 17-year-olds. The brand has plans for three stores in Canada and a rollout of bath and body products across the operation.

41

Brand Value: 641 $m

American Girl. A wholly-owned subsidiary of Mattel, American Girl has devoted its business to building strong character in girls 3 -12 through the sales of historical 18-inch dolls, their storybooks and accessories. The dolls, representing 9-10 year old girls, provide a child's perspective of significant events that helped to shape the United States. A visit to one of only six American Girl Places is the ultimate in experiential retail. Wreathed in nostalgia, they are idealized versions of the luxurious department stores of yesteryear. A day at the store buying matching outfits for doll and daughter, then having tea and finger sandwiches can cost a parent several hundred dollars. The offering is freshened occasionally through the introduction of new dolls and their stories, and the retirement of others.

A visit to the American Girl Place is the ultimate in experiential retail.

42

Brand Value: 614 $m

Rent-A-Center. The outlook for the rent-to-own market is positive as economic issues push a growing segment of the population to look to it for solutions. Although store consolidation last year demonstrated some of the potential weaknesses of the business and brand, Rent-A-Center is the largest player in the market in terms of store count (3,050 stores in 50 states) and revenue. The brand differentiates itself with clear benefit messaging and has plans in place to upgrade its shopping experience with a more engaging format, intended to help establish loyalty and reinforce its strong repeat customer base. RAC's service offerings continue to evolve with the introduction of new products as well as services (e.g., financial), and over time, the brand quality has continued to improve both actually and in terms of perception. Although there remains some inconsistency across executions of the brand touchpoints, the company's brand investment far outpaces competitors. The market opportunity may lie in overcoming cultural barriers to attract the Hispanic customer.

43

Brand Value: 603 $m

Big Lots. The economy favors discount stores and Big Lots is doing well meeting the needs of those on a low or fixed income, as well as middle class bargain hunters. But the company has also experienced declining inventory turnover which could render it out of sync with the current trends and reduce its margins. However, Big Lots has an edge over the competition in economies of scale and pricing. It claims its food, health and beauty, home products and hardware are "cheaper than Walmart." However, its low market share (1.1%) demonstrates that the brand has not managed to capture enough attention to be considered influential. With 1,353 stores concentrated in California, Ohio, Texas, and Florida, some analysts believe the company has already maximized its growth potential. The company has allocated capital to open 15 new stores per year and remodel others over the next three years. Big Lots is upgrading its shopping experience, testing a new layout that highlights brand name products and international foods, similar to its competitors.

44

Brand Value: 564 $m

Barnes & Noble. Although there is no growth expected for this market, book stores get bonus points for being able to defend their territory against mass merchandisers and online retailers. With 798 locations across 50 states and a growing web presence, Barnes & Noble is the leading book retailer in the U.S. with Amazon.com and Borders in hot pursuit. It maintains low inventories and is reducing promotional activity while delivering strong customer satisfaction ratings. Barnes & Noble's aggressive pricing and in-house publishing creates industry advantages; the website is in the top 15 for multi-channel retailers. Overall, the brand is maintaining influence in the category by creating new services aligned with selling more books. It spends minimally on advertising, instead investing in the stores and website. BarnesandNoble.com works to attract new customers, drive add-on sales and link back to store events. The shopping experience is impressive, with extensive service on the floor, cafes, areas to relax and soft selling. The brand is representative of best-in-class retail.

45

Brand Value: 557 $m

Men's Wearhouse. In the specialty men's sector, suits are still selling despite the economy, but they're fewer and of lesser quality. Men's Wearhouse has the number one market share in suits in the U.S. and Canada, and has been on Fortune's list of "100 Best Companies to Work For." It continues to grow by opening new locations, as well as the acquisition of AfterHours tuxedo rentals. Stores are upgraded, expanded or relocated where necessary. Recognizing the need to become relevant for a younger customer, it is concentrating marketing efforts and merchandise offerings to appeal to the more fashion-trend-conscious customer. The brand has systems in place to communicate with each customer according to their profile, transactions, tastes, purchases and participation in promotions and loyalty programs, and maintains consistency throughout shopper touchpoints. Men's Wearhouse strives to deliver a differentiated experience by showing how products work together in its classic uncluttered environment. Every consultant is trained to understand the customer, how to present merchandise and how to suggestion-sell. The complete store experience is designed for the ultimate objective, building a customer for the long term.

46

Brand Value: 547 $m

Tractor Supply Co. The name of the business is a little misleading. Although it doesn't sell tractors, it does sell tractor equipment. Everything for the health and containment of livestock and pets can be found at a Tractor Supply store as well as tools and hardware, lawn and garden supplies and work clothes for the family. The brand is well-developed, intelligent and highly relevant to its rural niche. With around 800 stores in over 40 states, it expands into smaller towns where it won't compete with big box home improvement. Tractor Supply has several well-supported private brands, a magazine, a credit card, and though it didn't have an online channel until 2007, the company shows integration across touchpoints. The business is susceptible to changes in weather and housing markets, but a laser-like focus on its niche provides the brand some insulation. Even at the end of an economically tough 2008, Tractor Supply reported same store sales increases. The company likes to say, "You can buy everything we carry someplace else, but you can't find someplace else that sells everything we carry," which speaks to a realistic branding approach and consumer relevance.

