www.interbrand.com

Creating and managing brand value™ Interbrand

Best Retail Brands 2009

Global perspectives on a changing marketplace

Creating and managing brand value™ Interbrand

Regional challenges, trends, and insights

The remaking of retail

CPG: stand out or get out

Getting more for less

Contents

Weathering the storm

Jez Frampton

Making sense of the economic turmoil of recent months will take time and a degree of hindsight that most business leaders just don't possess at the moment. Our attention must focus on the immediate needs of businesses and brands in real time. History alone will deal with the rest.

We've focused on retail in this edition of the Interbrand magazine because it is a powerful barometer of economic sentiment. The dramatic differences in the fortunes of the various High Street or Main Street players highlight the mood of the day: Are you in a position to weather, or wither in, the storm?

A retailer once told me that he didn't have time to build his brand; he was too busy meeting the needs of his customers and his business. At Interbrand we would view this as the very essence of building a brand, but it's easy to see why the marriage between retailers and brand management hasn't always been easy. Branding was historically viewed as the "lipstick on the pig," a graphical veneer which added questionable value in the face of global logistics and sourcing. But as markets have changed, so have attitudes.

Differentiation is the essence of good business in any crowded market; the ability to influence demand beyond the tangible, to go beyond the table-stakes of convenience, quality, service, and the like, into the realms of the unique. Brands are the way we do business; the factor that makes our service offer, our product line-up, our culture, and of course, our language and appearance more desirable over the competition.

Retailers are perfectly placed to build truly great brands. They have many rich data points: physical experiences involving numerous opportunities to create uniqueness, including service, process, product mix, layout, ambience, culture, and the all important human interaction. I would say, a recipe for great innovation and opportunity!

As the rankings in this magazine show, retailers are now actively managing their brands and creating valuable business assets. And the world of branding has changed too. Data is used to build the business case for brands, to highlight the initiatives within a strategy, and to build ROI models into brand programs, not to mention the monitoring and active management of brand value creation. This means that brand management can live happily within the highly accountable world of retail using data and value as the bridge between the financial and commercial streams of activity.

Retail has certainly been deeply impacted by the economic realities of our times. But what better market is there to pick itself up and fight back?

While cost-cutting has formulated the bulk of businesses' reactions to the downturn, we are now recognizing that demand creation is the required antidote. Demand can be created without relying on discounting which hinders a business, erodes margins, and places a business under increasing pressure. Demand creation requires us to step away from the crowd, to do things differently in our quest to stand out, and own a clear position in a market.

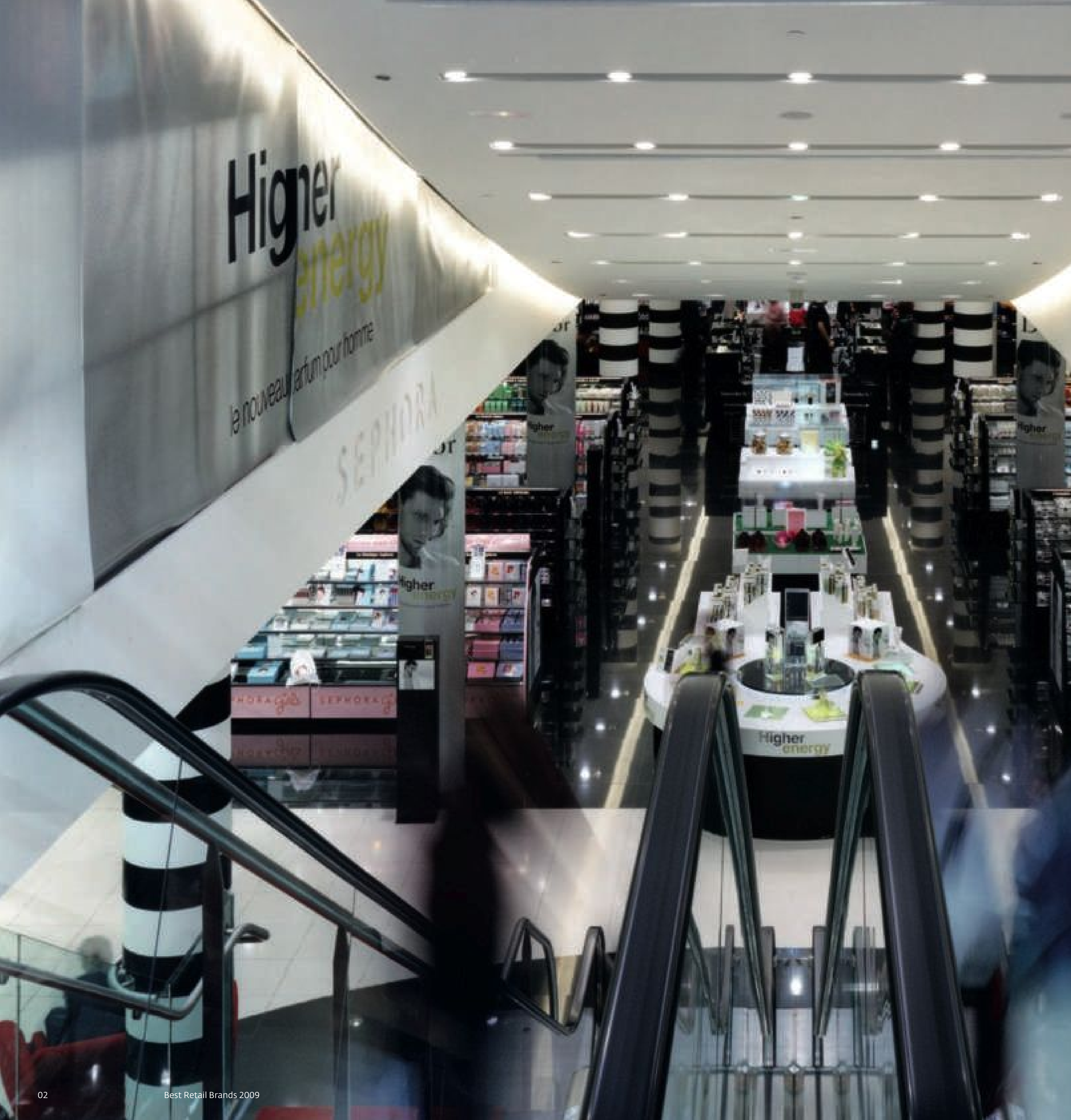
Perhaps retailers need to better understand how their brands drive value and what actions should be taken to ensure that their brands are readied for the market of tomorrow, as well as the market of today.

All around us the world is changing. To only view these changes through the eyes of the economy is dangerously one-dimensional. Consumers' attitudes have changed and will continue to change. Their habits and behaviors will continue to adapt to the technologies available to them and to the truths about our lifestyles and habits exposed by the recent economic, social, and environment events. Getting a grip on this fast changing world and feeling confident that your brand can sail through these stormy seas requires a strategy that is based on today's truths rather than yesterday's assumptions. It requires a strategy that is delivered in stores and lives in customers' heads, not well intentioned documents and plans.

I hope you find the thinking in this magazine useful to you, your business, and your brands as we all continue to tackle the challenges before us.

Regards,

Jez Frampton
Global Chief Executive
Interbrand



Overview

The Best Retail Brands has taught us that a brand is not just a logo, a name, or a snappy slogan—it's the tangible and intangible assets that customers attribute to a retailer.

Interbrand is delighted to unveil the Best Retail Brands 2009.

For almost 10 years we have published our Best Global Brands report in cooperation with *BusinessWeek*. It ranks the top 100 global brands by their brand value and has become the barometer for successful brand management. Indeed, it has actually been ranked as the third most sought-after benchmark report by CEOs.

We are proud of the success that we've had in provoking the debate among business people about the value of brands to business. We look forward to this study becoming equally influential among retail leaders.

When a business gets it right, the brand becomes a value creation engine. Brand valuation is a great tool for showing a business how to optimize its brand. We use it as a proactive tool. By showing an organization the earnings attributable to intangibles, assessing the role that the brand plays in purchase decisions, and revealing the relative competitive strength of the brand within its markets, the organization can focus its attention on building the brand's value. Indeed, our experience shows that simply by recognizing the brand as an economic asset, like other business assets, it starts to be managed for growth.

Interbrand pioneered the technique of measuring brand as a business asset twenty years ago. In this time we have conducted over 5,000 brand valuations across all industry sectors around the world. We now focus all of this experience and expertise to bring you the Best Retail Brands.

The retail sector offers some unique challenges. First, we understand that the culture of retail is immediate and extremely operationally focused. This creates a tough environment for brand thinking and management to thrive, but our study shows the impressive performance of the leaders, and we wanted to share the lessons of success.

Second, compared to other sectors, retail brands tend to operate over the most expansive brand experience for their customers. Retail branding extends from the robust insights that formulate brand strategy into product assortment, sourcing and selection, format strategy, store design, engagement of people, and in many cases the creation and supply of private label products. Strong retail brands orchestrate a complete shopper journey with the objective of achieving the long-term loyalty of their customers.

Building retail brands

by Lee Carpenter, Jean-Baptiste Danet, and Stuart Green

Biography: Lee Carpenter, CEO of Interbrand Design Forum and Interbrand North America, is recognized as one of the most influential retail experts in the U.S. He and his team pioneered, and continue to refine, an integrated business model that blends creative, analytic, and strategic retail disciplines to build brand experiences that go beyond selling to develop relationships with shoppers. He is a champion of bringing the brand to life by understanding where and how brand can be leveraged in the store for greater value.

Biography: As CEO of Interbrand Europe, Jean-Baptiste Danet leads the European practice with strong conviction to deliver a holistic approach to brands. His leadership has successfully built many of the world's most valuable brands. Understanding the equal importance of all brand touchpoints, Jean-Baptiste has grown his team's practice and brought to life new disciplines and processes that deliver the greatest quality work for Interbrand's valued clients.

Biography: Stuart Green takes an intentionally pragmatic view to creating and managing brands, believing that the ultimate yardstick for brand effectiveness lies in the end-user experience. As President for the Asia-Pacific region, Stuart ensures that Interbrand's diverse and collective thinking leads to a distinct customer experience for every client. Stuart has 24 years in brand management and design working in Europe, the US, the Middle East, and the Asia-Pacific.

01 The relationship between brand and retail

Lee Carpenter, CEO North America: The store is a physical expression of the brand and provides a powerful opportunity to make emotional connections and influence choice. In creating an experience, the brand guides every decision, from the orchestration of the customer journey, to the messaging at each touchpoint, to the assortment of the store. Brand is the way you do business. It is what makes you different: You can't just say it—you have to do it. It takes place in the store, online, on the pages of a catalog, and over the telephone. Brand isn't just the logo, it's the physical real-time delivery of the promise your brand makes—an experience the consumer will undergo—shopping. When you walk into a store, you are entering a brand. So, you can see why the store is a primary means of brand engagement. It provides a powerful opportunity to make emotional connections and influence choice. The connection lives beyond the transaction to create feelings and memories that last.

Jean-Baptiste Danet, CEO Europe: In the 1960's, consumers discovered supermarkets and hypermarkets and huge offers that fostered the discount concept. In the 1990's, we saw a new generation of specialized retailers reinvent the retail business. Brands like Sephora, Zara, H&M, and Grand Optical focused on the concept and used every touchpoint (from space to service) to reinforce this concept. In other words, they acted like a brand. Since then, brand and retail have become inseparable.

02 The development of retail branding in Asia

Stuart Green, President Asia-Pacific: 20 to 30 years ago, retailing across Asia consisted for the most part, of small family run shops and market traders (the exception being Japan's very successful department stores). In the main urban centers, retailing is now a sophisticated business with many homegrown brands as well as the international players looking to tap into the fastest growing region in the world.

Rising disposable incomes, growth in purchasing power, continued expansion of urban areas, increased mobility, and a wider choice of products and services have all been key factors in changing consumers attitudes towards shopping and how they spend their money.

03 Key trends and challenges in regions

LC: There is one key challenge in North America right now: value. And this is true of every segment. Most consumers are giving careful consideration to their purchases and retailers need to offer a compelling proposition to earn the dollars that are being spent. We're seeing less frivolous buying and more investment purchases, such as buying consumables in bulk and purchasing high-quality, classic clothing that will last.

Shoppers will be feeling unsettled for a while. They're busy reassessing what's important to them, just as retailers are reassessing the relative importance of reducing costs versus increasing investments, going on defense or offense, in order to optimize store performance.

JBD: In Europe, the general trend is that department stores are suffering and hypermarkets are stagnating. Mega-stores are visited but the act of purchasing has become more difficult; stores located in city centers suffer from the consumption crisis. At the same time, the well-positioned brands like H&M and Zara gain share.

SG: Asia-Pacific continues to develop at a rapid pace. Across the region mixed use developments (e.g. residential, commercial, leisure, and retail spaces) are increasing; an example being Singapore's Marina Bay development, set to launch in 2010. The retail component is a critical factor, and is largely driven through the integration of commerce, office space, as well as leisure and residential, and the best price.

In the same vein, themed malls, consisting of shops, restaurants, local and international fast food outlets, cinemas, nightclubs, and art galleries are now being developed in the Philippines, China, and Malaysia. While many parts of the world experience a decline in the popularity of malls, many Asian markets go from strength to strength.

In Japan's main urban centers, retailing is now a sophisticated business with many homegrown brands as well as international players.

In 2007, Internet retailing was worth nearly US $49 billion across the 14 Asia-Pacific countries, and is forecasted to double by 2010.

The Iconic Prada store in Ginza, Tokyo.

Some mall owners are also promoting environmental sustainability through their developments. SM Group, the biggest mall developer from the Philippines, put in place an energy management system as early as eight years ago. There are also sewage treatment plants in the malls. These environmentally conscious practices reduce operating costs as well as earn significant goodwill from shoppers.

Destination shopping is also a theme. Asian consumers love to travel and shopping excursions across the region are growing in popularity. This has increased in recent years with the growth of low-cost carriers, as well as the expansion of flight routes. Locations such as Singapore, Bangkok, Hong Kong, and Ho Chi Mihn City are becoming regular weekend travel destinations for shopping.

Online shopping is another area of interest. Internet retailing was worth nearly US$ 49 billion across the 14 Asia-Pacific countries in 2007, and is forecasted to double by 2012 to approximately US$ 71 billion (Euromonitor International). According to a global Nielsen consumer report, South Koreans are the most avid online shoppers in the world with some 99 percent of Internet users having shopped online.

Luxury brands are also increasingly driving consumer behavior in both developed (Singapore, Japan, South Korea, Hong Kong), as well as emerging markets such as India, China, and Indonesia.

04 Characteristics of a great retail brand

LC: A great retail brand that has a ringing clarity about its reason for being and that truly understands and delights its target segment will have great appeal. It's easier for specialty brands serving a narrow niche with very distinctive needs, like "pet parents" or "gamers." You can appeal to emotions and passions, or help people manage their problems. It's tougher for mass brands since they were created to appeal to very broad segments, but even they are finding success, being perceived as having genuine character, definitive core values, and concern for community. All that, of course, has to be delivered consistently across all channels—not an easy task.

SG: Over the years, many international retailers in Asia have failed, simply because they didn't adapt to a different environment and different consumer needs (the exception being the luxury sector in more recent years). So first, it's important to understand that Asia is complex with a large variety of cultures, races, languages, and religions, all at different stages of economic and social development. Second, brands that sell quality products and demonstrate a good understanding of local consumer attitudes and preferences have a better chance of success. Third, location continues to be a critical driver of success, but brands that can develop a sensory environment with service that is relevant to consumer needs, will attract and maintain loyalty. Although value for money is a common denominator across markets, discerning consumers are increasingly willing to pay a significant premium for quality and stature. Ultimately, brands that sell quality products and demonstrate a good understanding of local consumer attitudes and preferences stand out. These are the great retail brands.

05 The retail brands that are getting it right

SG: Retailers that address the local needs and motivations of their customers will continue to build a loyal base. Homegrown Asian brands continue to emerge. Some of the ones getting it right include the Hong Kong brand Shanghai Tang, which offers a full range of clothing for men, women and children, plus home furnishings, accessories and gifts. Now part of Swiss luxury goods giant Compagnie Financière Richemont, Shanghai Tang operates stores in China, Japan, Malaysia, Singapore, Taiwan, and Thailand, as well as Dubai, UAE, London, and Paris. The brand continues to learn and evolve, with new stores staying true to its 1930's Shanghai Art Deco accents and bold colors and tongue-in-cheek-humor, but expressed as a modern international lifestyle brand—with a broader appeal.

THE FACESHOP is one of Korea's largest retailers of body, bath, skin care, and make-up products aimed at both women and men. The company has quickly expanded to over 740 retail stores in 19 countries. THE FACESHOP's philosophy lies in understanding the importance of health and beauty. Continuous development is an integral part of THE FACESHOP way of life. The company's research institute, a center of collaboration with dermatologists, universities, and other experts, develops and patents new ingredients to bring the most innovative products to market. This, coupled with its affordable prices, has been a recipe for success.

UNIQLO's simple ideology of providing high quality yet affordable basics is striking a chord with consumers ranging from the fashion-forward to those just looking for something comfortable to wear.

Charles & Keith, a Singapore based retail brands focusing on shoes and accessories saw that shoes from foreign wholesalers were expensive and unsuitable for smaller Asian feet. It quickly capitalized on this opportunity with its own line of shoes. It now has an R&D team of 70 people, which has churned out over 750 women's footwear designs.

LC: Wal-Mart, Tiffany & Co., and Best Buy are brands that know who they are, understand their customers, deliver consistently on their respective brand promises, and continue to innovate and explore new directions. Wal-Mart is determined to change and adapt to meet emerging customer needs. The company is working to make brand touchpoints clear and relevant, especially those that have the most impact on moms. These touchpoints include store environment, website, in-store messaging, product mix, and sustainability.

