KANTAR RETAIL

The Top 20
Most Valuable Global Retail Brands 2010

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Welcome to this Kantar Retail analysis of the Top 20 Most Valuable Global Retail Brands

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This report helps illuminate the radical changes reshaping retail as shoppers, chastened by the recession and empowered with technology, think differently about what and how they purchase. Here are just three of many critical considerations:

First, brand is a prerequisite of retail success. How retailers build their brands impacts all aspects of their business. Brand is key to effective merchandising. It converts private label from a margin-building tactic to a strategic symbol of brand equity. Brand alone secures an enduring place in the mind of the consumer. It is fundamental to the supplier-retailer relationship.

Second, retailers own the conversation with shoppers. Through their loyalty programs and daily interactions with shoppers, retailers have the most authentic and perpetually updated understanding of the shopper. This knowledge is critical to suppliers who need to engage with their retailer customers to actively participate in the conversation.

Third, retail is becoming even more competitive. In developing markets, retailers face tough competition both from traditional outlets and the modern trade. In saturated “post-modern” markets, hyper competition for share of wallet has replaced expanding square footage as the engine of growth. Suppliers play a critical role in helping retailers succeed amid the local competitive forces.

This report elaborates on these considerations and many others. It provides the ingredients needed in order to thrive in this new retail environment: the best data, original insights and compelling ideas that will drive our businesses forward.

Kantar Retail is pleased to provide this report. We believe that it will help you think differently about your business, its challenges and opportunities.

Sincerely,

Wayne Levings
CEO Kantar Retail

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INTRODUCTION

The overall brand value of the retail category declined by just 1 percent last year.

In a turbulent economy, when flat was the new up, that performance signified the resilience of brands and their importance in helping to stabilize and sustain a strong bond with customers, even as customers reset their priorities and restrained spending.

This key conclusion emerges from this second annual report about the leading global retail brands. The report combines the broad retail knowledge and analytical skill of Kantar Retail with the definitive global top 100 most valuable global brands valuations produced annually by Millward Brown Optimor drawing on financial data and the WPP proprietary BrandZ database.

The report also corroborates the stability of retail brand value over time. In 2006, The BrandZ ranking of the Top 100 Most Valuable Global brands included 10 retail brands. And those 10 retail brands comprised about 9 percent of the total brand value of the Top 100. In 2010, 9 retail brands are among the Top 100, representing about 8 percent of the total value. The difficult economy primarily accounts for the slight decline.

In fact, the Top 10 most valuable global retail brands remained quite consistent over the past five years, although the relative ranking shifted somewhat. Two instances of dramatic brand value growth – Amazon and ALDI – illuminate major trends. On the strength of a 359 percent increase in brand value Amazon moved from Number 8 to Number 2, indicating the revolutionary impact of e-commerce. ALDI's 241 percent increased in brand value signifies the consumer's increased concern with price and embrace of private label.

Expanded report

This report examines these trends and other dynamics that last year drove overall retail industry brand value and the value of individual retail brands. More than twice the size of the inaugural Most Valuable Global Retail Brands report, this edition includes:

- An overview that interprets how post-recession consumer attitudes and emerging trends will reshape retailing.
- Commentaries that explore the impact of e-commerce and the enduring power and profitability of brands.
- Profiles of the Top 20 most valuable global retail brands including analysis, forward-looking insights, statistical summaries and photographs illustrating current formats and innovations.
- Takeaways that recommend specific practical actions to help assure success in the post-recession retail world.

Especially during periods of economic uncertainty, like the last several years, both consumers and businesses increasingly rely on strong brands for the reassurance and reliability they represent. Knowing the value of this intangible asset, a brand, helps corporate leadership and stakeholders make more informed decisions.

To determine a brand's value, WPP's Millward Brown Optimor relies on BrandZ, the most reliable and comprehensive brand equity database available anywhere. Started 12 years ago, BrandZ contains information from more than one million consumers in 30 countries. The brand value calculation combines the BrandZ consumer information with financial data from both company and independent sources. For complete methodology details, please turn to page 70.

5-Year Review of Retail Brand Value

#	2010 Rank	2010 Value $US Bil.	2006 RANK	2006 Value $US Bil.	% Change in value
1.	Walmart	$39.421	1	$37.567	5%
2.	**Amazon**	**$27.459**	**8**	**$5.983**	**359%**
3.	Tesco	$25.741	3	$15.532	66%
4.	Carrefour	$14.980	5	$10.803	39%
5.	Target	$12.148	7	$6.135	98%
6.	eBay	$9.328	4	$13.191	-29%
7.	Home Depot	$8.971	2	$27.312	-67%
8.	**ALDI**	**$8.747**	**16**	**$2,566**	**241%**
9.	Auchan	$7.848	9	$5.354	47%
10.	Lowe's	$7.008	--	--	--

Sources: Millward Brown Optimor

The growth of Amazon and Aldi respectively reveal the growth of e-commerce and the importance of value. The decline of eBay and Home Depot reflect the difficult economy.

Get the full BrandZ Top 100 report

To access the complete BrandZ Top 100 Most Valuable Global Brands 2010 report, go to www.BrandZ.com. For a free download of any of the BrandZ 2010 smart phone apps, go to www.BrandZ.com/mobile.

OVERVIEW

Forget location, location, location. Retailing is becoming more complicated.

Retailing emerged from the recession changed by the consumer's virtually unrestricted access to information and products and a revised view of spending and material well-being.

Having spent 18 months tightening budgets, consumers now seem ready to resume discretionary purchasing. But they remain cautious. While excited to replenish wardrobes and replace durables, consumers are more considerate of the impact that their purchases have on the earth and its people. And they've learned to live with less.

They've also learned to shop differently. E-commerce has grown in just a few years from an ancillary retailer revenue stream to a central place in the shopper's repertoire of purchasing options, redefining the role of stores themselves. It's a rapidly growing global phenomenon, best illustrated by the US, where online transactions account for around 6 percent of annual retail sales.

Indeed, the retail brand that grew most in value last year operated no stores. While the retail category as a whole declined 1 percent in brand value, the value of the Amazon brand appreciated 29 percent to $27.5 billion, moving it into second place behind Walmart, which does operate stores—8,000 of them worldwide—and has a brand value of $39.4 billion.

Factor in the dramatic rise in smart phones and data transmission and it becomes clear that the future of retailing will emerge from the tension between location, location, location and algorithm, algorithm, algorithm. Success will require both merchants adept at massaging customer egos and analysts skilled at massaging customer data.

As brands heavily invested in bricks and mortar seek ways to keep stores relevant, store size will shrink. Because of the costs and challenges of adding new stores, retailers will attempt to extract more cash flow from their existing stores. These initiatives could improve large stores, which sometimes are inconvenient to shop, offering more selection than customers can process at the shelf but less than they can find online. At the same time, retailers risk oversimplifying their stores and eroding the shopper experience.

Here's the takeaway: Competitive advantage in retailing no longer can be accomplished simply by saturating markets with stores and attracting customers with a combination of range, price and service. Success requires a thoughtful portfolio of shopping venues—physical and virtual—that appeal to specific shopper segments. Every retail brand needs to find a proposition that makes visiting these retail spaces worth the shopper's time.

Share of wallet

It's always easier and more capital and cost efficient to sell more to an existing customer. That truism becomes a retail imperative now.

And precisely understanding that customer becomes more important than understanding trading areas and geographies. The era of growing the top line and market share by opening ever more stores is over. The primary strategy for building a retail business is shifting from growing market share to growing wallet share—from saturating a trading area with square feet of space to selling as much as possible to the shoppers loyal to the brand.

This shift can be explained in part by demographics in developed markets. In the US, for example, economic recovery will be moderated by high unemployment among the young, a dearth of people in their prime wealth-creation years and the bulge of baby boomer with reduced net wealth nearing under-funded retirements. In Europe and Japan, retailers face aging populations with formats that may not be configured for the childless households that will comprise most of the foot traffic.

Some of the challenge is attitudinal. Consumers in developed markets remain concerned about the future. And while they still expect mass market prices, they're increasingly unsatisfied by mass market products. In general, they prefer more personalized items, but without the premium that personalization implies. And consumers, of course, can obtain products through many channels other than stores.