47

Brand Value: 496 $m

Whole Foods Market. Despite the recent strong growth in natural and organic food, the brand's success is born of its skill as a retailer. Tasked with redefining the existing food marketplace, the brand changed what many perceive as an uneventful chore into a memorable experience—"gazing and sampling" the "exquisite food presentation," shoppers are immersed in the abundance and color that fills shelves for a visual sensation known to inspire people. It's the only brand on the list hailed as "a great place to get hit on." Decomposable shopping bags, value tours where customers learn to shop the store on a budget, organic and value private labels and Whole Foods' commitment to helping local and global food economies make it a leading innovator in the category. $45 million of corporate support is in place for the remodeling and rebranding efforts of the Wild Oats acquisition. With just under 300 stores located in the U.S., U.K. and Canada, Whole Foods is also experimenting with the size of its box. A smaller store concept is being tested on a college campus, and a new spa concept devoted to wellness and apparel is being tested. With all that, the data suggests that Whole Foods has the highest quality in the industry but the weakest customer loyalty, perhaps due to the prices being beyond what many shoppers can afford to spend every week.

48

Brand Value: 496 $m

Gymboree. Over 30 years ago, Gymboree launched one of the first structured play centers for preschoolers, Play &Music centers. In 1986, responding to demand from parents, the company entered the apparel business with a line of wholesome high-quality children's clothes for kids up to 12 years old. It currently operates over 600 Gymboree stores in the U.S. and Canada. The brand has experienced remarkable growth over the past several years. Every function in this nimble company has set quantifiable goals that contribute to the company's bottom line, from sales to operations. It continually searches for ways to make sales and customer satisfaction go up. Gymboree reaches the middle- to upper-end customer. Play & Music is a natural way for Gymboree to acquire new customers; it also plans to expand the boy business. Although the economy is impacting everybody, Gymboree sees most parents as reluctant to stop spending on their children. The company is marked by a culture that celebrates progress and makes sure employees feel rewarded for their enthusiasm and energy.

49

Brand Value: 447 $m

Aéropostale. Since its spin-off from its role as a Macy's store brand in the 80s, Aéropostale has become a very successful mall destination designing, marketing and selling its own merchandise to 14 to 17 year olds. It has a fleet of 850 stores in 47 states, Puerto Rico and Canada, and has been named a "hot growth company" by *BusinessWeek* (2003-2006) and is faring well financially with its sweet-spot pricing. Although the brand has little category influence, taking design and trend cues from other retailers, young people are loyal to its prices which continue to attract their business and buoy the company in tough economic times. Millenials, who tend not to shop in department stores or wherever their moms shop, prefer Aéropostale's smaller boutique-like format that emphasizes value as well as ambiance. Finding bargains and fashion has great appeal to its teenage core. Aéropostale is a fast growing retailer with plans to open 76 more stores in 2009, and remodel others in the new design launched in 2006. The brand applies the cookie-cutter approach to stores, floor sets are updated frequently according to visual merchandising directives pushed out from headquarters in an effort to maintain consistency from store to store.

50 ANTHROPOLOGIE

Brand Value: 420 $m

Anthropologie. The word "anthropology" means the study of people and cultures, and being perceived as international is important to this brand's positioning. The success of the chain comes from its ability to entice 25 to 40 year old wealthier women, who are more immune to economic downturns. Anthropologie's 118 stores sell not just apparel, gifts and home décor in a romantic storybook cottage atmosphere (as well as a catalog and online), but the idea of a lifestyle described as casually charming garden teas, bohemian travel adventures, eclectic and witty dinner parties, and, yes, coffee sipped in a Parisian cafe after a trip to a flea market. "That's why I shop at Anthropologie," declares a typical customer. "I want the clothes, objects, and assorted fripperies that would complement a lifestyle I very much don't have." Only recently has the company begun to integrate the systems and structures of its direct and in-store businesses; shoppers will no longer be frustrated with merchandise that does not cross over from the catalog to the store.

Canada's Most Valuable Brands

In today's interconnected "always on" world, no one seems to be immune to a downturn, even a country like Canada which was originally expected to remain relatively unscathed back in September. Stores may be chasing fewer dollars as the Canadian economy moderates. Retail sales and consumer confidence have been trending downward. Whatever the outlook, these five brands are poised to rise to the challenge with continued great brand management.

1

Brand Value: 3,137.5 C$m

Shoppers Drug Mart. Shoppers is Canada's largest retailer of home healthcare products and services with over 1,000 retail drug stores, more than 60 Shoppers Home Healthcare stores and 9 million members in its Optimum loyalty program. Shoppers Drug Mart (operating as Pharmaprix in Quebec) operates in prime locations, with clean well-organized stores and a robust product offering. It has plans to expand by 10% a year, which includes 150 Shoppers Simply Pharmacy stores, a format designed to work within hospitals. Innovative new prototypes have included smaller formats for pharmacy-only and beauty-only offerings. The original Shoppers Drug Mart concept has built equity with its luxurious beauty department. A high level of dedication to private labels will help the brand retain higher margins as consumer spending slows. Shoppers has earned its reputation as one of the best managed brands in Canada.

2

Brand Value: 1,828.5 C$m

Canadian Tire. A major player with an excellent reputation in its home country, Canadian Tire has over 1,100 retail outlets across the country. Nine out of ten Canadians shop its home improvement, sporting goods, and automotive products. It also has offerings in general merchandise, apparel, gas and financial services. A heritage brand with 97% awareness levels, the retailer operates a big box format in populated areas, but has developed stores one-third the size in small rural communities to alleviate customers' travel cost burden. After 90 years, the company decided to move its catalog from print to online to reduce costs and be more socially responsible. As the largest full-service retailer in Canada, customers continue to prefer it over rivals such as The Home Depot, Rona, Lowe's and Walmart.

3

Brand Value: 485.8 C$m

Rona. Rona has nearly 700 stores selling hardware, home renovation and gardening products; it is less established in English Canada than it is in its home province of Quebec. The four-prong approach to serve its segment includes expanding existing store networks, building new stores, recruiting independent dealers and making acquisitions. To keep ahead of the competition, the retailer is expanding rapidly with its upscale, well-designed and easy-to-shop stores. Multiple store layouts and formats give Rona the flexibility to efficiently operate in communities of different sizes. Feeling the heat from The Home Depot and Lowe's, Rona is leveraging its native identity to differentiate itself from competitors. It also plans to increase support of its private labels, which are recognized for quality like the brand itself.