Tiffany & Co. stands for quality and longevity and claims a large share of mind. The cachet of the Tiffany blue box adds a high-value intangible to any purchase. The company has fully recovered from a "brand-slip" a couple of years ago when the wrong merchandise caused it to fall to novelty level. Today, Tiffany continues to reaffirm its unique appeal with a small number of stores to keep from diluting the brand and it's expanding into eyewear and watches to drive revenue and relevance.

The great retail brands know who they are, understand their customers, deliver consistently on their respective brand promises, and continue to innovate and explore new directions.

Best Buy strives to differentiate its brand experience through distinctive touchpoints, tailoring store environments and selling styles to customer insights, with current emphasis on the employee expertise and commitment. The company constantly tests new concepts, such as robotic vending machines in airports carrying cell phones, computer accessories, and cameras. Consumers give it top marks for shopping experience and meeting expectations.

JBD: H&M and Zara, have reinvented the retail/apparel industry, understanding the perfect mix between finance, space, and brand. Carrefour and Tesco have, in their own way, invented the European way of selling goods to the biggest number of consumers. Aldi and Asda have created the low-cost supermarkets. Sephora is still the only worldwide chain structured like a supermarket to seduce women with perfumes and cosmetics. FNAC has succeeded in fulfilling its brand promise as a place where you feel more clever and intelligent when you buy a book or a PC. And yet, others that had done well are beginning to show signs of losing. M&S and C&A create less difference than before. The role they used to play on the retail market is not as powerful. The consumer can substitute them and is even actively looking to do so.

06 Going global

LC: Retail involves complex logistics, and these inherent challenges are further complicated when responding to varied customs and regulations. In some instances meeting the needs of varied locations would require an entirely different proposition. For example, many popular U.S. stores are founded on the notion of having huge assortments and long hours, sometimes open around the clock. In Europe and Asia people shop much more frequently in much smaller stores, often with reduced hours and there might be little to no parking—a very different experience from stocking up on two-months worth of paper towels and frozen pizzas.

In order to be globally relevant, a retail brand needs to have a clear proposition that is nearly universally compelling, with the ability to be flexible enough to operate within the varied constraints found in markets around the world.

JBD: Cultural differences and geographic boundaries are often insurmountable challenges for retail. Truly global retailers have invented something new, and kept their advantage over time. In retail, as the goal is to capture as many consumers as possible, the brand idea needs to be accepted and understood everywhere.

Finding the best locations and being able to invest in new offers, while maintaining the quality of the concept requires strong management and visionary skills. This is a key challenge. The consumer will buy less, so the goal is to capture the bigger part of the purchase power. That's where a strong brand can create difference.

07 Key factors that will determine the success of retail brands in the future

LC: Retail brands need to understand their customers, use that information to deliver value, and provide a compelling and relevant experience that connects with the shopper.

JBD: We can assume that all the major retailers have made plans for the crisis we are facing today; for example Carrefour had decided to move all its formats to the Carrefour brand prior to the recession.

Planning a clear way out will determine long-term success. Retailers will benefit from the purchase recovery before the rest of the economy, and they will give the signal. The ones that invest in their network, maintain their concept, and understand their customers in difficult times will recover before the others. But, many of them will not make it to that day. And the strongest are already looking for ways to accelerate the death of the weakest.

Creating value in-store: understanding and profiting from the differences between shoppers and consumers

by Kelly Crouch and Emily Grant

Biography: As Brand Analytics Director, Kelly guides the integration of analytics programs and ensures insights are represented within strategic and creative outputs. Kelly's analytics expertise includes the design and interpretation of research for branding purposes, delivery of retail insights, creation of business cases and decision frameworks, and ensuring clear links between brand and business strategy. The American-born Kelly now lives and works in Amsterdam.

Biography: As Senior Consultant in the Analytics group at Interbrand, Emily Grant conducts research and provides strategic guidance on projects across a variety of sectors. She has worked on engagements for a number of high profile clients.

The retail shelf: the forward position in the battle for consumer spending

The battle is on. The current environment has not only changed the economic realities for consumers around the world, it has radically shifted the mind-set of shoppers in-store. In normal times, companies spend a tremendous amount of time and resources in the development and management of their brands by developing identities, measurement tools, and communication, including significant media spending budgets. Yet, these are anything but normal times.

When consumers feel pain in the pocket book, they react differently inside the store. Unfortunately, it is this in-store decision moment that is chronically misunderstood and under-resourced. Many brand owners have mistakenly treated the in-store experience as yet another operational function. Major decisions are made with little connection to brand and marketing management, with conversations rarely moving beyond the fundamentals of in-stock position and promotions. Even if they wanted to extract more value from the shelf, many brand owners lack the insights and tools to do anything about it.

Yet, the store plays a major role in the success or failure of brands. In many categories, 70 percent or more of purchase decisions are made in-store. Recessionary belt tightening only increases the number of decisions that are made in-store as shoppers scrutinize every line on their list, double-checking that they're spending wisely. With this in mind, it is crucial that the in-store experience, and how brands are presented in the environment, should be managed with at least as much rigor as the other components of a branding program.

Shoppers versus consumers

What is the difference between consumers and shoppers? Essentially, they are the same people, but they operate in two different environments, subject to different environmental influences, and possessing different needs.

Consumers are the overall targets for brands. Aspects like location, demographics, and the habits and practices of their life often segment them. The goal of brands is to form bonds with target segments of consumers—to touch them where they live, work, and play.

Shoppers are what consumers become when they enter the store environment. Shoppers segment differently—chiefly by their shopping behavior, habits, and practices. They are also more dynamic; willing to change in-store behavior based on local events (e.g. a great seasonal display could turn a programmatic shopper into an impulse shopper), caprice (e.g. "I've had a rough day—I'm going treat myself to something from the skin care aisle") or macro trends (e.g. penny pinching). Outside the store, when the same segments are consumers, nothing may have changed in how they see brands. However, inside the store, as shoppers, their behavior is anything but static. The goal, then, for brands is shopper connection. And to achieve this, they need to leverage shopper insights and use creativity to orchestrate in-store behavior and drive choice toward the brand.

Shopper insights, or an understanding of how shoppers behave in-store, is a key first step to optimizing the value of brands in the retail environment. But in order to leverage shopper insights, one must first understand the differences between consumers and shoppers.

Why should we make understanding the shopper a priority?

In-store, shoppers have unique communication and information needs. They have unique habits and practices that occur when they are shopping. Cues that attract a consumer to a brand may not be the same cues that cause a shopper to choose a brand in the moment of purchase.

With this in mind, brands must help to deliver a seamless shopping experience that meets shopper needs while delivering benefits to the brand and retailer. To do this, brand manufacturers must understand the dynamics of the shopping environment—how options are considered and choices are made. Even if a brand has successfully caught the interest of a consumer, the shopper's needs must still be met in order to convert attachment into purchase. Imagine a consumer who has decided they want to purchase a product, Brand X. They have seen an ad and decided this is something they want to buy. This consumer travels to their favorite store, goes inside, and becomes a shopper.

This consumer/shopper wants Brand X, but is not sure where to find it in the store. This alone may turn them away. If they do locate the section, they are presented with more options than they'd imagined. They can choose Brand X, or Brand Y, or Brand Z, or even Product Q, which is a little bit different but appears to do almost the same thing.

What do they do? Remember the statistic about 70 percent of purchase decisions being made in the store? If the brand does not cut through the clutter, communicate why it is different, or otherwise make this situation simpler for the shopper, the shopper may well go with another option or even abandon the purchase entirely.

How can a brand effectively address the needs of the shopper?

There are a number of ways to better meet shopper needs—key operational factors, like in-stock position, must be solved, but on top of the basics, other levers can be activated to better meet shopper needs. These tools are things like:

- **Merchandising logic in the form of category principles (e.g. vertical versus horizontal shelf arrangements by brand, scent, size, etc)**
- **Planned adjacencies and store layout both within and across the categories**
- **Category and brand sign-posting and wayfinding**
- **Total store planning and flow**
- **Packaging**
- **Multi-level communication**
- **Emotive and interactive communication, such as imagery, technology, or out-of-box displays**

But first, to make the right decisions with tools like these, marketers must also understand shoppers. Good branding professionals know how to get people into stores. However, in order to get a consumer to make a purchase, marketers must also understand what happens in-store, and structure the brand offering in a way that connects to shoppers in the environment.

How can brands understand what shoppers really need?

To understand the best use of the tools mentioned above, the first objective must be to understand the shopper. We must investigate consumers in the role as shoppers in order for brands to unlock the mystery of the store and orchestrate valuable shopping behavior.

Shoppers and shopper behavior must be studied. Marketers must follow them, observe them, and ask questions. This investigation can't just happen in the home or workplace, and cannot be gathered by looking at market research studies that outline what people buy. Those insights are meaningful, but leave out specific environmental dynamics and are often backward looking. Understanding and observing how people behave and what influences them in the store provides an opportunity to effect change, plan for the future, and deliver meaningful innovation for the shopper.

To understand what motivates and influences the shopper, brands must understand the basics of the shopper:

- **What drives the shopper to go to a store, and on what kinds of trips to the store is the brand likely to be purchased?**
- **Is the category usually a destination, planned, unplanned, or impulse purchase and what drives that role?**
- **What are the current purchase drivers and barriers in-store?**
- **What are the underlying associations with the category?**
- **What information do shoppers seek in the store, specifically?**
- **How do shoppers select and de-select options and what are the decision hierarchies?**
- **How do shoppers want to interact with products? What interaction do they need?**
- **How do shoppers orient themselves in the category? In the store?**

Note that these things should be considered at both a category and brand level. Brands must carefully balance their own interests with those of the retailers that sell their products. Understanding the total category, and how the brand can best perform within it, will ensure that brand marketers can forward their own objectives while retaining perspective on the needs of the retailers. If brands can deliver performance in-store for both their brand and the retailer's category, partnerships with retailers and the ability for brands to influence the store environment will become stronger.

Incorporating strategic objectives of the brand

In addition to understanding shoppers, brands must also be clear about what they want to achieve with shoppers. Knowing the priority strategy for the brand and category is the second leg to unlocking value in the store environment. Strategies for the brand might be things like:

- **Promoting trial**
- **Facilitating greater purchase frequency**
- **Encouraging trade up**
- **Adding or increasing margin variants**
- **Motivating multi-product routines**

Putting it all together

The marriage of shopper insights with in-store strategy can lead to the construction of in-store solutions that increase shopper satisfaction while orchestrating profitable purchase behaviors. In our experience at Interbrand, brands that have done this in retail have seen significant gains.

One of our clients, Procter and Gamble, consistently utilizes shopper insights to create store solutions that successfully grow the objectives of their brands. Its efforts have paid off in a number of categories, in terms of increased share and volume, and have also helped to establish P&G as thought leader and a key partner to retailers.

In another example, a big-box, North American retailer instantly saw category increases in the range of five percent in revenue, as well as units within a common household product category in test markets, after a relatively simple shelf and category reorganization built on shopper insights.

In fact, because the in-store environment is so frequently overlooked or under-examined, the opportunity for gains, even based on relatively simple solutions, can be significant. Extracting more value with little to no incremental investment is always a good idea. And considering the current environment, for some FMCG players and retailers, it might mean survival.

So, brands must get to know shoppers, not just consumers. In-store should be treated as an input to brand strategy. The store environment is a brand opportunity, not just a point of tactical operations. As the competition for share and loyalty continues to get more intense, brands that manage the shopper aspect of their brand put themselves in a position to differentiate and create meaningful value as a brand and retailer partner.

Getting more for more: how price promotions can be offset by an improved shopping experience

by Bruce Dybvad and Rune Gustafson

Biography: Bruce Dybvad is the President of Interbrand Design Forum and Interbrand Cincinnati. Bruce orchestrates all research, design, strategy, architectural, and implementation efforts. His global vision, experience, and industry knowledge have resulted in an exceptional creative process that ensures the fulfillment of client design and strategy.

Biography: Rune Gustafson leverages his extensive experience in brand management and retail marketing as Chief Executive of Interbrand London. He leads a multifaceted team to create and manage brand value across all brand touchpoints. Rune is a regular contributor to publications and conferences throughout Europe, Asia, and the United States.

In uncertain economic times, the temptation for panicked retailers is to rely on lowering prices to drive store traffic. But relying on continued price promotions isn't sustainable or differentiating in the long-term unless you're a true discount brand.

Cutting price isn't a long-term solution

A bargain mentality can put a strain on the relationship with customers. When the emphasis of the dialogue is on price, the door is open to fierce competition. At the same time, the brand attributes that originally engaged the customer—the tangible and intangible things that attract and satisfy, like store ambience, innovative products, or impeccable service—lose momentum. The shopper has fewer reasons to connect with the brand.

But if cost-cutting isn't the answer, how do retailers survive? One way out of this downward spiral is to recognize that in uncertain times shoppers increasingly return to the retail brands to which they feel emotionally connected. Shoppers want stability, and strong brands provide the warmth and reassurance that they need. In effect, this is only achieved when promises are met on a regular basis. Promises are delivered by the brand's people, its product, and its place—the essentials that make up the shopping experience.

It is important to remember too that in tough times, customers will continue to welcome new product ideas that are relevant to their everyday needs. The paradox that good retail brands face is that although shoppers are looking for support from their favorite, trusted retailers, they still want new ideas, new products, and new ways of surviving the downturn. The strongest retailers are the ones that combine brand promise with brand innovation, offering shoppers the most for their money.

The experience is the brand

In retail, the experience is the act of shopping, whether it's online, in catalog, or in the store. The retail brand comes to life through the touchpoints of its physical delivery—the selective mix, color, and packaging of merchandise, the tone and manner of the employees, and the space that's been enriched with lighting, images, music, and fragrance, that ultimately influences a shopper's purchase decisions. The experience is everything that matters. In other words, the experience is the creation of that which is symbolized by the brand's mark, its visual and verbal assets, and creates a lasting emotional bond for shoppers.

Stop and think about it: Why do we have the interpreted feelings we have about the organizations we do business with and the restaurants we frequent, the products we choose at the shelf, the banks we trust, or the manufacturers we hold in high esteem? It's something beyond the simple transaction. What are the influences that affect the way we choose brands? There are three: *foundational*, the product and its brand signature; *transmissive* or the promises made; and the *experiential* influence, the most critical of the three. In fact it's easy to argue that there is no brand without the experience.

However, for most brands, the experiential influence (the in-store/online experience) has been allowed to happen in an informal way. This is in stark contrast to the foundational aspects—those things that trigger brand in the consumer's mind like the product and its packaging, a logo, a jingle, or an architectural icon. Retailers do a great job managing these things.

Likewise, the transmission of the brand idea is usually handed off to a capable marketing and public relations team. A promise is made—faster action, tastier food, sexier looks—and conveyed to the public to convince target consumers to put the brand into their consideration set at the point they determine need.

What businesses fail to realize is that the experience is where the foundational (product/service) and transmissive (promises) elements come together. After all, if the experience does not deliver on the expectations of the received brand message, the brand will be relegated in the consumer's mind to the scrap heap of unfulfilled hype and posturing. In the majority of businesses, experience is so disregarded that more often than not, the winner is the brand that disappoints the least—not the one that does the most to define the experience.

The value of experience in downturns

While the shopper experience is always essential, it can be the difference between death and survival in a recession. When making purchase decisions in downturns, customers become increasingly more demanding about their shopper experiences. They want to know more information about each product—its provenance, its standards of manufacture, and its performance criteria.

The difference between a good experience and a great one often comes down to one single experiential touchpoint. Did the salesperson make the extra effort to accommodate the shopper; did the package convey value or a sense of high quality; was the product located at eye level on the shelf? A great experience consistently delivers the brand promise on every point, while also innovating within this promise. Ultimately, this is what will make any brand in a consumer-facing category stand out, especially when the competition is focused on offering less for less.

M&S
The new M&S store at White City, Westfield, London. The first of a new generation of M&S stores

A well-conceived environment is another example to demonstrate how you understand a consumer's needs.

Shoppers look to brands they can trust. In order to instill this trust, it is important for employees to live the brand's values everyday.

Here are some ways for brands to enhance the shopper experience without increasing costs.

01 A great brand understands the needs of its core shoppers so that it can keep the experience relevant.
Before the economic bubble burst in Japan in the 1990's, the retail focus was on luxury brands. Companies that were resilient enough to survive the recession and even thrive in the years following have been those that shifted the focus to quality. Brands that rose in value during the period include UNIQLO, Japan's leading clothing chain that added private label cashmere at moderate prices, and household and consumer goods giant MUJI that succeeded in offering its beautiful aesthetic at a price acceptable to budget strained consumers.

Currently, in the restaurant category, we see how less agile Starbucks, despite the many devotees to its fragrant US$ 4 coffee drinks, is losing relevance and customers to booming McDonald's, which is flexible enough to add premium coffee to its low-priced menu. McDonald's has succeeded in stealing market share in a tough economy by adapting to consumers' needs and innovating within its promise.

02 A great experience helps build brand equity. When mistakes are made, accumulated goodwill encourages customers to forgive.
Shoppers look to brands they can trust. In order to instill this trust, it is important for employees to live the brand's values everyday—even when times are tough.

Banks are suffering from one thing right now: a lack of consumer trust. Financial institutions desperately need to build trust into their brand, whether it is through a sincere and positive message that emphasizes service, or a product that helps consumers in a new and innovative way. Financial institutions would be wise to consider brands like JetBlue or Perrier, which successfully restored trust in their brands after comparable disasters. When JetBlue passengers were left stranded at various airports, the honest, sincere, and quick public apology of its CEO stemmed the damage and started repair before its consumers could begin to doubt the airline's performance. Likewise, when benzene was found in Perrier water in the 1990's, its people immediately notified the public and took every bottle off the market to ensure confidence that they had the customer in mind. For both, quick action maintained value in the long-term. While it is too soon to tell how the public apology from banking giant Barclay's CEO John Varley regarding the credit crunch has fared, the move was an honest attempt to emphasize and restore trust. If Barclay's also manages to deliver on the high expectations of its apology and bid to help with reconstruction to ensure the crisis doesn't happen again, it is likely to be in better shape than most banks.

