BRANDZ™

The Top 20 Most Valuable Global Retail Brands 2011

Digital reshapes retail

The new customer journey

Brand performance measures

Forward insights & implications

Brand valuations by
Millward Brown Optimor

Brand analysis by
KANTAR RETAIL

Commentary by WPP Companies

WORLD RETAIL CONGRESS 2011
Edition

Welcome and thank you for your interest in this third annual WPP BrandZ™ Most Valuable Global Retail Brands study.

Valuations **Millward Brown Optimor**
Analysis **Kantar Retail**
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When we introduced the first BrandZ™ Most Valuable Global Retail Brands study in 2009, retail brands were struggling to navigate through the recession, unsure when the consumer appetite for spending would return and what shape it would take. Amazon ranked third with a valuation of $21.3 billion, about half of Walmart's, which topped the chart.

This year, with a brand value of $37.6 billion, Amazon overtook Walmart for first place. That achievement reflects the extraordinary vision and performance of Amazon, of course. But it also crystallizes the transformative influence of digital on shopper habits and portends much more to come.

One thing is certain. All the assumptions of shopper marketing are in flux. Understanding the possibilities requires the kind of extensive global knowledge across the communications disciplines offered by WPP. We have offices in more than 100 countries and a retail practice across our operating companies that extends from insight to activation. It includes research, advertising, marketing, digital, communications planning and media, PR, shopper marketing and retail.

This study draws on our expertise. Millward Brown Optimor provided the valuations based on BrandZ™, the world's largest and most comprehensive brand equity tool. Since its creation 13 years ago, over 2 million consumers and B2B customers across more than 30 countries have shared their opinions about thousands of brands. Kantar Retail interpreted key retail brand developments and provided insights into competitive advantages and challenges.

New this year, several other WPP companies added commentary to further illuminate the impact of digital on the path to purchase and shopper marketing practices, including: FITCH, TNS, eCommera, I-Behavior and G2.
The study contains insight that can strengthen your business.

I invite you to contact me directly with any questions or to learn more about how WPP can help you better understand and compete successfully in the ever-changing world of retailing.

Sincerely,

David Roth
WPP

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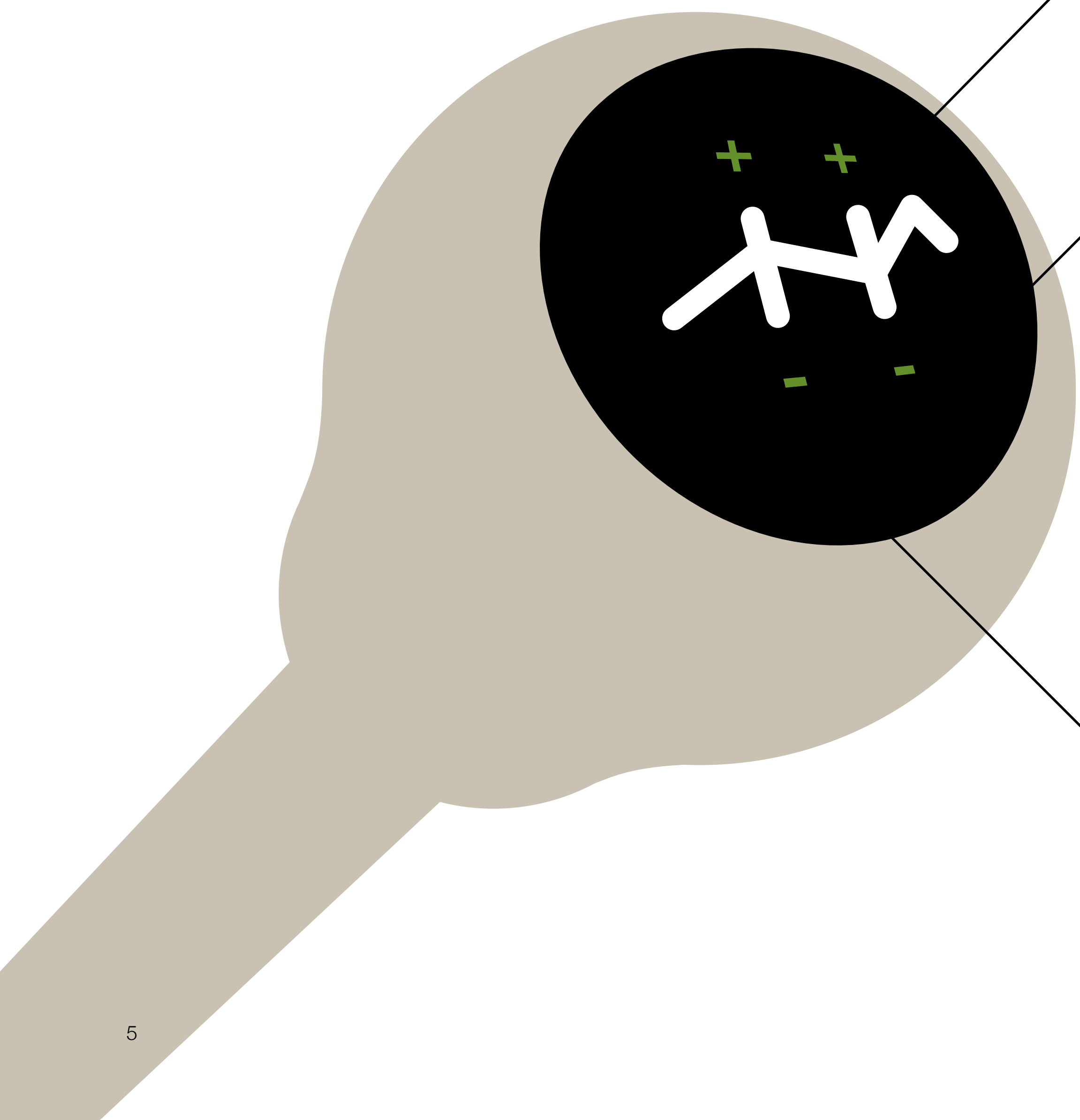
Preface

Retail itself is becoming a bit like the path to purchase—unpredictable, fast changing and difficult to summarize.



This third annual WPP BrandZ study of the Top 20 Most Valuable Global Retail Brands considers many of the salient forces acting on retailing today and distills key themes that help explain events and anticipate the future.

The key themes include a shift to smaller store formats, especially in mature markets, the intensifying search for growth in fast-growing markets and the transformative impact of digital as shopping becomes a seamless multichannel activity.

The themes, of course, impact not just the Top 20 retail brands, but retailers of all sizes and in most parts of the world. And because digital may be the most ubiquitous of all the trends, this study includes a collection of useful commentaries on the revolutionary impact of digital on the path to purchase.

These thought pieces discuss how retailers and brand marketers can most effectively approach shopper marketing in a world where the online and physical realms are interconnected and shoppers, empowered with a digital mobile devices, can be reached anywhere anytime. The commentaries topics include:

- Ways to understand the new consumer journey
- Research revealing when browsers become purchasers
- Purchase behavior viewed across retail channels
- Key prerequisites for making money with e-commerce
- The interconnection of shopper marketing, digital and e-commerce

As in prior BrandZ retail studies, each of the Top 20 brands is summarized with a review of strategies, highlights of key retail developments during the past year and forward-looking insights and implications.

Overview

Consumer shopping habits and digital access change retailing

Amazon grew 37 percent in brand value in 2010, surpassing Walmart as the world's most valuable retail brand.

The Amazon performance occurred in a year when retail brand value appreciated by only 2 percent overall and few other brands increased sharply in value. Examples of significant brand value growth, such as IKEA's 28 percent rise, mostly reflected recovery from recession lows.

Since its inception in 1994, Amazon has grown to be worth $37.6 billion in brand value, reflecting the commercial success Amazon has enjoyed and its revolutionary impact on retailing worldwide. Because of Amazon's influence, the path to purchase no longer moves linearly to a physical store but exists in time and space wherever shoppers view products, promotions and purchasing suggestions.

The disappearance of the superstore bookseller Borders during the summer of 2011 symbolized the vulnerability of chains trading in this altered retail universe while weighted with real estate acquired when consumers favored large footprint stores with myriad SKUs. It also reflected the hyper competition for the patronage of frugal, recession-chastened consumers.

Unable to rely on new stores to drive sales growth, retailers must maximize sales productivity from existing customers to grow "share of wallet." Similarly, the disruptive power of digital, especially mobile, requires that retailers astutely engage shoppers anywhere and anytime to grow "share of decision." These imperatives are reflected in several retail trends including:

- Growth of smaller stores: Especially in mature markets, retailers are opening smaller formats to reach customers in urban or rural areas.
- Focus on discount and private label: To respond to shopper price sensitivity, retailers are emphasizing discount formats and private label ranges.
- Multichannel presence: With retail space no longer defined by four walls, merchants are trying to seamlessly link their physical and virtual operations.

These trends are present globally. They're unfolding as retail growth shifts dramatically to fast-growing markets. Markets other than the US, Western Europe and Japan are expected to drive more than 67 percent of retail sales growth over the next five years, according to Kantar Retail. China alone will account for over 21 percent of growth during that period, Kantar predicts. Meanwhile, Walmart's purchase of the Massmart chain in South Africa suggests a new chapter has opened in global retailing.

Smaller stores

The shift to smaller stores is most evident among major chains in North America and Western and Eastern Europe, but it reflects lessons learned from experience gained in emerging markets. While the trend cuts across all product categories, it is especially prevalent in food, a trend that Kantar Retail identifies as proximity food retailing.

With growth from its supercenters flattening in the US, Walmart continues to experiment with smaller formats. Its most recent entry is Walmart Express, an outlet of about 14,000 sq. ft. compared with an average size of almost 200,000 sq. ft. for the roughly 3,000 superstores that Walmart operates in the US.

Walmart gained experience operating small stores with its Bodega Aurrera banner in Mexico. Through its UK holding, Asda, Walmart acquired Netto, a small-store chain that will be rebranded Asda Supermarket. These outlets, which average 8,000 sq. ft., will help Asda reach locations inaccessible with its supercenters, which average 85,000 sq. ft., or even its superstores of about 45,000 sq. ft.

Also in the UK, the grocer Sainsbury's operates convenience stores called Sainsbury's Local, and Marks & Spencer intends to accelerate the rollout of its M&S Simply Food convenience stores. Convenience stores are among Tesco's many formats, too. Having entered the US in 2007, with 10,000-sq. ft. Fresh & Easy stores in California, the company now is testing an even smaller space called Fresh & Easy Express.

The shift to smaller stores extends beyond food. Two US home improvement warehouse retailers, Home Depot and Lowe's, are opening smaller units. Best Buy, the electronics retailer, is opening small stores based on knowledge gained in a venture with the UK's Carphone Warehouse. Most notably, IKEA, known for its giant, labyrinthine outlets, is planning smaller, multi-level stores to penetrate urban locations.

Discount and private label

Carrefour unified its many convenience store brands under the Carrefour City and Carrefour Contact banners. While the change should help Carrefour expand into smaller markets, opportunities to better leverage its private label, marketing and merchandising programs drove this development.

It acknowledges the ubiquitous presence of deep discounters Lidl and Aldi across Europe and the diminishing appeal of hypermarkets, which lack discount's focused price message and convenience. Tesco also is relying on smaller hypermarkets and convenience banners as it fills in its presence in Central and Eastern Europe.

Meanwhile, Lidl added more branded product to its overwhelmingly private-label product mix to position itself as a discount supermarket and increase its share of full shopping trips. And Marks & Spencer, known as a purveyor of premium private label products, added branded items to its offering to compete with other supermarket leaders.

In the US, Costco continued to have great success with its Kirkland Signature brand, a private label recognized by consumers as a national brand. Target strengthened the Up & Up line, which it introduced several years ago. The brand operates mostly as a "reflective" private label, meaning that it helps drive margin while depending on the adjacent national brand for authority.

In general, retailers calibrated the balance between private label and national brands to build margin while benefiting from the traffic-drawing power of national brand promotions. As both private label and national brand promotions reduce prices, it becomes especially important to for retailers to persuade each customer to buy more merchandise, ensuring sufficient "share of wallet."

Expansion of multichannel retailing

Even the food retailers are aggressively refining their multichannel presence, looking for ways to better serve shoppers and distinguish themselves from the competition.

Several retailers are experimenting with variations of online purchasing with the order delivered directly to the customer's home or to the customer's store where it's available for easy pick-up. Auchan introduced the store pick-up idea several years ago with its successful Chronodrive program. Walmart is experimenting with a home delivery program called Walmart To Go and a store delivery option called the Pick Up Today program.

Sainsbury's combines its home delivery and in-store pick-up options into one program called Sainsbury's Direct, which is intended to drive non-food sales. Home Depot introduced several mobile apps and explored the possibility of payment on its Facebook page as social media moves toward social commerce.