4

Brand Value: 368.4 C$m

Sobeys. Sobeys is trying to set itself apart from the rest of the traditional grocery category with a food-focused strategy relevant to its customers' changing needs. It has opened up Sobeys Express stores to serve time-pressed consumers, and co-branded a nutritional food line with Disney targeting kids aged 3 to 12 and their parents. By extending its hours and leveraging its Compliments private label organics brand, Sobeys aims to maintain its reputation as one of Canada's best grocery shopping experiences. Meanwhile, the company is investing heavily in store expansion and the remodeling of its network, with an eye on adapting its offering to serve the rapidly evolving urban markets with medium-to-high population densities.

5

Brand Value: 352.0 C$m

Lululemon. Hailed for its grassroots approach, authenticity, socially responsible values and unique company culture, active-fashions retailer Lululemon Athletica downplays its role as an apparel store in favor of selling its garments as a component of personal well-being. It promotes health consciousness, environmental awareness and human potential. Its authentic yoga garments are made from its own specialized fabric blends. Lululemon's impressive growth has been cultivated through its loyal customer base. By testing its products with local athletes and fitness instructors before opening shop in a market, Lululemon has built unique and powerful relationships with brand advocates—most stores even offer free yoga classes. Whether this is a sustainable business model in the fickle world of apparel, only time will tell. But for now, Lululemon is a rising star with 40 stores in Canada, 36 in the U.S., 2 in Australia, 4 in Japan and plans to grow selectively to 250 stores worldwide by 2012.

Mexico's Most Valuable Brands

For the last 15 years Mexico has been seeing a gradual rise in the standard of living, aided by retailers who have fostered consumption via high-interest credit and loyalty programs. Indicators suggest that the economy is now slowing down: fewer exports, a decrease in investments and tourism, and a slowdown in the remittances Mexican immigrants send home from the U.S. Because they have learned how to thrive in a rapidly changing and uneven economy, these five brands are ready to successfully tackle the challenges ahead.

1 Elektra

Brand Value: 1,344 U$m

Elektra. The dazzling yellow and red façade of the Elektra store is a common sight throughout Mexico. Often described as a blend of Sears and Best Buy, the retailer sells furniture, appliances, consumer electronics and motorcycles—and now cars, thanks to the brand's recent alliance with Chinese automaker, FAW. The retailer sells one out of every four television sets in Mexico. Banco Azteca, its microlender arm, has a branch in every store. The combination of credit and affordable prices make it possible to buy hard goods—even a car—and pay in very small weekly payments. It's a prime example of the retail-to-banking model other companies, such as Walmart, appear to be copying. Its stores are no-frill affairs; however, its website has a clean modern feel with a lifestyle message. Within Mexico's burgeoning retail scene, Elektra has the opportunity to grow well beyond its 800-plus stores. Elektra's parent company, Grupo Azteca, owns Televisión Azteca; as a result Elektra benefits from plenty of airtime.

2 Bodega Aurrerá

Brand Value: 515 U$m

Bodega Aurrerá. By 1991, when parent company Cifra entered a joint venture with Walmart to create Walmart de Mexico, Bodega Aurrerá had built 30 years of valuable brand equity. Since then, the original brandname and store format have seen continued expansion. There are now over 300 units, which include the Bodega Aurrerá warehouse-style stores that sell groceries, clothing and general merchandise, as well as Mi Bodega Aurrerá, a smaller general merchandise format for less populated regions. Walmart's expertise has been especially important in the construction of regional distribution centers. The brand is notable for its animated superhero mascot who battles high prices, Mamá Lucha. She represents the iconic personality of a traditional Mexican mom: warm, caring and fiercely protective. She appears on the company's website which has clear family appeal. Initiatives to emphasize low prices in the store include posted signs carrying dated cashier receipts comparing prices of Aurrerá's items with the same items from competitors. Aurrerá's prices are favored.

3 Soriana

Brand Value: 310 U$m

Soriana. The second largest food retailer in the nation, Soriana operates over 200 stores in three formats: Soriana hypermarkets selling apparel, general merchandise and grocery with optical, medical, photographic and financial services; Mercado Soriana superstores serving middle-income shoppers in small cities; and City Club which wholesales to small businesses, similar to Sam's Club. Soriana also franchises a chain of convenience stores known as Super City. In 2007, it added almost 200 more stores with the acquisition of one of its chief rivals, Grupo Gigante. The resulting expansion has raised revenue but lowered the retailer's profit. Nevertheless, Soriana has drawn nearly level with direct competitor Walmart de Mexico. The two retailers carry on a brisk competition in prices and services. Soriana promotes itself as 100% Mexican owned and effectively uses a 'Tarjeta del aprecio' frequency and rewards card to drive loyalty.

4 Liverpool

Brand Value: 127 U$m

Liverpool. The only aspirational brand on the list, this well-known department store operates under two names, Liverpool and Fábricas de Francia. Both offer designer clothing, famous-name cosmetics, appliances and home furnishings to an upper-income shopper, with over 80 stores divided between its two banners. They also share the same website. Liverpool's flagship in Mexico City is an iconic art deco landmark; most stores are multi-level mall anchors. The designs are clean, modern and sophisticated in the manner of Macy's. Its "Fashion Fest of Liverpool" presents new trends with all the fanfare of a Victoria's Secret fashion show and many of the same supermodels. The company is expanding by developing malls and opening new stores throughout Mexico, including a Duty Free concept in tourist areas. It also has plans to bring Sfera fast-fashion apparel stores to Mexico through a new joint venture with Spain's Corte Inglés.