03 Store design plays a serious role in the shopping experience, supporting both the sales staff and the customer.
It goes without saying that the restaurant and hospitality businesses have the means to heighten their brand value through the experience. Last year, Holiday Inn studied the needs of its guests around the world and found six crucial experiential touchpoints to improve. It is beginning to make those improvements throughout its global fleet, and it is already seeing the efforts pay off.

A well-conceived environment is another example to demonstrate how you understand consumer's needs. A simple way to improve this experience is flattering lighting, or fragrance in stores so shoppers feel pampered by the surroundings. Kiddie spots, Internet access, or relaxed no-sales zones can also provide a friendlier atmosphere. Convenience can be stressed, as well as flexibility of use. Creativity through window displays, like that found in Urban Outfitters and Anthropologie stores is a major source of value since inspiring ideas will be seen as part of a store's customer service. A community of employees who share an understanding of brand-based values and behaviors are invaluable to a great brand experience as well. When they work in conjunction with the rest of the brand, they give the retail experience the kind of vibrancy that leads to loyal shoppers.

Improve and innovate

Success relies on seeing the full potential of brand influence. In the past, retailers focused on merchandise and presentation, but today they are looking at the entire experience and how all the parts and pieces come together to create a brand. In tough times, when the shopper is more discriminating than ever, the brands that offer more for more rather than less for less are the ones that will come out of the downturn with substantial brand value.

Best practices: how to compete in a new world order

by Lynn Gonsior and Françoise Novel

Biography : With a background in retail design development for Kroger and the Limited, Lynn Gonsior knows firsthand how to manage valuable retail brands. Today, she is the CMO/Executive Vice President of Interbrand Design Forum and continues to build one of the U.S.'s top retail consultancies. Lynn is a member of the Display and Design Ideas Editorial Advisory Board, American Marketing Association, and National Retail Federation.

Biography: Françoise Novel leads Interbrand's European retail practice, a highly creative and strategic team whose work helps clients to link their consumers' needs, the brand proposition, and a company's sales-investment capabilities in order to grow the retail brand as a business asset. Françoise is both a trained architect and a graduate of the EM Lyon Business School of Economics.

If there is one secret of success for brands, it would be a speedy ability to adapt to rapidly changing markets and social conditions. Even in tough times, brands must respond to emerging trends with inspired products to fill stores quickly and attract customers. They must also continue to grow by stealing market share from competitors.

In a time of reduced budgets and staff, this may seem impossible. And yet, brands continue to find ways to compete in a new world order. Today's leading brands have become more sophisticated in their approach to finding growth, anticipating brand challenges before they even arise.

Here are a few of the best practices:

01 Applying behavioral insights to the shopper's journey.

New understandings of a shopper's thought process and subsequent actions are providing brands with information to make smart decisions around creating stores, or departments within stores, that are more in tune with shoppers' wants and needs.

Specialized research methods clearly show how a brand fits into the consideration set as a shopper begins to make a decision about visiting the store. Retail ethnography allows us to analyze a shopper's journey, from the decision to enter the store and even down to way a shopper looks for information at the shelf. Armed with this insight, designers and planners can strategically position products to promote cross selling and drive larger baskets (i.e. purchases). And as a result, stores have higher performing store plans.

Zara has been especially innovative about staying in tune with shoppers' demands and desires. At headquarters in La Coruna, Spain, Zara has managers stationed at computers to monitor sales around the world in real time. In-store, it provides managers with handheld computers that show how garments rank by sales. Its meticulous data monitoring of shoppers' thoughts, process, and actions has allowed Zara to carefully select its merchandise and better deliver on its brand promise to offer the latest designer looks for less. Insights like this are invaluable—particularly when times are tough and shoppers' decisions are more complicated than ever before.

Improvements to the in-store experience could be as simple as adjusting the lighting or optimizing the floor plan. Retailers are not only being innovative about how they stay in tune with shopper's demands and desires, but are also improving the floor plans based on the customer journey to boost the impact of their brand, and improve point-of-sale profitability. Beyond the scope of the sale, the brand is brought to life through a well-tailored store experience. In the last few years, Carrefour has updated its hypermarket layout to improve the customer journey. It reduced the complexity and confusion that shoppers experienced within its stores, cut down on shopping time, and optimized in-store communication. The new plan included global in-store communication, wayfinding guidelines, and an improved layout concept. A deep focus on a shorter customer route improved shoppers' in-store experience. As a result, Carrefour saw improved sales and a more loyal customer base.

Wal-Mart has also improved its store environment, in-store messaging, and product mix. With wider aisles and brighter lights, customers are staying an average of 14 minutes longer per trip. Additionally, product decisions have been organized around a new "win, play, show" strategy; win includes items like flat panel TVs, play includes apparel, and show includes those that apply to Wal-Mart's one-stop shop status. This new approach improves shoppers' in-store navigating experience.

02 Putting the store in the customer's path

Retailers have been ingeniously exploring non-traditional locations, smaller footprints, new formats, and modified assortments to interrupt the customer journey in new places.

The Home Depot altered its format, offerings, and services to adapt to the urban needs of cities like Manhattan and Chicago. Retailers from Louis Vuitton to Target have created pop-up stores. Target's pop-up stores appear in the Bodega format in Manhattan to entice urban dwellers inside to shop.

To merchandise its latest designer line, Target used high-end store Barney's to showcase the product. These efforts generated headlines and excitement, while introducing new shoppers to the brand.

Best Buy is building traffic with "Best Buy Mobile," a small specialty corner store focused on selling mobile devices and service plans. Best Buy has opened 41 Best Buy Mobile stores in North America so far. It's a powerful leverage it can use against the competition. The stores sell 90 different phones and services from nine carriers. Employees demonstrate their expertise and know-how by helping shoppers set up email and other functions on new phones.

All of these brands have endeared themselves to customers. They have showed that they care about the relationship and that they can keep up with consumers' needs on their terms.

03 Becoming the shopper's trusted resource

Top brands have leveraged multiple channels to become a consumer's trusted resource and friend 24-hours a day. Brands are integrating e-commerce micro sites used by a niche market specific to the brand's focus. They are also providing informational editorial content, news, events of interest, or just a way to buy when it's midnight and a shopper is worried about finding that perfect black dress to advance her career or spark her love life.

Additionally, brands are exploring ways to create communities around their brands through the use of social networks, word of mouth, Web 2.0 tools, and influencers. These brands understand that the better they present themselves as in touch with consumer's lives, the better the chance shoppers will invite the brand into their homes, even when they are not buying.

The Body Shop has taken a number of steps to modernize its brand online. To encourage shoppers to "think ethical" when they purchase, it has launched a new initiative on Facebook, requesting that members sign a "Together & Fair Pledge." By signing up to the pledge, supporters make a commitment to tell at least one person a week about a new ethical product or service they have discovered.

Similarly, Boots has revamped its online presence at boots.com. One of its most important new elements is the Boots Live Pharmacy service—an online health question and answer service.

Sephora has also updated its website, to include a "Ratings & Reviews" function designed to help shoppers make more informed beauty purchases. The revamp was based on consumers' desire for as much information as possible about its products, and a more interactive way to share it. The website will eventually offer extensive information about products and brands, with reviews from experts and shoppers and a Q&A forum. The function will also include a Sephora star rating system for the product pages, allowing the brand to demonstrate value to its shoppers.

These brands have taken measures to create trust and access using the web—in some cases taking cues from the shopper directly. There's much to learn from their innovations.

04 Becoming part of a larger trend

Top brands regularly look at larger social trends, profiling shoppers' needs and taking the time to revitalize store models. They experiment with trends so customers will return to discover new shopping experiences.

A good example is the SFR music flagship store, Le Studio. SFR noted a trend toward the convergence of music and technology among a young and savvy audience. Its new store is devoted to this shopper—offering live music performances, opportunities for shoppers to personalize mobile phones and demo new phone applications, a restaurant and Internet lounge bar, and a place to download music. The innovative store quickly became a destination for shoppers.

The sustainability trend is one that brands in all categories have found to be especially successful. The concern about energy prices, global warming, and desire for clean air is looking to be a long-term social movement. Brands like Toyota, IKEA, GE, and Target have incorporated sustainability into their brand promise, and integrated it in a way that corresponds with their overall business goals.

IKEA has decided to put an end to plastic bag consumption, which is an easy and cost effective way to go green. Proving that the move isn't just another cost-cutting measure, it is also investing in small and medium-sized enterprises, which can provide solar panels and new solutions to reduce water and energy consumption. Afterwards, IKEA will sell these products on its shelves. Toyota has launched a zero emissions blog and a new hybrid pre-owned certification program to leverage its hybrid car offer.

Target is offering whimsical bags comprised of the recycled product packaging, and GE has leveraged its already-green practices by pushing windmills, water filters, nuclear power, and cleaner turbines and jet engines.

These brands did not just co-opt this trend—they were innovative and adapted it to their specific brand promises. As a result, their bids to go green feel authentic and trustworthy.

05 Developing the brand talent pool

Brands that are truly customer-centric are still in the minority. And the few that are customer-centric are unique in considering employees. They realize the importance of brand culture and how employees play a daily role in bringing the brand to life for shoppers. Classic examples are The Container Store that invests in many hours of training in every store associate, and Starbucks, which has been known to shut down its coffee shops to retrain and reinspire its passionate baristas in order to improve the delivery of the brand experience.

Store employees need to be ingrained in the brand so they can deliver the brand's promise and represent the values of the organization beyond reciting a tagline. Avon makes an effort to train all of its reps, so they understand and value the brand's products. German's Mediamarkt is another example of a brand that has seen success by focusing on its employees. The brand lives by the strategy: "All business is local." Store managers make decisions with flexibility and independence, focusing on regional assortment, pricing, and marketing. Not only does the decentralized structure enable fast adaptation to market changes, but the brand benefits from the shared responsibility of a whole group. Its employees feel like a part of the brand, and when employees feel this way, they become the differentiating feature of a product or service. As Mediamarkt and Avon demonstrate, the companies that focus on their brand's attitude and vision throughout the value chain (from the purchasing team to the financial team) will often see the results reflected in its company's earnings.

Conclusion

Although budgets may be tight and stealing market share may seem impossible, there is still potential for growth. Brands need to adopt some of the practices outlined here, and adapt them to their specific needs. In tough markets shoppers' are evolving faster than ever. The brands that evolve with them will be the ones that will come out on top.

The crisis paradox: how intelligent branding can help you seize opportunities in a downturn

by Josh Feldmeth

Biography: Josh Feldmeth has worked with leading retail brands all over the world. In his role as European Practice Leader for Interbrand's Analytics team, Josh helps to ensure that everything we do for clients, from strategy through creative, creates business value. He helps colleagues and clients understand the mechanics of how brands create value and where capital should be deployed to maximize that value.

Navigating turbulent seas

Rising energy demand, food shortages, soaring raw materials costs, frozen financial markets, declining productivity, and waning consumer confidence—these seismic shifts are reshaping the financial sector and challenging players up and down the value chain to produce results. Few will remain untouched. Even industries like healthcare, where demand is less sensitive to market fluctuations or ultra-luxury brands, whose customers tend to be insulated from economic downturns, will surely have to make some tough decisions in the coming weeks, months, and years.

Management has snapped into action, deploying the classic recessionary tools—consolidation, cuts in their workforce, spending caps, and budget reductions. And yet, the question remains: How should brands be managed in a crisis? What kinds of recessionary tools should marketers be using?

Interestingly, the tools that may work in other parts of the business don't necessarily apply to branding. While you can downsize, right size, in-source, and outsource, you can't fire the brand. It won't go away. Brand owners only have two options to navigate turbulent seas. They can either ignore the brand (i.e. stop spending) or manage brand assets for greater value.

Although the first solution of ignoring the brand may seem the simplest, the brands that choose the second can seize unique opportunities in challenging markets. These are the organizations that build unbeatable brands—and these are the brands that may even come out winning a new and bigger piece of the pie by adapting to the changing environment.

Effectiveness + efficiency = more from less

Well-positioned brands create value by driving demand. Smart brand owners manage this value by building strong brands that secure future revenue over time. The current environment is demanding even greater returns, forcing brand owners to quickly locate incremental value from the brands they manage. Unfortunately, even organizations with strong brands can struggle to capture incremental value for two big reasons.

1. They lack a detailed understanding of brand mechanics—how their brands influence behavior and customer choice. Greater insight into the mechanics of brand value creation is essential for improving effectiveness during periods of market instability.

2. They are not equipped with the advanced management tools required to make complicated and pressurized capital allocation decisions. Improved decision-making can optimize brand efficiency by measuring return on brand investment, assessing risk, estimating outcomes, and clarifying the future scenarios with the highest probability of success.

The two together—effectiveness and efficiency—promise what the recessionary brand owner needs: more from less. Far easier said than done. Still, with advanced analytics, some process discipline, and the courage to move quickly, it is possible to achieve this goal.

How to get there?

The right move depends on many factors: industry, strategy, customer targets, and internal organization and culture. Here are some of the typical questions we are hearing right now from clients under pressure:

- **I need new sources of revenue, fast—how do I find it?**
- **My 2009 budget is in jeopardy, and I need to prove ROI—how do I do this? How do I do more with less this year?**
- **How can I squeeze more value from my brand portfolio, my retail network, or my global chain of restaurants?**
- **How do I offset declining growth in my category? How do I hit growth targets when customers are cutting back?**
- **How can I continue to justify my price premium? What do I do given that my brand is at the premium end of the category?**
- **We're launching a major initiative, and in this market, there is no room for error—how do I ensure that nothing goes wrong?**

While the burning business questions may differ from client to client, all require a greater understanding of the mechanics of brand value creation (effectiveness). This understanding will help brands create more value and improve decision-making (efficiency), so brands can spend more wisely.

The tools of brand analytics—tailored research, intelligence systems, risk and probability models, capital optimization—are essential for winning in crisis markets. A crisis not only disrupts financial and consumer markets, it also radically changes everything that you once may have held to be true about your brand. New customer behaviors emerge, competitors consolidate, and regulation changes. Because the knowledge used to manage brands during more stable business cycles becomes either suspect or irrelevant, it is essential for brands to unlearn, relearn, and refresh their brand strategies—and they can do this by using brand analytics tools, to quickly adjust to a shifting landscape and make informed investments.

Below are some very recent examples of a variety of companies who have refreshed their strategies to better manage their brands through the crisis.

Brands who leveraged more value from current assets

A global, diversified bank rebalanced its brand portfolio toward a more efficient centralized model based on the insight that drivers of choice were consolidating globally. *(Read more about this bank in the sidebar, Case study #1.)*

After watching competitors experiment with new restaurant concepts, like McDonald's R-Gym, an international quick-service restaurant chain recently questioned if they were over-investing in expensive facility programs, and under-investing in marketing and food promotions that can get to market more quickly.

A big box US retailer reinvented its store into a more experiential destination, with broader services and in-store resources, in order to gain visits from cost-conscious shoppers looking for new (and cheaper) sources of entertainment.

Brands who found new sources of growth

A major FMCG player mined its current consumer segmentation data for insights on how target customers attach to the brand, preventing private label and share erosion.

A global heavy equipment manufacturer identified brand partnerships that leveraged common brand equities, resulting in several million Euros of incremental brand revenue.

A UK-based retailer and global FMCG player joined forces to re-orchestrate retail shelving principles based on shopper needs, stimulating organic growth in the category. *(Read more about this UK-based retailer in the sidebar, Case study #2.)*

Case study #1: Banking on the brand Demand delivered just in time.

No one is feeling the current crunch more than banks. Many of the current challenges, from capitalization concerns to reputation loss will take years to repair. Our client didn't want to wait.

Starting earlier in 2008, we engaged with a leading diversified bank to recalibrate its brand portfolio for greater value. We investigated drivers of demand and existing brand equities in mature and growth markets across each of the client's sub-branded businesses around the globe.

Our research results ran counter to convention. Customer needs - from retail customers Europe to new, money, and high net, worth individuals in Asia to investment bank customers in the US—unexpectedly demonstrated considerable overlap. These very different customers had very similar needs, and for a global bank, with far-flung marketing, communication, and sponsorship activities, it presented an invaluable opportunity to leverage brand investments for greater return.

Using the data, we constructed a structural equation model to identify brand interaction effects: how the perceptions of one or more of the client's brands created (and prevented) demand for other brands in the portfolio. This intelligence revealed a new set of portfolio management principles. If followed, these principles would grow demand across the business.

The so-called holy grail of branding—greater effectiveness and efficiency equals more for less—was delivered in a spreadsheet, just in time for the global financial meltdown.

Case study #2: Attention shoppers There's hidden value on aisle 5.

Food store and supercenter shoppers are extraordinary creatures. Whether sniffing out a bum melon, spotting a better deal across the aisle, making adjustments when their product is out of stock, or handling split-second volume/price calculations while simultaneously juggling a baby and a mobile phone conversation, they can do it all. And they have to, considering how insensibly the typical shelf is organized.

We recently helped our client, a global consumer goods manufacturer and its retail partners, turn insights about shoppers into eight percent organic growth in a stable, household needs category.

We spent time with shoppers in their homes, learning what it was like for them to use the products and how and why they organized their collection of cleaning products. We then took that insight into the store and re-organized the shelves in terms of tasks and benefits to match how shoppers actually organized the category in their mind. In the end, they didn't notice the change, and that was the point.

The new organization mirrored shoppers' own approach to the category. It finally made sense to them. And because it was easier to shop, it refocused their attention from simply finding what they were looking for to discovering new, higher margin offerings from the brands they already trusted.

Shoppers were delighted and our client saw organic category growth without an expensive marketing and communication program—now that's a bargain.