Share of decision

In a multi-channel world, consumers have a lot of choice. Share of decision is about getting them to choose you.

When retailing was exclusively about opening and operating stores, retailers strongly influenced the shopper's understanding of price and assortment in key categories. They mediated the decision-making process. That mediation role is threatened as technology enables consumers to enjoy almost unlimited access to products and product information.

With mobile commerce, customers are increasingly able to receive real-time information in their hands as they shop. When a mobile phone empowers a shopper at the point of sale with as much information—or more—than is available to the retailer, the retailer's role in that transaction fundamentally changes. Shoppers are less influenced by location, price messaging and store experience if, with the push of a button, they can find a desired product at the best price. The shopper's immediate access to this information neutralizes the retailer's role as the arbiter of price and assortment.

The e-commerce and mobile revolution is a major opportunity for retailers that successfully reorganize their businesses for a digital world. A large part of winning in this world is being the platform people turn to when making purchasing decisions. Retailers need to become part of the active conversation that goes on around these purchases. Digital also poses an existential threat. Either retailers win their share of decision or risk becoming simply points of distribution and pickup. In the future, a retailer not engaged in the digital conversations impacting the business could be reduced to just a box of stuff with a roof—a brand positioning to avoid.

Renewing the brand

But first steps first. Many retail brands adapted extremely promotional tactics to cope with the recession. As brands enter the recovery, they'll need to consolidate or modify some of those tactics.

Especially in the early days of the recession, reflexive discounting and cautious buying reduced excessive inventory. Consumers enjoyed the savings and understood the tactics, especially from brands that symbolized value in more normal times. Discounts by up-market or even luxury retailers delighted shoppers but risked stretching brand credibility.

For example, Sainsbury's, the UK grocer, uncharacteristically promoted value with campaigns like "Feed your family on a 'fiver.'" Sainsbury's success suggests that great retail brands do not retreat from value but rather integrate it into the brand as a strategic attribute rather than an expedient tactic. It helped, of course, that Sainsbury's was in the food business at a time when consumers were focused almost exclusively on needs over wants.

For brands selling wants during the recession, the message hardly mattered. A steep decline in the brand value of eBay reflects how much the online retailer depends on discretionary spending. The evaporation of home equity and tightened credit impacted sales—and brand value—for home furnishings and improvement leaders like IKEA, Home Depot and Lowe's.

These brands had few options except to emphasize affordability and prepare for post-recession spending. Retailer success in that environment will require a more nuanced understanding of customer needs and wants and an offering of products, services and formats to match them.

Leveraging the brand

To fortify their brands and leverage their equity, retailers implemented private label solutions while at the same time relying on national brands to drive traffic, which becomes even more important as shopping trips decline. While much retailer private label continued to depend on the reflective glow of adjacent national brands, retailers increasingly introduced incandescent private labels that emitted their own light and power—with equity derived from the retailer's brand.

IKEA and ALDI, the deep discount grocer, remained strong examples of retail brands that have become synonymous with the products they sell. Lidl, an ALDI competitor, continued to balance its strong private label with national brands. Target, the US discount department store, adopted that hybrid approach in the rollout of its new up & up private label, which uses an upward pointing arrow as a logo signifying the brand's commitment to quality and price. The UK's Marks & Spencer began to offer selected national brands side-by-side with its iconic St. Michael's private label.

The Top 20 Most Valuable Global Retail Brands 2010

#	Position change from 2009	Brand		Parent Company	Brand Value $US Bill	Brand Value Change YOY	Brand Contribution	Brand Momentum
1.	=	Walmart	US	Wal-Mart Stores, Inc	$39.421	-4%	2	8
2.	1	amazon.com	US	Amazon.com, Inc	$27.459	29%	4	9
3.	-1	TESCO	UK	Tesco plc	$25.741	12%	5	4
4.	=	Carrefour	France	Carrefour SA	$14.980	0%	5	7
5.	1	TARGET	US	Target Corporation	$12.148	-1%	4	7
6.	-1	ebay	US	ebay Inc	$9.328	-28%	3	7
7.	1	THE HOME DEPOT	US	The Home Depot, Inc	$8.971	-3%	2	3
8.	1	ALDI	Germany	ALDI Group	$8.747	1%	1	6
9.	-2	Auchan	France	Auchan S.A.	$7.848	-26%	4	7
10.	1	LOWE'S	US	Lowe's Companies	$7.008	10%	2	5
11.	4	BEST BUY	US	Best Buy Co Inc	$5.807	18%	3	8
12.	-2	IKEA	Sweden	IKEA International A/S	$5.710	-15%	3	8
13.	-1	MARKS & SPENCER	UK	Marks and Spencer Group Plc	$5.699	-5%	5	3
14.	-1	ASDA	UK	Wal-Mart Stores, Inc	$4.922	-9%	3	7
15.	2	KOHL'S	US	Kohl's Corporation	$4.371	12%	4	5
16.	=	LIDL	Germany	Lidl & Schwartz Stiftung & Co KG	$4.102	-1%	1	5
17.	-3	COSTCO WHOLESALE	US	Costco Wholesale Corporation	$3.875	-26%	1	4
18.	=	Sam's Club	US	Wal-Mart Stores, Inc	$3.255	-7%	1	6
19.	=	SAFEWAY	US	Sureway Inc	$3.173	-8%	2	4
20.	=	Sainsbury	UK	J Sainsbury Plc	$2.728	-4%	5	4

Sources: Kantar Retail, Millward Brown Optimor. See the At a glance charts for brand footnotes and see Methodology on page 70 for explanations of Brand Contribution and Brand Momentum.

The changing consumer

Brands also need to acknowledge the shifting values of the post-recession consumer. Concerned about the impact that their material well-being has on the planet and on people at every stage of the supply chain, consumers are moderating indulgence and excess with a binary view of spending that pairs entitlement with responsibility and individuality with community.

Retailers respond to these consumer concerns for a variety of reasons: because sustainability improvements reduce costs; because good citizenship strengthens the customer bond and drives shareholder value; or because of genuine commitment. Whatever the reason, retailers must respond. And their commitment needs to be credible and consistent with their brand's overall ethos.

European retail brands may be somewhat more responsive to these consumer concerns, particularly sustainability. But sustainability has become a bit more mainstream everywhere and the notion that it commands a price premium is beginning to disappear. Being in touch with these long-term shifts is part of understanding the post-recession world. And retailers who get that right are most likely to flourish.

A global perspective

Finally, as retailing becomes more complicated and challenging in developed markets, retail brands increasingly will seek growth in BRIC and other emerging economies.

They will find consumers more eager to spend money. But they'll also encounter increasingly powerful local competitors that have recognized the same opportunities. However, because Brazil, Russia, India and China are in such different places in their retail evolution, their conflation into the acronym BRIC adds confusion rather than insight.

It's more illuminating to consider how each country sits along a continuum of retail market evolution. The continuum begins when pioneer brands arrive to organize an informal and fragmented market of family-owned businesses. It stretches until consumers shop at both the informal trade and in a well established organized trade that consists of modern stores serving many product sectors.

In this context, the Brazilian market already is intensely concentrated into three modern retailers: Carrefour, Casino's CBD Group and Walmart. China remains fragmented but is rapidly moving toward concentration, particularly in the coastal cities. The Russian market is intensely influenced by "disruptive factors" (government and the lack thereof) that drive a unique pattern of concentration. Similarly, regulation has kept India a nation of shopkeepers with only 3 percent of retail coming from the organized trade.

COMMENTARY

E-commerce is no longer just a nice way to top-up sales.

by Michael Ross

Organizations that still regard e-commerce as a bolt-on are squandering a major opportunity to gain insight and grow revenue and profit. And they're placing themselves at a dangerous disadvantage. Moreover, in today's slow-growth economy, e-commerce needs to be an integral part of any retail enterprise. But success requires thinking differently in many ways:

1. Thinking differently about problem solving. Bricks and mortar problems often are easy to identify but difficult to fix. Knowing that comp sales are down in five stores may isolate a management problem. Fixing it is something else. In e-commerce the opposite is true. The overwhelming amount of data about customers, orders, clicks, and fulfilment can obscure the problem. When the problem is isolated, however, the solution can often be easy.

Example: You may discover that a large volume of customers is being directed to an out-of-stock product. That should be a two-minute fix.