5 Suburbia

Brand Value: 104 U$m

Suburbia. Suburbia is becoming a staple in the gleaming new malls being built throughout Mexico. Owned by Walmart de Mexico, the 80-plus department stores offer mostly private label apparel and are targeted to middle-income families. Suburbia recently refreshed its brand image with a new pink and purple logo, and a modern, fresh female-centric image which is being integrated into its marketing, website and store environment. Its new slogan, "More than expected for less" emphasizes the value proposition and helps make the retailer more relevant and engaging to its shopper. Even though the Suburbia stores have felt a slight impact as spending has contracted somewhat, the company celebrated three new store openings in November 2008. Walmart de Mexico plans to continue the strategic expansion of its brands, including Suburbia, across the country.

Lessons from the Most Valuable Brands

Of the 1.6 million retail companies that populate the U.S. shopping landscape, 50 remarkable brands rise to the top.

Retail is big business, the second-largest industry in the United States. Shopping accounts for 70 percent of the gross domestic product. The landscape is populated with 1.6 million companies generating nearly $4.5 trillion in sales. (source: National Retail Federation)

Operating a successful store is both an art and a science. To create the environment that draws us in to buy requires creative presentation and a talent for knowing what stimulates people to purchase. But as an earnings-focused enterprise, retail is also constrained by the principles, realities and discipline of business and the demands of Wall Street.

As economically huge and as culturally important as retail is, it's a vulnerable business. The typical store has a relatively short life expectancy. It can get the finances and real estate right but be wide of the mark when it comes to being relevant in the lives of its customers.

Changing tastes, shifting population patterns, economic fluctuations, retail saturation, shopper boredom, information accessibility, encroaching technology, and speed of life all hit retail where it hurts.

Yet some aspects of retail never change. Initiatives will always need to be built around shopper frequency, loyalty, margin, relevant assortment and top-and-bottom line growth. The notion that's new to most companies is that brand—one great idea that generates value—drives all of them. An overarching retail brand strategy can align these initiatives, making them more effective in total.

Recognizing this, more retailers are refusing to be seen as simply peddlers of other people's brands. Their customers demand offerings imbued with meaning, humanity and help as they shop for new possessions that may take them closer to their aspirations, manage their worries or make the world a greener place. As a result, the trend toward large, pervasive and impersonal retail spaces is reversing. Stores already have more emotion, creativity and community.

Brands with genuine character, definitive core values and concern for community will most likely be able to bring their assets to bear under changing circumstances. The leaders are those who continually adapt their competitive actions to consumer expectations and economic conditions.

With the growing awareness of the power of brand, there's opportunity for retailers to manage every aspect of a company more productively, from the board room to associate behavior through every touchpoint of the experience, to the shopping basket. For national chains with thousands of stores and even for small regional players, return on investment is increasingly being seen as an ongoing exercise in brand building.

The moment consumers decide to make a purchase, they are confronted by myriad choices and interchangeable products. How do the Most Valuable Brands consistently land on the "short list" of a shopper's consideration set?

What the Leaders do Right

The competition is fierce for the shopper who routinely drives past stores with similar offerings to get to the one that best meets their needs. Their feelings about brand can account for up to 80 percent of the decision to park the minivan and enter a particular shop. The best brands realize it's the way you do business that makes you different and therefore strive to deliver well on a short list of retail fundamentals.

Present a clarity of purpose

There should be no confusion around what business you're in and for whom. Consumers' expectations of Walmart (1) are very specific: it does value and it doesn't chase trends. Gamestop (18) is beating mass and big box for share by dedicating the store to hardcore gamers. Warehouse club leaders Sam's Club (9) and Costco (15) target a different set of shoppers, small business owners and high-end consumers respectively, which creates independent and strong market niches for both leaders. Clarity of purpose forces a tradeoff—a retailer must understand what it's good at and not try to compensate for the rest.

Surround the purchase with a relevant experience

To paraphrase media-theorist Marshall MacLuhan, the store is the message. As a communication medium, the store carries special content, provides the right information at the right moment, and when done right conveys an emotional, physical and visual perspective. It's a bit of a trapeze act that the majority of retailers need to do better.

Best Buy (2) is a clear public favorite, rated high for its experience. Cutting edge merchandise, variety of price points, service, and engaging stores make it an entertainment destination. Relevance depends on introducing new things quickly, testing different concepts. Best Buy continually explores formats, sales approaches and services to keep up with its customers. PetSmart (31) has built a community of interest for pet parents, imbuing every transaction with care and service around the family pet.

Make good on the brand promise

In branding, you can't talk a big game without being able to back it up. Eventually, you'll get caught and lose all credibility.

A relatively new player in the well-established grocery channel, Whole Foods Market (47) is perceived to provide the highest quality offering in the industry. To keep from under-delivering on its unique approach to the artful presentation of organic and natural food, it has expanded carefully to just under 300 stores in order to ensure full delivery of its promise. It will be interesting to see how Whole Foods holds up through the recession, as more shoppers move toward value in the grocery category.

Stay consistent over time

Even as stores must continuously evolve to meet shopper needs, they also need to retain their core strengths, never allowing the brand quality and shopping experience to decline. One of the oldest retailers on the list, 106-year-old Walgreens (7), established internal brand police to protect and evaluate the quality and standards of its product offerings to prevent the dilution of its equities. At the same time, offering shoppers a comprehensive health care center staffed by nurse practitioners keep it relevant and competitive. Tiffany & Co. (20) at 171 years of age continues to stand for quality and longevity, walking a fine line between exclusivity and aspirational items with its merchandise mix while maintaining its luxury standing.

Brand is the pursuit of an ideal: an experience designed around the optimum balance of customer insight, innovation and strategy. By pulling business issues into the brand domain, retailers create resilient stores with exceptional customer satisfaction and healthy profitability.

Where are the Department Stores?

Although their brands have high name recognition, department stores as a group are perceived as lacking innovation, unique experiences and exclusive merchandise.