The Top 20 Most Valuable Global Retail Brands 2011

#	Position change from 2010	Brand		Parent Company	Brand Value $US Billion	Brand Value Change YOY	Brand Contribution	Brand Momentum
1.	+1	amazon.com	US	Amazon.com, Inc.	$37, 628	37%	3	10
2.	-1	Walmart	US	Wal-Mart Stores, Inc.	$37,277	-5%	2	5
3.	=	TESCO	UK	Tesco plc	$21,834	-15%	4	7
4.	=	Carrefour	France	Carrefour SA	$13,754	-8%	3	7
5.	=	TARGET	US	Target Corp.	$12,471	3%	3	3
6.	=	ebay	US	eBay, Inc.	$10,731	15%	2	8
7.	=	THE HOME DEPOT	US	Home Depot, Inc.	$9,877	10%	2	3
8.	=	ALDI	Germany	Aldi Einkauf GmbH	$9,251	6%	2	4
9.	=	Auchan	France	Auchan SA	$7,796	-1%	3	7
10.	+2	IKEA	Sweden	Ikea International	$7,293	28%	2	6
11.	-1	LOWE'S	US	Lowe's Cos., Inc.	$6,522	-7%	2	3
12.	+1	MARKS & SPENCER	UK	Marks & Spencer plc	$5,252	-8%	3	4
13.	-2	BEST BUY	US	Best Buy Co., Inc.	$5,104	-12%	3	3
14.	+3	COSTCO WHOLESALE	US	Costco Wholesale Corp.	$4,544	17%	1	4
15.	+1	LIDL	Germany	Lidl & Schwarz	$4,240	3%	1	4
16.	-1	KOHL'S	US	Kohl's Corp.	$4,003	-8%	3	4
17.	-3	ASDA	UK	Wal-Mart Stores, Inc.	$3,975	-19%	2	4
18.	=	Sam's CLUB	US	Wal-Mart Stores, Inc.	$2,935	-10%	2	2
19.	+1	Sainsbury's	UK	J Sainsbury Plc	$2.685	-2%	3	5
20.	-1	SAFEWAY	US	Safeway, Inc.	$2.012	-37%	2	3

Sources: Kantar Retail, Millward Brown Optimor. Brand contribution measures the degree to which brand plays a role in generating earnings. It is displayed as an index from 1 to 5, 5 being the greatest brand contribution. Brand Momentum measures the growth potential of brand-driven earnings. It is displayed as an index from 1 to 10, 10 being the greatest potential. See Methodology and the end of the report for full details. See the At-a-Glance charts for footnotes.

Commentary

Understanding the New Customer Journey

From simple to splintered to seamless

By Tim Greenhalgh
Chief Creative Officer, **FITCH**

In the beginning, there were shops. We'd pop to the shops, pick up our stuff, go home. Things were simple.

Then, with the Internet, we shopped from home. Now, mobile brings the shops to us, wherever we are. The options are endless. The customer journey has become splintered.

In this new technology-enabled world, how can brand marketers and retailers capture the imagination and retain the loyalty of their customers?

Seamless retail experiences require a new approach.

Life gets complicated

Life was simple until 1991, when Tim Berners-Lee is credited with inventing the World Wide Web. He handed us the keys to online connectivity. Then, we could shop from within our own homes. 'Popping to the shops' was a mere click away.

The world became a little less simple, but a whole lot more fun.

Now more game changing still, mobile brings the shops to the shopper, wherever they are – even while sitting on a bus. The emergence of the 'always on' consumer means the way shoppers think about, validate and act on their purchasing decisions has become splintered.

What was simple – "I'm just popping to the shops…" – has become splintered – "…shopping is anywhere and everywhere, as are my friends, all 1500 of them!"

So, I can now buy in a shop, on a website, via an app on a laptop, tablet, smart phone or through my games console. Alongside traditional and still powerful catalogues and direct mail I browse deals and promotions via QR codes, or view an augmented world through my phone's camera, which places exciting products in my path or simply points to where I can find a pint in a new neighborhood.

Poked and prodded by friends as I peruse their personal views on social networking sites, I can buy products with new Internet-based currencies, like Facebook Credits, which let me buy virtual goods in games on the Facebook platform. Now I can earn even more credits when shopping in the real world through the multi-retailer reward program Shopkick. I am happy to take a recommendation to buy something from someone I've never met and who lives 5,000 miles away. RedLaser lets me price-check on the go, and I can get location-based deals from Foursquare by becoming a Mayor, or join a collective buying group to get discounts on just about anything from Groupon. Shops now pop up and pop off, convenience stores are more convenient as they become an event or viral installation, and if all this wasn't enough, I can actually stream my products for a day as 21C consumption may not be about ownership anymore (Netflix, Spotify) – phew!

To some, this splintering of the shopping journey is exciting and liberating because the options available to a Regular Joe open up variety, choice and value. Whereas, to others, these splinters can be a sharp reminder that the retail world has moved on and as such this variety of options needs to be understood – and embraced – in today's new shopping environment.

We need to understand the effect it has had on today's customers, as their shopping experience has moved from simple to splintered. In doing so we can further understand how to respond and create a seamless customer journey.

Shopping in the mind… dreaming, exploring, locating

We believe that the process of simply finding something you need, today or fantasizing about a purchase over several months, is governed by three universal 21st century mind states:

1. Locating: In this mind state, consumers are looking for a specific brand, product or service. They have a short attention span, are usually replenishing their own stock, or already know the specific item they're looking for – "I want Nike Airs, size 7."

2. Exploring: Here, the consumer is open-minded but has category-specific purchase intent – "I want running shoes." They have a longer attention span, may have a few options in mind, but are open to suggestions and want to be inspired and informed in equal measure. With its ability to easily compare and contrast a wide range of products, online retail can quickly grow loyalty in this area. However, a key component of the "exploring" mindset is trial, and being able to touch, feel and test drive products is crucial – an advantage the store has over the virtual.

3. Dreaming: In this mind state, consumers actively look for new ideas and inspiration. They have undefined needs and wants, and are skipping between categories and brands to find inspiration and the fulfillment of as yet undefined desires – "I want to get fit".

The new seamless customer journey acknowledges that any individual can exhibit these different mind states at any given moment, often switching from one to another in an instant, depending on their particular shopping mission.

The trick is to both understand how best to serve these mind states, as well as the triggers which daisy chain between them.

Traditional shopping journeys used to be predominantly location based – from leaving home, to crossing a threshold, to leaving a store with a bag in hand. Whereas the new seamless journey is multichannel and often marked by a period of time between triggers – a glance at Facebook, an interactive window display, a QR code in a magazine.

The three mind states have major implications for a store's design, layout and communication. And just as importantly for how we think about the entire customer journey and that Holy Grail - the purchase.

Popping to the shops in the 21st century… seamless customer journeys

As online shopping grows, it's the replenishment purchases made in "locating" mode that will continue to move off the high street and away from the malls. To accommodate this, there will be strong and seamless links between the shops and their online experience. Uniqlo's CEO recently announced that the company's next major flagship opening would be its website. The future of bricks and mortar lies in shifting the attention towards people in the "exploring" and "dreaming" mind states. By setting stores up to encourage "exploring" and "dreaming," the retailer can build loyalty all the way through the journey to purchase by truly responding to their customers' desires and aspirations.

This is good news for retailers, because there's the potential to get more value out of their customers. By redefining the customer journey in this way, confident decisions can be made about how to engage shoppers in different mind states, and help them upgrade from relatively low value "locating" to higher value "exploring" and "dreaming."

We are gradually seeing a movement from the departmental silos of marketing, merchandising, digital, buying and real estate to an integrated approach aligned around the customer point of view.

Seamless retail means that stores are no longer solely places of transaction. Looking after the "locators" remains important, but focus can also be given to creating more engaging and rewarding experiences for customers. These shoppers will then show loyalty – online, in-store and inline.

"FITCH is a global retail design consultancy that specializes in translating brand into consumer experience. With a presence in 12 countries, clients include Dell, HSBC, Morrisons, Microsoft, Nokia, Target and Vodafone."

www.fitch.com

1. Amazon

Most valuable retail brand

With an increase of 37 percent, Amazon's brand value surpassed Walmart's.

In the relatively short period since its founding as an online book merchant, Amazon—with no stores—has grown to be the most valuable retail brand in the world and a disruptive force transforming retailing into a multichannel phenomenon. Amazon sales rose 32.1 percent to $34.2 billion in 2010 on the strength of its unequaled product range and constant innovations that widen its customer base and grow sales.

The company launched Amazon Mom late in 2010, for example. The program offers 30 percent off on diaper orders as well as other discounts and two-day free shipping. It's part of an ongoing strategy to drive shopper loyalty and frequency with subscription programs providing discounts and free shipping on consumables.

At a glance

Brand Value	$37.6 billion
Brand Value Change	37%
Total Corporate Sales	$34.2 billion
Total Corporate Stores	0
AMAZON Brand Sales	$33.2 billion
AMAZON Brand Stores	0
Countries of Operation	7

Amazon brand sales include amazon.com, amazon.co.uk, amazon.de, amazon.co.jp, amazon.fr, amazon.cn and amazon.ca. Sources: Kantar Retail, Millward Brown Optimor

Amazon also expanded Subscribe & Save, a program that offers regular replenishment with free shipping in categories such as grocery, office products and supplies and health and beauty. The brand continued to benefit from Amazon Prime, the program in which shoppers pay an annual fee, similar to a warehouse club membership, and receive free shipping on all items.

Flexing its power on behalf of consumers, Amazon influenced its suppliers to redesign its packaging to be easier for customers to open and more environmentally friendly. Originally aimed at electronics and toys, Amazon has expanded the initiative to other categories.

In a development that evoked Amazon's roots in book retailing, the company's sales of electronic books surpassed its sales of paper books for the first time, driven in part by the success of Amazon's Kindle and a strategic price reduction that made the electronic reading device more widely accessible. With the introduction of the Kindle, in 2007, Amazon evolved from exclusively a purveyor of branded merchandise created by others to a product developer as well.

Ultimately, the success of Amazon results from empowering retailer intuition with the complicated algorithms that recognized shopper purchasing patterns and recommend related products. Leveraging its technological resources and credibility, Amazon also sells cloud computing capacity on its servers.

Above: Subscribe & Save drove shopper visits by focusing on frequently replenished products.

Below: Amazon reduced Kindle prices last year, which increased sales of the devise and drove electronic book sales.

Insights & Implications

- Amazon continues to expand into new geographies and new categories. Backed up with its strong reputation in fulfillment and customer service, the retailer is only just scratching the surface of its eventual scale and reach.
- One category that has been limited to third-party vendors and a modest trial in Seattle is fresh grocery. Can Amazon crack this market and become a genuine online supermarket? Or does it need to acquire this expertise?
- While Amazon is only capturing a small part of certain markets, its influence as a disrupter of shopping trips to traditional retailers is potentially seismic.

2. Walmart

Reversing course

Walmart returned to its proven low price and broad assortment proposition.

At a glance

Brand Value	$37.3 billion
Brand Value Change	-5%
Total Corporate Sales	$419 billion
Total Corporate Stores	8,535
WALMART Brand Sales	$294.9 billion
WALMART Brand Stores	4,450
Countries of Operation	15

Walmart brand sales include Walmart, Walmart Supercenters, Walmart Asda, Supermercado de Walmart and Walmart.com
Sources: Kantar Retail, Millward Brown Optimor

Although the discounter's attempt to become more aspirational made sense as a strategy to add customers and strengthen margins, the execution was ill timed and unevenly executed. It left some core customers feeling abandoned. While international sales rose, sales in the US were flat at $260 billion and same-store results declined 1.6 percent. Walmart's brand value dropped 5 percent.

The removal of merchandise bins from high-traffic aisles, for example, softened Walmart's low price message at a time when recession-shocked shoppers sought bargains. In trimming slower-moving SKUs from its assortment, Walmart unintentionally eliminated some important traffic drivers, losing not only item sales, but also entire shopping trips.

Reduced assortment and display area also limited promotion opportunities for local specials and for certain categories, such as soft drinks or toilet tissues, which depend on bulk displays for incremental impulse purchases. Competitors, particularly the dollar stores, eagerly took advantage of Walmart's miscalculations by adding SKUs to attract value shoppers.

Walmart quickly recalibrated. It started to restore 8,500 SKUs in grocery alone, after the product range was cut by 9 percent storewide and as high as 26 percent in some categories. As the chain rebuilds the assortment, it intends to reclaim its well-earned reputation for market basket price leadership.

But even as Walmart's supercenter format rebounds, it may not be the engine of future growth, at least not in store-saturated markets like the US. Drawing on experience gained Mexico, and from Asda in the UK, Walmart is rolling out smaller stores, called Walmart Express, for expansion into rural or urban locations.

With other innovations, Walmart responded to the challenge of Amazon, the e-commerce pioneer that superseded it as the world's most valuable retail brand. Walmart leveraged its multichannel capabilities by rolling out a Pick Up Today program for in-store fulfillment of online shopping. It also experimented with a fresh grocery home delivery initiative called Walmart To Go.

Meanwhile, Walmart's international division spent 2010 preparing to purchase Massmart, the South African retail and wholesale conglomerate. Completed in June 2011, the acquisition eventually could establish Walmart in Sub-Saharan Africa.

Above: Flip flop sandals are displayed with fashion flair in North Bergen, New Jersey.

Below: Price and assortment dominate the landscape in the Secaucus, New Jersey, store.

Insights & Implications

- Walmart has yet to regain momentum in the US after a record number of quarters of negative same-store growth. Its store remodeling efforts were long overdue, but other components of Project Impact – such as the range rationalization programme – backfired, leaving Walmart with a lot of work to do to regain disenchanted shoppers.
- All eyes are on small store development and e-commerce for Walmart's great leap forward in the US, particularly with respect to whether or not these initiatives will help Walmart penetrate key urban markets.
- Realistically, the big growth opportunity for Walmart is through its International division. Already the world's third largest retailer in its own right, Walmart International is well positioned for growth in Latin America, Asia, Africa and – possibly – Europe.

3. Tesco

Cultivating loyal shoppers

Tesco continued to strengthen its business in the UK, while expanding abroad. Sales grew 6.4 percent to $94 billion in 2010, from 5,380 stores. Same-stores results rose 2.6 percent.

The UK drives 70 percent of Tesco's business. With twice the selling space of the second-largest UK competitor, Tesco gains about one-third of all the country's grocery sales primarily from three different formats—hypermarkets, supermarkets and convenience stores, but also from smaller concepts, such as garden centers, and from e-commerce.