2. Thinking differently about decision-making. In a physical store it's not easy to know exactly what products customers are looking at. In e-commerce you know exactly what every customers views, adds to cart and buys. More precise information is powerful. It enables you to determine whether a product isn't moving because people aren't looking at it or because people are looking at it but not buying. An accurate diagnosis leads to a fast and effective solution.

Example: Without accurate information, you're left with a trial and error response. Discounting, the default response, can waste a lot of time and produce no extra turns if shoppers aren't looking at the merchandise.

3. Thinking differently about business organization. Retailers typically structure management according to traditional functions such as marketing, merchandising and finance. In e-commerce that's often sub-optimal. While the traditional management structure maps neatly onto an existing retail organization structure, it often makes it hard to make rapid trading decisions.

Example: Sales of a particular product are underperforming. Do I spend more on a search engine? Do I discount the product? Do I discount delivery? When each function has a different budget and reporting line, the lengthy decision-making process often results in lost opportunity.

Implications for retailers and brands

As you can see from the preceding examples, even thinking like an e-commerce merchant will sharpen your business. You'll ask better questions and expect faster and more useful answers.

And you'll have a more accurate handle on performance. In the bricks and mortar world, profit per square foot is a key performance indicator. That's not the case in e-commerce. E-commerce retailers need to understand the trade-off between profit-per-order and volume of orders. This allows them to understand whether the next dollar should be invested in retail prices, marketing, discounting delivery or a promotion.

Even more important, e-commerce will change retailing. The stores of the (near) future will be much changed from today's shelf-lined boxes stuffed with expensive inventory. We'll see fewer and smaller stores. Ultimately, stores may become experiential showrooms. Such a development would completely change the economics of retailing, as the merchant wouldn't need to have stock sitting in hundreds of different locations.

Retailers heavily invested in bricks and mortar real estate might fairly argue that it's difficult to turn the battleship around. I would agree. But I'd add that if you're not looking at the horizon, you won't have a battleship to turn around. Consider the e-commerce implications for brands. In the past, brands relied on retailers for national distribution. With a few flagship stores and a wholesale program brand marketers could cover the whole country, even the world. E-commerce enables brands to sell directly to consumers, make higher margins, have more control and no longer need to deal with a lot of stores. Brands can radically reshape their distribution strategies. And retailers who make money today selling these brands will need to rethink their role in the retail landscape or risk waking up one day to find they have no products to sell.

Not the end of shops

The rise of e-commerce does not presume the end of shops. People like shops. We love to touch the merchandise. But it does mean that the most successful retailers will be those who understand both the physical and virtual channels profoundly and learn the lessons from each to build and operate a solid and integrated multi-channel presence. Brilliant merchants always will have an important place, but they'll need to marry their intuitive feel for buying and selling with the technical knowledge of analysts who can sift data to discern why a product turns—or not. Such unions will require wisdom and humility. But they will produce remarkable competitive advantage.

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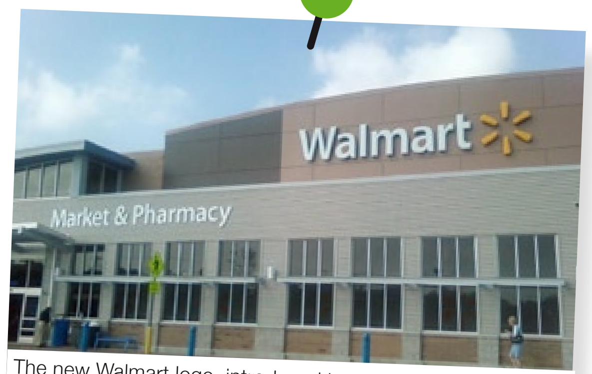
1.WALMART

Wal-Mart relaunched its brand as Walmart last year.

The subtle spelling revision signified shifts in brand positioning and store execution that may have provoked shopper confusion, as brand value declined slightly.

Expansion slowed and sales grew modestly. But the discount superstore chain, which operates about 4,500 stores worldwide under the Walmart banner, posted strong profit. The results reflected both effective management of the business and a tangible benefit of a brand that enriched its core proposition from "Low Prices, Always" to "Save Money. Live Better."

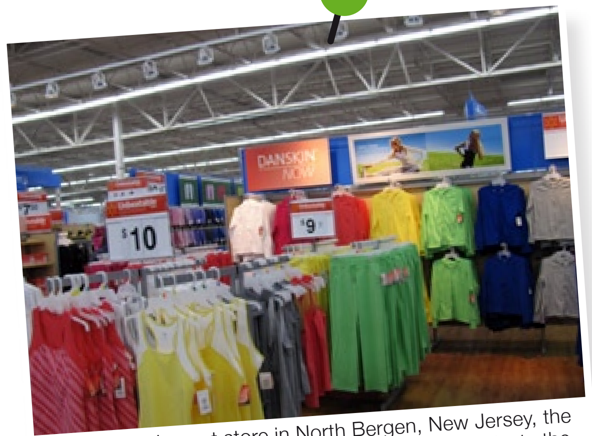
Walmart continued to implement its "Project Impact" initiative aimed at simplifying in-store execution to produce a more consistent brand expression. The specific goals included: removing clutter and improving signage to make shopping easier; reducing labor, stock keeping units, and inventory to lower costs; and increasing private label to improve earnings.



The new Walmart logo, introduced last year, appears here on a store in Mt. Prospect, Illinois, a northern suburb of Chicago.

Throughout the store, Walmart reassessed entire categories and departments, designating them as win, play or show, depending on their growth potential, and assigning appropriate space and merchandising investment. The store program helped clarify the evolution of Walmart from its roots as a hardlines discount store to its next phase as a general merchandise retailer selling groceries to its current iteration as a grocery retailer with a large general merchandise range. However, Walmart's decentralized culture, which thrives on local entrepreneurship, can produce store-to-store inconsistencies and sometimes shopper confusion.

Plus, shopper attitude changed a bit last year. While shoppers continued to spend cautiously because of the economy, they'd passed their initial panic and fear. Less dependent on Walmart's low prices, shoppers probably felt less grateful. At the same time, assortment changes may have confused or alienated some shoppers looking for a more complete grocery trip. Walmart remained the consumer's advocate, however, as it continued to convert operational cost savings into price reductions. And with well publicized reform of its labor practices, commitment to sustainability and advocacy for health reform Walmart continued to repair the broader pillars of its brand.



At a Project Impact store in North Bergen, New Jersey, the combination of low price and improved fashion reflects the new Walmart tagline, "Save money. Live better."

Meanwhile, Walmart invested in the brand's online presence because its greatest threat comes not from bricks and mortar competitors but from online operators, specifically Amazon. Scale and global reach should help. Though the Walmart brand value declined slightly, last year the Walmart Corporation posted sales of over $400 billion from over 8,000 stores, in 12 formats, operating in 15 countries. And 25 percent of its sales came from outside the US.

At a glance

Brand Value	$39.4 billion
Brand Value Change YOY%	-4%
Total Company Sales	$406.4 billion
Total Company Stores	8,051
WALMART Brand Sales	$294.6 billion
WALMART Brand Stores	4,577
Countries of Operation	15

Walmart brand sales include Walmart, Walmart Supercenters, Walmart.com. Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Walmart's influence is weakened as shoppers become less reliant on the brand for price and product information that they increasingly access on their computers and mobile devices.
- Walmart needs to achieve the right balance between two somewhat conflicting imperatives: removing items from the assortment to gain store efficiency and operational savings; and adding items to the assortment to satisfy customer needs and expectations.
- As Walmart broadens its brand beyond price, the company needs to be clear that price remains a core aspect of the proposition.

2. AMAZON

Amazon grew 29 percent in brand value last year making it one of the fastest growing global brands across all categories.

With improvements in price, selection and service Amazon achieved a retailing trifecta. By combining its online data into complex algorithms Amazon ascertained the bottom of the market faster than most retailers and priced accordingly. Unparalleled selection also helped Amazon dominate the holiday season. Easier to open packaging and free two-day shipping for its Prime Membership subscribers improved the service experience.

Having invented a better idea, Amazon has invested heavily in the technology and distribution required to sustain it. The brand now looms as a revolutionary force of engineers and mathematicians posing an existential threat to traditional retailers invested in bricks and mortar and still depending on the mantra of location, location, location for competitive advantage.