Brands that improved their decision-making

The corporate brand manager at a life and chemical sciences company proved the Return on Brand Investment (ROBI). The concrete data encouraged support for an increase in his budget allocation. *(Read more about this life and chemical sciences company in the sidebar, Case study #3.)*

A global, consumer, electronics firm optimized brand spend, resulting in 20 percent greater efficiency of marketing activity.

A leading media company justified its brand budget by identifying how the interaction between branded content and greater customer choice affected its brand value.

These examples represent the power of brand intelligence. All of the brands above recognized that their knowledge about their brand no longer applied to the current market, and quickly updated their intelligence to detect and seize new opportunities. An understanding of brand mechanics showed these brand owners how they could make their offer more attractive and grow revenue. This refreshed brand intelligence in turn fed investment models that supported better financial decision-making.

Yes, times are tough. Yet, as these examples prove, brand intelligence can go a long way. Brands need to rise to the challenge by understanding their markets better than ever before. They need to use their improved insights to make stronger, more efficient, and more effective decisions.

The crisis paradox

The current environment is challenging and the concerns that many are feeling are valid. But this challenge also presents a singular opportunity for brands to perform better than ever before.

As markets contract and customers have less means to buy, they don't just buy less, but change their choice behavior entirely. Across the entire spectrum of markets, from contract logistics to commercial travel, washing up powder to wealth management, nearly every decision, even the most routine, is now up for grabs.

This might be a terrifying competitive reality, particularly for market leaders and those operating at the premium end of a price range. But it is also an opportunity for strong brands.

Brands win because they drive choice. Usually, the ability for brands to steal share is limited as customers buy on "auto pilot" with unexamined brand loyalties and a narrow functional decision criteria. But now, beset by manifold crises, customers are reconsidering almost every choice anew. True, the overall pie might be flat-to-shrinking, but shares within that pie, or the distribution of brand choice, can be highly fluid and the brands with the strongest proposition will win. And winning means a better future. Remember downturns are always followed by upturns.

You can call it the Crisis Paradox. The same extraordinary forces that are freezing liquidity, threatening solvency, and forcing customers to cut back on purchases have also opened up brand choice—the customer moment of truth.

Beset by manifold crises, customers are reconsidering almost every choice anew.

Across the entire spectrum of markets, from contract logistics to commercial travel, washing up powder to wealth management, nearly every decision, even the most routine, is now up for grabs.

Consider it this way: in a downturn, it is not that customers will stop buying altogether. The desire to buy and the psychological need for satisfaction is still very much there—it has to be, as just months ago consumerism was rampant. What's changed is that consumers now have to buy on a budget. As a result, customers will want more value for their purchases; they become more demanding. If a service or a product is sub-par, they will go elsewhere—and with so many businesses desperate for their support, they will be sure to find a brand that satisfies their needs.

And yet, there is a way to become the brand that satisfies consumer's growing needs; there's a way to become the brand that captures a share of customer choice that was previously unavailable. Through a detailed understanding of brand mechanics, you can make the decisions that will optimize brand efficiency and satisfy consumers' needs.

As bad as times may seem, there is also the opportunity to capture a share of customer choice that was previously unavailable. It may be hard work to get there and you may need to reevaluate your approach, your audience, and even your product, but there's always a way to remodel. Good news for strong brands; dark clouds for the weak ones.

Case study #3: Proving the case "Good thoughts are no better than good dreams, unless they be executed!"

- Ralph Waldo Emerson

Marketers tend to get excited about brand strategy. It's understandable—it's a fun conversation about a brighter future. However, a brilliant new brand strategy has never earned or saved anyone money until it was executed.

Our client, a global life and chemical sciences company corporate brand manager, had just minted a new corporate brand positioning when he realized that the millions required to execute it would not come unless he produced a business case for change.

By interviewing company employees and analyzing competitors for clues, we identified three Brand Points of Impact (BPIs)—areas within the organization where a revitalized corporate brand could impact the business and create real value. These were hard metrics like revenue, gross margin, employee retention rates and marketing efficiencies.

Scouring employee data, customer satisfaction surveys, recruiting profiles, company financials, and anything else we could get our hands on, we quantified realistic estimates of potential brand impact. We loaded these estimates into a financial model, and used risk simulation algorithms to estimate the benefit of a new corporate brand in each point of impact.

The result was a year-one discounted Return on Brand Investment (ROBI) projection ranging from 170 to 260 percent.

For the client, this meant the difference between defending an existing budget request and proving the case for increased investment—and the proof got him the green light. Who can argue with that?

Break away from the pack: how transforming category language keeps your brand safe from substitutes

by Fred Richards and Bertrand Chovet

Biography: Dyfed "Fred" Richards is Interbrand's Executive Creative Director in Cincinnati. He has traveled the world, creating and experiencing brands in diverse cultures and categories. Constantly inventing new techniques for unlocking creativity, Fred has developed some of Interbrand's breakthrough design methods, and his expertise in the FMCG category has helped to build some of the world's leading brands. Fred is a prolific author and commentator on brands, and captures his insights in a weekly design review.

Biography: Bertrand Chovet seeks to build brand distinctiveness and consumer loyalty in every single client engagement. As Managing Director of Interbrand Paris, his commitment to high performance has resulted in many award-winning retail and package design programs. For 15 years, Bertrand has worked with Interbrand clients on extensive business issues across a wide range of sectors, from FMCG to luxury brands.

Think back to your last trip to a supermarket. As you scanned the shelves, did you notice that some competitors within the same category use the same design cues on packaging? If you did, it was no fluke occurrence. Within certain categories, there is a disturbing trend to follow what can only described as formula design principles.

The simplest and easiest example is in the cereal category. Granted, the category is expanding with more health-conscious offerings, but even there, the rules of design are the same. How is the consumer supposed to shop the category if everything is the same—same color palette, same architecture, same silly cartoon character, same product delivery, same milk splash/pour, and same spoon? The formula does not even change from country to country—it is strictly followed ad nauseam. How is this possible, and where are the agencies and advisors to command otherwise?

Sadly, this blind design crime is committed in more categories than just cereal. Honey, power drinks, gourmet biscuits, laundry detergent, shampoo, pasta sauce, and motor oil (to name but a few) all fall prey to the same stagnant and predictable thinking.

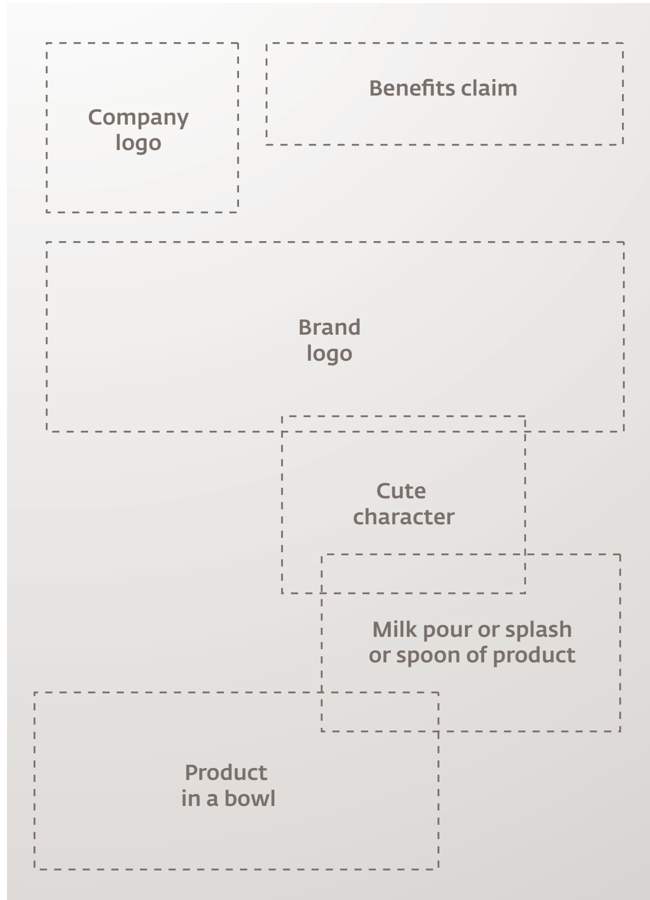
For example, within the fabric softener category, Cajoline/Snuggle (Unilever) in France illustrates its packaging with a teddy bear playing with a towel. Soupline/Softlan (Colgate-Palmolive) takes an emotional approach as well, showing a newborn baby or mother with a baby wrapped in a towel, while Minidou/Silan (Henkel) enriched its packaging with a photograph of a mother kissing her baby. Moreover, Comfort (Unilever) in the UK uses an equal design of a mother with her baby, all encapsulated by a heart, which the Soupline brand Colgate-Palmolive, Europe) has also recently added.

Where have all the brand guardians gone?

This begs the obvious question: Where are the design consultants in all of this mess? Are they so absorbed in producing hip and current designs that they too get lost in the language or, worse yet, the trend of the day? Design consultancies have a fundamental responsibility to advise and push back on a brief as they guide their clients to new levels of creative brand excellence. They must respect the rules of the category while leveraging the opportunity to create white space and ownable, defendable brand equities with which the brand and consumer identify. Easier said than done!

Ultimately, the situation boils down to trust, understanding, and personal relationships. Designers have to fully comprehend the brand's marketing objectives, as well as the competitive landscape. Moreover, clients have to trust the designers' abilities to create white space within that arena—a process that can make both parties uncomfortable.

Unfortunately, failure to understand, listen, and engage in constructive dialogue during the time of creation often leads to category malaise. Designers are actively encouraged to follow the trend of the day (no matter how lame or obvious it is) in an attempt to placate or enthrall the client, who may see the category language and opportunity, but not the ultimate prize. In the end, this has left these brands particularly vulnerable to private label brands, which easily adopt a category's markers—and sell the product at a lower price.



Formulaic design principles

Carrefour: Putting the shoppers' concerns first

Carrefour achieved astounding growth through its private label brands.

In 2005, Carrefour—the world's second largest retailer of groceries and consumers goods—launched a third generation of products that would mix the lowest prices in each market with a socially responsible proposition.

Based on shopper insights and category research, Carrefour organized its offer into three categories: Carrefour for Everyday, Carrefour Agir (organic and ethical products), and Carrefour Selection (premium products). Each category had a distinctive look that also corresponded with the larger master brand.

Carrefour for Everyday included over 8,000 products and was given key shelf space, often on eye level. Carrefour Agir's simple look and packaging evoked the sub-brand's organic and eco-conscious contents. A mix of classical and unexpected graphics was used to convey Carrefour Selection's premium, upscale range of products.

The launch of these private label brands was a huge success. Nine out of ten shoppers are buying Carrefour products, which represents more than 25 percent of the turnover.

AGIR Carrefour

Private label brands: stolen identity done right

Over the past 10 years, we have seen an improvement in private label brands due to the lower cost of printing. Indeed, a Nielsen report from late November 2008 states that sales of private-label brands in the U.S. grew to US$ 81 billion in 2008, a 10.2 percent year-on-year growth versus 2007. That's because private labels have, and continue to, consolidate strong store brands that can extend well into different categories, and succeed in driving sales. *(See more in the Carrefour sidebar.)*

Private label brands appear more frequently throughout a store, which multiply touchpoints and create more occasions for purchase. Frequent appearance also creates more familiarity with the label, which increases reputation, despite advertising that is lower in comparison to manufacturers' brands. Additionally, with private label brands, shoppers can begin to look at a store as a destination to find their trusted brand or brands. Formulaic design only helps these private label brands more by making it easy and affordable to create a competitive look for their products.

Consumers now expect to get more and pay less on a continuous basis.

Consumer expectations and brand substitution

Changes in consumer expectations also support the growth of private label brands. Consumers now expect to get more and pay less on a continuous basis. New to the purchase decision is the consumer's hurdle for substitution. The perceived cost of the additional time and effort that is required to locate and acquire an unavailable product from an alternate store or channel is great. Indeed, consumers' need for immediate purchase satisfaction often outweighs any perceived sacrifice in quality and brand preference. Shoppers are striving to save the "negative time/labor time" in supermarkets or department stores in order to increase their "positive time/enjoyment/family time."

Recent research only confirms this. An IGD-Consumer Research 2006 study shows that when a product is unavailable, 40 percent of consumers buy it at another store, 17 percent delay purchase, 22 percent substitute a different brand, seven percent substitute the same brand and eight percent do not purchase the item.

A key objective in manufacturers' and retailers' promotions is to increase sales by motivating brand substitution. Promotion enables both retailer and manufacturer to meet objectives when brand substitution occurs. Brand substitution is investigated by developing sales response models relating each brand's sales to its own and its competitors' variables. Store price, featuring, and display all come in to play with substitution. To illustrate, when a store offers Brand C at a promoted price, Brand A and Brand B will lose sales. The average explained variance across brand-level models is 42 percent: 26 percent price promotion, 12 percent featuring, and 4 percent display.

With private labels, not only is the price is generally lower, but the brands are displayed more frequently in the store. So, in categories where all the brands look the same, they have a clear advantage in capturing the 19 percent of consumers' that choose to substitute a brand that is unavailable.

Stand out or get out!

In order for a brand to minimize the private label takeover threat, it has to be itself—it has to play up its unique strengths within any given category. Following another brand's language does not add value to a brand or the consumer's experience. Designers need to clearly map out what the category is saying at shelf level. How does the consumer approach the category? How do consumers choose from one brand to the next? Do they actively engage with the package? Do they compare one label to another or do they judge from a distance and then select? In addition to thinking carefully about all of these factors, designers need to communicate their thoughts clearly and concisely to capture shoppers, who might be eager to adopt a new trend. Creative differentiation can be leveraged through various drivers: from a more effectively targeted message, a better conveyed value message (premium vs. private label),to a stronger depiction of a brands' social and lifestyle values, to an innovative message that answers new consumer expectations.

Think about it this way: What makes a sports star stand out from the rest of the team? Most likely, he or she understands the rules of the game. However, at the same time, he or she distorts and surprises viewers with a new and inventive playing style. A brand functions in the same way. It becomes ingrained in our psyche by both playing and subverting game rules.

On a long-term basis, brands need to build relevant difference and consumer preference in order to combat an increase in competition and a decrease in sales. Meaningful differentiation and consumer loyalty will make consumers look to your brand and create more value.

Fast moving consumer goods in regional markets: trends, challenges, and insights by Richard Veit

Biography: Richard Veit is a member of the Management Board for Central & Eastern Europe. Richard is responsible for strategic development of the region's Fast Moving Consumer Goods practice. He is also managing director of Interbrand's Hamburg office. Richard uses his wealth of experience and knowledge to help businesses evaluate and assess their brands.

The Central and Eastern European market is comprised of more than 300 million consumers. This includes all the countries of the former Soviet Union, as well as countries that were formerly a part of the Warsaw pact. Together with China and India, the Central and Eastern European market is one of the largest growth markets for the food and beverage industry in the world.

While a look into the state of homegrown consumer product brands in the region is worthwhile simply for the opportunities this market offers, it also tells a larger story about brands in all growth markets. The broader insights and success logics that these brands reveal can be applied to all regions with similar development patterns. A good place to begin is with a look at the international FMCG players that have seen success building brands and business in the region. These brands have succeeded in solidifying a presence in the region by adopting a brand-oriented strategy. Their successful expansion has put pressure on regional brands.

01 Acquiring and developing strong local brand champions

Global and European FMCG companies, particularly in the beverage, confectionery, and dairy industry, have made their presence felt in the market by establishing strong marketing and distribution platforms for their brands, as well as acquiring leading producers in their respective category. These companies have skillfully combined international lead brands with strong local brands. For instance, Heineken markets both its international brand (Heineken) and Zywiec, Poland's national brand. ABInbev does the same with Beck's and Borsodi Sör in Hungary and Carlsberg with Baltika, plus further brands in Russia.

Heineken markets both its international brand (Heineken) and Zywiec, Poland's national brand.

02 Communicating the right brand promise

The growth of international FMCG brands in the Central & Eastern European region has very much been rooted in the growing convergence of consumers' value systems and aspirations in Western and European societies. Despite substantial differences in household net-incomes, the desired lifestyles in these regions are quite similar. Successful international brands have tapped into consumers' desire for identification and the need to communicate their belonging to a new wealth and lifestyle community. The simple brand promise—to deliver a different quality and way of life—has led to regional acceptance of these international brands.

03 Establishing a strong retail infrastructure and retail concept

Central and Eastern European countries have experienced a massive entry of major food retailers. Brands like Tesco, Carrefour, and Lidl have established a significant retail presence and highly efficient retail infrastructure systems in the region. Better roads and more cars have allowed for these major food retailers to occupy shopping malls and strip malls, thus driving and setting the benchmark in food retailing. Meanwhile, established and deepening partnerships between major retailers and major producers have facilitated European purchasing agreements. Additionally, we have seen the emergence of regional chains that follow retail business models, similar to Western European countries. The ongoing trend towards retail systems rather than stand-alone shops favors strong brands, but also stimulates the retailers' interest to explore the potential of introducing retailer owned brand propositions.

04 Developing locally strong brands into regional brand jewels

This strategy has become a major avenue for growth. It makes a lot of sense to cherish and utilize a local brand's equity and heritage. The international companies that have succeeded in this region have taken this one step further. They've redefined these local brands' personalities to create powerful pillars of identification beyond their local market. The combination of international and revamped national or regional brands is proving to be an especially superior recipe for brands with a strong local presence—for instance, the brewing industry with Inbev leveraging the Czech Republic's Staropramen.

05 Using the global communication networks to their advantage

The major FMCG players have also been keen on securing the services of global communication networks. The international network agencies show a strong presence in the region and play a significant role in the communication arena. This allows invaluable local insights and an invaluable local network to be paired with brand and communication specialists. In many cases, this network is built on international brand accounts or framework agreements. Additionally, brand marketers have looked to brand experts in major European branding capitals such as London, Paris, and Hamburg to bolster these local insights.