At a glance

Brand Value	$21.8 billion
Brand Value Change	-15%
Total Corporate Sales	$94 billion
Total Corporate Stores	5,380
TESCO Brand Sales	$79.2 billion
TESCO Brand Stores	3,969
Countries of Operation	13

Tesco brand sales include Tesco, Tesco (superstores), Tesco Express/Expres/Expressz, Tesco Extra, Tesco Metro, Tesco (compact), Tesco Supercenter, Tesco.ie, Tesco Direct and tesco.com. Sources: Kantar Retail, Millward Brown Optimor

To leverage this dominance and reinforce loyalty during a period when economic stress threatened shopper defection, Tesco doubled the points earned for use of its Clubcard. Reflecting its willingness to invest significantly to retain customers, Tesco also purchased the outstanding stake in Dunnhumby, the customer insight company that manages the card. Tesco had been majority owner.

As the market's most diverse multi-format retailer, Tesco also cultivated shopper loyalty with a broad offer intended to fill most needs. Along with grocery, Tesco's menu of retail services includes insurance, banking, travel and real estate. The chain is opening bank branches within hypermarkets and rolling out Tesco Mobile. Still, sales growth pressure in the UK and currency fluctuations affected Tesco's brand value, which declined.

The company strengthened its focus on growth outside of the UK, with the appointment of Philip Clarke, a former head of Tesco International, who succeeded Terry Leahy as Tesco CEO in March 2011. Tesco is active in 12 countries outside of the UK, with the greatest proportion of sales driven by operations in Asia, including, China, Japan, South Korea, Thailand and Malaysia. Central and Eastern Europe make the next greatest contribution to sales followed by the US.

Tesco is present in China with its hypermarket and express formats. The chain entered the US in 2007, with an upscale convenience format called Fresh & Easy. It is about to launch a smaller "Express" variation. In China, Tesco already has changed its expansion model, developing rent-producing shopping malls and making Tesco its anchor tenant. Four such developments already exist. Tesco is searching for a local partner in India, where opportunity could be great but more long-term, and it has not entered Russia or Brazil, which currently is not on the radar.

Above: Tesco dominates grocery sales in the UK, with several formats.

Below: Price remained an essential part of the brand message during 2010.

Insights & Implications

- Tesco's strategy of gaining shopper lifetime loyalty continues to drive the business, but now needs to be applied across all divisions, from grocery stores to non-food and to banking and insurance services.
- As UK sales growth slows, international business becomes more important, particularly China.
- To lower costs, Tesco continues to centralize its operations, with the latest focus on Central and Eastern Europe.

4. Carrefour

Unifying the brand

Carrefour attempted to strengthen its core business and also sell under-performing parts of the company to raise cash.

The combination of investment and divestment activities reflected the simultaneous objectives of the chain's primary shareholders, private equity partners interested both in short-term results and top-line performance. Sales declined 2.8 percent to percent to $116.4 billion in 2010. The decline resulted from weakness in France, Carrefour's home market, and the rest of Europe. Brand value declined 8 percent.

To introduce greater management efficiency as it pursued its objectives, Carrefour recruited two executives from the competition, Walmart and Tesco. These well-laid plans suffered an unexpected setback, however, when one of the new leaders departed after less than 12 months leading Carrefour in Europe outside of France. Subsequently, the head of France, another high-profile recruit, also departed.

At a glance

Brand Value	$13.8 billion
Brand Value Change	-8%
Total Corporate Sales	$116.4 billion
Total Corporate Stores	14,038
CARREFOUR Brand Sales	$99.7 billion
CARREFOUR Brand Stores	5,244
Countries of Operation	40

Carrefour brand sales include Carrefour, Carrefour Bairro, Carrefour City, Carrefour City Café, Carrefour (Compact), Carrefour Contact, Carrefour Drive Carrefour.es, Carrefour Express, Carrefour Market, Carrefour Marinopoulos, Carrefour Montagne, Carrefour Mini, and Carrefour Planet.
Sources: Kantar Retail, Millward Brown Optimor

To fortify its position in Western Europe, Carrefour launched a new hypermarket format called Planet with six test stores in Belgium, France and Spain. Aimed at reviving hypermarket sales, Carrefour designed the large stores of about 100,000 sq. ft. to be shopper driven, with merchandise organized thematically, integrating food and non-food. Carrefour intends to rollout these stores in Italy and Greece, ending 2011 with a total of almost 100 units.

Above: Carrefour City serves London, Paris and other urban locations.

Below: Barcelona location displays fresh fish.

In France and Spain Carrefour also unified its convenience store operations under the Carrefour City and Carrefour Contact banners. Using the Carrefour brand in these 5,000-to-8,000 sq. ft. stores, as well as in the hypermarkets and supermarkets, enables Carrefour to coordinate its private label, marketing and merchandising strategies. Leveraging the Carrefour brand works globally, but is especially relevant in mature markets, where hypermarket growth has slowed. The company is looking to the BRICs for growth with the exception of Russia, which it exited in 2009.

Meanwhile, Carrefour management continued to divest assets to gain cash. In November 2010, the company sold its business in Thailand to the Casino Group. Similarly, in March 2011, the company announced the spinoff of its Dia discount store division, which operates in eight country markets and accounts for about 10 percent of total Carrefour sales. Merger discussions in Brazil ended unsuccessfully.

Carrefour operates six formats, including hypermarkets, supermarkets and discount, under six banners in 40 countries. Worldwide, hypermarkets accounted for about 60 percent of the chain's sales in 2010, and an even higher percentage outside of Europe.

Insights & Implications

- Carrefour is rolling out its latest hypermarket concept "Planet" across Europe, hoping to drive more people into its stores and abate the traffic-decline has been one of the main challenges of the hypermarket format in recent years.
- At the same time, Carrefour is not neglecting its small-store concepts, with supermarkets and convenience channels receiving significant investment as Carrefour implements more coherent strategies.
- Short-term objectives continue to drive some of the corporate decisions (divestment of Dia), and Carrefour probably will divest more of its operations in the coming months and years.

Commentary

Shopper Marketing and Digital

A critical intersection for brand success

By Jonathan Dodd
Global Strategy Director, **G2**

Until just a few years ago, shopper marketing and digital were treated as separate disciplines. Today, considering shopper marketing and digital together is essential for brand success.

This change is well illustrated by the critical intersection of shopper marketing, digital and e-commerce present in a case study for G2's long-standing client P&G and its CoverGirl brand in the US.

The assumption about the cosmetics category might be that it's a fairly simple equation; that agencies produce beautiful thematic communications predominately in above-the-line media, and those activities drive consumers to the store and shoppers make their purchases.

In reality, that is not the case. In the cosmetics category, and in CoverGirl as a range, the consumer is faced with an ocean of choice. Often the consumer requires a combination of products to achieve an overall end look. Digital begins to play a significant role in easing the shopping process and facilitating a better experience for the consumer.

Because CoverGirl is sold in mass channels in the US, it is not available at a counter where the shopper can find assistance. The original role of digital was to act as a surrogate beauty consultant. Consumers were driven to a website where they could find information about the major products, inspiration for the look they sought and direction about which product was right for them to purchase.

A number of utilities were developed, such as a virtual make-up mirror. The consumer could upload a photo of her face and find the shades and tones that suited her best. Although a commerce connection was created, initially the relationship was based on bricks and mortar. There was a store locator to find out where to purchase. As the site evolved, we enabled the shopper to click through and purchase online.

As social media increased in popularity, Facebook and YouTube elements were added to the integrated program enabling a new path to purchase. With the recent development of a new discipline—social e-commerce—functionality was created that enables a Facebook user to stay within the Facebook platform and access the utilities. Originally provided to the shopper on Covergirl.com, a customer now can access these same utilities on mobile and interact with the category and the brand within those media.

The purchase decision journey

The role of digital was determined using the same approach G2 takes to the integration of all communications. We look at the purchase decision journey first. Within this particular case study there are many steps, from learning how to apply make-up correctly to sharing that experience. Not long ago each step would have been discrete, taking place at various locations, across differing media or channels. Sometimes that remains the case. But it's also true that at other times all those steps can take place at the same time in a single digital channel—just on mobile, for example, or on a laptop or tablet or just within a particular environment such as Facebook.

The communications architecture that drives this result is about easing the shopping experience. The goal is to inspire shoppers and help them learn about the latest trends and the right look for them. Shoppers are then helped to navigate the decision-making process and provided with helpful tips on using the products for maximum advantage. Then the consumer is guided to focus on reflection, and asked to consider, rate and share her experiences with Cover Girl.

A full range of touch points are employed, from traditional mass media to in-store retail—with digital media playing a significant role across the entire purchase decision journey. Multiple digital strategies, activations, channels and platforms are employed. In the search phase the Cover Girl shopper is connected to the brand and to the right products. Relevant and targeted information is served to the consumer. CRMs help personalize recommendations. E-commerce enables easy access to content to inspire and assist. With social engagement opportunities are created for consumers to swap their stories.

The purchase phase

In the purchase phase, it is now easier for shoppers to go to traditional bricks and mortar from e-commerce with the basket of goods they've identified as right for them.

Mobile is now the connective tissue along the purchase decision journey. Mobile integrates digital in-store and out of the store, online and offline. For example, if a shopper is in the store and sees a new and unfamiliar product, the virtual make-up mirror utility gives the shopper the opportunity to find the right color and shade while actually in the aisles.

A YouTube channel has been created where the shopper can find tips on ensuring the make-up is being applied correctly. There are user reviews to connect the shopper with friends. Recently, those reviews were published in-store, so the peer experience is immediately available and more information is accessible on mobile.

In the US, there are now 1.4 million active CoverGirl subscribers with 75 percent of those customers using the color-matching utility, demonstrating that cosmetics is a high involvement category. There are now over 1 million Facebook fans. And there are thousands of live chat conversations, product reviews and an increasing number of product sales going through online.

The integration of shopper marketing and digital has proved extremely effective for the CoverGirl brand.

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5. Target

Delivering on expectations

Target reconnected with its customers.

Above: Target expanded the presence of its Up & Up private label, positioning it against national brands.

Below: The store in the Harlem neighborhood of New York City includes a fresh food department.

Some shoppers abandoned the chain during the depths of the recession because the brand, known for its trendy interpretation of well-priced merchandise, seemed poorly positioned during a period of consumer spending withdrawal. Much of the merchandise mix focused on "wants" when consumers retreated to "needs."

As shoppers regained discretionary income, or when they no longer could postpone spending on basics, they returned to Target and found a somewhat different chain, working harder to honor the double promise of its strapline: "Expect More. Pay Less." Especially the "Pay Less." The effort produced a 3.8 percent increase in sales to $65.8 billion and a 2.1 percent rise in same-store-results following two years of same-store declines. Brand value increased 3 percent.

Changes probably were most obvious in food, where Target continued the roll out of the PFresh prototype store offering a full selection of fresh food along side the packaged food and drink offering. The carefully edited range of chilled, frozen and perishable items helped drive traffic and reinforce Target's competitive position against Walmart, its chief rival and America's largest food merchant.

Target also extended its private label strategy, particularly in consumables, with value-priced food and drink branded Market Pantry and the premium selection designated Archers Farms. In addition, the chain expanded its Up & Up private brand, which enabled Target to present a more price-driven face to shoppers while enjoying higher margins. Target effectively communicated these changes with messages that emphasized a combination of quality with greater affordability.

The company also sought expansion opportunities and announced that it would open its first stores outside of the US, in Canada, taking over leases of the Hudson Bay Company's Zellers stores. Like Walmart, Target developed smaller stores designed specifically for urban markets, which matches well with its trendy sensibility. The chain plans to open its first small format store, called City Target, in downtown Chicago. City Target is expected to be about 54,000 sq. ft. or roughly half the size of a typical Target store.

At a glance

Brand Value	$12.5 billion
Brand Value Change	3%
Total Corporate Sales	$65.8 billion
Total Corporate Stores	1,750
TARGET Brand Sales	$65.8 billion
TARGET Brand Stores	1,750
Countries of Operation	1

Target brand sales include Target and target.com
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Target's first venture outside the US will test whether Canadians prefer the style of Target to Walmart, which is ramping up its Supercenter expansion in the market.
- With savvy marketing and private label, Target has successfully balanced upscale trendiness and affordability, positioning itself well for future economic swings.
- Urban store development portends a significant opportunity for growth and another challenging head-to-head clash with Walmart.

6. eBay

New fix on pricing

As the recession receded, eBay emerged better positioned for the rise in mobile retail and the declining interest in online auctions, the company's core business.

At a glance

Brand Value	$10.7 billion
Brand Value Change	15%
Total Corporate Sales	$61.8 billion
Total Corporate Stores	0
EBAY Brand Sales	$61.8 billion
EBAY Brand Stores	0
Countries of Operation	30

The eBay sales figure is the reported sales value of transactions between buyers and sellers on the eBay website. The company reported corporate revenue of $9.2 billion. The eBay country count includes only the online e-commerce operation.
Sources: Kantar Retail, Millward Brown Optimor

Revenue improved 5 percent to $9.2 billion in 2010. The company ended the year with more than 94 million users worldwide and eBay's brand value appreciated by 15 percent. The company experienced growth across all its businesses, which it broadly divides into two categories: marketplaces, including its auction site; and payments, which includes PayPal, the online payment facility.