This Amazon home page promotes the Kindle while showing the brand's broad product category range.

Amazon's brand value growth last year also resulted from the introduction of Kindle 2 and the acquisition of Zappos, developments that fortified the company's market position. With the Kindle 2, Amazon leveraged the consumer trust earned as a book merchant to expand into electronic reading devices. Amazon has defined the distribution medium for electronic books in the way Apple's iTunes impacted music. Although Zappos still trades under the Zappos name, acquisition of the online shoe and apparel retailer strengthened the Amazon brand at least indirectly.

Amazon and Zappos share a problem-solving ethos. The formation of each company depended on asking – and answering – the same question: what's hard about buying this product? For Amazon the product was books. The physical layout of a library or bookstore prevented books relevant to the individual patron from being in convenient proximity. The problem with purchasing shoes online was that the product often did not fit, a customer concern until Zappos offered unlimited free returns. Both companies provided digital interface solutions.

As consumers slowed spending last year, Amazon also benefited from its many revenue streams other than retail sales, which include: advertising, third-party licensing arrangement, rebates, Prime Membership dues, Kindle sales and royalties from electronic book sales.

Amazon continues to revolutionize the book category where the brand began.

At a glance

Brand Value	$27.4 billion
Brand Value Change YOY%	+29%
Total Company Sales	$24.5 billion
Total Company Stores	0
AMAZON Brand Sales	$23.5 billion
AMAZON Brand Stores	0
Countries of Operation	7

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

Insights & Implications

- Amazon has an opportunity to expand its model into other aspects of people's lives by offering more product categories and venturing into services. It could add a bricks and mortar presence.
- The company's success will draw more intense competition from highly efficient retail competitors that understand complicated distribution and technology, such as Walmart.
- Since Amazon operates only in six countries, it has a tremendous international expansion opportunity.

3. TESCO

The Tesco brand appreciated in value last year despite the difficult economy.

That performance reflected the strength of the brand, particularly in the UK, Tesco's home market, where consumers view the grocer as the place to fulfil a wide range of monthly household shopping needs. The UK contributes about 75 percent of Tesco's total turnover.

At a glance

Brand Value	$25.7 billion
Brand Value Change YOY%	+12%
Total Company Sales	$89,7 billion
Total Company Stores	4,768
TESCO Brand Sales	$77.3 billion
TESCO Brand Stores	3,396
Countries of Operation	15

Tesco brand sales include Tesco Express/Espres/Expressz, Tesco Metro, tesco.com.

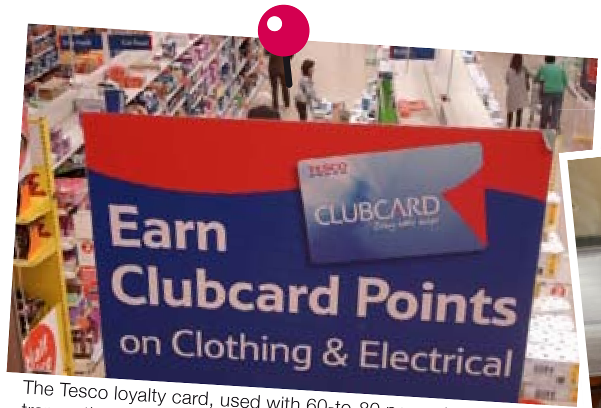
Last year's performance also was indicative of Tesco's ability to formulate a broad master brand, encompassing both food and non-food and priced from discount to premium, that appeals to consumers at all income levels. In the UK, where Tesco operated 2,440 stores last year, the brand appears in a variety in formats, primarily supermarkets, hypermarkets and convenience outlets, while maintaining brand consistency and purchasing and distribution efficiency.

Tesco offers an own-label option on about 40 percent of the grocery range and at every price point, including premium, in the UK. Tesco loyalty cards, used on 60-to-80 percent of UK transactions, provide data to shape the own-brand strategy. Outside of the UK, with weaker brand heritage, own-label business is harder to develop.

Founded as a discount food merchant in 1919, Tesco expanded into various grocer formats and non-food businesses that now include financial services and mobile phone operations. After forming Tesco Financial Services in a joint venture with RBS (Royal Bank of Scotland) in 1997, Tesco bought the RBS share during the financial crisis and rebranded the entity Tesco Bank.

The exceptions to the company's strategy of branding all business Tesco occur during international expansion when acquisition of a strong local brand facilitates market entry. Ironically, the Tesco brand is absent from its most successful international market, Korea, where the company trades as Homeplus. Tesco decided to establish a new brand when it launched Fresh & Easy, a food discount operation, in the US.

With the rise of food discounters, like ALDI and Lidl, Tesco returned to its discount roots while at the same time keeping the broad brand approach. It launched a discount own label brand in the UK. However, in central and eastern Europe, where the discount brands are strong, Tesco operates many large hypermarkets. In the US, Tesco's Fresh & Easy is modelled after low-priced Trader Joe's, which is owned by ALDI. In 2009, Tesco operated about half of its over 4,500 stores outside the UK in 14 other countries.



The Tesco loyalty card, used with 60-to-80 percent of UK transactions, provides valuable customer data and competitive advantage.

Pressured by competitors and consumer demand, Tesco returned to its discount roots during the recession while maintaining its broad brand approach.

Insights & Implications

- With further investment in the supply chain, Tesco could experience in non-food categories the e-commerce success it enjoys in grocery.
- Because of Tesco's dominance as a grocer in UK, growth requires leveraging the brand into new formats for selling non-food products and offering services such as banking.
- As Tesco expands beyond its core business, it needs to narrow the brand proposition because the company lacks the fundamental competitive advantages.

4. CARREFOUR

The value of the Carrefour brand remained flat last year.

The Carrefour brand remains strong in France, its home market.

In the midst of a deep global recession, protecting value was a significant accomplishment for the world's second largest retailer in annual sales. And it was not accidental.

The company is unifying many of its disparate retail holdings under the Carrefour banner. The branding is part of an effort to increase asset value implemented by Blue Capital, a private equity group that has controlled Carrefour for the last several years.

Until just over a decade ago, Carrefour was known as a premium retailer with first-rate locations and competitive prices facilitated by world-class buying. The focus began to change after the 1999 merger with French retailer Promodès and the subsequent death of one of the principals.

Through acquisitions made over 40 years, Carrefour evolved from a French hypermarket to a presence in 41 countries operating a conglomeration of almost 15,000 stores under various fascias. Historically, about 60 percent of revenue has come from the hypermarket segment of the business, which is almost entirely branded Carrefour.

In Europe, the Carrefour brand remains strong in France and Spain and somewhat weaker in Belgium and Italy. Although the company operates some of its largest stores in Eastern Europe, the brand makes less impression there. In contrast, the brand is well established in certain emerging markets including China, Argentina and Brazil, where a recent acquisition produces some the company's fastest growth.

Eventually, consolidating the various businesses under the Carrefour brand may facilitate the sale of all or parts of the company. Meanwhile, a unified brand should enable Carrefour to leverage marketing and advertising spending and develop private label.

Being managed for short-term objectives will place Carrefour at a competitive disadvantage against is peer operators, however, as retailers like Walmart and Tesco continue to grow with long-term vision. If pieces of Carrefour were sold eventually, they would be logical buyers.

At a glance

Brand Value	$14.9 billion
Brand Value Change YOY%	0%
Total Company Sales	$131.5 billion
Total Company Stores	14,299
CARREFOUR Brand Sales	$98.9 billion
CARREFOUR Brand Stores	3,489
Countries of Operation	41

Carrefour brand sales include Carrefour Bairro, Carrefour City, Carrefour Express, Carrefour Market, Carrefour Market Urbain, Carrefour Mini and Carrefour.com. Sources: Kantar Retail, Millward Brown Optimor

Carrefour is attempting to leverage the brand in many of its 40 country markets outside of France, such as Poland shown here.

Insights & Implications

- The ongoing effort to unify the brand across country markets should leverage marketing investment and strengthen brand awareness.
- The company operates with a short-term mentality at a time when major structural changes happening in retailing demand long-term vision.
- The need to build and sustain a credible presence in e-commerce and the BRIC markets requires significant investment. Reluctance to invest would put Carrefour at a disadvantage.