Insights about Central and Eastern European FMCG brands and brand management

International FMCG brands' successful expansion into the Central and Eastern European market has challenged regional and local brands. Despite the consumer loyalty these brands inspire due to their strong presence in regional and local cultures, they have had to adapt to new competition and shifts in the economy.

Regional brands have responded to the new challenges in a variety of ways. While they are on the right track, there is still much room for improvement.

01 Branding is becoming a recognized discipline—but it still needs to be understood as an integrated process

A lot of branding homework has already been done on regional and local FMCG brands. In general, the quality of branding has been greatly improved over the last few years. The importance of branding has become more widely recognized as an essential concept to fuel the success of a brand.

However, based on our experience, it is also clear that in many cases, the concept of branding is only understood as either the creation of a logo, a label, or a package design. Many Central and Eastern European local brands do not view branding as an integrated concept. The systematic process still remains a challenge.

The local brands have trouble deriving compelling brand ideas from genuine brand insight. They also have difficulty understanding how the idea links with a distinct brand identity and a properly segmented brand assortment. As such, communicating the brand to an audience becomes difficult. Although branding is on the way to becoming a recognized discipline, and the level of proficiency is steadily improving, regional brands need to focus more on brand positioning. In particular, it is of key importance that the brand personality is authentic and that the products live up to the brand's promise. Regional or local closeness can represent an interesting aspect of the brand's positioning, but should not be overexploited. It should not be viewed as a reliable and exclusive means to sufficiently create relevance and consumer preference.

02 While local and regional brands are upgrading their identities, insight driven innovation is key

Central and Eastern European brands have a rich heritage because historically there were only a few brands around in the respective region. Local and regional brands are part of culture. They express closeness, and are a vehicle to identify and cherish local pride. Analysis of the equities of a number of brands over the last few years in this region has revealed that local brands are generally highly trusted in their respective categories. This respect was earned through many years of consumption experience and these brands tend to evoke fond and nostalgic associations.

Regional brands hold a privileged position. They can interpret international trends and put them into a local context.

Still, these brands' strong positions in their category are now tremendously challenged by the rise of international brands as well as by private label brands offered by retailers. As consumers' value patterns and preferences evolve and change due to the influx of competition, local brands need to behave accordingly. In order for brands to stay on top of the consumer preference game, they will need to adapt to the change from supply-based to competition-based economy. They will also need to continue the brand relationship in the context of a more sophisticated brand and retail environment.

Disruptive political developments and changing preconditions to conduct business put a lot of pressure on such brands as well. The key challenge is to define future-oriented brand visions. While local brands need to take existing brand equities into account, they cannot rely on the past in determining the future brand personality. The speed of change in the environment and the consumers' willingness for change for the better generally points to more courageous branding strategies. Although brand marketers in Central and Eastern Europe have been taking bigger steps in developing their brands, the realization beyond brand definition and brand design remains a challenging issue.

03 Widening the brand and product portfolios is a way to grow, but it results in a more complex brand and marketing management

FMCG brands in Central and Eastern Europe, if not owned by any international players, are often developed and managed by an entrepreneurially oriented management. Regional FMCG firms are actively participating in the consolidation process of the regional food and beverage industry. They are seizing opportunities for growth by acquiring companies within a certain product category, as well as additional categories being sold through the same retail channels. As a result, brand portfolios and assortments are extended.

However, in relation to the overall size of business, these brands have also added management complexities. Productivity and innovation pressures in each category have multiplied. Unlike the growth strategies practiced by major international FMCG companies, the growth strategies practiced by these regional businesses are based on buying market share, rather than building market share. Over the last years, assortments of regional players have been growing tremendously, not only due to the increased number of new product launches, but also due to the reluctance of eliminating low turnover items. Regional brands need to work on streamlining their portfolios, as well as building strong brands and propositions. Managing the long tail of the assortment is still an underestimated issue. Major FMCG players are very skillful in defining the pace and frequency of new product launches. This being said, they also continuously question the size and structure of the assortment.

Success logics for regional FMCG brands

One way for regional brands to build new brand propositions is to root innovation in local consumer insights. While regional players are at a disadvantage in creating the difference in innovative brand propositions, regional brands can use their history to their advantage.

Regional brands hold a privileged position. They can interpret international trends and put them into a local context. When trends emerging in foreign countries are brought to the local markets by foreign brands, they seem to speak a different language. But when interpretations tuned towards local taste preferences are brought under the trusted umbrella of a local brand, the product will resonate with consumers. Still, this cannot be done without a deep understanding of the product. If ethnic authenticity is expected or the trend based product innovation is out of sync with the competence of the brand, the product is likely to fail.

Food and beverage, in particular, have a cultural home in many ways. A culinary and beverage heritage is a tremendous asset for regional brands. If they do not just focus on celebrating the brand's heritage, and instead take a leading role in developing the food and beverage heritage—reinterpreting modern lifestyle consumption situations—regional brands will be able to legitimize their raison d'être.

A regional brand in food & beverage has its own set of advantages

Small has its advantages. Size does not always matter. Small brands cater to the consumers' need for individualization and exclusivity.

Consumers do not always appreciate the effects of exorbitant communication power exercised by leading international brands. Regional brands are perceived to communicate at eye level with the consumer. They also create a less industrially manufactured impression that is often associated with targeting consumers in mass markets. Small brands project humanity. Because they are "made with human care," they are, at times, even perceived as courageous. With small brands, consumers turn the lack of ubiquity into an element of uniqueness, helping consumers distinguish themselves from the crowd.

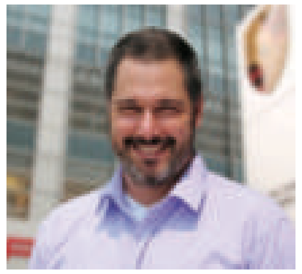
The retailer needs products with a regional source, simply because consumers want it. A recent study conducted by a major research firm among German consumers reveals that consumers would like to see far more local and regional brands on retail shelves. Consumers appreciate retailers who are familiar with regional food and beverage culture and are committed to offering regional brands. However, brands need to be aware of the difference between a regional offer and a B or C league brand that is an endangered species among both consumers and retailers.

Conclusion

The success of major international FMCG brands in the Central and Eastern European market has put pressure on regional brands. And yet, regional FMCG brands' rich history and small size—particularly in the food and beverage market—offer them an advantage. If regional brands work on building innovative brand propositions rooted in consumer insights, and continue to take increasingly sophisticated branding measures to build their brands, they will be more than prepared for the challenges that lie ahead.

Shifting winds: trends and insights for the future of Asia's major retail markets
by Burton Blume and Jonathan Chajet

Biography: Burton Blume is Interbrand's Executive Strategy Director for Asia-Pacific. Burton manages branding projects across the Asia-Pacific region. Following a career in advertising and marketing communications, he joined Interbrand in 2001 to lead the verbal identity and global branding teams. An accomplished writer, he has lived and worked in Japan for 30 years and is fluent in Japanese.



Biography: Jonathan Chajet is Managing Director of Interbrand China. His team delivers strategic solutions to clients' global and local branding issues. Jonathan has helped create, enhance, and manage some of the world's most recognized brands. His expertise and world view are invaluable to building brands in the complex Chinese market.

Until recent months, retail in Asia seemed unstoppable. With disposable incomes increasing and distribution flowing more freely than ever, Asian consumers have had the means and access to meet their growing appetite for a higher standard of living. Inexpensive land, low labor costs, favorable government policies and young, upwardly mobile demographics in China and Southeast Asia contributed to a retail boom that has shown no signs of ending. On the other end of the spectrum, Japan and Korea saw the rise of sophisticated brands that emphasized quality, unique products, and high service standards. And with the emergence of shopping tourism, in which affluent consumers travel outside their home country for retail experiences, other regions have benefited from the boom as well.

Despite the recent prosperity, clouds have formed on the horizon. As the economic crisis spreads, one industry after another announces restructuring plans with domino-like precision. It appears that no economy, including Asia, can find shelter from the storm. Many brands are de-committing from capital investments in new stores and promotional campaigns, and many others are taking a wait and see approach. High-wealth individuals are trying to be less conspicuous in their consumption habits.

This sudden reforecast has left many wondering where the Asian retail market is headed next. But before we can chart the future, it is useful to understand the past; specifically, how are Asian consumers unique?

A new climate in Asia

In Asia, the highest need is status seeking. Group before individual, we before me, needs of superiors before needs of self; these values are the result of thousands of years of social and family norms. In marketing terms, Asian consumers seek brands that give them "face" and convey status: "What does this brand make others think about me?"

And yet, the picture is more complex. Asian consumers surround themselves with concentric rings that separate the external world of society and business from the inner world of family and close friends. People share very little information with each other about their private lives, and shop for many items in a much less public fashion.

Recent lifestyle changes in Asia also need to be taken into account when predicting the next trends in Asian retail. Today, consumers in Asia need not travel far from home to find the things they desire. Following the deregulation of zoning laws in 2000, new big box stores and large-scale malls have proliferated in Japan and other parts of Asia. The local Tesco, mini-mall, or cineplex is a short commute away. Shoppers don't have to travel as far for their favorite goods, and as a result, brands have become more intrinsic to their lifestyle than ever before. The demand is there and now consumers have access to what they desire.

Additionally, over the last ten years, purchasing a home has become as much a symbol of status as it is a wise investment choice, and many newlyweds defer the costs of starting a family so they can save for a down payment. With more comfort and living space at home, people are less motivated to go out for meals, entertainment, and shopping. Hosting friends at home was once an impractical luxury, but now seems more fashionable.

At the same time, online shopping and TV shopping networks are offering more choices, better prices, and greater ease for those who want to shop from the comfort of their home. While many consumers will visit retail stores to educate themselves about their desired purchases, they will ultimately spend much more time online searching for the absolute best price. This is sure to become an even larger factor in today's climate, when time seems to be the only affordable luxury.

Trends and insights

The underlying values of Asian consumers, as well as these recent shifts in consumers' lifestyles will dictate how Asian consumers are likely to react to the downturn. Let's look at where Asian retail is headed next.

01 Staying in

While the financial crisis may curb Asian consumers' appetite for recreational shopping for the time being, the growing emphasis on the home and home decorating over the last 10 years still holds firm. These changing circumstances may suit the Japanese, in particular, who appear to be retreating to the comforts of home to wait out the rain—although they have not stopped spending altogether. It's just that their shopping lists have changed. Now they are spending on home entertainment, Nintendo Wii computer games, quality beer, and large refrigerators. As in Western markets, the "staycation" has replaced the vacation.

02 More personal retail experience

As the market heads downward, it is likely that we will see cuts in label spending. We saw a similar trend emerge when the bubble burst in Japan in the 1990's. While in the 1980's, Japanese consumers were extremely label-conscious and renowned for the splurges on designer brand accessories and clothing, homegrown brands like MUJI and UNIQLO emerged after the downturn, offering consistent and affordable standards of quality.

Meanwhile, in China, memories of much tougher times are still fresh in the minds of older consumers, and the seeds of caution are deeply planted in their children. Today's economic crisis is a first for many young Chinese consumers, but their parent's values are finding a new relevance. Practicality, savings, and a demand for value are the new purchase drivers. Big-ticket items like cars, overseas vacations, and large screen televisions are being deferred, at least for the time being, until the future is more certain. On the top of the shopping list are little luxuries like gold jewelry and small electronics that hold their value, and project a more sensible image.

Overall, more and more Asian consumers will begin looking beyond the label, using strong personal criteria to evaluate merchandise instead. So while a downturn may affect Asia's new shopping mall paradises and the global brands that have set up flagship stores in the region, new doors are opening in the market that will redefine retail experience in a very personal way.

03 Continued growth of online retail

The Internet will continue to feed the Asian consumer's shopping appetite. Online resources will aid shoppers' evaluation of products, and help them find products at the lowest cost, creating challenges and opportunities for entrepreneurs and established brands alike.

While postponing excursions to other countries, consumers will flock to the web if the experience is innovative and transporting. Online retailing, although never a substitute for an afternoon at the mall or a week in Tokyo or Shanghai, will rise to the challenge by creating interactive shopping experiences that are more dramatic and personalized than ever before.

This includes online giants like Rakuten, which sells products from independent vendors and offers everything from comic books to organic eggs. Book Off and Gulliver are two other notable companies that do business both in stores and online. Gulliver, in particular, has leveraged online capabilities by using its high-tech networking to help customers find the specific used cars they are looking for, including expensive, foreign models. These brands prove that Asia has no short supply of online retail—and all of these companies are holding their own against strong competition from foreign retailers.

A new bloom for retail

In the cycle of economic life, new opportunities will emerge from the economic winter. If history is an indicator, market leaders tend to gain market share in down economies. In uncertain times, quality is a measure of safety, and brands are measured by the promises they keep, not the promises they make.

Despite today's air of apprehension, there may be real opportunities to build strong brands in this environment. The winners will be those that symbolize stylish restraint, authenticity, and value. Those that cut corners or expand beyond their core for the sake of short-term gain will find their brands frosted beyond repair when shoppers are ready to spring into action.

Asian retail shopping may become less conspicuous and more personal as consumers exercise caution and stay closer to home. But brands that are able to penetrate the layers of privacy and speak directly to the needs, values, and aspirations of Asian consumers may define the retail paradigm for the next big wave of Asian shopping.

The remaking of retail
by Lee Carpenter and Greg Silverman

Biography: Greg Silverman is the Global Practice Leader of Analytics, leading a worldwide team in the measurement of brand investment. Before joining Interbrand, Greg's appreciation of consumer and strategy issues led to a career as a strategy consultant. This experience proved invaluable to his current work, allowing him to understand the intricacies of managing and measuring a brand's performance.

Biography: Retail expert Lee Carpenter is Chairman and CEO of Interbrand Design Forum and CEO of Interbrand North America. A noted speaker, Lee is frequently asked to address design, business, and retail groups.

Even as we dig in for a prolonged downturn, we're already anxious to know what awaits us when the pain stops and the dust settles. Will retail ever be the same again? That, of course, depends on people and how they internalize the recession.

Americans, for example, are expected to emerge from 2009 with two million more job losses along with the overall loss of US $10 trillion in household assets. The confrontation with our debt culture and broken health insurance system is having considerable impact. Will we, as a result, continue to see shoppers question every purchase? Will they continue to repair instead of replace, dine in instead of out, and continually revalidate their brand experiences according to value—long after the recession?

Lee Scott, outgoing President and CEO of Wal-Mart, believes that people have, indeed, fundamentally changed and are not "going to have the same immediate desire to go back to consumption and debt."

For many consumers, that will be true, especially among the younger generation whose habits are being formed during a time of financial insecurity. But for others, this is just a speed bump. They'll return to their favorite, ego-satisfying, class brands mixed with mass purchases as soon as they begin to see their home and stock equity rebound.

In the meantime, however, as stores vanish with consumer assets, we'll see a recalibration of retail happening over the next several years. Weaker players will continue to close underperforming stores or consolidate. And as usual, private equity will have its eyes on the real estate.

The winning retail brands will be those that adopt strategies informed by shopper insights to refresh their brands, invest in store enhancements in key markets, and evolve the value proposition to meet the changed behaviors of their particular segment. For example, upscale shoppers will have a new appreciation for the economical aspect of classic items of lasting quality, so brand messages will adapt accordingly.

New formats will most likely have smaller footprints, greater energy efficiency, and reduced inventory that offer shoppers optimum choice instead of endless choice.

A differentiated experience with heightened customer service in more exciting surroundings will be one of the strategies adopted to engage shoppers. We're currently advising our clients to allocate resources to improve the shopping experience, with affordable but meaningful innovations designed to encourage an extra cash register ring and inspire loyalty.

It's vital for retailers to inform their decisions with shopper insights. This is because shoppers might be looking at a cultural change as financial conservatism dovetails with another macrotrend: conservation and sustainability.

It's hard to imagine Americans adopting frugality for its own sake, but with a larger goal in mind, a significant segment of the population may shift the paradigm. And since retailers and shoppers mutually influence one another, retail may adapt to the change by helping shoppers to indulge in thrift.

Thrift is a word rarely heard these days, but its original form is "thrive." Thrift is a means of thriving by wisely making purchase decisions, rather than blindly spending. This is something we routinely recommend that our clients keep in mind when catering to shoppers. Retailers should help their shoppers search for smarter ways to live well.

According to behavioral economic theory, advance purchases like a case of wine are thought of as investments rather than spending. And consumption of a good purchased earlier—a bottle of wine served at dinner—is considered a saving, and even thought of as free.

So the good news is, we'll still be consuming, just framing things differently. We're leaving the buy now, pay later ethos behind while still feeling indulged. The new role of retail will be to associate itself with values and practices that help people with the big picture of life, not just the solutions in its category. Retail can help inspire people and incite their optimism with moderate aspirations.

The U.S. retailer AutoZone supports self-sufficiency by selling its auto parts as complete project solutions, even loaning necessary tools for free. More and more consumers will look to Wal-Mart as a trusted agent that advocates on their behalf, providing value offerings that improve life. Whole Foods Market's online cooking show teaches us how to entertain with healthful, earth-friendly fare at home instead of dining out with friends who may be facing economic difficulties. We'll see service innovations, as well as more local ties and community partnerships.

Meanwhile, resources are limited and tension is high. The time is ripe for innovation, and we may see a world upending idea or two before we reach recovery. U.S. pundits keep comparing current conditions to the Great Depression and more recent historic recessions. But it is too simple to see the future as an updated version of what's past. It's a period of reinvention. It calls for entrepreneurship, creativity, and ingenuity to make your brand a relevant, feel-good experience. We've got new media, demographics, and ideologies—next is new retail.

Le Studio SFR
Top brands regularly look at larger social trends, profiling shoppers' needs and taking the time to revitalize store models. Le Studio SFR builds on the trend towards the convergence of music and technology with its restaurant and Internet lounge bar. The space offers free WiFi, so shoppers can listen through "sonic showers" and download up to one million singles.

The future is not simply an updated version of what has past. It's a period of reinvention.