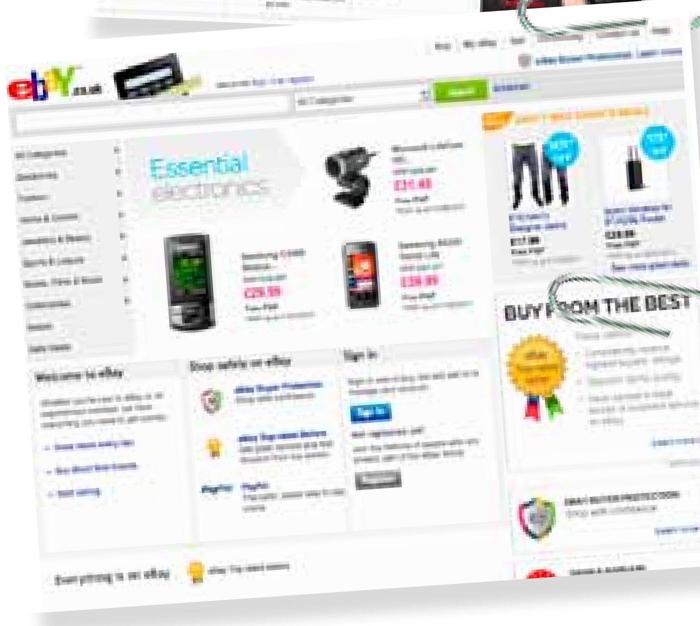
The company generates revenue from fees and advertising. It operates its marketplaces to connect buyers and sellers more efficiently in an online environment that cultivates trust and facilitates financial transactions. Along with eBay.com, the marketplaces include StubHub (ticket sales), Shopping.com (comparison shopping), Rent.com (apartments), and Half.com (books and entertainment for fixed prices). The payments businesses include Bill Me Later, which enables customers to obtain credit at the point of sale, and PayPal.

Ebay strengthened its marketplace businesses last year with new programs intended to promote trust in the site and encourage buying big-ticket items. The company moved toward fixed pricing, which accounted for 60 percent of merchandise volume. It also added more branded merchandise, with an emphasis on fashion. With Microsoft's purchase of Skype in May 2011, eBay ended its ownership of a brand purchased in 2005 and substantially spun off in 2009.

Ebay also invested in acquisitions last year. It agreed to purchase brands4friends, Germany's largest online shopping club with customers across Europe and in Japan. The company acquired RedLaser, a bar code reading application for comparison-shopping, and integrated it into its mobile device apps. The company also bought Milo, an Internet site that enables users to search for merchandise by store and inventory level. In 2010, eBay's sales generated from mobile transactions reached almost $2 billion.

Insights & Implications

- Ebay has been remarkably nimble and forward thinking with a number of its recent acquisitions.
- The business seems to be readying itself for a gradual transition away from being a quasi-retailer to becoming a B2B service provider.
- While the core auction business has growth potential, eBay is definitely taking the right steps by diversifying into new areas.



Above: The daily deals drive traffic to the eBay site.

Below: The auction business continues, but eBay now emphasizes fixed prices.

7. Home Depot

Back to the future

Home improvement shoppers returned and Home Depot was ready.

At a glance

Brand Value	$9.9 billion
Brand Value Change	10%
Total Corporate Sales	$68 billion
Total Corporate Stores	2,248
HOME DEPOT Brand Sales	$68 billion
HOME DEPOT Brand Stores	2,248
Countries of Operation	7

Home Depot brand sales include Home Depot and homedepot.com
Sources: Kantar Retail, Millward Brown Optimor

The chain benefited from improvements, made during the recession, in customer service, marketing and logistics. Although consumers spent disproportionately on repair and maintenance rather than major projects, sales grew 2.8 percent to $68 billion. Average ticket, around $52, and customer transactions increased. Same-stores sales grew 2.9 percent. And the value of the Home Depot brand rebounded 10 percent.

The results reflected the shift back to the brand's core drivers: price, selection and service. Although Frank Blake initiated the strategic reset when he become CEO in 2007, it took time to implement and the difficult economy obscured the impact. The recession exposed Home Depot's vulnerability to the fluctuations of the housing market. Contractors comprise only a small part of the chain's customer base, but they account for as much as 35 percent of sales. Home Depot explored programs that recognize and reward high-spending contractors.

High unemployment among contractors enabled Home Depot to improve service to DIY customers by hiring out-of-work professionals to staff stores, particularly in the highly technical electrical and plumbing departments. The company also increased investment in employee training, shifting more sessions to in-store from online. And Home Depot reinstituted the "Homer" badge, patches sewn on the aprons of associates who demonstrate outstanding customer service.

In a departure from its direct-ship supply chain philosophy, Home Depot added a network of cross-docking locations, where merchandise received from vendors was assembled into full-load store shipments to improve store in-stock positions and raise margins. Similarly, the chain that invented the home improvement warehouse store, which average 105,000 sq. ft., is testing smaller units of 60,000-to-80, 000 sq. ft., or roughly the size of some if its earliest warehouse store prototypes.

With a re-launch of its website and the introduction of mobile apps, Home Depot strengthened its multichannel presence and investigated the possibility of payment on its Facebook page. As the chain looks to drive store productivity toward pre-recession levels, it will increase investments in e-commerce to more fully engage shoppers whenever and wherever they shop.

Left: The New York City store on 23rd Street in Manhattan features dramatic décor displays.

Right: In the North Bergen, New Jersey, store Home Depot demonstrates its authority in the tool category.

Insights & Implications

- Growth will depend more on international sales as the net US store count in 2011 remains unchanged for the third straight year.
- Home Depot is developing new merchandising tools to better target key customer segments on a market-by-market basis.
- The in-store environment will continue to evolve as the retailer implements new digital shopping technologies.

8. Aldi

Broadening the brand

Economic weakness in Europe impacted results.

At a glance

Brand Value	$9.3 billion
Brand Value Change	6%
Total Corporate Sales	$65.9 billion
Total Corporate Stores	9,666
ALDI Brand Sales	$54.2 billion
ALDI Brand Stores	8,738
Countries of Operation	18

Aldi brands sales include Aldi Nord and Aldi Süd and aldi.com
Sources: Kantar Retail, Millward Brown Optimor

Growth, mostly from new stores rather than like-for-like sales, depended primarily on the strength of the economy in Germany, Aldi's home market, where the brand is most evolved and is viewed as offering both quality grocery as well as low prices.

Still, the Aldi brand value grew 6 percent, as the company increased its investment in traditional media to broaden the image of Aldi outside of Germany, where most consumers view Aldi as a deep discounter based on its competitive pricing and limited range of 800 SKUs, 95 percent private label. Aldi asserted that its private label products not only beat national brands in price, but also in quality.

The company includes a few national brands in its assortment for tactical reasons, to offer an option when its own label cannot provide the required combination of price and quality. These national brands sometimes are promoted on a limited "in-and-out" basis to build traffic and offer suppliers a relatively risk-free avenue for driving volume as Aldi pursues a high-frequency-low-basket strategy.

Unlike Lidl, another German-based deep discounter with which Aldi competes head-to-head across Europe, Aldi also operates outside of Europe, in Australia and in the US, where it is represented under the Aldi banner and the somewhat more upscale and trendier Trader Joe's.

Generally, Aldi enters markets relatively late, believing that in a mature market its low-price, high-quality message offers a differentiated and compelling counterpoint to existing players. The company also benefits from entering after sufficient infrastructure is in place.

Aldi was founded in 1948 by two bothers, Theo and Karl Albrecht, who operated the brand as two separate companies, Aldi Nord and Aldi Süd, since the 1960s. Theo Albrecht, owner of Aldi Nord, died last year but had not been recently involved in running the business.

Insights & Implications

- Similar to Lidl, Aldi has increased promotional activities. Although mainly focused on private label, the promotions also include brands for short periods (a week or 10 days).
- To strengthen its reputation for quality and convenience, Aldi is developing co-branded promotions with suppliers.
- The retailer is considering new market entries, mainly across Central and Eastern Europe.

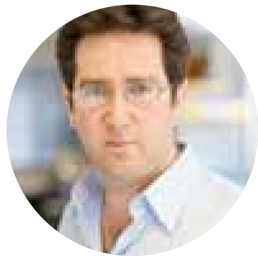
Above: The stores carry an narrow range of 800 SKUs, mostly private label.

Below: The Aldi storefront projects the brand's no-frills image.

Commentary

Managing an e-commerce business

And actually making money



By Michael Ross
Director and Co-founder, **eCommera**

Digital is great. But how do you actually make money from it?

The short answer is that in retail you make money quite differently online than you do in physical stores. Here's the longer answer.

Physical retailers see their businesses as quite simple. The activities have been going on for a long time and they're well understood and codified within organizations. Physical retailers make money on a store-by-store basis. You grow through like-for-like improvements and new store openings.

Zara, for example, has opened a store a day for the past four years. It's a difficult strategy to execute, but it's an easy one to conceive. Retail also is about turning inventory into cash. And retailers always will say that they either have too much stock or not enough. It's very binary.

So identifying problems in retail is easy. If you look over your like-for-likes and all the stores but one are up 5 percent, you don't need a PhD to say there's probably a problem in that store. Solving the problem may be more difficult than identifying it, however. The store may be in a bad location. It could be the wrong size.

And the big bets in retail—the store, the location, the shop fit—are made up-front. Once you've made your big bet, you can manage based on outcome. You can look at what happened and work out what to do.

Online is much different

In some ways the challenges online are reversed. In the physical world it's easy to spot a problem but difficult to fix it. Online, in contrast, the problem often is obscured by overwhelming amounts of data. Once you identify the problem, however, it's much easier to fix it.

Here's what I mean. You make money online on an order-by-order basis. You grow through customer acquisition and retention. It's not better or worse than the physical retailing model. It's just very different. And if you try to apply the methodologies and dogmas for making money in the physical world to the online world you simply make bad decisions.

In the online world, traffic is a trading lever. In the physical store, once you've paid your rent, the cost of a marginal visitor is zero. Whether you have a hundred people or a thousand in the store, you pay the same in rent. Not so online. Online it's extremely easy to spend much more on generating traffic than you gain in margin. And managing has other challenges. You can't walk the store or review the staff the way you can in the physical world. An online organization is staffed by a lot of people sitting in front of PCs. It's often difficult to spot a problem.

Running an e-commerce business

These are the four blocks of business for running an e-commerce business:

- Marketing activity: Channel optimization, partnerships with Facebook or other social media sites and other activities to acquire and retain customers
- The website: A place that's accessed from many key customer touch points including PCs, kiosks, mobile devices and tablets
- Product: Range, price, availability, content
- Operations: Order processing, delivery to consumers and returns

Complexity comes with the inter-connectedness of these factors. The key is looking in the right place for the problem. For example, at one company I worked with we experienced a high level of customer complaint for being out of stock. But our in-stock position was well over 90 percent. Because we were in an online business, however, we were able to check what customers were viewing. And in those items our in-stock position was at about 75 percent.

The way you make money is a new fundamental KPI for e-commerce. Profit-per-order is the measurement. That's calculated as the gross profit plus or minus delivery (revenue or cost), less promotion and marketing. The delivery charge is a marketing decision, not an operational decision.

People often ask, "What's a good conversion rate?" But that's the wrong question. Conversion is an outcome, not something to get fixated on. Conversion rates will fluctuate depending on many factors, including pricing, availability and promotions.

Growing an e-commerce business

And when you're running both physical and online businesses you've stepped up the complexity to another order of magnitude. Macys.com in the US can connect the number of people who search online with the transactions completed in-store. This information enables the company to measure the effectiveness of its online marketing investment.

Because the challenge of running an online enterprise is about acquiring and retaining customers, the business model is similar to that of FMCG companies. It's the way FMCG brands trial products and measure what percentage of trials become repeaters and what percentage of repeaters become loyalists. That's the evolution of an e-commerce business.

The default position is that most e-commerce businesses will stop growing, and it's normally a shock when it happens. To drive growth over time requires gaining new customers. That generally requires expanding internationally and expanding product range.

Differences between the physical and online worlds

Here are three fundamental differences:

1. Knowing what shoppers have looked at: It may seem obvious but online, when a product isn't selling, you can distinguish between a product that isn't selling because shoppers looked at it and rejected it or because shoppers haven't seen it.
2. The economics of marketing. When you're spending per click to generate traffic it's easy to spend more on marketing than you earn in gross margin.
3. Link to customers. Sometimes poor sellers, which don't seem to be worth keeping in the range, actually may serve an important function. While they may not earn a place in the range because of their sales volume, they may be the reason that your best customers shop you.

There's too much data in the online world, which can be overwhelming and misleading if it's analyzed in isolation and not with a holistic view.

And there's the tyranny of averages. E-commerce businesses are awash with averages: gross margin, conversion rate, for example. The problem with averages is that generally they're pretty meaningless. It's the variations that drive actions.

Finally, the challenge online is to manage the things you can do something about. It means measuring and acting on what can be controlled rather than fixating on non-actionable outcomes.

"eCommera is a pioneering provider of intelligent e-commerce trading solutions, enabling brand owners and retailers to sell efficiently and intelligently across multiple channels."

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9. Auchan

Family culture drives results

Auchan generated greater profit than its larger rival Carrefour last year.

At a glance

Brand Value	$7.8 billion
Brand Value Change	-1%
Total Corporate Sales	$54.9 billion
Total Corporate Stores	2,575
AUCHAN Brand Sales	$38.0 billion
AUCHAN Brand Stores	336
Countries of Operation	13

Auchan brand sales include Auchan, Auchan City, Les Halles d'Auchan, Auchandirect, AuchanDrive and auchan.com.cn and DriveAuchan.it
Sources: Kantar Retail, Millward Brown Optimor

At least three factors accounted for the chain's strong results: its presence in fast-growing markets; the synergies of its interconnected businesses; and the strength of its culture and continuity of its family management. Family and employee ownership enable the company to operate with a more long-term perspective compared with its publicly traded competitors that must respond to the pressures of reporting their results quarterly. Because the company uses many different banners, it does not fully leverage the Auchan brand, which may account in part for the slight decline in brand value last year.