5. TARGET

Target experienced a challenging 2009, before seeing results begin to rebound during the holiday season.

As sales revived against soft 2008 holiday numbers, profit strengthened considerably because Target improved its inventory management and handling of markdowns.

To reach cautious post-recession shoppers, Target is attempting to broaden the value message of its brand.

At the same time, the brand's attempts to be more relevant for recession-weary shoppers began to gain traction. While slowing expansion, the 1,740-store discount general merchant began remodelling its existing locations to include an increased presentation of grocery and fresh foods.

Known internally as the Pfresh campaign, the expansion of food addressed Target's strategic dilemma: the chain remains on the wrong end of the needs-wants spectrum. Worried about unemployment and overdue mortgage payments, consumers spent on basics last year and retreated from the fashion and design offerings that drive Target's margins and signify its brand.

In an effort launched in early in 2010, Target attempted to fortify its low-price message and broaden its value proposition by packaging some merchandise in bulk, replicating the value proposition of warehouse clubs like Costco and Sam's. Target also attempted to extend the emotional and differentiated power of its brand to other attributes and into other categories, specifically pharmacy. In its pharmacy TV campaigns, Target positioned the brand as knowledgeable, curious and friendly rather than fashionable, the traditional Target message.

This initiative seemed promising and an important step for Target to brand itself beyond "want" categories, such as apparel and home décor, where Target has exhibited great skill at specializing in products that closely match its brand proposition—"Expect more. Pay less." The question outstanding is whether Target can translate this sourcing and marketing expertise from products unique to Target to merchandise that the consumer can find anyplace.

To further that aim, Target also revised its approach to private label. Until now, the chain offered its own-brand merchandise for a lower price than the adjacent national brands, with packaging designed to mirror the national brand's packaging. Last year, Target shifted from this "reflective" approach to an "incandescent" private label philosophy. Its new up & up brand emphasizes the intrinsic price and quality value of Target own-label products rather than positioning them as cheaper imitations of national brands. This matches to some degree Target's private label strategy in food, where the retailer has always sought premium positioning in line with the its overall proposition.

Target is renowned for its value-priced designer merchandise created especially for the chain.

At a glance

Brand Value	$12.1 billion
Brand Value Change YOY%	-1%
Total Company Sales	$63.4 billion
Total Company Stores	1,740
TARGET Brand Sales	$63.4 billion
TARGET Brand Stores	1,740
Countries of Operation	1

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

Insights & Implications

- During the recession, Target's biggest competitor was the couch, as shoppers increasingly went online to purchase apparel and other merchandise that typically drive trips for Target.
- Target needs to establish a compelling reason for shoppers to return to the store.
- The open question for Target is whether the brand can bring a Target value proposition to food as it grows its presence in grocery.

6. EBAY

EBay depends on discretionary spending, which was not a growth area last year.

Not all of eBay's business is about selling items, however. The company also owns PayPal, the service that facilitates secure online payment for goods and services. PayPal complements the eBay business and enables the company to broaden its reach to merchants without credit card processing capability and to consumers that prefer not to pay with credit cards.

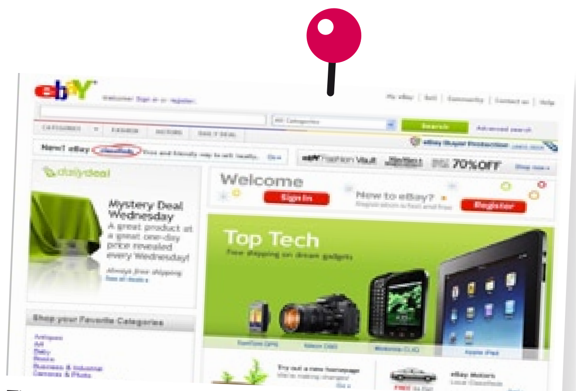
In addition, eBay owns StubHub, a reseller of tickets for concerts and sporting events. Last year, eBay sold Skype, the online line communications company that it purchased in 2005. Compared with PayPal and StubHub, Skype was less closely aligned with eBay's core proposition.

The PayPal and StubHub businesses are not calculated into the value of the eBay brand since they trade under other names. Much of the core business also is excluded from the brand valuation because, although eBay is present in 30 countries, the company often operates under the name of strong local brands it has acquired.

Sales results slowed and brand value declined as recession-wary consumers shopped for needs over wants.

The process of refocusing the brand also hindered growth. Although launched in 1995, as an innovative online auction to join disparate buyers and sellers, eBay discovered that the most sustainable aspect of its proposition is not the auction, but the trusted access it provides.

For buyers, eBay offers access to a wide variety of interesting items often at eye-popping prices. The small-to-medium size resellers that populate eBay enjoy access to those 90 million eBay active users. Business often is good.



The home page lists the wide variety of categories, even cars, available on eBay.

About half of the sales come not from auction, however, but from fixed-price sales, reflecting eBay's evolution from a somewhat anarchic connector of individual buyers and sellers to a more organized and efficient marketplace. The repositioning moved eBay into a more crowded space where it faces a growing competitive threat from other trusted e-commerce brands, like Amazon and Google, that also provide access to millions of shoppers and small resellers.

The daily deal, good for one day only, drives traffic.

At a glance

Brand Value	$9.3 billion
Brand Value Change YOY%	-28%
Total Company Sales	$57.2 billion
Total Company Stores	0
EBAY Brand Sales	$30.3 billion
EBAY Brand Stores	0
Countries of Operation	39

The eBay sales figure is the estimated gross merchandise volume sold by the brand in 2009. The eBay country count includes only the online auction operation.
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- As the brand shifts from the auction business to more fixed-price transactions, it moves into direct competition with Amazon and other trusted e-commerce brands.
- EBay benefits from the mainstreaming of its brand. The fact that people increasingly regard eBay as an option when considering a product purchase confers legitimacy that allows the brand to enter other product areas.
- The eBay business model, not overly proprietary, is open to imitation, especially from competitors that may develop specialized markets for catering to niches of eBay's audience.

7. HOME DEPOT

Home Depot's market position last year was about as challenging as it gets.

The home improvement chain sought to grow business during a mortgage crisis that destroyed much of the home equity that pays for improvements. Plus, compared with its competition, Home Depot was much more dependent on sales to contractors at time when housing starts reached record lows.

Timing was not great for other reasons, too. The recession hit just when Home Depot was about to switch gears, away from five years of cutting costs and looking for efficiencies and back to offering expertise and customer service, among the brand's core attributes when it was established 30 years earlier.

At a glance

Brand Value	$8.9 billion
Brand Value Change YOY%	-3%
Total Company Sales	$65.9 billion
Total Company Stores	2,244
HOME DEPOT Brand Sales	$65.9 billion
HOME DEPOT Brand Stores	2,244
Countries of Operation	7

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

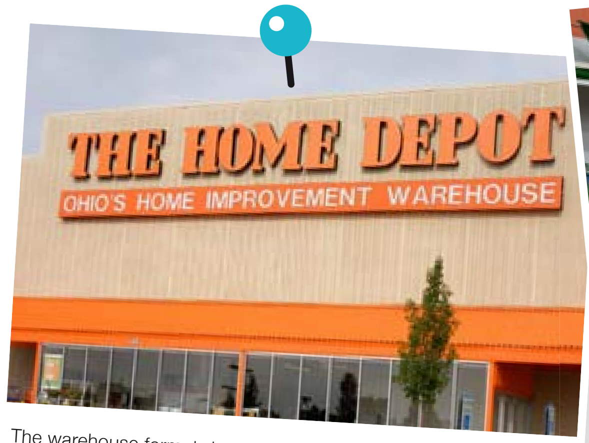
Home Depot focused on three priorities to rehabilitate its brand despite the economic difficulties: improving customer service, reasserting product authority and continuing to improve productivity and efficiency. Customer service levels, which depend on knowledgeable and engaged store associates, may have benefited from the availability of contractors during lean times.

To fill some operational gaps, legacies of the chain's torrid and entrepreneurial growth, Home Depot installed more information technology and improved its supply chain with the construction of new distribution centers aimed at reducing costs and better regulating the flow of merchandise.