How we value retail brands

Criteria for consideration

Retailers come in all sorts of shapes and sizes. Standing back from the total retail market, we have identified three broad models.

01 The aggregator
These are brands that are primarily providers of manufacturer choice, environment, and price to mass consumers. Examples would include Wal-Mart, Tesco, Carrefour, and ASDA.

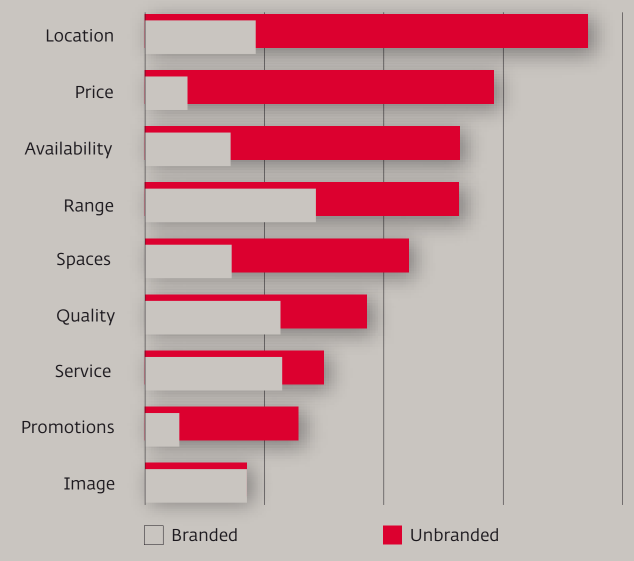
02 Branded own label
These are brands that are primarily providers of a private-label proposition, environment, and price. Examples would be Zara, Abercrombie & Fitch, Marks & Spencer, Mango, and Aldi.

03 Product brands
These are brands that are primarily providers of a private label proposition with the majority of their product being distributed through third party retail brands. Examples would include Adidas, Sony, Levi's, and Burberry.

Please note that our Best Retail Brands study focuses on models one and two. It is looking at brands as retailers, first and foremost.

These are the brands that become valuable through the successful management and combination of any progressive retailers favorite subjects: finance, environment, and increasingly, brand.

BRANDED OWN LABEL DRIVERS / ROLE OF BRAND



Methodology

The Interbrand method for valuing brands is a proven, straightforward, and profound formula that examines brands through the lens of financial strength, importance of driving consumer selection, and the likelihood of ongoing branded revenue. Our method evaluates brands much like any other asset: on the basis of how much they are likely to earn in the future. There are three core components to our proprietary methodology.

Financial analysis
Our approach to valuation starts by forecasting the current and future revenue specifically attributable to the brand. The cost of doing business (operating costs, taxes) and intangibles such as patents and management strength are subtracted to assess what portion of those earnings are due to brand.

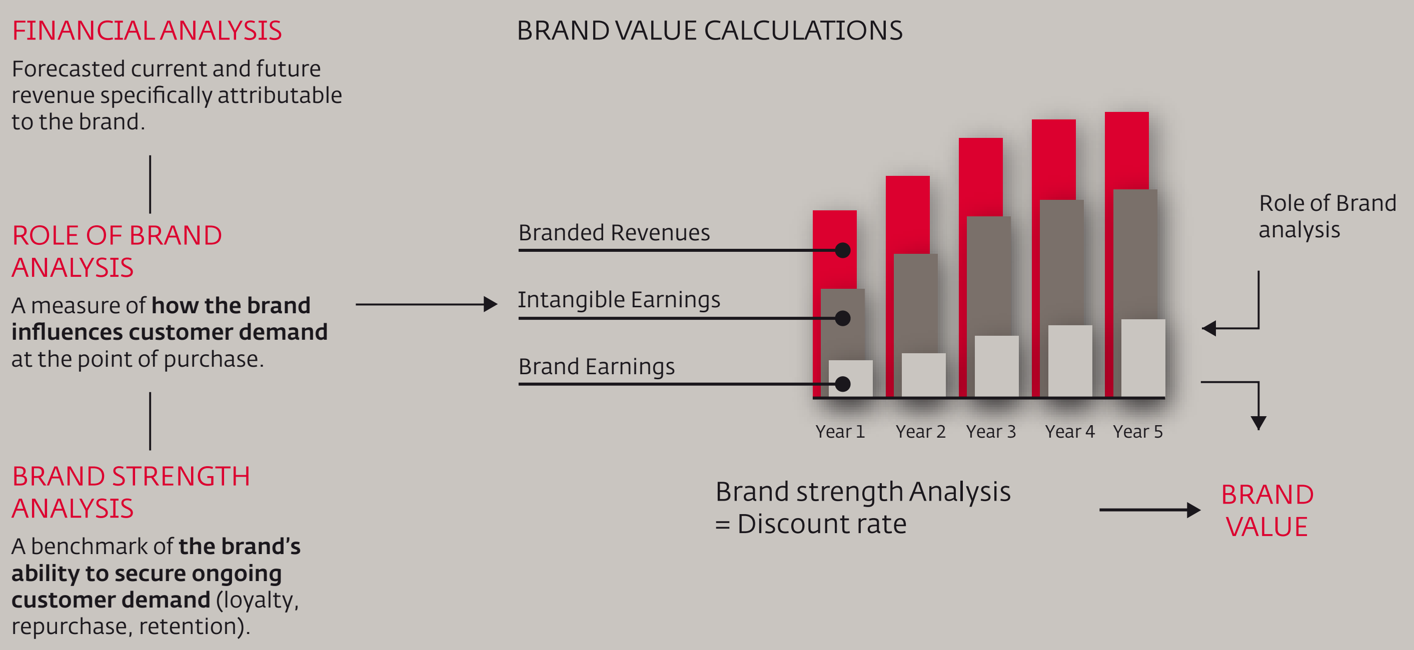
All financial analysis is based on publicly available company information. Interbrand selects from a range of analysts' reports to build a consensus estimate for financial reporting.

Role of brand analysis
A measure of how the brand influences customer demand is applied to the intangible earnings to arrive at the branded earnings.

For this study, retail industry benchmark analysis for the role brand plays in driving customer demand, is derived from Interbrand's database of more than 5,000 brand valuations conducted over the course of 20 years. In-house market research is used to establish individual brand scores against our industry benchmarks.

Brand strength score
This is a benchmark of the brand's ability to secure ongoing customer demand (loyalty, re-purchase, and retention) and thus sustain future earnings, translating branded earnings into net present value. This assessment is a structured way of determining the specific risk to the strength of the brand. We compare the brand against common factors of brand strength, such as market position, customer franchise, image, and support.

BRAND STRENGTH SCORE



The Most Valuable U.S. Retail Brands 2009

Understanding brand dynamics through its concerted analytics tools gives a company 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 five in Canada and Mexico. It's an assessment of the companies that are most successful at managing their brand. 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.

Rank	Brand	Value ($m)
1	Wal-Mart	129,809
2	Best Buy	21,981
3	The Home Depot	20,809
4	Target	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	e-Bay	7,991
12	Staples	7,224
13	Nordstrom	6,753
14	Amazon	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	Ralph Lauren	4,190
22	Kohl's	3,282
23	Sherwin-Williams	3,021
24	JCPenney	2,884
25	AutoZone	2,825

Rank	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	Radio Shack	1,254
34	Urban Outfitters	1,134
35	Bath & Body Works	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	Rent-A-Center	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

1 Walmart 129,809 $m

WAL-MART. 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, especially those that have the most impact on mom. This includes 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. Shoppers will soon be able to check online for product availability at their local store. Targeted savings messages will be delivered via social networks and cell phones. The new "Eleven Moms" blog offers economizing tips and in-store media network Wal-Mart Smart presents customized content on 27,000 screens. This three-prong strategy will help determine how to best mix private label, exclusive label, and national brand products into shelf sets. Product decisions are organized according to "win, play, show." 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 Wal-Mart's one-stop shop status. The company's goal is to be entirely supplied by renewable energy; it's partnering with sustainability suppliers to facilitate the creation of green jobs. Wal-Mart continues to be well above the same store sales of its competitors and has a strong introspective hold on its brand.

Wal-Mart continues to be well above the same store sales of its competitors.

Wal-Mart Supercenter truck, Aurora, Colorado.

2 21,981 $m

BEST BUY. Consumer electronics is the largest and fastest growing retail sector in the U.S. The current market size is US$ 100 billion; the top 10 retailers by volume account for 70 percent 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, and video games cover a wide range of price points from the expanding top-line Magnolia products to more affordable brands.

The company strives to differentiate its brand experience through distinctive touch points, like the Geek Squad VW Bugs. 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-square-foot mall stores has begun. It began a 12-airport test of robotic vending machines branded "Best Buy Express" carrying cell phones, computer accessories and cameras this year.

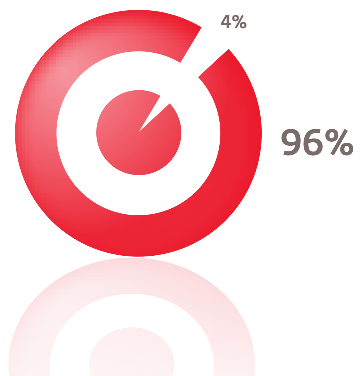
Home Depot is seeking a better understanding of customers' needs, especially women, in order to align with them.

3 20,809 $m

THE HOME DEPOT. The home improvement market is highly fragmented; Home Depot has the largest piece of the pie with 7.7 percent 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 HD is seeking a better understanding of customers' needs, especially women, in order to align with them. It has succeeded in reinstituting the regional-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 generate preference and loyalty.

4 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 percent of Americans and it claims a disproportionate share of affluent shoppers under 45. The brand spends roughly US$ 1 billion a year on advertising, well above their biggest competitor, Wal-Mart, 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.



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

5 CVS/pharmacy 12,566 $m

CVS/PHARMACY. The drugstore industry is dominated by CVS, Walgreens, and Rite Aid, which 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 one billion prescriptions per year and leads in revenue over Walgreens, which has a slightly greater number of stores. With the acquisition of Longs, 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-store ticket size. More than 65 percent 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 Lume, XCD, and Cristophe give it a cachet of "captive brands." In addition, private label makes up 15 percent of front-end sales, a reflection of both the downturn and the company's brand strategy. There is some disconnect between the marketing messages in the store versus those online. To differentiate the shopping experience, a new layout has been designed to make stores more consumer friendly.

6 11,695 $m

DELL. Despite the design influence of Apple and HP's big advertising budget, it's direct seller Dell that makes the list. It's a clear leader in computer products with roughly 30 percent of the market. Dell gets props for doing brand right. However, it 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 Wal-Mart, 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.

Walgreens does excel at offering a variety of formats to meet the needs of each community.

7 Walgreens 11,145 $m

WALGREENS. Walgreens is everywhere; 139.1 million people live within two 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, even though it offered more money than its rival. 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 their product offerings so its brand equities won't become diluted as it tests new offerings. While the company still lags when it comes to shopping experience, Walgreens does excel at offering a variety of formats to meet the needs of each community, such as smaller footprints in high density markets. Drive-thru pharmacies, 24-hour druggists, and online services 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 10,710 $m

LOWE'S. 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 four percent 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 overhaul—their homes. Its message of value, convenience, and customer service/in-store experience is integrated across all touchpoints. 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.

Lowe's has a promising proposition: concentrated efforts on customer service and in-store experience which could continue to steal share.

9 Sam's Club 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 within 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, the main draw for members to renew. 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 which make up 10 percent of its product mix. Moreover, its marketing strategy is not seeing positive returns. 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 the creation of a better shopping experience. If mass market and discount retailers choose to compete in bulk and price, warehouse clubs could suffer.

10 COACH 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 its 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.

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.

11 eBay 7,991 $m

E-BAY. Even though e-Bay 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 business is slowing and e-Bay needs to make a more concerted effort to fend off encroaching Amazon with 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 e-Bay'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.

13 NORDSTROM 6,753 $m

NORDSTROM. The fifth largest U.S. department store with net sales of US$ 8.8 billion and a five year annual growth rate of 8.12 percent, 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 percent 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 to keep the experience current for all customers. Online, Nordstrom features lifestyle merchandising with Head to Toe looks (9 to 5, Night Out, Weekday Casual, 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*. The retailer will soon 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.

The online auction business is slowing and e-Bay needs to make a more concerted effort to fend off encroaching Amazon.

12 STAPLES 7,224 $m

STAPLES. Staples is a clear leader in office supplies and services, but is unfortunately the main runner in a dying 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 its 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), new partnerships (Dell provider, recycling efforts, and green initiatives earned it fourth 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 its private label efforts which account for 22 percent of total sales with a goal to hit 30 percent by 2009. Its in-store and online experiences are relevant and differentiating, but not particularly resistant to imitation.

14 amazon.com 6,434 $m

AMAZON. Amazon owes its retail leadership to pioneering technology, borrowing and improving aspects of eBay's 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 touchpoints. The website is the same format regardless of country. 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. While some consumers still aren't that comfortable buying products online, Internet usage is widely rampant and becoming even more so.

15 COSTCO 5,718 $m

COSTCO. Costco is the warehouse club market leader by revenue. Costco focuses on a high-income consumer, but the company is primarily focused on being a low price provider and on the success of its popular Kirkland private label. The retailer enjoys high consumer satisfaction scores in a Colloquy survey (based on a mix of quality, low price, and experience). However, vendor prices are increasing, which hurts margins (and prices are the main draw for members to renew). This subsequently hurts the club's stability, as membership prices account for the majority (approximately 75 percent) of revenue. However, Costco has tried its best to protect that membership structure and keep 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, and gas. It also has refreshed its online services.

16 VICTORIA'S SECRET 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 back bone 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 appeared 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 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 US $100 million in its research and development operations, introducing more sophisticated skin-care products including a new US $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 GameStop 5,078 $m

GAMESTOP. The only retailer whose entire focus is gaming, GameStop is small but mighty. Its knowledge and service offerings are value adds their 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 US $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 of an in-store experience, featuring a loyalty card program and a very 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 to 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 GAP 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 Gap, Banana Republic, Old Navy, and Piperlime, and encourages shopping across brands shipping them together for a flat US $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 TIFFANY & CO. 4,208 $m

TIFFANY & CO. Growth that looked positive for luxury has been put on hold considering the state of the world economy. However, the luxury retailer has been doing steadily well. 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. Founded in 1837, the brand stands for quality and longevity. The brand had to refocus a few years ago to reaffirm its high-end appeal, as some merchandising mix drove the brand to novelty level. This reaffirmation has worked well and the brand's positioning has recentered 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 POLO RALPH LAUREN 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 role as the official 2008 outfitter of Wimbledon, the world's oldest and most prestigious tennis tournament,suits it well.

22 KOHL'S 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 approximately US $1 billion in sales the brand has grown to 1,000 stores in 2008 generating roughly US $16 billion. New stores are LEED certified (Leadership in Energy and Environmental Design), an important distinction in retail; and the concept is flexible enough for 62 small-format stores in four key urban locations. The use of online marketing to develop a conversation with younger shoppers helps maintain a loyal base and generates traffic without relying solely on sales and promotions. The website generates US$ 240 million in sales and has demonstrated 30 percent growth in one year. Exclusive brands account for 35 percent 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. 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 has bridged manufacturing with retail sales to deliver highly relevant, quality goods to their consumers, direct from its R&D through its plants. The market is still sluggish because of the housing market slowdown, 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 it gain stability and recognition, beyond the depth of its offerings.

24 JCPenney 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 proven 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 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 US$ 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 percent selling space, 21,000 SKUs in inventory, and overnight access to 750,000 SKUs. The retailer continues to improve assortment relevance and carries private labels Duralast and Valucraft.

26 BED BATH & BEYOND 2,568 $m

BED BATH AND 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) 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 its 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 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 three 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 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 life cycle. Until then, even with a decline in same store sales because of the recession, Abercrombie & Fitch is still holding up as a hot retailer.

It works to imbue the polo shirts and jeans with a mystique far beyond collegiate-inspired, casual clothing.

28 OLD NAVY 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 reestablish 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 them 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 determining better ways in which it can use the space to be more operationally efficient.

29 AMERICAN EAGLE OUTFITTERS 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 US$ 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, and personal care products—much the same as every other specialty apparel retailer.

30 BANANA REPUBLIC 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 Gap Inc. The brand 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.

31 PETSMART 1,523 $m

PETSMART. In the heavily competitive pet products sector, PetSmart is the largest specialty pet store based on sales of US $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. 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.

32 NETFLIX 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; Wal-Mart 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 percent of the US$ 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.

33 RadioShack 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. Although 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. It has 7,000 stores (averaging 2,000 sq. ft.) as well as 700 wireless kiosks in airports. This gives it a low rent structure that attracts browsers. The brand works very hard to remain relevant and innovative, upgrading its stores to make its products more interactive. It's unclear, however, how much credit consumers are giving the brand.

34 URBANOUTFITTERS 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 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 percent 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 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 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 1,073 $m

DICK'S SPORTING GOODS. The brand has been extremely successful offering the widest variety of products, and employing in-store boutique concepts to promote exclusive product 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.

39 J.CREW 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, like Starbucks and Gap. Last year, J. Crew's sales per square foot were US $569, well above the US $400 average for the sector; 28 percent of total revenues came from web and catalog sales, also markedly higher than competitors.

40 HOLLISTER 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 five-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 American Girl 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 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 its stories, and the retirement of others.