Auchan's employees own 15 percent of the company. Employee ownership is part of a successful effort to inspire innovations in merchandising and operations. An idea suggested by a hypermarket manager several years ago, for example, is driving e-commerce growth and drawing imitators. Called, Chronodrive, the approach enables customers to shop online and pick up at a local store.

Although not present in Brazil or India, Auchan maintains a strong presence in the other two BRIC markets. Its 86 stores in Russia produce 10 percent of Auchan's annual sales, a number that's expected to double by 2015. Auchan's decentralized management and discount business model enabled the company to effectively meet the preferences of Russian consumers.

Auchan operates 176 stores in China, some of which it owns in a joint venture with a Taiwanese partner, RT Mart. Auchan plans to raise cash for local market expansion with an IPO on the Hong Kong Stock Exchange. While this approach seems to contradict the company's predilection for family-ownership, it is consistent with its pragmatism and acknowledges the need to rapidly achieve scale in such an important market.

More typically, Auchan expansion drives a virtuous circle of family owned businesses. The company often acts as a real estate developer, securing land early and pursuing a deliberate expansion strategy of developing shopping malls that it anchors with Auchan hypermarkets and fills with specialty store tenants many of which it owns. Sometimes the tenants include its financial holding, Bank Accord, which finances Auchan ventures.

Above: Auchan uses the Alcampo banner in Spain, as in this Barcelona store.

Below: This Moscow store suggests the strength of Auchan in Russia.

Insights & Implications

- Auchan has been a pioneer in developing e-commerce and drive/pick-up concepts. In France alone, this channel is expected to deliver close to 20 percent of retailer growth in the coming three years.
- The success of the Auchan's pending IPO with its Chinese partner RT Mart could enable the retailer to significantly outpace the largest competitors (either national or foreign) within one of the world's fastest growing retail markets.
- Auchan's long-term ROI vision continues to drive the business. A commercial strategy based on lower commercial margins and high inventory turnover is expected to remain core to its model.

10. Ikea

Sales rise on cautious spending

Ikea's brand value rose 28 percent as housing strengthened.

Left: Known for enormous out-of-town stores like this one in the UK, Ikea is experimenting with smaller locations for urban centers.

Right: The Ikea brand is the worldwide leader in home furnishings.

At a glance

Brand Value	$7.3 billion
Brand Value Change	28%
Total Corporate Sales	$33.5 billion
Total Corporate Stores	316
IKEA Brand Sales	$33.5 billion
IKEA Brand Stores	316
Countries of Operation	38

Ikea brand sales include The Ikea Group, Ikea partners and ikea.com
Sources: Kantar Retail, Millward Brown Optimor

The increase followed a brand value decline of 15 percent a year earlier. Sales of the Ikea Group grew 7.7 percent to roughly $30 billion in 2010, with like-for-like sales up 2.4 percent, although shoppers remained cautious. The Group operated 280 stores in 26 countries. The Group, with a variety of partnerships, produced Ikea brand sales of $33.5 billion from stores in 38 countries.

Perhaps driven by weaker post-recession demand and by a determination to reach deeper into its mature markets, Ikea continued to plan smaller, multi-level stores for central urban locations. In a related development, the company experimented with a more open, lighter and accessible big-store format to provide shoppers with more freedom to navigate the layout without restriction to a shopping path that winds through every department.

The change, being tested in Sweden and the UK, should improve satisfaction with the shopping experience. However, it may reduce the inspiration and impulse purchasing that results when shoppers traveling the full store circuit are exposed to the complete merchandise assortment. The chain hopes to reduce shopper frustration while building on the loyalty customers feel toward the Ikea brand because of the broad assortment and value-for-money it represents.

The store redesign may be related to the simultaneous development of a compelling e-commerce site that features a home delivery service. Implementation of the online service challenges Ikea to complement rather than cannibalize its in-store offer.

Ikea enjoys the unusual distinction of facing no equivalent global competitor in its category. Rather, the chain faces local competitors in a variety of related categories including furniture, home improvement and home furnishings. Ikea believes it has growth potential, even in its more mature markets, such as the Nordic countries.

The global reach of the company opens it to close scrutiny, and it responded to negative press about a complex corporate structure that helps minimize its tax obligations and to questions about the environmental impact of its timber sourcing.

Insights & Implications

- E-commerce remains a channel that Ikea needs to tackle more effectively, introducing ranges and a shopping experience different from its physical stores.
- As Ikea moves into city centers as part of its European expansion strategy, it also could consider shopping mall locations to gain visibility and traffic.
- Corporate initiatives aimed at restoring the retailer's image also can be expected, following recent negative publicity about tax and environmental issues.

11. Lowe's

Redefining itself

The ongoing slump in housing—and a resurgent Home Depot—hurt the brand value of Lowe's.

Left: The Lowe's storefront signals the chain's home improvement mission.

Right: The paint department, in the North Bergen, New Jersey, store expresses the Lowe's commitment to home décor.

Perhaps because Lowe's was better positioned at the start of the recession than its bigger rival, the chain made fewer major adjustments and has not yet enjoyed a rebound in brand value as the economy recovers. That said, sales increased 3.4 percent to $48.8 billion from 1,749 stores. Same store sales rose 1.3 percent, or less than half the pace achieved by Home Depot, and profit improved 12 percent.

And Lowe's articulated a new vision to buffer itself better from future fluctuations of the housing market. Calling itself a home improvement company rather than retailer, Lowe's added new product categories and strengthened its multichannel connection with customers.

The chain implemented several changes that should strengthen performance. It added more staff dedicated to helping contractor customers. It also introduced a new category of associate to visit customers in their homes and sell outdoor products including gutters, siding, fencing and landscaping. With people staying longer in their current homes because of the weak economy, this initiative urges them to protect their investment.

Lowe's also adjusted its range of products and services to compensate for the slowdown in major project activity, which traditionally drives warehouse store volume. Lowe's is testing auto and pet supplies. It prominently displays consumables, such as cleaning supplies. And Lowe's emphasizes home décor categories, such as home furnishings and housewares, with a particular focus on its private brand Allen + Roth.

Known for large warehouse stores, the company is testing other options, including a 66,000 sq. ft. store to facilitate expansion into smaller markets. Along with its bricks and mortar stores, Lowe's also is improving its website to reinforce its position as a multichannel retailer. Lowe's already offers the possibility of ordering online and collecting at a local store, with a guarantee that the order will be ready within 20 minutes.

Lowe's entered Mexico in 2010, opening two of what it expects eventually will be a total of about 50 stores. It also boosted its store count to 24 in Canada and anticipates an aggressive store-opening program in Australia through a joint venture with Woolworths.

At a glance

Brand Value	$6.5 billion
Brand Value Change	-7%
Total Corporate Sales	$48.8 billion
Total Corporate Stores	1,749
LOWES Brand Sales	$48.8 billion
LOWES Brand Stores	1,749
Countries of Operation	3

Lowe's brand sales include Lowe's and lowes.com
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Lowe's intends to reinvigorate its stores with new categories, enhanced merchandise presentations, and stronger value propositions.
- Private label products will be a larger factor in strategic planning, particularly in home décor.
- A closer alignment of its physical stores and digital investments will become more critical to fulfilling Lowe's brand presence.

12. Marks & Spencer

Heritage brand shifts attention

Marks & Spencer focused on food last year.

While the department store business remained of central importance for the venerable British brand, for the first time food rather than non-food produced a greater share of the chain's revenue.

At a glance

Brand Value	$5.3 billion
Brand Value Change	-8%
Total Corporate Sales	$15.0 billion
Total Corporate Stores	1,022
M&S Brand Sales	$15.0 billion
M&S Brand Stores	1,022
Countries of Operation	29

Marks & Spencer brand sales include Marks & Spencer and marksandspencer.com
Sources: Kantar Retail, Millward Brown Optimor

The growth of the M&S food business reflected several developments, including the emphasis on the company's Simply Food specialty stores, the launch of branded products and the relative weakness in non-food during the recession. The food focus coincided with the arrival of new CEO Marc Bolland, who formerly led the UK supermarket Morrison's.

By introducing branded products in food, M&S acknowledged that its private label range in food, although strong in ready-meals, was weaker in other parts of the food category. To meet this challenge, M&S known for relatively premium pricing, already had introduced an entry price point label in food, about 18 months ago.

M&S also introduced more branded products into its non-food business, where the firmly established Marks & Spencer private label is known for quality. Facing fierce competition from fast fashion retailers, M&S softened its premium image with promotional strategies that escalated savings with the size of purchase.

While the food and non-food promotional activities worked well separately, they remained inadequately integrated. The food and non-food customer bases of M&S only partially overlap, and the physical layout of the retailer's multi-story department stores does not encourage cross shopping.

M&S will accelerate the rollout of the Simply Food convenience stores during the next few years, especially in high traffic locations, such as train stations, where it will partner with franchisees. M&S operated 155 Simply Food shops and the end of 2010, and plans to have a total of 190 by 2015.

Although M&S operates 1,022 stores in 29 countries, the brand is less well known outside of the UK, which generates the majority of the company's sales and profit. Brand value declined somewhat last year, in part because of currency fluctuations.

Above: For the first time, sales of food, rather than non-food contributed the greater share of Marks & Spencer's revenue.

Below: In non-food, the brand faced fierce competition from fast fashion retailers.

Insights & Implications

- Having introduced brands into its primarily private label assortment, the retailer will need to clarify its price positioning against competition and could intensify promotional activities.
- Better integration between the food and non-food offering would boost the retailer's performances.
- As the rollout of the mostly franchise-run Simply Food convenience format continues across the UK, ensuring consistent execution will be key.

Commentary

From browsing to purchase

How consumers shop in the digital world

By Raja Halabi
Head of Digital, **TNS UK**

Digital, and mobile in particular, is transforming how people shop. The change offers tremendous opportunities for retailers and brand manufacturers. But realizing these opportunities requires understanding the rapid changes in consumer behavior.

To gain these insights, we recently completed two studies: Digital Life and Mobile life. These studies offer a definitive look into how people are using digital and mobile today. For the Digital Life research we connected with 48,800 consumers across 46 countries, representing approximately 88 percent of the global Internet population. The Mobile Life research includes 34,000 consumers in 43 countries.

As the Internet matures, brands need to try harder to engage and connect with consumers online, necessitating an in-depth understanding of the needs, motivations and attitudes underlying consumer behavior. In both surveys TNS deployed cutting-edge techniques to accomplish these goals, looking beyond behavior into the emotional reasons why people do what they do. Both surveys are geared to address business challenges at both strategic and tactical levels. We also look at market understanding and brand attitudes. Here are some important results pertaining to online retail:

Pre-purchase browsing: Powerful implications for retailers and brands

We looked closely at pre-purchase browsing behavior as an important indicator of purchasing. We define pre-purchase browsing as actually looking for things to buy. It's purposeful, not casual window-shopping. And the results are eye opening.

- Almost a quarter of the people surveyed say they browse daily for something to buy. This seems like a high figure compared to how frequently people browse in bricks-and-mortar stores. Moreover, these people are not all from the US or other developed consumer societies. Countries such as Turkey, Thailand and Brazil are included. To us this is indicative of the immense utility that the Internet brings to consumers in the shopping cycle.

- On a weekly basis, sixty percent of people say they're browsing. That equates to well over two hours per person of pre-purchase browsing per week. Only 13 percent of people say they never browse for products or services to buy online. Countries like Uganda or Tanzania, places perhaps where Internet infrastructures are less developed, are included in this figure.

Though we may think that people are going to social media sites for information, we discovered that the branded site of the retailer and manufacturer continues to be important to people for this browsing activity. And the traditional offline touch points remain important as well. Word-of-mouth will not be easily replaced. When you look across categories, the more complex, less frequently purchased categories are skewed towards more information online.

Moving from pre-purchase to purchase, 80 percent of consumers claim to have purchased something online; 36 percent claim to buy something weekly. Interestingly, the conversion rate between pre-purchase browsing and actual purchase is not directly correlated. For example, only 60 percent of people who claim to research exclusively online for products and services actually purchase offline at bricks and mortar stores. The online world has a significant impact in driving offline sales.

Advancing the brand message during the pre-purchase experience

We asked consumers when they find the presence of a brand intrusive and when they find it useful. We found that during the pre-shop browsing period consumers are most open to brand messaging.

Brand-generated information is important but user-generated information, such as blogs, plays a key role, particularly in high involvement categories. The best-in-class brands embrace the user-generated experience. User-generated information is especially important in the fast-growing markets of Asia.

Consumers worldwide engage in pre-purchase browsing, but the meaning of the activity differs by region. In China, consumers associate pre-purchase browsing with fun and pleasure. In contrast, consumers in Southern and Eastern Europe are seeking to be knowledgeable and informed. The tone and content we present need to match the expectation of our audience.

The pre-purchase browsing period is an optimal time to invite consumers to join a brand community. Consumers say their top two motivations for joining a brand community are because they're responding to or seeking a promotion or special offer. This is the entry ticket that consumers command to follow a brand. Retail is optimally placed for this kind of engagement.

Mobile possibilities

One in five people globally uses a computer. But four out of five consumers are in the mobile ecosystem. So the question is, how do we reach those people? This is a particularly important factor in developing markets where people use their mobile phones like Swiss Army knives, convenient, handheld devices with multiple utilities that span communication and entertainment.