Home Depot continued to balance the expectations of its contractor customers with the appeal of its stores to women shoppers. Men comprise 55 percent of home improvement shoppers, but women have a major say in 80 percent of the purchasing decisions. And many women feel uncomfortable in the busy and sometimes chaotic environment of Home Depot's 2,244 warehouse stores.

In general, the company returned to its core business and brand principles. It closed some ancillary businesses, like its Expo Design stores, although it continued to develop its installation business and its Web site.

If there was a bright side to 2009 for Home Depot, it was that the economic slowdown provided a breather, enabling the company to address some nagging problems and to emerge potentially with a brand that's recovered some of its authority in price, selection and service.



The warehouse format draws both pros and DIY shoppers.

Home Depot often promotes seasonal items at the front of the store.

Insights & Implications

- The anticipated recovery in the US housing market will drive increased sales.
- Reinvigorated customer service would help Home Depot regain its strongest point of competitive differentiation.
- The brand also would benefit from improving the shopping experience for both its DIY and contractor customers.

8. ALDI

In a tough year for retailing, the ALDI brand appreciated slightly.

At a glance

Brand Value	$8.7 billion
Brand Value Change YOY%	1%
Total Company Sales	$65.8 billion
Total Company Stores	9,396
ALDI Brand Sales	$59.2 billion
ALDI Brand Stores	8,957
Countries of Operation	20

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

With less money to spend, more shoppers seemed drawn to the deep discounter's proposition of sharp pricing on a limited range of quality groceries. ALDI stores offer about 800 items, mostly own-label, in only 15,000 square feet of space.

Coming out of the recession ALDI has some work to do, however, as it faces more imitators and a shifting marketplace with consumers increasingly completing some of their food shopping online. ALDI has moved into that space, but slowly.

The German-based brand actually operates as two separate organizations – ALDI North and ALDI South – controlled by two brothers. ALDI North takes an austere approach and appeals to more price-sensitive shoppers in northern and eastern Germany as well as Benelux, France, Spain Portugal and Poland. ALDI North also owns Trader Joe's in the US.

ALDI South is somewhat more premium and has enjoyed success targeting mid-and up-market shoppers. Along with stores in southern Germany, ALDI South operates the ALDI brand in UK, Ireland, Greece, Hungary, Slovenia, Switzerland and outside of Europe in the US, with more than 1,000 stores, and Australia. It operates in Austria under the Hofer brand.

Both ALDI organizations face the predictable challenge to proven success—imitation. Germany's Lidl entered the deep discount segment in the mid-1970s, and today ALDI and Lidl share 60 to 70 percent customer overlap in Germany. Beyond Lidl, however, and in many country markets, more competitors are adopting a discount strategy to draw price-conscious consumers.

At the same time, ALDI is losing a signature traffic-driving strategy. During the end of the 1990s and the early part of the next decade ALDI was known, especially in Germany and Austria, for weekly promotions of selected consumer electronic items, computers for example, at virtually unbeatable prices. Today, consumers find wide selection and lower prices for consumer electronics online. ALDI's more recent promotion tactics, mobile phone offers and travel packages, lacked equivalent impact.

ALDI reinforces the brand's key message—low prices and no frills.


Although the produce presentation is basic, ALDI attempts to project quality as well as price.

Insights & Implications

- ALDI will continue to benefit from high consumer regard for a store and private label brand that consistently delivers both low prices and quality.
- ALDI should do well in the US and Australia because of limited direct competition in those markets.
- ALDI may struggle in certain European countries because market saturation is expected to slow expansion.

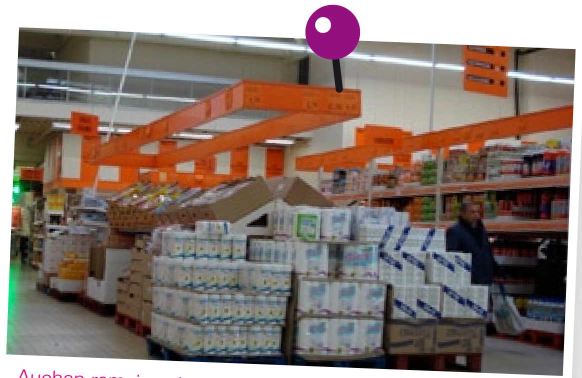
9. AUCHAN

Auchan's strength in Russia and China helped the brand navigate successfully through the recession.

The economic slowdown compounded a key challenge for the French hypermarket however, which is leveraging its global presence without the benefit of a unifying brand.

In Russia, which is Auchan's flagship market, the company operated 68 stores at the end of last year, 38 under the Auchan brand. In China, Auchan ran 16 Auchan locations along with 68 hypermarkets branded RT Mart, a joint venture with a Taiwanese company.

In both countries, Auchan emphasizes the same brand core values of lowest prices and widest assortment, perhaps with a slightly more premium perception in China where Auchan stores often are located in attractive shopping malls. Stores in both Russia and China offer both food and non-food, although the Chinese stores may be a bit more food oriented.



Auchan remains strong in France but developing markets are driving growth.

Relatively slow to expand internationally, Auchan did not open stores outside of France until the 1980s when it entered Spain and also opened a few unsuccessful stores in the US. Auchan entered Spain though acquisition and retained the existing store fascias for it hypermarkets. The Spanish stores are called Alcampo, a rough translation for Auchan, which means high field. No retail operation in Spain is branded Auchan.

Similarly, few businesses are branded Auchan in Italy, the company's largest European market outside of France. Inside France, government regulations added further challenges with a move to change certain retail accounting practices in an effort to stimulate lower prices.

A family-controlled enterprise, Auchan assigns a higher priority to serving existing markets well over expanding into new markets. Cash flow and limited debt also regulate the rate of expansion. The company's entrepreneurial operating style grants tremendous autonomy to each store and fosters loyalty among employees. And it drives initiatives to creatively develop its presence at the intersection of online and in-store shopping.

While the entrepreneurial approach helps assure the right products, prices and locations, decentralization sometimes slows reaction time, inhibits coordination of marketing efforts and makes it harder to cultivate a unified brand image.

Russia and China are among Auchan's strongest markets.

At a glance

Brand Value	$7.8 billion
Brand Value Change YOY%	-26%
Total Company Sales	$63.2 billion
Total Company Stores	2,624
AUCHAN Brand Sales	$37.1 billion
AUCHAN Brand Stores	323
Countries of Operation	13

Auchan brand sales include Auchan and auchan.com.
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Auchan would benefit from a more unified brand presence globally.
- Auchan's strong market position in two key BRIC countries, China and Russia, should continue to shape its international business.
- Market saturation and government regulation will impede Auchan's domestic growth in France.

10. LOWE'S

Lowe's struggled effectively against the housing downturn.

At a glance

Brand Value	$7.0 billion
Brand Value Change YOY%	+10%
Total Company Sales	$47.2 billion
Total Company Stores	1,709
LOWES Brand Sales	$47.2 billion
LOWES Brand Stores	1,709
Countries of Operation	2

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

But if the 1,709-unit warehouse home center chain excelled at controlling its operations, it could not control the economy.

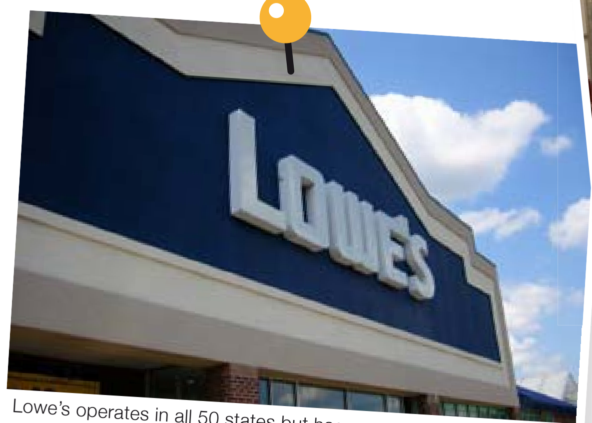
As housing starts, mortgage applications and home remodelling declined, Lowe's sales followed the same downward trend. The chain could take some comfort that compared with Home Depot, the chief competitor, its business is more consumer-focused and less reliant on contractors. That difference may be reflected in the relative resilience of Lowe's brand value.