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

42 RAC 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 BIG LOTS! 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 Wal-Mart." However, its low market share (1.1 percent) 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 BARNES & NOBLE 564 $m

BARNES & NOBLE. Although there is no growth expected for this market, bookstores 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 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 its 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 MEN'S WEARHOUSE 557 $m

MEN'S WEARHOUSE. In the specialty men's sector, suits are still selling despite the economy, but sales are fewer and suits sold are 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. To become relevant for a younger customer, it is concentrating marketing efforts and merchandise offerings to appeal to the more trend-conscious customer. The brand has systems in place to communicate with each customer through promotions and loyalty programs, and maintains consistency throughout shopper touchpoints. It 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 TSC TRACTOR SUPPLY CO 547 $m

TRACTOR SUPPLY CO. Although Tractor Supply Co. doesn't sell tractors, it does sell tractor equipment. Everything for the health and containment of livestock and pets can be found at the store as well as tools, hardware, lawn and garden supplies, and work clothes 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 an online channel since 2007. 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 WHOLE FOODS MARKET 496 $m

WHOLE FOODS MARKET. Despite the recent growth in natural and organic food, the brand's success lies in 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. Shoppers are immersed in the abundance and color that fills shelves for a visual sensation known to inspire people. 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. US $45 million of corporate support is in place for the 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; it's also testing a new spa concept devoted to wellness and apparel. With all that, 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 GYMBOREE 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 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 recent growth. 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 improve sales and customer satisfaction. Play & Music is a natural way for Gymboree to acquire new customers; it also plans to expand with more boy-focused 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 AÉROPOSTALE 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. It designs, markets, and sells its own merchandise to 14 to 17 year olds. It has a fleet of 850 stores in 47 states, Puerto Rico and Canada, 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 and takes design and trend cues from other retailers, young people are loyal to its prices which continue to attract business and buoy the company in tough economic times. Millenials, who tend not to shop in department stores or where their mothers 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 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 were frustrated when merchandise did not cross over from the catalog to the store. Shoppers will no longer be frustrated.

Canada's Most Valuable Retail Brands 2009

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 SHOPPERS DRUG MART 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 nine 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 percent 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. The original Shoppers Drug Mart concept has equity in 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 CANADIAN TIRE 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 percent awareness levels, the retailer operates a big box format in populated areas, but has developed stores one-third that 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 Wal-Mart.

3 RONA 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 Sobeys 368.4 C$m

SOBEY'S. Sobey's 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 Sobey's 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 private label brands, Sobey's 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 lululemon athletica 352 C$m

LULULEMON. Hailed for its grassroots approach, authenticity, socially responsible values, and unique company culture, active wear 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., two in Australia, and four in Japan and plans to grow carefully to 250 stores worldwide by 2012.

Mexico's Most Valuable Retail Brands 2009

Over the last 15 years Mexico has enjoyed unprecedented economic growth, new opportunities for its people, and a gradual rise in the standard of living. Retailers worked hard to differentiate themselves and attract the rising middle class. 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 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 Wal-Mart, 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 more than 800 stores. Elektra's parent company, Grupo Azteca, owns Televisión Azteca; as a result Elektra benefits from plenty of airtime.

2 BODEGA AURRERA 515 U$m

BODEGA AURRERÁ. By 1991, when parent company Cifra entered a joint venture with Wal-Mart to create Wal-Mart de Mexico, Bodega Aurrerá had built 30 years of valuable brand equity. Since then, the original brand name 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. Wal-Mart'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 310 U$m

SORIANA. The second largest food retailer in the nation, Soriana operates more than 200 stores in three formats: Soriana hypermarkets selling apparel, general merchandise, and groceries 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 Wal-Mart de Mexico. The two retailers carry on a brisk competition in prices and services. Soriana promotes itself as 100 percent Mexican owned and effectively uses a "Tarjeta del aprecio" frequency and rewards card to drive loyalty.

4 Liverpool 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 Corté Inglés.

5 Suburbia 104 U$m

SUBURBIA. Suburbia is becoming a staple in the gleaming new malls being built throughout Mexico. Owned by Wal-Mart de Mexico, the 80-plus department stores offer mostly private label apparel and targets 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 makes the retailer more relevant and engaging to its shopper. Although Suburbia stores have felt a slight impact as spending has contracted somewhat, the company celebrated three new store openings in November 2008. Wal-Mart de Mexico plans to continue the strategic expansion of its brands, including Suburbia, across the country.

Europe's 25 Most Valuable Retail Brands 2009

Working on your brand's strengths will mean the difference between the weak and the strong.

The launch of our second annual rankings of Europe's 25 Best Retail Brands is set against the backdrop of a rapidly shifting marketplace. And yet, while the economic crisis is no doubt challenging for retail brands, it also offers new opportunities that might not be immediately apparent to retailers.

Whether it is leveraging the web to build brands and empower loyal customers, optimizing store formats, using private labels to differentiate and capture share in a troubled market, extending into new related activities, or committing to incorporating sustainability into your business strategy, working on your brand's strengths will mean the difference between the weak and the strong.

In the end, the retailers that seek to do this will not only be better equipped to weather the storm, but stronger than ever when the market turns.

Rank	Brand	Country of origin	Value (€m)
1	H&M	Sweden	11,125
2	Carrefour	France	9,523
3	Ikea	Sweden	7,373
4	Tesco	UK	5,502
5	Zara	Spain	4,469
6	M&S	UK	4,197
7	Aldi	Germany	3,348
8	Boots	UK	1,961
9	Auchan	France	1,930
10	El Corte Inglés	Spain	1,808
11	ASDA	UK	1,273
12	Lidl	Germany	1,146
13	MediaMarkt	Germany	1,025
14	Edeka	Germany	880
15	C&A	Netherlands	779
16	Sephora	France	774
17	Mango	Spain	747
18	The Body Shop	UK	696
19	Argos	UK	664
20	Sainsbury's	UK	542
21	Mercadona	Spain	422
22	FNAC	France	384
23	Kaufland	Germany	373
24	REWE	Germany	290
25	OBI	Germany	286

1 H&M

11,125 €m

H&M hopes to revolutionize the way style-savvy consumers shop for home textiles, offering shoppers the opportunity to stylishly transform their homes.

H&M. As the most valuable European retail brand, H&M continues to expand its offer of cutting edge fashion at low prices. It has grown from 1,522 global stores in November 2007 to 1,738 in November 2008. While Germany is its biggest market, followed by the UK and Sweden, it has seen success in areas such as Hong Kong, where customers queued for 48 hours ahead of the first store opening, and will soon be opening its first store in Israel. Although the brand has lost its status as the largest fashion retailer in Europe (by sales) to Zara, the brand still maintains a strong image, with its once-a-year collaboration with famous fashion designers (this year with Comme des Garçones). The next year will see continued innovations for the retailer, with a new fashion concept COS (Collection of Style), offering fashion essentials at a slightly higher price point (now available in approximately 13 stores) and the February 2009 launch of its first foray into the home interiors arena. Available online and by catalogue, H&M hopes to revolutionize the way style-savvy consumers shop for home textiles, offering shoppers the opportunity to stylishly transform every room of the home.

2 Carrefour 9,523 €m

CARREFOUR. Although this year saw hypermarket, supermarket, convenience store, hard discount store, and cash and carry giant Carrefour Group facing deteriorating global consumption trends, particularly in Europe, the brand's aggressive promotional policy helped the group stabilize its market share in France and improved its position in Spain. Critical factors that also helped drive performance up 44 percent include its decision to rebrand its Champion & Shoppi brands name stores under the Carrefour banner, as well as its expansion into emerging markets like India and Russia. Additionally, its move to offer green electricity in all of its stores in Belgium (with hopes of expanding to France), have helped to freshen up its reputation. The arrival of Lars Olofsson, an experienced leader and specialist of the fast moving consumer industry, accelerates Carrefour's strategic focus to adopt different formats to new trends on the market. In order to find similar success in the year ahead, Carrefour will have to fix its negative price perception among shoppers while managing the success of its accessible locations, and improve the quality of its private label and double loyalty program.

3 IKEA 7,373 €m

IKEA. Year after year, the world's largest furniture manufacturer has shaped its stores into an out of town destination. It provides well-priced, good quality Nordic design furniture (3,000 new products filled with inspiration and new ideas), often complete with services like restaurants serving Swedish food, a mini-shop selling Swedish style groceries, and a free of charge play area for children. With more than 20 new store openings, increased presence in Asian markets, the steady growth of online shopping in the US, a new virtual mobile phone network in the UK (a partnership with T-mobile), and cost reduction due to sourcing in China, IKEA saw a seven percent sales increase in 2008. While the year was also marked by accusations of animal cruelty for selling reindeer meat, and blinds that tragically contributed to the death of a one-year-old-girl (which IKEA immediately recalled), it has enhanced its reputation by putting an end to plastic bag consumption in all US stores, and has promised to invest 50 million Euros in five years to small and medium-sized enterprises that provide solar panels and new solutions to reduce water and energy consumption (which IKEA will eventually sell in its stores).

4 TESCO 5,502 €m

TESCO. The international grocery and general merchandising retail chain with a UK base is still number one in the UK, providing simple and quality products at low prices with great range and diversity in each category and division. Tesco successfully launched Tesco Digital and a new 350-strong range of low-cost products featuring two private label lines: Market Value (a new fruit and veggie line) and Discounter (dry grocery, frozen, health, beauty, and dairy). Robust growth in newer areas, strong growth in Tesco mobile and Tesco personal finance, and a 30 percent growth in online sales all contributed to the brand's success this year. Still, despite a solid reputation among a diverse range of shoppers and a well-established and consistent strategy for growth (to follow the customer into large, expanding markets at home and new markets in Central Europe, Asia, and the US), Tesco saw a weak holiday season, losing out to competitors Aldi and Lidl as shoppers' tighten their belts.

5 ZARA 4,469 €m

ZARA. In the last year, Zara has overtaken H&M as Europe's largest retailer. It has opened 186 new stores during the fiscal year and diversified by moving into home furnishing and a "Zara for Mum" line. Additionally, its Meco logistics platform in Madrid, introduced in 2006, lets Zara introduce new items every week. Zara has stuck to a strategy that has proved to work: strategically located stores, layouts that take advantage of each store's unique visual and functional space, and a brand message "Buy it now or regret it later" that builds on its ability to translate trends into merchandise, from drawing board to shelf in just two weeks. Improved efficiency, logistics, and cost-consciousness, as well as entrance in the Russian and Asia markets, resulted in a nine percent increase in brand growth. Its globally diverse position and low cost products place it in a better position than most of its European retail competitors.

6 M&S 4,197 €m

MARKS & SPENCER. Leading international department chain Marks & Spencer is the largest UK clothing retailer, and sells items that include clothing, food, homewares, furniture, and technology. This year, M&S invested heavily in updating its store environments to make them more attractive to customers and focused on improving its online platform. Although M&S is growing ahead of the market and maintains a strong brand image—it set a trend toward the environmental and ethical—its reliance on the UK market makes the brand vulnerable to current economic conditions. While it is still the leader in general merchandise and has achieved an increased market share in a number of categories, the economic downturn has brought a shift in consumer behavior away from quality to value. In 2009, M&S announced it will cut back advertising spending by 20 percent. As consumer spending continues to change, it will be interesting to see if M&S's core offer remains relevant.

7 ALDI 3,348 €m

ALDI. This no-frills grocery chain and deepest discounter in food retailing has successfully elevated its status with its improved brand message "the store for smart shoppers." And thanks to its "Aldi Principle" strategy—the lowest prices with the highest quality implemented in every store, a clear product range, a private label smartly displayed, and savvy expansion—it has seen a significant increase in brand value over the past few years. This year alone, Aldi increased market share by 19 percent, entered into hotel and shopping malls in the UK, and increased stores throughout the foreign market. Its efforts have paid off; it received 99 percent brand recognition—a notable increase from the year before. While this year proved to be a great one for the brand, the overall influence of the financial crisis may stifle its international expansion.

8 Boots 1,961 €m

BOOTS. Boots continues to lead the pharmacy retail category, maintaining its status as the specialist in healthcare. Over the last few years, the brand has started to behave more and more like a category leader. Following the roll out of its new "local Boots pharmacies," it has increased innovation, particularly in beauty, and developed a more coherent point of view regarding healthcare. 2008 saw increased overseas expansion, provision of health and optical services to an increasingly aging population, regular retail promotions to drive store traffic, and a solid performance by its private label products. In 2009, the market leader may feel even more of a squeeze by outside competitors, including smaller pharmacies and groceries with an in-store pharmacy.

9 Auchan 1,930 €m

AUCHAN. The privately owned merchandise retailer of apparel, groceries, fast food, consumer electronics, real estate, and banking services is known for offering discount prices, choice, diversity, and adaptability. This year, it maintained a loyal audience and increased credibility as a sustainable brand by halting the sale of red tuna (a fish in danger of extinction) in all of its stores, which was well received by customers. Other key highlights in 2008 included improvements to its private label brands. Packaging was updated to clarify nutritional information, recipes were modified so they were healthier, and Auchan introduced an organic cosmetics line to build on its green image. Auchan also diversified. It set up a joint venture with Nakheel Retail, a real estate developer belonging to the Dubai World group, and launched its mobile network "Hyperclair" in France. In 2009, Auchan may see its leading presence in China challenged by the multinational retail giant Wal-Mart.

Using celebrity chef Phil Vickery as the face of its latest UK advertising campaign clearly demonstrates Aldi's new ambitions stretch well beyond price.

10 El Corte Inglés 1,808 €m

EL CORTE INGLÉS. Over the last few years, Spain's largest department store and supermarket chain owner has successfully enhanced its relevance to younger generations, with A-list celebrities for campaigns and brands like Sfera. Despite its already impressive scale, the business has ambitious growth targets and plans to have a presence in every city in Spain, in addition to rolling out its stores across Southern Europe. The brand has also made moves to balance its portfolio, and although it faced some issues with private brand names such as Emilio Tucci (similar to Emilio Pucci) and Boomerang (similar to Boomerang TV) it found a hit with "Bricor" a DIY interior design category killer. A gloomy 2009 outlook for the European retail market has forced the brand to down-trade, by creating the private label brand "Aliada," which offers products at a price far cheaper than any other brand at the supermarket.

12 Lidl 1,146 €m

LIDL. The primarily European grocery retailer Lidl, headquartered in Germany, operates its supermarkets under the trading name, Kaufland and its discount food stores under Lidl. Lidl carries a large selection of products at a low price point, which has contributed to its growth. This, matched with an aggressive strategy to develop geographic presence internationally and nationally, and the launch of new private labels such as Bioness and Linessa, have helped drive the brand's performance. While it was a good year for the brand, its reputation was put in jeopardy when the press leaked that the store had been spying on employees at work and during breaks. To improve its image, Lidl launched an emotionally driven TV campaign, a major turn for the brand. In 2009, Lidl may see the overall financial crisis harm its international expansion, and the dioxin crisis in pork meat from Ireland reduce meat sales.

14 EDEKA 880 €m

EDEKA. Germany's largest supermarket corporation currently holds a market share of 26 percent. Its large assortment of private labels and product lines, good service, and takeover of 2300 stores from competitor Tengelmann, as well as an aggressive attack on discount giants Aldi and Lidl have contributed to Edeka's continued growth. Although Edeka showed a huge increase in image perception from 2006 to 2008, several scandals weakened brand perception in 2008, including employee spying, pesticide residues in grapes and paprika powder, the sale of falsely labeled free-range eggs, and rotten meat. Edeka plans further expansion despite the economic climate, with a highly anticipated growth rate.

11 ASDA 1,273 €m

ASDA. The British supermarket, a subsidiary of Wal-Mart since 1999, which retails food, clothing, toys, and general merchandise, is the second largest chain in the UK after Tesco. Today, it covers more than 90 percent of the UK population. It continues to drive its low cost agenda, enabling it to fund lower prices for customers, and capture market share. A shift toward premium private label food products made a huge impact in November, when an estimated 22 million switched from rival Tesco to ASDA. General merchandise outperformed all major retailers during this period as well, and ASDA also saw 56 percent growth in the home shopping market. Increasing competition with retailers like Lidl and Aldi, as well as Asda's legal battles with the OFT and GMB could be a challenge for the brand in 2009.

13 MediaMarkt 1,025 €m

MEDIAMARKT. The German Mediamarkt is Europe's largest retailer of consumer electronics. A high volume of advertising, and relevant marketing campaigns with special offers supports its strong brand image. Mediamarkt lives by the strategy: "All business is local." Store managers make decisions with flexibility and independence, focusing on regional assortment, pricing, and marketing. The decentralized structure enables fast adaptation to market changes and the brand benefits from the shared network of a whole group. And yet, although the brand is well positioned and equipped to adapt to changing shopper decisions, it suffers from copycats like Eldorado in Russia, Poland, and Romania. Next year, the brand will focus on making improvements to its business model, in hopes that this will help it continue to generate sales.

15 C&A 779 €m

C&A. In addition to developing its main markets of Germany, Netherlands, Belgium, and France, apparel brand C&A has been stretching its values of family life into new markets, including China. In 2008, the brand launched AVANTI, a low cost clothing brand, and updated the look and feel of its stores in Germany. It also added a 3D body scanner service to customize clothing, and launched a new eco, energy-saving collection, using renewable materials. As C&A continues to reinforce its presence in Germany, one of its main markets, the main issue will be the economic crisis. The brand's broad appeal and price position will be hard to defend as the economy slows down.

16 SEPHORA 774 €m

SEPHORA. In 2008, the leading retail beauty chain in Europe saw growth in emerging markets like the Middle-East and China, improvements to its private labels, an increased US presence, and a new 45 percent stake in the Russian perfumery chain "Ile de Beaute." It was also forced to close seven stores in Japan, due to high property prices in city centers and an indifference to its self-service offer in the market. It plans to counter the closing by opening 100 stores in China. Additionally, it made improvements to its website in the US, offering clients more information about the brands, launched an in-house spa concept in the Gulf region, and focused on improving the quality of its salespeople by launching "Sephora University." In 2009, the brand will be testing out selling its products on television in France, a strategy that may ultimately devalue the positioning of its brand.