Over 60 percent of people worldwide claim they engage in pre-purchase browsing on their mobile device. Strong consumer demand in mobile financial services will bring the mobile even closer to the shopping experience, opening new opportunities for engagement. Similarly, tablet computing provides the consumer with a different experience and other opportunities.

The point is that we need to see shopping as a rich experience that combines both the digital and real worlds. We need to create seamless experiences. We also need to think differently about our ROI measures, how we understand the payback from the investment we make in digital since much of the revenue is recorded in stores. The value of digital is much greater than we believe.

"TNS is the global leader in custom market research, delivering actionable insights and research-based business advice to clients around the globe so they can make more effective business decisions."

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13. Best Buy

To the victor, new challenges

Best Buy emerged as America's surviving home electronics superstore.

At a glance

Brand Value	$5.1 billion
Brand Value Change	-12%
Total Corporate Sales	$50.3 billion
Total Corporate Stores	4,220
BEST BUY Brand Sales	$38.8 billion
BEST BUY Brand Stores	1,190
Countries of Operation	14

Best Buy brand sales include Best Buy, Best Buy Mobil, bestbuy.com, bestbuy.ca and bestbuy.co.uk
Sources: Kantar Retail, Millward Brown Optimor

That status was insufficient to guarantee unqualified success, however, because Best Buy dominated a severely diminished category. Its like-for-like sales declined 1.8 percent, although revenue increased 1 percent to $50.3 billion. Brand value dropped 12 percent.

As technology transformed the entertainment business, with digital download and DVD rental usurping the purchase of CDs and DVDs, Best Buy lost an important profit and traffic-driving department and opened potentially unproductive space in its large stores. Meanwhile, margins continued to tighten as Amazon, Walmart and other mass-market leaders fiercely competed for home electronics spending.

Best Buy responded proactively, entering new categories, such as musical instruments, and accelerating the rollout of smaller Best Buy Mobile outlets. In a clever strategic move, the company integrated the knowledge it gained from a joint venture with Carphone Warehouse Group plc, a British retailer. As Best Buy Europe, the organizations operate about 2,500 shops in the UK and on the continent.

In a retail sector dominated by shops owned by specific telecom providers, Best Buy offers a range of suppliers and handsets, advancing the Carphone Warehouse argument that it provides consumers with objective advice and, ultimately, the best available solution.

The move to smaller, technology-led stores with a relatively high level of service corresponds to the chain's effort to differentiate Best Buy as a provider of expertise and not simply commodity merchandise. The Geek Squad, as the staff of technology experts is called, produces some of Best Buy's highest margins. The company also runs a strong e-commerce business.

The chain closed its nine Best Buy branded stores in China. After several years attempting to establish the Best Buy brand, it instead will open stores under the name of its Chinese company, Five Star. At the end of 2010, the partnership included 174 Chinese stores. Best Buy also retreated from Turkey where it operated two stores.

Above: Best Buy is attempting to complement shelves of merchandise with teams of experts.

Below: The chain is experimenting with ways to fill unproductive space in its distinctive superstores.

Insights & Implications

- Best Buy has the scale and capability to become a genuine global player, but it will need to be more flexible and adaptive to realize this potential.
- Problems in China, defeat in Turkey and massive underachievement in the UK have taught Best Buy that a cookie-cutter approach is not the formula for global success.
- The brand should benefit from an integrated multichannel strategy, the introduction of new, adjacent product categories and expansion of private label.

14. Costco

Boomers are back

Costco's increases in traffic, trip frequency and merchandise sales suggested that the customer mood had lightened. Brand value rebounded 17 percent.

During the recession, Costco was negatively impacted by its geography, with many stores located in economically hurting western states; 26 percent of its clubs are in California. Its warehouse club dependence on bulk sales to small businesses and homeowners also was mismatched with the economic climate.

At a glance

Brand Value	$4.5 billion
Brand Value Change	17%
Total Corporate Sales	$76.3 billion
Total Corporate Stores	572
COSTCO Brand Sales	$76.3 billion
COSTCO Brand Stores	572
Countries of Operation	9

Costco brand sales include Costco, costco.com, costco.ca and Costco Business Center.
Sources: Kantar Retail, Millward Brown Optimor

Some customers remained reluctant to tie up limited cash reserves in inventories of household paper goods. And many lacked the discretionary income required for buying the well-priced but expensive jewelry and other relative bargains that enhance Costco's appeal as a place for treasure hunt shopping. Customers remained loyal, however, with a 2010 membership renewal rate of 87.7 percent. Like-for-like sales improved 7 percent.

Costco sustained its authority in key categories like home electronics, apparel and consumables, and continued to promote its well-respected Kirkland Signature private label in both food and non-food, expanding the brand into new categories. Responding to changing demand, the chain increased emphasis on organic food.

Often regarded as a playground for boomers with time and money to spend, Costco seemed to actively court a new generation of shoppers with its use of social media and messages about being a full-solution provider for weddings, with food, flowers, gifts and even the honeymoon and ring.

The company continued to draw members that measured higher than average in household income, education level and home ownership. Typical shoppers spend an average of just over $100 per trip.

Costco expects to enter two or three new markets in Europe during the next couple of years. The chain ended 2010 with 572 clubs, including 491 in the US and Canada and 32 in Mexico. Overseas, it maintained its largest presence in the UK, with 22 clubs, followed by Japan (9), Korea (7), Taiwan (6), Puerto Rico (4) and Australia (1).

Above: Sharp wine prices suggest both the chain's value proposition and treasure hunt appeal.

Below: Costco warehouses average 143,000 sq. ft. in size and offer about 3,900 SKUs.

Insights & Implications

- Costco's exclusive focus on the warehouse club concept, accompanied by e-commerce in certain markets, distinguishes it in a world of multiformat retailers.
- The chain's market entry impact always is significant, as Costco impresses consumers and small businesses with its operational excellence and winning blend of quality and value.
- While Costco's international expansion has been slow, renewed European plans and plenty of headroom in the Americas and Asia suggest strong future growth.

15. Lidl

Promotion pushes growth

Lidl prospered last year, in a difficult economy, with 4.1 percent sales increase to $54.2 billion from 9,281 stores.

At a glance

Brand Value	$4.2 billion
Brand Value Change	3%
Total Corporate Sales	$54.2 billion
Total Corporate Stores	9,281
LIDL'S Brand Sales	$54.2 billion
LIDL'S Brand Stores	9,281
Countries of Operation	24

Lidl brand sales include the Lidl grocery stores and Lidl.com sites.
Sources: Kantar Retail, Millward Brown Optimor

That performance was not true of the discount channel generally, with added competition from hypermarkets and traditional supermarkets that adjusted downward, emphasizing opening price points and private label. Lidl and its rival Aldi continued to gain share, however, because of their dominance and the relative economic stability of their home market, Germany. Lidl brand value grew 3 percent.

Lidl benefited from an ongoing strategic shift intended to increase shopping frequency and grow average basket size. While retaining its discount image, Lidl has begun to behave like a full-line grocer with an offering about 2,000 SKUs, more than twice the Aldi range, and a mix that is about 35 percent branded products.

In the UK, Lidl referred to itself as a discount supermarket, rather than a discounter. The chain adhered closer to its discount roots in Eastern Europe because of the less evolved nature of the retailing there and the ferocity of discount competition from organizations such as Poland's Biedronka.

Left: Lidl projects a double message of quality and price.

Right: The chain can be extremely price aggressive, as in this store in the UK.

In most of its markets, Lidl increased promotional activity, particularly on branded special offers, advertising twice a week rather than only on Monday. And it deployed its private label to introduce new products and gain volume and margin with a price message.

With more than 9,000 stores in 24 European countries, Lidl continued to benefit from its overwhelming presence, the economies of central buying and the efficiencies of its distribution network. The infrastructure that enabled Lidl to roll out quickly across Europe also confined its expansion, however.

Like other parts of the Schwarz Group, its corporate parent, Lidl has no stores in any of the BRIC countries or in any other of the world's fastest growing country markets, nor is the chain present in North America. As its growth in Western Europe slows, Lidl will feel pressure to perform well in Central and Eastern Europe and to consider further expansion.

Insights & Implications

- Lidl growth continues to be strong across Europe, and the power of its brand and its capacity to attract new higher income shoppers has been key.
- Because Lidl's presence for now is limited to existing country markets, the focus on like-for-like sales is expected to increase.
- Recent activity suggests Lidl's intention of shifting from traffic-building mechanics (10 percent off) to more basket-building strategies (multipacks).

16. Kohl’s

Price and product draw shoppers

Kohl’s performed well as US shoppers ventured back into stores, willing to spend on new apparel and other items for the first time since the start of the recession.

At a glance

Brand Value	$4.0 billion
Brand Value Change	-8%
Total Corporate Sales	$18.4 billion
Total Corporate Stores	1,083
KOHL'S Brand Sales	$18.4 billion
KOHL'S Brand Stores	1,083
Countries of Operation	1

Kohl’s brand sales include Kohl’s and kohls.com
Sources: Kantar Retail, Millward Brown Optimor

Well positioned as a one-stop shopping location for the entire family, Kohl’s benefited from its strength in basic commodity merchandise and contemporary fashion and its reputation for consistent quality and affordability. These factors, combined with heavy promotion and well-priced, licensed designer brands drove traffic and results, with sales growth of 7.1 percent to $18.4 billion. Like-for-like sales experienced a 4.4 percent improvement.

Despite these financial results, Kohl’s brand value declined somewhat, perhaps reflecting the difficulties of the retail category overall, which improved only 2 percent in brand value after a decline of 1 percent a year earlier. In addition, the chain’s mid-market position in price and fashion appeal can be dangerous a during periods of transition, like last year, as some consumers feeling more confident about the economy traded up, while others traded down, fearful of the high rate of unemployment and housing weakness.

Kohl’s effectively flexed up or down in price and assortment as necessary. It was especially nimble both at adding private brands to generate demand and raise margins, and also at offering promotions and discounts appealing to value-driven shoppers. But no matter which way it went, Kohl’s faced enormous competition from discounters, department stores and apparel specialists, including the rapidly expanding fast fashion brands.

With stores in 49 states, Kohl’s is more geographically dispersed than some of its competitors. The company added 25 stores, ending the year with 1,083 outlets. Known for maintaining high in-store housekeeping standards, Kohl’s continued its ongoing remodeling of existing stores. Kohl’s also invested in improvements to its online presence and its supply chain.

Left: The company draws women shoppers with licensed designer brands, such as Vera Wang.

Right: Kohl’s usually locates its department stores in free-standing locations near major malls.

Insights & Implications

- Kohl’s occupies the middle ground between the discounters, with which it shares many characteristics and shoppers, and more upscale department store chains.
- While this positioning should leave Kohl’s in the vulnerable middle, the retailer continues to impress through its commitment to the in-store experience, constant reinvention of ranges and extreme responsiveness in terms of promotions.
- With a very credible presence in e-commerce and much growth opportunity left in North America, Kohl’s short-term future looks bright.

Commentary

Zero-Waste Advertising™

Connecting brands with the right consumers

By Dave DeMarsh
President and Chief Operating Officer, **I-Behavior**

I-Behavior specializes in connecting brands with the right consumers.

We do that across all channels. We have a unique data asset because we work with 2,000 multichannel merchants who contribute their transactional data to the I-Behavior cooperative database. We aggregate this data, which represents $365 billion based on more than 9 billion SKU-level transactions, and use it to do modeling to predict things like identifying the consumers most likely to respond to upcoming campaigns.

But it's about more than just the data. What we're really doing is helping retailers improve the efficiency of their marketing and advertising campaigns by targeting only qualified candidates. Because we aggregate data across a large range of merchants, we bring a more holistic view of purchase activity beyond what an individual merchant can see. Our approach is analytics driven, and has provided consistent results to clients for more than a decade.

Seeing the full customer picture

Why would a retailer provide its data to the I-Behavior data cooperative? They do it because they see a return on their investment. The merchants participate as long as they choose – they may quit at any time, if they no longer see a profitable return. When merchants join our database, they typically might only have a view into two-and-a-half purchases annually from any one individual. This is what we call narrow relevance. They only understand the individual in terms of what he or she's done with them.

With I-Behavior, we provide the merchant with a broad picture of what that customer is really about. For example, we may see that a consumer has purchases across many different channels. We can see what she's buying in home furnishings, or if she's donating to a not-for-profit. We know her magazine subscriptions and whether she participates in wine clubs. All that information helps to build a more complete picture of that individual consumer's purchase habits and interests. And since the best indicator of future behavior is past behavior, this information helps us identify the best consumers to reach in a targeting strategy.

How do we achieve this goal? We're a data cooperative. We invite people to participate. Everything is linked back to the individual consumer. We have over 180 million individuals in the US and Canada and 70 million business contacts. The over 9 billion SKU-level transactions in the I-Behavior database are performed online, in physical stores and over the phone. We're largely service merchants selling hard goods, home furnishings, apparel, beauty, and gift products. We build hundreds of models each week to help our retailer customers efficiently target consumers.

Case study: Godiva

At the end of the day, we identify a list of prospects that retailers want to target. In addition to the data, our reach makes us unique. We have 330 million email addresses. Accepting that there are gaps in what we know about individuals, we enhance the data with demographics. We can add to the profile over 185 CPG categories across 4,600 brands. With linking technology we can associate our data with online consumer behavior.

We looked at three different audiences for Godiva Chocolate. Godiva had the names and addresses of roughly 25,000 brand loyal customers. We looked at chocolate lovers based on search data and online behavior. And we also looked at chocolate buyers geographically. Ultimately, we used this information to support a media campaign.

The holistic view showed us the Web behavior of Godiva prospects. We could look across our 2,000 retailers and see what else these people bought. We added some demographic data about income and lifestyle. We identified an audience based on keywords, and searches across brands and websites to understand the interests of the chocolate lovers and where they spend their time.