The slow-down in home improvement had several consequences. The chain's 117,000-square-foot prototype stores, designed for major project completion, are not the most convenient place to make item purchases, which consumers sometimes fulfilled at hardware store competitors, like Ace and True Value, or at discount or food stores. And as a major contender in the appliance business, which was hurt by the recession, Lowe's experienced additional financial exposure.

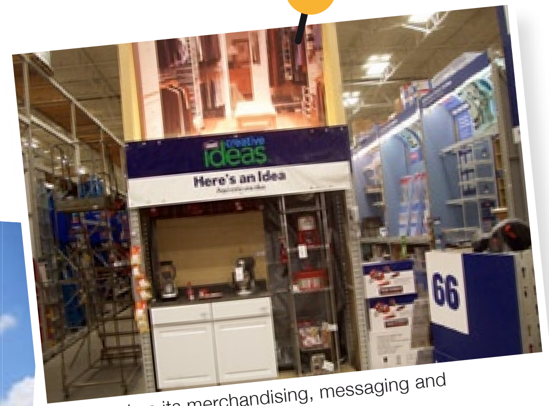
Meanwhile, Lowe's continued to do a good job protecting its margins with private label and supplementing its in-store selection with its Web site. The company derived confidence from the strength its business had going into the recession, and it did not adjust significantly during the past 18 months. Its warehouse stores continued to offer merchandise breadth and depth, but with a relatively disciplined presentation that may appeal especially to women shoppers whose decision-making role is important for the large remodelling projects that drive big box DIY sales volume.

Lowe's slowed its store expansion at least temporarily, but still anticipates increasing the store count in the US by as much as 50 percent over time. Although Lowe's operates in all 50 states, it has an opportunity to increase density outside of its original core markets in the South. The company is testing several smaller store alternatives by fine-tuning its existing format. Because of the troubled economy, the rollout may happen more slowly.

Internationally, Lowe's continued its expansion in Canada, prepared to enter Mexico and, in its first expansion out of North America, negotiated an arrangement with Woolworths in Australia to open Lowe's stores in that country.



Lowe's operates in all 50 states but has room for fill-in US stores and cross-border expansion in Canada and Mexico.



Lowe's aims its merchandising, messaging and housekeeping at DIYers.

Insights & Implications

- Business should pick up for Lowe's as housing recovers and consumers undertake major home improvement projects. In the meantime, consumers may shop for maintenance or repair items at more convenient locations.
- The company will face reinvigorated competition from Home Depot as Lowe's chief competitor improves its store experience and service.
- Lowe's could benefit by helping women undertake the full range of DIY activities to dispel any gender preconception that limits the DIY interest of women shoppers to décor categories.

11. BEST BUY

The Best Buy brand appreciated in value by 18 percent last year.

The result indicates the US chain's strong growth prospects following the collapse of its main head-to-head competitor, Circuit City, which left Best Buy as the only national big box specialist in the home electronics category.

At a glance

Brand Value	$5.8 billion
Brand Value Change YOY%	+18%
Total Company Sales	$48.8 billion
Total Company Stores	4,037
BEST BUY Brand Sales	$38.5 billion
BEST BUY Brand Stores	1,222
Countries of Operation	14

Best Buy brand sales include Best Buy, Best Buy Mobile and bestbuy.com Sources: Kantar Retail, Millward Brown Optimor

Best Buy enjoyed a sales benefit from the disappearance of $10 billion Circuit City, which enabled the company to better weather the downturn in consumer spending. The real estate opportunity from Circuit City was less significant because the locations of the two chains often overlapped.

Best Buy still faced formidable competition from Amazon.com and bricks and mortar merchants selling electronics, especially Walmart, which expanded the space and merchandising attention devoted to the category. Best Buy strengthened its multi-channel presence by assuring that its brand appears high in online searches and with initiatives like Twelp Force, its Twitter conversation about service issues.

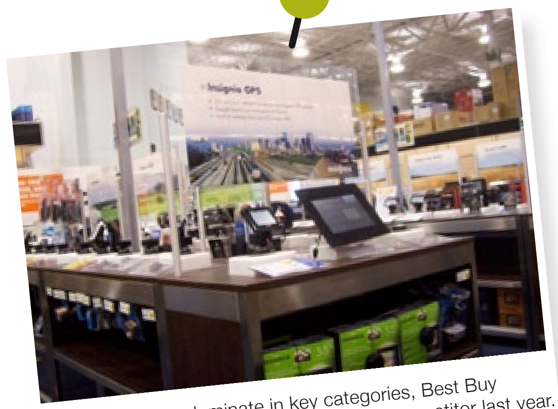
Perhaps the greatest threat to Best Buy comes from an unlikely but powerful competitor, Apple's iTunes. With digitized music conveniently available online, consumers have less incentive to purchase CDs in a physical store. That development not only impacts Best Buy's entertainment software business, which is 17 percent of sales, but it threatens a critical traffic driver.

Along with entertainment, Best Buy's current range consists of home office (34 percent of sales), consumer electronics (36 percent), services (7 percent) and appliances (6 percent). Best Buy added musical instruments, such as guitars and keyboards. Still a relatively fragmented category, it appeals to the chain's youthful customer base.

The brand also worked on service improvements. Best Buy's Geek Squad of young techie advisors adds to revenue, signals a nerdy competence and helps make technology more accessible to consumers. Geeks can sell a solution rather than simply a product. Service contracts bought at the time of product purchase are an important profit component.

Best Buy expanded its mobile phone business, which exists as in-store departments and as branded stand-alone locations. Best Buy was expected to gain knowledge from Carphone Warehouse, a UK mobile phone retailer acquired at the end of 2008. The acquisition reflects the chain's global aspirations, which include opening the first Best Buy store in Mexico at the end of 2008, and in Turkey in 2009. The company also has stores in China and will expand further into Europe. The first UK store opened early in 2010.

Most Best Buy stores have the same distinctive exterior as this one in Polaris Mall, Columbus, Ohio.



In its attempt to dominate in key categories, Best Buy benefited from the departure of its main competitor last year.

Insights & Implications

- Best Buy has a major opportunity to capitalize on the disappearance of a key competitor at a time when the consumer appetite for mid-market electronics is growing.
- Squeezed between Walmart (price and efficiency) and (Amazon (price and assortment), Best Buy needs to establish a third way.
- Best Buy has room for global growth as both a bricks and mortar and online brand.

12. IKEA

Last year people stopped spending, stopped moving and stopped shopping at IKEA.

It was challenging to be the world's largest home furnishing retailer during a global economic crisis precipitated by risky mortgage products that produced record foreclosures and steep drops in the sale of new and existing homes. The brand declined in value.

Because customers weren't visiting the stores to buy furniture, they were not patronizing IKEA's restaurants. That axiomatic point is important because, with over 300 IKEA stores in 38 countries, those Swedish meatballs add up quickly, making IKEA one of the world's largest restaurant chains.

The in-store restaurants, with low-priced menu items and a place to sit, relax and contemplate potential purchases, reinforce the brand's value proposition. The fast food and Swedish delicacy kiosks located just outside the checkout area actually turn substantial profit.

In more normal times, IKEA prospered in Europe, the US, and from growth in former Soviet countries. And its global reach protected the company from regional fluctuations. Last year it could find no shelter. There was little IKEA could do aside from closing a few underperforming locations. The company also made incremental improvements to its Family Card, a loyalty program that promotes the IKEA value proposition by rewarding purchasing with selected discounts.

Renowned for its efficient sourcing, IKEA already had achieved high per-shopper spending because of its annoying but effective labyrinthine layouts that drive shoppers passed merchandise they need and items they didn't know they wanted. Navigating the layout, and kvetching every step of the way, is part of a repertoire of IKEA shopping rituals that defines the brand and sets it apart from any other retailer.

IKEA has succeeded in becoming a family destination, a place where parents and children collectively select the furniture and accessories that will surround their lives. And when the process becomes too much to bear, the kids go the play area until its time to gather in the IKEA restaurant for a family meal.

The consumers' ongoing love-hate relationship with IKEA did not cool last year, but it assumed a lower priority, at least temporarily. Sooner rather than later the chain is likely to benefit from a lot of pent-up demand.

This high-traffic IKEA is located in Croydon, a UK shopping destination south of London.