Although Nordstrom (13) and JCPenney (24) made the list, the brand many consider to be a true piece of Americana is conspicuously absent—Macy's. Poor financials kept it from being a contender, in spite of its headline-making acquisitions, the rebranding of its 850-plus fleet, and an advertising spend of $1.36 billion.

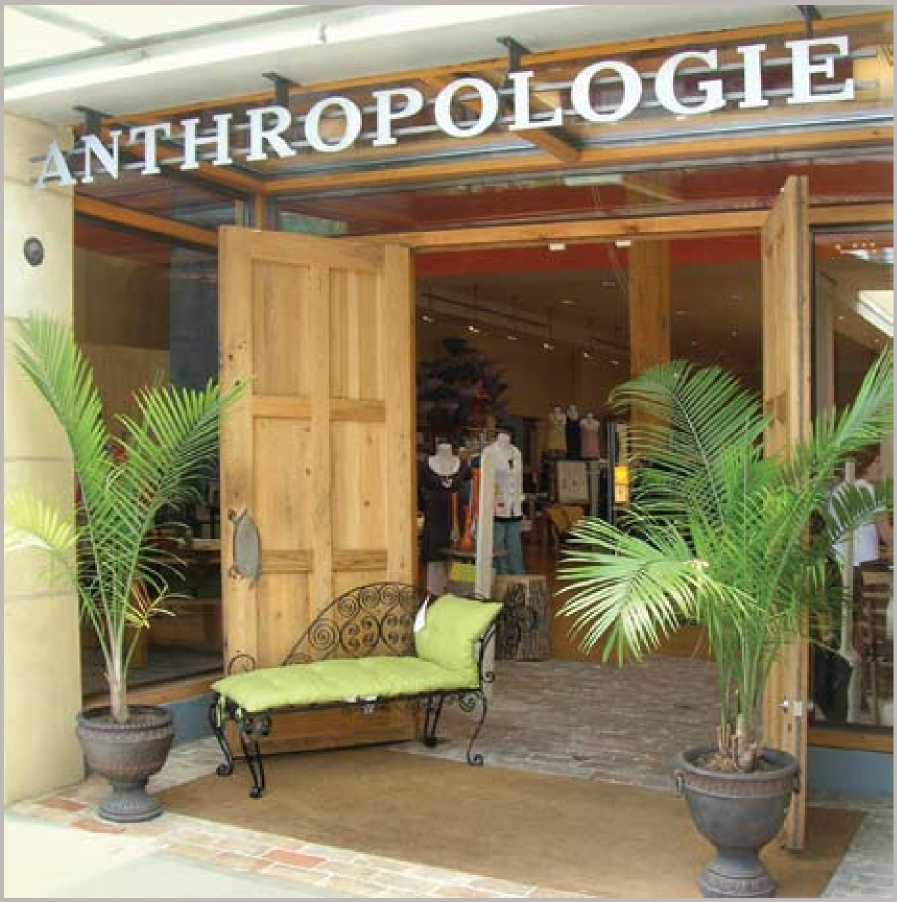
For the last thirty years, retail analysts have had department stores on the endangered species list. The traditional department store format faded away in the 1980s with the elimination of many of the lines that defined it, such as records, books, sewing notions and kitchen appliances. Hard goods were largely replaced with soft goods, blurring the line between department stores and specialty stores. The loss of luster and fierce competition from off-price and mass has relegated them to commodity chains without real difference.

The format is still distinguished by a high level of departmentalization, which presents a challenge to the brand experience. Its functional and merchandise specialization needs to be guided by the master brand to prevent a muddle of sameness between competitors, and to halt the loss of brand equity. Macy's and Saks Fifth Avenue recently teamed merchants with analysts, giving them the ability to make decisions according to how the product and space allocation affect the retail brand. The stores can follow trends and look at productivity at the same time. Such a holistic approach may be the first step in organizing the store according to its overarching brand tenets.

Like Macy's, Saks Fifth Avenue, Dillards and Sears have considerable brand strength even though they didn't make the list. All have the opportunity to capitalize on brand to improve their financials. Macy's in particular could make people fall in love with it again given time to both recover from its diluted exclusive positioning and work the kinks out of its localization strategy.

JCPenney has truly earned its spot in the middle of the list by proving it is possible to win by focusing on the middle-income shopper. Although analysts warned that targeting the middle-class was flirting with disaster, a mix of exclusivity, experience, value, quality and ego-satisfying goods has revitalized the Penney's experience. It boasts five billion-dollar private brands. The company will need to continue to innovate in order to grow.

Kohl's (22) is listening to its customers and responding with a new store format and differentiated value, a top concern of shoppers today. With a negative growth rate in the category and aggressive competition from mass, there's an opportunity for brand to play a larger role in department stores.



The Misnomer of Specialty Apparel

Fashion retail presents great opportunity and great risk—the ability to generate high margins with the uncertainty of the duration of trends. However, the lack of differentiation among the top brands suggests that the field is suffering from risk avoidance.

The fashion industry is driven by people's continuous search for the new and the different. "Specialty apparel" implies feeding shopper appetites that are social, venturesome and aesthetically oriented.

However, for the most part, the fashion retailers that made the list owe their ranking to scale, not to associations with the brand, save for perhaps the bohemian quirks of Anthropologie (50) and the cool prowling of Urban Outfitters (34).

Most innovations for the category seem to be happening online. American Eagle (29) leads the trend in advertainment. Its media channel 77e plays music and videos to glamorize its brand and encourage viewers to click through to the clothing. Digital stores for Gap (19), Banana Republic (30), Old Navy (28) and Piperlime (not on the list) all reside on the same website and purchases from all brands will be sent in one shipment for a flat $7 fee.