We found that chocolate lovers index high on travel and food and diet. We saw a great correlation in the shopping domain. We also found correlations with where chocolate lovers shop offline. This information enabled us to build a predictive audience for the client.

With the insights in place, we went to a campaign execution. We executed an online campaign where we potentially can reach 105 million individuals in our database. At the core of the initiative, we took the 25,000 Godiva brand loyalists and built a look-alike model to target 21 million prospects online and eventually targeted 8.4 million people in that group, based on the client's desires. The point is that with a small sample of data we identified a large prospect universe.

We call this Zero-Waste Advertising™.

"I-Behavior is a US-based data and analytics company that provides consumer and business transaction data to help multichannel merchants invest marketing dollars more effectively."

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17. Asda

Big plans for smaller stores

Asda shifted its attention to small stores last year with the acquisition of Netto.

Left: Asda associates the brand with its corporate parent, Walmart, and its successful private label, George.

Right: Asda promotes its own brand wtih a price message.

A food discounter, Netto, like Asda, appeals to price sensitive customers. Viewed as a price leader in food, Adsa operates only in the UK, including Northern Ireland, and it's the second largest UK retailer by turnover.

The smaller stores, which average about 8,000 sq. ft., will be rebranded Asda Supermarket. They should help Asda earn consideration for topping-up shopping trips and enable the chain to expand into urban locations unsuitable for its 100,000 sq. ft. supercenters.

After divesting 30 stores to comply with regulatory requirements, Asda retained 163 of the 193 acquired Netto outlets, which will help Asda even its geographical coverage throughout the UK, especially in the Southeast where it has been underrepresented. Asda's brand value declined during this transition period.

The acquisition roughly coincided with the arrival of new CEO Andy Clarke, who rose from the Asda ranks and will lead the integration of a small-store concept into a big-store operation. Asda is expected to change some of the Netto marketing and merchandising approaches.

The Netto stores sold a combination of private label and branded product that was weighted more heavily toward private label, about 60 percent, than Asda. The stores also were more promotional than Asda which, like its corporate parent Walmart, pursues more of an Everyday Low Price strategy. The small Netto stores challenge Asda's food suppliers to recalibrate their assortments and cost structures. Conversely, the suppliers have an opportunity to help Asda learn how to operate a retail format with which it has little experience.

Meanwhile, the Asda supercenters will continue to offer a combination of food and non-food including apparel and featuring the successful George private label. The chain last year promoted aggressively to its core customer with offers such as a man's suit for £10 ($16). It now faces the challenge of aligning its brand and pricing communication across all of its formats, which along with 470 supermarkets, 31 supercenters and the Netto convenience stores, also includes 24 non-food specialty stores called Asda Living.

At a glance

Brand Value	$4.0 billion
Brand Value Change	-19%
Total Corporate Sales	$30.3 billion
Total Corporate Stores	385
ASDA Brand Sales	$30.3 billion
ASDA Brand Stores	385
Countries of Operation	1

Asda brand sales include Asda and asda.com
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- As Asda integrates the Netto acquisition, it will pay particular attention to supply-chain issues while learning to cost-effectively operate smaller urban stores.
- Asda will need to clarify its marketing and merchandising proposition as it seeks the right balance between EDLP and the need to be promotional and price-competitive in more urban areas.
- The focus on non-food sales within supercenters should increase, as the future of the Asda Living stores appears to be in jeopardy.

18. Sam's Club

Gaining momentum

Sam's Club worked hard to deliver on its brand promise, "Savings Made Simple." And results looked promising.

Left: Sam's continued its Project Portfolio store remodeling, reallocating space to categories including health and beauty and fresh food.

Right: The company has enjoyed success growing its Plus membership category, which costs more but promises greater savings.

Sales rose 6 percent to $50.5 billion from 608 clubs last year, with same-store results up in each of four consecutive quarters. Brand value had not caught up and remained off 10 percent.

Renewed marketing, merchandising and operational strategies drove this growth. Under the leadership of new CEO Brian Cornell, formerly of Safeway, Sam's is attempting to grow membership as well as "share of wallet." A typical shopper spends an average of just over $80 per trip. The company also is improving service to members with new and expanded assortments and remodeled stores.

In an effort to improve historically low membership renewal rates, the chain is particularly focused on expanding the number of Plus members, its category for premium business customers who are likely to spend more than other customers on a combination of personal and business purchases.

In strengthening its merchandise assortment, Sam's is attempting to emphasize categories that are both relevant to shoppers and different from the competition. It expanded its commitment in fresh grocery, health and wellness, and electronics, for example, and looked to fill out the range of both everyday and unique items, possibly at the expense of furniture and large appliances.

In a related effort, Sam's is remodeling stores into its Project Portfolio prototype, designed to accommodate merchandise changes and improve the shopping experience. Sam's is adding more in-store demonstrations and events and WiFi so that customers can use their mobile devices while shopping.

Sam's currently operates 139 clubs outside of the US, in China, Mexico and Brazil, and intends become more of a presence in those countries and beyond.

At a glance

Brand Value	$2.9 billion
Brand Value Change	-10%
Total Corporate Sales	$50.5 billion
Total Corporate Stores	608
SAM'S CLUB Brand Sales	$50.5 billion
SAM'S CLUB Brand Stores	608
Countries of Operation	4

Sam's Club brand sales include Sam's Club and samsclub.com
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Often seen as the poor cousin of Costco, Sam's Club has improved its brand positioning and in-store experience.
- These improvements and increased marketing have strengthened member retention rates and broadened the brand's appeal.
- Sam's international prospects look good, too. It was selected as the vehicle for Walmart's e-commerce launch in China and its cash and carry expertise should be useful in Africa.

19. Sainsbury's

New products, services broaden brand appeal

Sainsbury's innovations in operations, range and promotion helped reinforce the brand among existing shoppers and broaden its appeal to new customers.

Sales increased 4.2 percent to $32.5 billion. Like-for-like results improved 2.3 percent. Perhaps reflecting the difficulty of the retail sector overall, brand value declined 2 percent.

At a glance

Brand Value	$2.7 billion
Brand Value Change	-2%
Total Corporate Sales	$32.5 billion
Total Corporate Stores	907
SAINSBURYS Brand Sales	$32.5 billion
SAINSBURYS Brand Stores	907
Countries of Operation	1

Sainsbury's brand sales include Sainsbury's, Sainsbury's Local, Sainsbury's Central and Sainsburys.com.
Sources: Kantar Retail, Millward Brown Optimor

The chain especially focused on two growth drivers: extending the non-food assortment and enhancing shopping convenience with a small-store format. The moves reflected the ongoing pressure for Sainsbury's to modulate its quality-for-a-price reputation during a period of economic weakness when both more premium and discount grocery brands competed for its customers. Sales of non-food grew at three times the rate of food.

Sainsbury's launched Sainsbury's Direct, an e-commerce program especially intended to grow sales of non-food products. The program both enhanced existing categories and added new ones, with special attention to home electronics and apparel, which are not well represented in Sainsbury's stores. Sainsbury's Direct offered customers the options of home delivery or in-store pick-up. It reinforced the brand against the incursions of Amazon and the multichannel appeal of Tesco and Asda.

In addition, Sainsbury's devoted more space to non-food categories in its largest stores. Effective promotion activity enabled Sainsbury's to recruit shoppers trading down from some of the more premium UK grocery brands, such as Marks & Spencer and Waitrose. It also gained shoppers trading up.

Improved geographic reach, with 353 Sainsbury's Local convenience stores supplementing 554 supermarket locations, also helped performance. The company plans to add 20 to 25 convenience stores annually with a total of 440 by 2015, compared with only 32 additional supermarkets by 2015, reflecting a shift in expansion investment.

The Nectar card helped differentiate the Sainsbury's brand, too, because points shoppers earned from purchasing a variety of products and services, including flights and car rentals, could be redeemed for savings in Sainsbury's stores. In contrast, shoppers accrue points on the renowned Tesco Clubcard only when shopping at Tesco.

Above: The Sainsbury Fresh Kitchen extends the quality values of the brand to fast food.

Below: Sainsbury has effectively used its private label to send a price message.

Insights & Implications

- Having delivered solid growth because of a focus on promotion and private label, Sainsbury's now needs a more sustainable model to continue delivering profit too.
- Focus on the non-food offering within its larger stores continues to drive the business as Sainsbury's adds selling surface and promotional activities.
- As the chain accelerates the opening of its small Sainsbury's Local stores, it faces the challenge of coordinating promotional and merchandising strategies with its core supermarket format.

20. Safeway

Premium image in frugal times

Sustained unemployment in its core market continued to impact Safeway.

Left: The deli counter of prepared foods reflects Safeway's up-scale positioning.

Right: Safeway features its private label O Organics brand on an endcap.

The US chain traditionally appealed to shoppers able to afford stores with up-scale ambiance and products known for healthy quality and margins. In a well-intended but poorly timed initiative, Safeway launched a major store upgrade called "lifestyle" and remodeled the majority of its stores.

At a glance

Brand Value	$2.0 billion
Brand Value Change	-37%
Total Corporate Sales	$41.1 billion
Total Corporate Stores	1,699
SAFEWAY Brand Sales	$26.2 billion
SAFEWAY Brand Stores	1,151
Countries of Operation	2

Safeway brand sales include Safeway supermarkets and safeway.com, not other holdings with different names.
Sources: Kantar Retail, Millward Brown Optimor

But beautiful stores implied higher prices at a moment when even Safeway's core affluent shopper felt financially stressed. The chain responded with a strategy it called EDV, Everyday Value. The implementation involved a complicated menu of price reductions that confused shoppers and encouraged cherry picking, which impacted the chain as a destination for full market basket shopping. Safeway lost a small but significant portion of full-basket trips in favor of smaller fill-in trips.

Based near San Francisco, Safeway's strong market position west of the Rocky Mountains historically fortified Safeway, even when it experienced problems in other regions where the chain is less dominant and operates mostly under a variety of acquired banners. Not this time. Sales were flat at about $40 billion and like-for-like sales declined 1.8 percent, continuing a two-year trend. The Safeway brand value declined 37 percent.

Margins generally held, however, reflecting a mentality infused into Safeway when private equity investors purchased it more than 20 years ago. The chain now is publicly traded. In addition, Safeway continued to leverage its core skills, including an extensive proprietary database called Optura that can yield important insights into shopper behavior and market basket analysis.

Safeway continues to be known for its creative development of private labels, some of which do not have national brand equivalents. The most prominent private label brands include Eating Right, a cross-category offering of healthy items and meal options, and O Organics, which Safeway sells in its own stores and those of non-competing grocery chains. Competitors, such as Kroger, have higher levels of private label development.

The company also enjoys an unusual revenue stream called Blackhawk Network. Blackhawk supplies the gift cards that many retailers feature, and also serves as the clearinghouse for many of the cards.

Insights & Implications

- Safeway should be focused on turn-around strategies as the chain cycles into its third consecutive year of declining same-store sales.
- Safeway lost price relevance and shopper price trust, and until this is addressed Safeway's other strengths remain muted.
- Safeway may not recover until its relatively wealthy shopper base regains its sense of affluence.

The Top 20 Most Valuable Global Retail Brands 2011

#	Company/ Home Country		Brand Value	Brand Value Change YOY	Sector(s)	Total Corp. Sales	Total Corp. Stores	Brand Sales	Brand Stores	Country Markets
1.	amazon.com	US	$37,628,000,000	37%	E-commerce	$34,204,000,000	0	$33,230,000,000	0	7
2.	Walmart	US	$37,277,000,000	-5%	Discount, Food	$418,952,000,000	8,535	$294,851,030,000	4,450	15
3.	TESCO	UK	$21,834,000,000	-15%	Hypermarket, Other	$93,954,347,537	5,380	$79,177,200,000	3,969	13
4.	Carrefour	France	$13,754,000,000	-8%	Hypermarket, Other	$116,393,618,869	14,038	$99,665,500,000	5,244	40
5.	TARGET	US	$12,471,000,000	3%	Discount, Food	$65,786,000,000	1,750	$65,786,000,000	1,750	1
6.	ebay	US	$10,731,000,000	15%	E-commerce	$61,819,000,000	0	$61,819,000,000	0	30
7.	The Home Depot	US	$9,877,000,000	10%	Home Improvement	$67,997,000,000	2,248	$67,997,000,000	2,248	7
8.	ALDI	Germany	$9,251,000,000	6%	Hard Discount Food	$65,930,000,000	9,666	$54,230,000,000	8,738	18
9.	Auchan	France	$7,796,000,000	-1%	Hypermarket, Other	$54,892,925,038	2,575	$38,020,780,000	336	13
10.	IKEA	Sweden	$7,293,000,000	28%	Home Furnishing	$33,470,000,000	316	$33,470,000,000	316	38
11.	Lowe's	US	$6,522,000,000	-7%	Home Improvement	$48,815,000,000	1,749	$48,815,000,000	1,749	3
12.	MARKS & SPENCER	UK	$5,252,000,000	-8%	Department Store, Food	$15,019,342,064	1,022	$15,019,342,064	1,022	29
13.	BEST BUY	US	$5,104,000,000	-12%	Consumer Electronics	$50,272,000,000	4,220	$38,831,210,000	1,190	14
14.	COSTCO WHOLESALE	US	$4,544,000,000	17%	Warehouse Club	$76,255,000,000	572	$76,255,000,000	572	9
15.	LIDL	Germany	$4,240,000,000	3%	Hard Discount Food	$54,240,000,000	9,281	$54,240,000,000	9,281	24
16.	KOHL'S	US	$4,003,000,000	-8%	Department Store	$18,391,000,000	1,083	$18,391,000,000	1,083	1
17.	ASDA	UK	$3,975,000,000	-19%	Discount, Food	$30,270,000,000	385	$30,270,000,000	385	1
18.	Sam's Club	US	$2,935,000,000	-10%	Warehouse Club	$50,460,000,000	608	$50,460,000,000	608	4
19.	Sainsbury's	UK	$2,685,000,000	-2%	Food	$32,538,849,546	907	$32,538,849,546	907	1
20.	SAFEWAY	US	$2,012,000,000	-37%	Food	$41,050,000,000	1,699	$26,235,210,000	1,151	2

Sources: Kantar Retail and Millward Brown Optimor. See the At a Glance charts for footnotes.