18 THE BODY SHOP 696 €m

THE BODY SHOP. The Body Shop's natural inspired beauty products have seen growth in emerging markets like India, Russia, the Middle East, and Asia. It continues to be viewed as a leader in the sustainability movement, but the brand is not as recognizable as it could be among young consumers. The business has taken note, investing in modernizing the brand both in-store and online. Additionally, it has plans to launch baby products and "The Body Shop at Home," an initiative similar to Tupperware parties. With more and more competing beauty products that also play on sustainable values, The Body Shop may have difficulty maintaining its loyal audience. Moreover, it will have to compete with lower consumption in stores in the United Kingdom and the United States as a result of the economic environment. As The Body Shop begins to adopt more mainstream advertising channels in 2009, shifting from its origins as an activist brand—an equity that would be dangerous to lose—it will be interesting to see how it affects brand perceptions.

19 Argos 664 €m

ARGOS. The market leader in many categories, Argos benefits from its scale and logistical advantages. It can price products very competitively across categories, passing on purchasing efficiencies to the end customers. Its multi-channel offering—ability to buy online, by phone or text, then collect in the store or have the product delivered—is also compelling to customers. Each year since 2000, the brand has opened an average of 30 stores a year, with a total of 707 based in the UK and Ireland. While the brand has a distinctive business model with no clear direct competitors, it is not considered a leader in each product category. The brand is working on increasing value perceptions, having acquired the Bush and Alba brands in 2008. Argos will launch its concept internationally after a test in India.

17 MANGO 747 €m

MANGO. This Catalonian brand's strength lies in its ability to quickly translate trends into merchandise for the masses. Like Zara and H&M, it has a fast turnover of stock so there is always something new in the store. But while it continues to grow, with an extensive expansion plan to penetrate new markets, it still remains far away from the two fast fashion leaders. 2008 marked a continued expansion strategy, in which Mango opened its second store in New York (they expect to reach 240), the development of flagship stores, as well as partnerships with different brands in order to create what they called "Mango shopping experience." Clients can shop while sipping complimentary champagne, snack on free chocolate, and take home a free fashion magazine with each purchase. While Mango has seen success expanding into the US and China, it has experienced some setbacks with its franchise in the UK and Ireland due to a poorly managed supply chain (wrong stock in the wrong place due to a lack of a proper technology system). 2009 will mark a new face for the brand—model Dakota Johnson.

20 Sainsbury's 542 €m

SAINSBURY'S. The third largest supermarket chain has lost market share over the last eight months, due to Tesco's aggressive marketing campaigns and the rise of Morrison in the South. After closing 49 of its convenience stores, Sainsbury's has attempted to gain back market share through a recovery program, "Making Sainsbury's Great Again." The slogan, "try something new today" was launched to get consumers to purchase more varied goods, and keep shoppers focused on the emotional benefits of shopping, rather than undeliverable brand promises. Despite a strong location performance in London and South East England, the economic condition of the company remains unsteady. Because the brand rests comfortably between the more up-market brands like M&S and Waitrose, and the cheaper players like Tesco and ASDA, it risks "death of the middle" as price sensitivity hardens.

21 MERCADONA 422 €m

MERCADONA. Currently the largest supermarket operator in Spain with a market share of 12.7 percent, Mercadona is devoted to its brand strategy—the "Top Quality Model" in which the customer is the boss." It even involves customers in the development of its supermarkets. Before it opens a new store, it asks potential clients to try the store out and offer feedback on layout, products, and policies. It scheduled more than 83,000 meetings like this in 2007. It also worked to integrate stores in traditional markets, respecting customs and original architecture, while also helping storekeepers recover their businesses. Overall, it has an excellent brand image, which has only been enhanced by its participation in sustainability forums with Al Gore. Currently, sales are increasing due to the economic crisis and its recognized and valued private label brand, Hacendado. The brand has also started finding ways to cut price, like removing cardboard boxes from its line of toothpastes.

23 Kaufland 373 €m

KAUFLAND. The hypermarket Kaufland, which is operated by grocery retailer Lidl, is known for long hours, good accessibility, a pleasant buying atmosphere, and a great variety of products, with both private label and consumer brands. It has experienced continuous national and international growth. Kaufland benefits from its emphasis on service, which differentiates it from competitors like Aldi and Lidl. It has also benefited from its private label brand, K-Classic—although recalls on its marmelade in January 2008 has harmed its reputation. In 2009, Kaufland may see its international expansion stifled, as well as reduction in meat sales due to the dioxin crisis in pork meat in Ireland.

25 OBI 286 €m

OBI. The German do-it-yourself chain that offers goods for homebuilding, repair, gardening, and home design, is constantly increasing market share, extending to families as well as the classic DIY shopper. It has seen success with a more emotionally driven package and design for its private label brand, as well as TV spots and bulk mailings. The high content and easy navigability of its new, friendly website has helped support its accessible and fun image. OBI is currently one of the best known brands in Germany, where it gets 50 percent of its sales. Next year, it will continue to expand into foreign markets and will work on extending and improving its private label brand.

22 fnac 384 €m

FNAC. French book, music, and electronic retailer FNAC operates in six European countries and Brazil. International revenues grew two digits (particularly in Italian and Brazilian stores). During the second half of 2008, FNAC.com relaunched as a full-fledged, user-friendly online shopping site and FNAC saw the benefits. The company also launched a new product that allows viewers to access FNAC videos on demand from their TVs, and saw success in many of its new store formats. Still, with CD sales sliding, and pressure from new competitors like Apple, Orange, and Amazon, FNAC is reducing the number of planned store openings. To combat the economic crisis, FNAC will have to continue to improve its product offer.

24 REWE 290 €m

REWE. REWE is the second largest supermarket chain in Germany and the third largest in Europe. Its combination of brand name products and strong private label products, as well as its assortment of fresh meats, has helped leverage its image as a "time saving and consumer friendly one-stop-shop." Self-employed merchants lead the majority of its stores, which has further leveraged REWE's positive image. It is beginning to catch up with market leader Edeka through takeovers and expansion, including its acquisition of 245 "Extra" stores from Metro in Germany. REWE also has ambitious plans to expand into Austria, Italy, and Eastern Europe. Its expansion—coupled with a strong marketing campaign and its partnership with Germany's national women's soccer team—worked in REWE's favor this year. However, REWE faces tough competition from Aldi and Lidl in the future, as customers continue to become more price-conscious.

Answers to the most commonly asked questions

The purpose of this document is to address the questions that you are most likely to be asking in relation to the Best Retail Brands.

01 What is brand value?

Brand value is the dollar value of a brand, calculated as Net Present Value (NPV) or today's value of the earnings the brand is expected to generate in the future. Like any other financial value, brand value is at a point in time based on the assumptions and information available at that point in time. Brand value is calculated according to the most widely accepted and used valuation principles. This makes brand value comparable to business, and all NPV-based asset values.

The valuations of brands appearing in the Best Retail Brands are calculated in their current use to their current owner. Therefore, these valuations do not necessarily represent the potential purchase, extension, or licensing value of the brands.

02 Why publish brand value rankings?

The purpose of these valuations is to demonstrate to the business community that brands are very important business assets and in many cases the single most valuable company asset. We also aim to make branding and marketing key business issues that have direct shareholder value impact. Through ten years of publishing Best Global Brands in *BusinessWeek* magazine, we have created the world's most significant and influential brand and marketing study. In fact, *PRWeek* magazine produced a study that showed that the *BusinessWeek*/Interbrand Best Global Brands ranking was the third most sought after benchmark report by CEOs. Interbrand continues to publish various regional and sector studies to elevate the discussion on brands as business assets across geographies and industries.

03 How does Interbrand derive the value of brands?

Our valuation approach is a derivative of the way businesses and financial assets are valued. It fits with current corporate finance theory and practice. There are three key elements and they are detailed below:

Financial Forecasting

We identify the revenues from products or services that are generated with the brand. From these branded revenues we deduct operating costs, applicable taxes, and a charge for the capital employed to derive intangible earnings. Intangible earnings are the earnings that are generated by all of the business' intangibles including brands, patents, R&D, and management expertise, (i.e. the economic value that is generated by all tangible and intangible business assets of the branded business). This is a prudent and conservative approach as it only rewards the intangible assets after the tangible assets have received their required return. The concept of intangible earnings is therefore similar to value based management concepts such as economic profit or EVA (Economic Value Added is Stern Stuart's branded concept). EVA is a value based management concept and is a generally accepted principle to measure the ability of a business to generate returns over and above its invested capital. Based on reports from financial analysts, we prepare a financial forecast of intangible earnings for six years and calculate the economic earnings of the branded business.

Role of Branding

Since the economic earnings include the returns for all intangible assets employed in the business, we need to identify the earnings that are specifically attributable to the brand. Through our proprietary analytical framework called Role of Branding we calculate the percentage of economic value that is entirely generated by the brand. Generally in some businesses, e.g., fragrances or packaged goods, the role of branding is very high — as the brand is the predominant driver of the customer purchase decision. In other businesses (such as the pharmaceutical or airline industries) the brand is only one purchase driver among many and the Role of Branding is therefore lower. Looking at the retail brands, people are, for example, buying Marks & Spencer because the brand intuitively provides them with an assurance of quality and attractive range of offer. Even if a real comparison is difficult, most customers believe that they cannot find this range in any other store. In the case of Mediamarkt, on the other hand, demand is mainly driven by the company's tangible price positioning, which is communicated in a simple and coherent manner, that customers comprehend as soon as they enter the shop.

The Role of Brands is derived as a percentage. Thus, if it is 50 percent, we take 50 percent of the intangible economic earnings as brand earnings. If it is 10 percent, we only take 10 percent of the intangible earnings as economic earnings.

Brand Strength

To derive the net present value of the forecast brand earnings, we need a discount rate that represents the risk profile of these earnings. There are two factors at play: first, the time value of money (i.e. US$ 100 today is more valuable than US$ 100 in five years because one can earn interest on the money in the meantime); and second, the risk that the forecast earnings will actually materialize. The discount rate represents these factors as it provides an asset specific risk rate. The higher the risk of the future earnings stream, the higher the discount rate will be. To derive today's value of a future expected earnings stream, it needs to be discounted by a rate that reflects the risk of the earnings actually materializing and the time for which it is expected. For example, H&M and Zara illustrate how business risk is lessened due to a strong brand. Both brands implement a consistent retail experience all over the world. Their strong presence in key economic regions has led to their easy expansion into growing markets such as Asia.

The assessment of Brand Strength is a structured way of assessing the specific risk of the brand. We compare the brand against a notional ideal and score it against common factors of brand strength. The ideal brand is virtually risk free and is discounted at a rate as low as government bonds or a similar risk- free investment. The lower the brand strength, the further it is from the risk free investment and so the higher the discount rate (and therefore the lower the Net Present Value).

04 What was the basis of the financial assessments?
Published annual reports were used to examine the revenues, earnings and balance sheets of the brand-owning companies. Analyst reports from Citigroup, JP Morgan Chase, and Morgan Stanley are used as the basis for identifying the specific brand revenues and earnings for forecasting future earnings.

05 What was the basis for the marketing assessments?
Unlike other brand value league tables, Interbrand does not rely on a single source of marketing information. Using a single brand study would limit the type of information (usually limited to perceptual data) and the type of customer (usually general public) that can be considered. Interbrand refers to a wide array of primary and secondary sources, which are applicable to each brand. These include, among others, ACNielsen, Datamonitor, Gartner, and Hall & Partners. Moreover, Interbrand utilizes its network of brand valuation experts from offices around the world to ensure that the ranking considers the brands from a global perspective.

06 Why are certain brands not on the list?
This is a frequent question especially from companies who would expect their brands to be on the list. There are five common reasons:

The brand has a pure B2B single audience and has no wider public profile and awareness.

The company does not produce public data that enables us to identify the branded business (the company has multiple brands or has unbranded production).

The brand is not big enough (brand value falls below the number of brands featured in the ranking).

The business is driven by a number of intangible factors and it is difficult to separate the brand from the rest.

07 What is the relationship between the following terms: brand awareness, brand equity, brand share, and brand value?
Brand value is the only measure that looks at the economic benefit of the brand to its owner. In other words, it is an end in itself. *Brand awareness* and *brand equity* are a means to an end. *Brand awareness* is simply knowledge that a brand exists, thus brand awareness may prompt customers to consider buying a product. *Brand equity* is a measure of customer perceptions of a brand; thus it may give a customer reason to prefer a product over the alternatives. *Brand share* is simply the market share achieved by the brand. Thus brand awareness, equity, and share are all measures of what a customer thinks or does. It is not an assessment of the economic value created by those thought or actions.

08 Do the valuations reflect the underlying state of the economy?
Yes—in two ways. The forecasts are prepared with an overall view on economic growth at a point in time. The formula for converting the brand strength score into a discount rate is tied to the underlying government bond yield.

09 Is it possible to recognize brand value on a balance sheet?
Several accounting standards—such as International Accounting Standards (IAS) 36 and 38, US GAAP, FASB 141, UK FRS 10—allow and/or require the recognition of acquired goodwill, including brands, on the balance sheet. The standards clearly identify brands as intangible assets with an infinite economic life. This means, unlike other intangible assets (e.g. patents, databases) or goodwill, (e.g. training, workforce) brand value does not have to be amortized through the income statement. However, it is subject to an annual impairment test and its carrying value needs to be reduced if the value has declined. The technique is consistent with the way in which Interbrand has assessed brands for balance sheet inclusion—though of course using more extensive and proprietary data.

10 What is Interbrand's view on brands appearing on balance sheets?
Interbrand supports the notion of different accounting standards to recognize the value of brands on the balance sheet. Interbrand has been leading the debate on this issue for many years. However, current accounting standards allow only for the recognition of acquired brands not internally developed brands. Also, the impairment test for brands on the balance sheet allows only for a potential value reduction but not increase. The acquisition criterion means, for example, that the Gucci brand is recognized on the balance sheet of PPR as an intangible asset, while the Louis Vuitton brand does not show up on the balance sheet of LVMH.

We conclude that the recognition of acquired brands on the balance sheet is a step in the right direction for providing shareholders with better information about the assets they have invested in. However, it's still not sufficient, as the value of internally generated brands cannot be disclosed, despite making up the vast majority of the most valuable brands around the world.

11 Why is Interbrand an expert in assessing brand value?
In 1984, Interbrand developed and introduced the first valuation of a portfolio of brands that used a brand specific valuation approach. Since then we have continuously updated and improved our valuation approach to make it the global industry standard of brand valuation. The Interbrand brand valuation methodology is the most widely endorsed and employed valuation approach around the world. Interbrand alone has valued more than 5,000 brands in all industries worldwide.

Our valuations have been endorsed by leading academic institutions including Harvard, Thunderbird, Columbia, Emory, and St. Gallen. Our valuation approach has a wide range of applications including strategic brand management, marketing budget allocation, marketing ROI, portfolio management, brand extensions, M&A, balance sheet recognition, licensing, transfer pricing, and investor relations. Our valuations have been audited for inclusion on the balance sheet by all leading accounting firms. Also, many tax authorities and law courts around the world have accepted our valuation approach.

Signage, the creation of curb appeal, a signature air fragrance, a clutter-free check-in, and a luxurious bedding and bath experience were created to complement Holiday Inn's new brand vision.

12 What is the difference between the valuations in public studies and consulting valuations for Interbrand clients?
The valuation methodology is the same, however, the level of detail and the data input significantly differ. The public study valuations are based on publicly available marketing and financial data. Also, the regional and sectors study valuations are mostly consolidated top line assessments, although we recognize segment differences for diversified brands by product or service but not geography or any other classification (e.g. financial services or technology). As the valuations are based on publicly available data they are only as reliable as the data that the brand-owning companies publish about themselves (in annual reports, analysts briefings, press articles, syndicated market research, etc).

Consulting valuations are based on detailed customer segmentations, as well as in-depth marketing and financial analyses. They have a much higher level of accuracy and granularity. The purpose of a consulting valuation goes well beyond assessing financial numbers to identifying and quantifying value drivers and to managing brands for increasing the shareholder value of the underlying businesses. However, if clients undertake consulting valuations we are in a much better position to identify publicly available data that are likely to align the public study valuation with the consulting valuation. In cases where companies make our consulting valuations publicly available, for example through a note in the balance sheet, these values will also be published as the public ranking value.

Interbrand

About Interbrand
Interbrand was founded in 1974 when the world still thought of brands as just another word for logo. We have changed the dialogue, defined the meaning of brand management and continue to lead the debate on understanding brands as valuable business assets.

With 38 offices we are the world's largest brand consultancy. Our practice brings together a diverse range of insightful right and left brain thinkers making our business both rigorously analytical and highly creative. Our work creates and manages brand value for clients by making the brand central to the business' strategic goals.

We're not interested in simply being the world's biggest brand consultancy. We want to be the most valued.

About our brand studies
Voted the third most influential industry benchmark study by business leaders, Best Global Brands, published in partnership with *BusinessWeek*, is our annual report on the world's most valuable brands and the insights that can be drawn from how these global organizations create and manage brand value. This report has spawned a variety of regional tables that highlight the value of brands within particular geographical boundaries.

We pioneered the technique for valuing brands in 1984 and have continued to improve upon the methodology and set the pace for other approaches. Our valuation techniques have long been recognized by business, academics and regulatory bodies as a uniquely valuable strategic tool. Today, we have conducted over 5,000 valuations for clients to provide guidance in managing their most valuable asset—their brand.

Thought leadership is a continual process, and almost inevitably, collaborative. We're happy to share our knowledge, in the belief that widening the understanding and appreciation of brands as primary business assets benefits us all.

Contact us

General inquiries:

Jez Frampton
Global Chief Executive Officer
Tel UK: +44 (0) 20 7554 1000
Tel US: +1 212 798 7777
jez.frampton@interbrand.com

Graham Hales
Global Chief Communications Officer
Tel UK: +44 (0) 20 7554 1169
Tel US: +1 212 798 7581
graham.hales@interbrand.com

Media inquiries:

Lisa Marsala
Global Communications Manager
Tel: + 1 212 798 7646
lisa.marsala@interbrand.com

Additional information on brands
www.interbrand.com
www.brandchannel.com

For reprint permission of this report or its articles, please contact Lisa Marsala.