As for Gap, even with 2,688 U.S. stores and 502 internationally, the jean joint's title as the world's largest clothing retailer was recently stolen by Spain's fast-fashion phenom Zara. Gap, whose brand has become a generic, still struggles to revive itself. There continues to be a disconnect between its glossy-art advertising and its ordinary store experience. In retail, regaining strength is about the most challenging turnaround process a company can face.

From our research, we found that the category is blurred by mediocre familiarity across brands, and few shoppers see the sector as up-to-date on trends. The shopping experiences are perceived as unremarkable. Despite the fact that psychological obsolescence is the lifeblood of fashion, few brands dare to suffer the risk of inevitable flops and short-lived fads that comes with making bold, exciting choices. Specialty apparel seems to be a false pose for mass fashion.

Narrowcasting for Fatter Margins

The brands that score highest on unique shopping experience, exclusive private labels and differentiation fall into the hardline specialty sector. The brand idea that serves a narrower consumer base with more specific needs will deliver more value for its owners.

Specializing makes it easier for a retailer to make strong emotional connections with its customers. The store can devote itself to a narrow set of needs and offer a more meaningful experience—instead of watering down the brand by trying to be everything to everybody. Specialty retailers on the list speak to the passions of their customers.

Dick's Sporting Goods (38) for the happily active spends relatively little on advertising. It has very specific targeted campaigns; its work with Lance Armstrong gave it a lot of visibility. It competes well against mass merchants with a strong variety of private label and exclusive product lines.

Barnes and Noble (44) for avid readers, invests most heavily in the immersive experience and function of its 800 stores and its website, delivering strong customer satisfaction ratings and loyalty as a result. The bookseller creates new services aligned with selling more books, such as the online B&N Studio for author interviews and podcasts, a "recommends" program, great in-store service and cafés. Feeding readers' passion keeps it flush in a flat market.

The sale of automotive parts, accessories and maintenance items is highly competitive, so AutoZone (25) for car buffs wins on customer service, appropriateness of assortment, better store layouts and location—including a proprietary database that allows associates to look up everything the customer needs to tackle any car-improvement task. There's a good chance this brand will only get stronger in the current economy, with new car sales down and people looking to save money by fixing their own vehicles. AutoZone sells solutions, not just parts.

One of the reasons that office supply specialist Staples (12) is on the list is the fact that its private label brand efforts account for 22 percent of sales. Customers report that they find the trendy, higher-end designs relevant and differentiating—which perhaps proves that people can also be passionate about their office supplies and will make an extra effort to seek out the brand willing to specialize.

Scale Alone Does Not Make a Grocery Brand

Traditional grocery earned the weakest customer loyalty scores. Over-reliance on discounts, rewards and promotions undermines any move towards a meaningful proposition and results in low brand strength.

In their 75-year history, U.S. supermarkets have been lauded as bringers of freedom (by allowing shoppers to pick directly from the shelf), contributors to economic growth and enablers of a higher standard of living (by John F. Kennedy), savers of time in the form of one-stop shopping and pioneers of innovation, from the invention of the wheeled shopping cart to bar-code scanning. Some have even credited the American supermarket with helping win the Cold War, since visitors from communist countries envied our grocery as much as they feared our military.

It seems surprising, therefore, that having been on the retail scene for decades, carrying the most goods of any category, and ever failing to optimize the problematic "center store" aisles, supermarkets seem to care the least about—or have simply chosen not to pursue—management by brand.

Emblematically, financial reporting methods are another reason supermarket chains do not make the Most Valuable U.S. Retail Brands list. Generally speaking, grocers such as Kroger, Safeway and Supervalu report their numbers in a way that prevents us from a clear assessment of revenues generated by brand.

Except for Whole Foods Market, the largest chain supermarkets lack a defined identity and value proposition—something beyond the ubiquitous "fresh" and over-promised "service" which at best are table stakes. Brand's advantage becomes even more important when households are re-evaluating their spending patterns, since brands act as touchstones of trust, assets that transcend marketing.

How the supermarket business came to be a strictly operational play is understandable. An average store carries 45,000 items, most with hair-thin margins. Maintaining this variety requires a substantial firm-level investment in specialized systems that allow products to flow continuously from warehouse to store, a model that lends itself to scale. But scale alone does not make a brand.

Kroger, the largest of the U.S. grocers, is a victim of scale. The biggest proof point of this is its method of acquiring other brands without rolling them into their own banner. A raft of names—Ralph's, Smith's, Baker's, Dillons, Fry's—have been left as stand-alone brands, reducing Kroger's marketing scale and giving them more brands to manage. The fact that they haven't made the leap to brand shows up in their financials, which are unclear about the number of stores operating under which banners.

In general, the value proposition of a brand and the products sold should be able to stand on their own when it comes to attracting shoppers. In the absence of a proposition, supermarkets depend heavily on promotions, trapping themselves in the same vicious cycle suffered by Detroit automakers. For the last few years, GM has deeply discounted cars and trucks, giving consumers no reason to purchase at full price. For supermarkets, too, promotions themselves can—and have—become more important than the brand.

The grocery sector also often misses out on opportunities for product differentiation, since small entrepreneurial manufacturers can't afford to supply supermarkets due to the cost of supporting their promotions and the payment of slotting fees. In the U.S., there are a trillion dollars moving from the manufacturer to the grocer every year. As long as their vendors continue to pay for play, supermarkets may see no need to understand and serve the shoppers in their stores. Brand thinking begins with the idea that addressing shopper needs increases frequency and basket size. Without it, a store is simply a box full of other makers' brands, and a master of none.

Every Brand Tells a Story

Retailers have an advantage in being able to use a physical space to tell the brand story to forge closer customer connections. To do it well requires an understanding of your audience.

Managing by brand dramatically shifts many traditional retail paradigms. In the past, when a store design got tired, the problem was solved for in terms of foot candles, a loop track, or the "right" color. But The Home Depot (3) does not owe its success to the color orange. Experiential design looks at the strategic and creative intent of the brand so both work in harmony to deliver the brand as a physical performance of its attributes.