1 **Retailer flexibility draws shoppers.** Retailers continue to flex price and assortment trying to understand whether the post-recession consumer is determined to buy less or just buy on sale. While it may be more difficult to trigger the urge to purchase, many successful retail brands, often through trial and error, have rediscovered the consumer's hot buttons.

2 **Fast-growing markets lure retailers.** Consumer confidence and spending remains uneven region-by-region with many of the fast-growing markets, such as China and Brazil, continuing to experience strong retail sales as incomes rise and consumers gain access to merchandise and cultivate desire for global and local brands.

3 **Slower markets require gaining "share of wallet."** As retailers open fewer new stores, sales improvement depends less on adding new shoppers and more on growing the baskets of existing customers. That means understanding the shopping occasion, meeting the shopper's needs and providing the best possible service.

4 **Supplier operational expertise becomes invaluable asset.** In an attempt to find new customers and control operating costs, big-box retailers are opening smaller spaces, often in urban areas. As retailers struggle to understand this new operating model, suppliers have an opportunity to share their expertise and strengthen relationships with key retail customers.

5 **Brands remain vital.** Even hard-discount retailers are recalibrating the balance between private label and brands. While drawn to the added margin private label can yield, retailers also know that national brands drive loyalty and signify quality and value, even to the most price-conscious customers.

6 **Retail brands confront the multiple challenges of multichannel.** Multichannel used to be about supplementing store sales with a website and catalogue. Today it's about embracing the digital age and being present on any device consumers use to shop. Success in part requires offering "select and collect" options that seamlessly combine online purchasing with in-store pickup.

7 **Finding the elusive "moment of truth."** It sometimes seems as if the wired consumer is constantly shopping—checking promotions with a smart phone, searching for sales on a tablet during the work commute or surfing in the evening. With the linear path to purchase disrupted, the moment of truth is difficult to identify. Recognizing it depends on empowering merchant intuition with data and analysis that identifies exactly when browsers become shoppers.

8 **Responsiveness builds long-term relationships.** Constant connectivity can lead to retail promiscuity—or serious commitment. Digital enables the shopper to quickly click through myriad temptations. It also enables the retailer to recognize and respond to the shopper's core desires with the right size, color, style, price or innovative service. Brand leaders nurture mutual loyalty.

9 **Social responsibility: more than PR.** It's a component of the long-term retailer-customer relationship. Especially in difficult economic times, customers may not happily pay a premium for assurances of environmental responsibility or acceptable labor standards, but they may quickly turn against a brand that violates these expectations.

10 **Future growth horizons expand.** With Walmart's acquisition of the South African retailer Massmart, sub-Saharan Africa becomes the newest potential expansion venue for European and US retailers.

Methodology

How brand value is calculated.

Millward Brown Optimor applies an economic use approach to brand valuation, using a methodology similar to that employed by analysts and accountants. The brand value published is based on the intrinsic value of the brand – derived from its ability to generate demand. The dollar value of each brand in the ranking is the sum of all future earnings that brand is forecast to generate, discounted to a present-day value.

The Data Sources

Brand Equity

Insights into customer behavior and brand perceptions come from WPP's BrandZ, an annual quantitative brand equity study in which consumers and business customers familiar with a category evaluate brands. Since the inception of BrandZ 13 years ago, over two million consumers and business-to-business customers across more than 30 countries have shared their opinions about thousands of brands. It is the most comprehensive, global, and consistent study of brand equity.

Financial Performance

Financial data is sourced from Bloomberg, analyst and industry reports, as well as company filings with regulatory bodies. Additionally, we use Kantar Worldpanel for sales data for certain categories. A team of Millward Brown Optimor analysts then prepares financial models for each brand that link brand perceptions to company earnings and valuation, and ultimately shareholder and brand value.

The Valuation Process

The brand value is calculated in three steps:

1. Branded Earnings

What proportion of a company's earnings is generated "under the banner of the brand"?

First, we identify the portion of total company earnings generated by each business that carries the brand. For example, in the case of Coca-Cola, some earnings are not branded Coca-Cola, but come from Fanta, Sprite, or Minute Maid. From these branded earnings, we subtract capital charges. This ensures that we only capture value above and beyond what investors would require any investment in the brand to earn – the value the brand adds to the business. This provides a bottom-up view of the earnings of the branded business.

2. Brand Contribution

How much of these branded earnings are generated due to the brand's close bond with its customers?

Only a portion of these earnings can be considered as driven by brand equity. This is the "Brand Contribution," the measure that describes the degree to which brand plays a role in generating earnings. This is established through analysis of country-, market-, and brand-specific customer research from the BrandZ database.

This guarantees that the Brand Contribution is rooted in real-life customer perceptions and behavior, not spurious "expert opinion." The Brand Contribution allows us to capture differences in the importance of brands by category and by country, the role of brand versus other factors such as price and location, and changing customer priorities. In some categories, such as luxury goods, cars, or beer, brand is very important. Over the past five years, the importance of brand has risen. Brand Contribution is calculated as a percentage, but displayed as an index from 1 to 5 (5 is the highest).

3. Brand Multiple

What is the growth potential of the brand-driven earnings?

In the final step, the growth potential of these branded earnings is taken into account. Both financial projections and consumer data is used . This provides an earnings multiple aligned with the methods used by the analyst community. It also takes into account brand-specific growth opportunities and barriers.

BRANDZ™ Mobile

Free downloads for smart phones and tablets

The BrandZ™ Top 20 Most Valuable Retail Brands 2011 is available free on your smart phone or tablet.

The Retail Top 20 is part of a growing library of brand studies powered by BrandZ™, the world's largest and most comprehensive brand valuation tool. All the studies are available free on mobile devices. They include:

The Top 100 Most Valuable Global Brands 2011

Valuations and analysis of top brands with insights into worldwide market dynamics across 15 product categories.

Top 100

The Top 50 Most Valuable Chinese Brands 2011

Profiles of the leading Chinese brands with commentary on the growing influence of Chinese brands at home and abroad.

TOP50

The Top 50 Most Valuable Brazilian Brands 2011

Profiles of the leading Brazilian brands with expert guidance about the growing influence of local and global brands.

Top 50

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The BrandZ™ studies are available from the iTunes store (for Apple devices) and the Marketplace (for Android devices). Simply search for BrandZ. The size of the download is over 1MB so you will need to be connected to a WiFi network.

Nokia & Blackberry Devices

The application can be downloaded directly from your handset by simply entering the following link into your mobile browser: http://app.brandz.com. The size of the download is under 1MB, which will be charged at your network operator's rates. Please see your operator data plan for more information.

WPP Resources for retail and brand expertise

BRANDZ™

The brand valuations in this report are based on WPP's BrandZ™, the world's largest and most reliable and comprehensive brand analytics and equity database. It includes more than 2 million in-depth consumer interviews about over 7,000 brands in 30 countries.

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KANTAR RETAIL

Kantar Retail helps clients increase sales and profit through practical but transformational solutions. By focusing on insight through activation, Kantar Retail enables clients to achieve both major shifts in their business and incremental change. The organization was formed from bringing together four retail consultancy leaders: Cannondale, Glendinning, MVI and Retail Forward. Kantar Retail is part of the Kantar Group, the insight, information and consultancy division of WPP.

www.kantarretail.com

MillwardBrown Optimor

Millward Brown Optimor is the global brand strategy and financial consultancy of Millward Brown. The organization helps companies maximize the financial returns on their brand and marketing investments. Millward Brown Optimor produces the BrandZ™ Top 100 Most Valuable Global Brands report, the most comprehensive annual ranking of brand value. Millward Brown is part of the Kantar Group, the insight, information and consultancy division of WPP.

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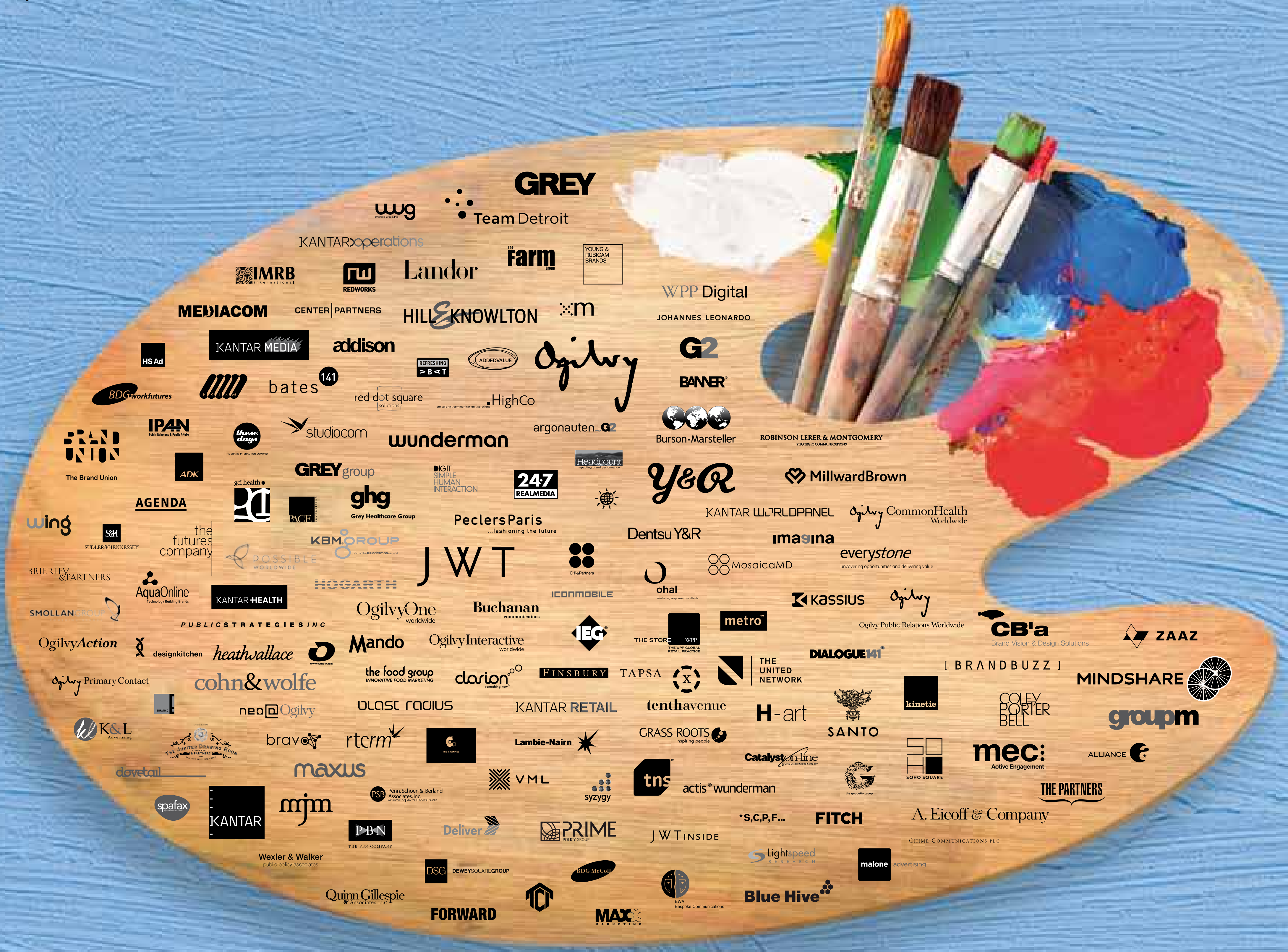

Grand Opening…

THE STORE WPP
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The Store WPP Shopper Marketing network.

With the network, you select the exact Shopper Marketing expertise most relevant to your needs. Pick from 50 disciplines in 15 WPP agencies, but get only one account leader, dedicated to your needs.

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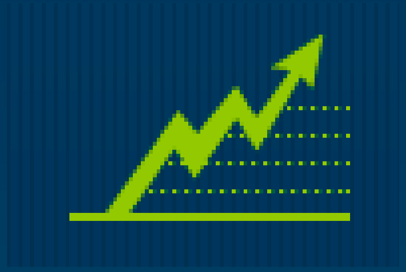
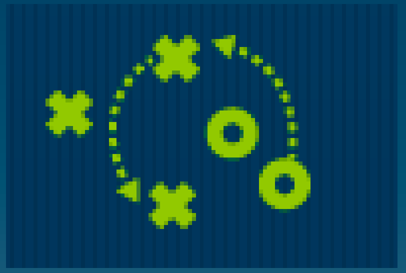
Better Talent

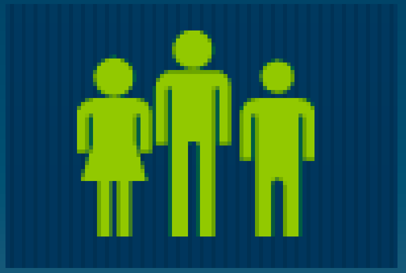
More Resources



Tight Coordination



True Efficiency



One Agenda

Coming Soon

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1. Review the extensive resources and talent.

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