Before today's powerful computer systems, there were too many SKUs to think about how each item carried reflected on the master retail brand. Without brand, there was no central idea that could cut across corporate silos to promote a brand-centric culture. Operations was king and priority given to "location, location, location" because the store didn't inspire a community of interest passionate enough to be pulled into its orbit.

Before brand's ability to engage the customer through a meaningful idea, there was no way to replace the personalized customer interactions of earlier times, when a trip to the butcher was a singular event, instead of a trip to the meat department, that anonymous space in a supercenter with hundreds of feet of cold cases filled with plastic-covered cuts.

To this day, stores are still conceived in terms of their channel. In fact, the look and feel of the top warehouse clubs reflect this fact. The interiors sprawl and dump tables overflow with merchandise without thought to the shopper's journey or the brand personality. There's only the subtlest distinction between the Costco and Sam's Club experience. Neither has been able to transcend its channel in the consumer's mind the way "Target" transcends "mass merchant." Target's investment in brand has allowed it to move from generic relevance to brand relevance.

Retailers have the advantage of being able to tell a brand story through the physical experience of shopping. Rich spaces can define a brand's distinct implicit value, idea or personality at every opportunity, flexing to address our emotions. The creation of such spaces—spaces that go beyond selling to developing relationships—requires knowledge of the shopper in a social and psychological sense. If you want to create a great shopping experience you have to know how consumers are linked to space.

Retail brand research studies the shopper journey for each specific shopper need-state so you can pinpoint the attributes relevant in each step of the decision-making process. The environment can then be orchestrated to give the customer the perception that the store has been laid out just for them.

For example, categories were (and in many cases still are) managed by buyers who compete for shelf space. Products are largely merchandised to drive traffic, increase frequency or upsell. Brand, however, optimizes the merchandise mix and creates shelf principles based on how shoppers naturally think about, use and store products in their daily routines. Simply altering adjacencies using these shopper insights can make the cash register ring thousands of more times.

Merchants can strategically position products to promote cross-selling and drive larger baskets. They can explore roles technology might play, innovative sampling methods; or deploy elements that capture interest, simplify decisions and bring the aisles to life. The ultimate goal is to design an environment that provides something different and intangible while it gives the retailer credit for meeting shopper needs.

According to our research, about half the population does not believe retail experiences are delivering against the promises made by the brand advertising. They find innovation in both merchandise and experience is lacking across all retail.

Store experience builds equity that lasts a lot longer and goes a lot deeper than message bombardment and endless promoting. Shoppers will always needs a reason to buy, but a branded shopping experience can help build long-term equity that will matter in an up or down economy.

Location-free Shopping

Just as our definition of "phone" has come to mean a mobile multimedia device, so has the notion of "store" evolved to encompass non-traditional commerce. The best orchestrate the brand experience from start to finish.

In his Annals of Retail, writer Malcolm Gladwell asserts the e-commerce revolution actually happened offline and a century ago. Before early road improvements, shopping was an ordeal—it cost more to haul a bushel of wheat along ten miles of American dirt road than it did to ship it across the ocean. Retailers, consumers, buyers and sellers became connected for the first time around 1906, when the new roads enabled the Post Office rural free delivery of catalog orders. That same year, Avon agents, with printed brochures in hand, began selling door-to-door. Consumers no longer needed a store.

None of the five non-traditional retailers on the list combine a bricks-and-mortar channel as a principal form of revenue. Direct seller of custom-built computers, Dell (6), while sticking with the telephone and online channels that earned it 30 percent of the PC market, shuttered its 140 inventory-less mall kiosks.

The largest direct seller of cosmetics in the U.S., asserting 90 percent brand awareness worldwide, Avon (17) is very clear that its brand is in the business of personal service. Now that it's less likely for women to be at home to answer the doorbell, the company's online and catalog channels strengthen its competitive position as a very relationship-based, consumer-connected brand.

The true pioneer of online retailing, Amazon (14), is relevant and consistent through every touchpoint, in control of the brand experience from start to finish. Fifty million visitors a month, selecting from millions of available products, get a customized "store" with every click, and transactions made as simple as possible.

The first site to develop a vibrant virtual community for Elvis aficionados and bubble-wrap entrepreneurs, eBay's quirky brand (11) has little consistency among the different groups that operate under its name. With the online auction business slowing, eBay has moved to fixed price selling to compete with Amazon. With no system in place for strong customer loyalty, eBay may be dipping into its brand equity account in order to survive.

Following Gladwell's line of thinking, Netflix could aptly be called Postflix, relying as it does on the U.S. postal service to deliver its unlimited-rental movie DVDs in flimsy red envelopes—about a million of which are in the mail every day. Netflix already offers broadband downstreaming to set-top devices, poised for the time when its offering leaves the physical realm for the digital, as happened in the music business. In the meantime, feeding the 100 million DVD players in U.S. households today keeps Netflix in the "mail-order" business.

It's fair to say that retail happens everywhere a transaction is possible, since of the 50 companies on the Most Valuable Retail Brands list all but six have online

channels. But retailers are still learning to bring their brand experience to the Internet. Buying a $5,000 watch on Tiffany.com feels nothing like a trip to its rarified Fifth Avenue mansion. Opportunities to calibrate the two are huge.

Each channel—direct, online, in store or in print— has weaknesses it really can't overcome, not only in how well it sells merchandise but how it is able to enhance the total brand experience. The best retailers compensate for that with a multi-channel strategy. When a shopper can rely on a company to offer a great experience across channels, they're more likely to shop that merchant anywhere.

The Upside of a Down Economy

Created to address complex problems quickly, intelligent branding can help retailers seize opportunities in a downturn.

Although companies have begun to realize that brand influences demand, without the ability to look beyond traditional performance measurements to see what's going on in the store, it's hard to fully understand how much brand influences demand or why.

The proof starts with the proper metrics. The function of analytics is to use facts dynamically to reach decisions objectively. It has broad applications that can penetrate across the functions of the business. The level of precision and the power to bring the results together are perfectly suited to retail. It helps deconstruct the complexity of a brand and its drivers to determine positive or negative value according to customer segments.

And right now, a well-positioned brand has the opportunity to seize a bigger piece of the pie—because every shopper decision is up for grabs.

Shoppers have changed their behavior for the downturn, and can't be counted on to make decisions the same way. At the moment, the distribution of brand choice is highly fluid. Brands with the strongest proposition and the most engaging experience will win.

Customers will also demand more value for their purchases and become harder to please. If a store, online or off, gives them an experience below their expectations, they have many alternatives willing to accommodate them.

To hit this moving target, a company needs two things:

One. A detailed understanding of brand mechanics, that is, how a retailer's actions influence customer behavior and choice. Greater insight into the workings of these levers is essential to getting more from less during tough times.

Two. Analytic tools to improve decision-making by measuring return on brand investment, assessing risk, estimating outcomes and clarifying future scenarios with the highest probability of success.

Retailers need new sources of revenue fast. Budgets are in jeopardy—how can merchants do more with less? How do companies hit growth targets when customers are cutting back? How can a brand continue to justify its price premium? Launching major initiatives leave no room for error.

Accelerated problem-solving fueled by insights and tools, helps a recessionary business find new sources of revenue, optimize spending, find more value in their current portfolio, hit growth targets even when customers are scaling back, justify prices and avoid mistakes. The clarifying perspective it provides helps a retailer understand where in the experience the brand succeeds or fails, allowing it to invest selectively in the design of an environment that will physically do what customers want it to do, creating a shopping experience that works in the context of shopper, brand and profitability.

It may be hard work to become the retailer that satisfies people's changed needs. Success is very difficult. It requires process discipline, advanced analytics and courage. Retail will never be easy. If you can maintain the connection and get the story right, your brand will bend and curve with the changing economy and culture. The most successful brands are more engaging, always delivering their unique experience, always evolving and increasingly optimizing. That's how they win.

The Curious Case of Walmart

It began as an old-school discount store with goods piled high and sold cheap. It grew to a wonder of operational excellence. And now it acts like a brand.

It was a watershed moment in retail when Walmart's yellow smiley face went down in favor of its current wordmark and "spark." The new logo and promise to help customers "save money, live better," along with the ongoing improvement of its store environments and the betterment of its HR practices together offer proof that the Bentonville giant sees itself not as just a network of super-efficient low-price distribution points, but as an idea. The world's largest retailer has become a brand.

There's a difference between "selling" and "branding." Selling is putting great deals on the shelf and promoting them. Branding puts an idea into the customer's heart and mind by selecting great deals that are relevant to people's needs and desires. As a brand, Walmart's product decisions are now being organized around the needs of three core customers: name-brand aspirationals, price-sensitive affluents, and value-price shoppers.

Forty-six years and 3,500 stores after its birth, the company is agile enough to adapt quickly, recovering from public relations disasters, testing store formats and introducing new merchandise. Its sensitivity to social and sustainability issues resulted in $4 generic drugs and energy-conserving green facilities. To its most devoted customers, the store is perceived as an innovator, one that understands and aids them in their decision making. It goes beyond the traditional crossroads of price and quality to stir positive associations, such as making mom feel like the family hero for her smart choices. All that contributes to its topping the Most Valuable Retail Brands list by such a wide margin.

Walmart didn't begin life as a brand. But the notoriously cost-conscious company has embraced the principles of investing in its brand. The things it did organically to create a brand are now being bottled, to be marketed in a way that's more powerful than the things it did to get there. For Walmart (1), and Best Buy (2) as well, a successful proposition and an infrastructure capable of delivering thousands of products allows scale as a strategy to be transformed into brand as a strategy. It's not the assets that hold the advantage, it's the brand idea that allows the assets to scale.

Now the challenge is to make sure the brand promise does not outpace the scale, as it seems to be doing for Target (4). Target currently manages its shortcoming by displaying rainchecks in anticipation of out-of-stocks. Needless to say, shoppers would rather have product.

Even though it's enjoying a hot streak due to the recession, Walmart, like all retailers, struggles with problems related to slowed growth. You can't just out-operationalize the competition anymore. Now that the low-price bar has been set, an emotional connection is the strongest bond a retail brand can have today.

InterbrandDesignForum

About Interbrand Design Forum

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 led many of the world's top companies to our doorstep and propelled Interbrand Design Forum to the forefront of the industry.

In 2008, we added Interbrand to our Design Forum name to reflect our place in the world's largest branding consultancy; we have been part of Interbrand since 2002.

Interbrand began to work with brands in 1974, when the world still thought of "brand" as just another word for "logo." Today, we have 1,200 associates in almost 40 offices around the globe and a practice that brings together a diverse team of insightful right- and left-brain thinkers. 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.

.

Contact Us

General Inquiries:

Lee Carpenter
Chairman & CEO Interbrand Design Forum
and Interbrand North America
Phone: +1 937 439 4400
lee.carpenter@interbrand.com

Lynn Gonsior
Executive Vice President/CMO
Interbrand Design Forum
Phone: +1 937 312 8806
lynn.gonsior@interbrand.com

Media Inquiries:

Beth Ling
Director of Public Relations
Interbrand Design Forum
Phone: +1 937 312 8803
beth.ling@interbrand.com

Additional information on retail brands:
www.interbranddesignforum.com

For reprint permission of this report or articles, please contact Beth Ling.

www.interbranddesignforum.com

Creating and managing
brand value™

InterbrandDesignForum