Merchandise and displays look much the same in all of IKEA's 300-plus stores, including this one in Westchester, Ohio.

At a glance

Brand Value	$5.7 billion
Brand Value Change YOY%	-15%
Total Company Sales	$29.9 billion
Total Company Stores	309
IKEA Brand Sales	$29.9 billion
IKEA Brand Stores	309
Countries of Operation	38

IKEA brand sales include IKEA and ikea.com.
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Although IKEA has a few imitators, its combination of affordability, family-friendly store experience and global scale make it unique and relatively protected from direct competition.
- The business model relies on getting households into the store to experience IKEA and then motivating return visits. The company has an opportunity to expand further into traffic-driving categories like food or housewares.
- E-commerce will need to become a bigger apart of the IKEA offer.

13. MARKS & SPENCER

The Marks & Spencer brand proved more resilient than the M&S business last year.

A British heritage brand established in 1884, Marks & Spencer is one of world's iconic retailers. That stature didn't protect the organization from the recession. But it mitigated the consequences somewhat, at least in the UK.

M&S emphasizes its private labels, like Autograph, but increasingly includes national brands in its merchandise mix.

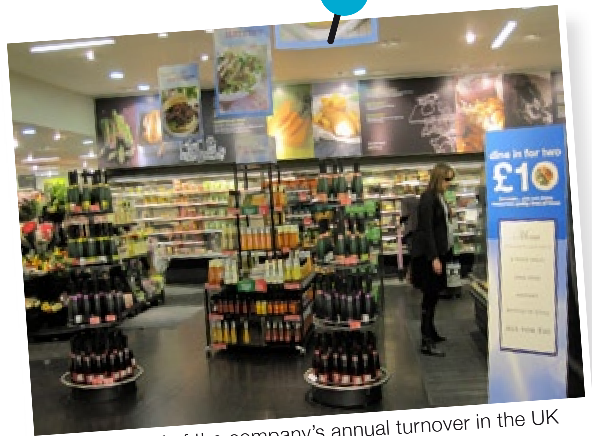
Just over half of the company's annual turnover in the UK comes from food, which M&S sells in its department stores and in the Simply Food convenience outlets that it operates in the UK and Ireland. As consumers shifted spending from wants to needs, food was not a bad place to be, although because of its many high street locations, M&S sales were impacted by the decline in office workers.

Along with the spending slowdown, M&S faced two other challenges to its food business: a more promotional market and tougher competition. Until recently, a food range respected for its quality and innovation enabled M&S to offer exclusively own-label food items. To compete more effectively, particularly against Waitrose, an up-market grocery serving a similar customer, M&S last year accelerated the introduction of national brands. Meanwhile, as merchants competed for share of reduced consumer spending on food, the market became more promotional, an attitude that didn't quite match the upscale positioning of M&S.

The recession also intensified the company's struggle in non-food in the UK, where the M&S brand, known for quality apparel basics, struggled to remain relevant in a market crowded with apparel specialists like Zara, H&M, New Look, Next and Primark offering "fast fashion" at affordable prices. M&S felt pressure from its department store competitors as well, such as John Lewis, which is owned by the same company as Waitrose. M&S has experimented with the premium end of men's and women's mid-market apparel. The efforts highlighted the challenge of selling both food and non-food. When the company correctly identifies and promotes youthful fashion trends in apparel, it risks losing its core food customer.

Given these challenges in its home market, where M&S operated 684 stores in 2009, the company also looked to increase its international presence, which included another 245 stores in 27 countries. The competitive challenge is in some ways tougher outside the UK, where three quarters of annual turnover depends on non-food and the M&S brand is not regarded as a national institution.

Still, M&S remains an enormously profitable business with a remarkably strong brand that may benefit from the recent appointment of a new CEO who ran Morrison's, the fourth largest and fastest-growing UK supermarket.



Just over half of the company's annual turnover in the UK comes from food.

At a glance

Brand Value	$5.6 billion
Brand Value Change YOY%	-5%
Total Company Sales	$15.0 billion
Total Company Stores	929
MARKS & SPENCER	Brand Sales $15.0 billion
MARKS & SPENCER	Brand Stores 929
Countries of Operation	27

Marks & Spencer brand sales include Marks & Spencer and marksandspencer.com.

Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- M&S's food business faces intensified competition as Waitrose expands across the UK and moves into the convenience sector.
- Closer alignment between the apparel and food sides of the business could result in a more productive store where the somewhat younger shoppers who may stop at M&S for lunch might shop there for apparel.
- E-commerce threatens to take a larger share of M&S's apparel sales.

14. ASDA

ASDA declined somewhat in brand value last year.

At a glance

Brand Value	$4.9 billion
Brand Value Change YOY%	-9%
Total Company Sales	$29.9 billion
Total Company Stores	371
ASDA Brand Sales	$29.9 billion
ASDA Brand Stores	371
Countries of Operation	1

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

Viewed as a price leader in food, the brand operates only in the UK, including Northern Ireland, and it's the second largest UK retailer by turnover.

Ironically, the strength of the brand as a destination grocery merchant perhaps is best demonstrated by its performance in the Republic of Ireland where ASDA operates no stores but receives almost 10 percent of grocery spending.

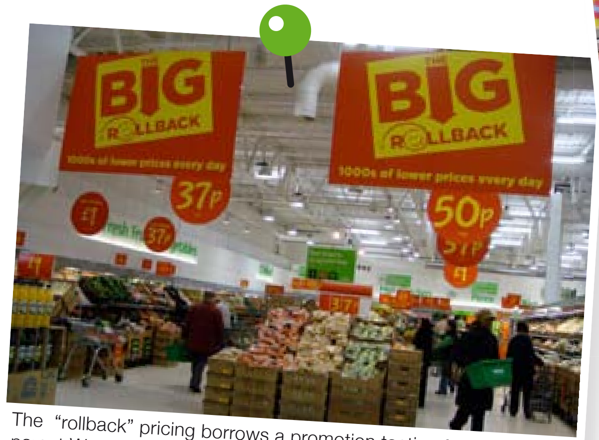
This unusual phenomenon results because of crowds from the Republic of Ireland shopping at a massive ASDA store located on the northern side of the border. Their patronage makes that store Number 1 in the world, by sales per square foot, for Walmart, which acquired ASDA in 1999.

Walmart has adopted practices learned from ASDA, including the chain's superior house keeping standards and its success merchandising apparel. ASDA sales have contributed substantially to the growth of Walmart's international business of $100 billion or about 25 percent of total corporate turnover.

Although 70 percent of ASDA sales are derived from food, the brand is the UK's leading apparel retailer by units of merchandise sold. The George brand, an affordable fashion initiative introduced in 1999, drives that success.

ASDA operates the largest food stores in the UK, but not enough of them. With less than 400 stores, and three formats, the chain suffers from having fewer locations than competitors like Tesco, the market leader, which operates more than 2,000 stores in the UK alone. ASDA also competes heavily against Costco, the warehouse club, and food deep discounters ALDI and Lidl.

The scale of the ASDA stores draws customers for bulk shopping trips, but the inconvenience of the large format combined with the relative lack of locations make ASDA less successful at capturing fill-in trips. ASDA also is somewhat behind grocery competitors in developing an online presence. But it is improving rapidly.



The "rollback" pricing borrows a promotion tactic of corporate parent Walmart.

The George brand helped ASDA become the UK's largest apparel retailer in units sold.

Insights & Implications

- To sustain its strong market position in the UK, ASDA needs to develop a viable convenience format and supply chain.
- ASDA must continue to strengthen its online presence.
- With the departure of its CEO, in early 2010, organizing a smooth transition of ASDA senior management becomes a top priority.

15. KOHL'S

Despite the tough economy, the brand value of Kohl's increased by 12 percent last year.

At a glance

Brand Value	$4.3 billion
Brand Value Change YOY%	+12%
Total Company Sales	$17.1 billion
Total Company Stores	1,058
HOME DEPOT Brand Sales	$17.1 billion
HOME DEPOT Brand Stores	1,058
Countries of Operation	1

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

The US discount department store chain benefited from its unique operating model. Unlike most of America's department stores, Kohl's centralizes supply and distribution. During the economic downturn, these efficiencies and superior inventory control enabled Kohl's to experiment with apparel trends and find the sweet spot faster than the competition.

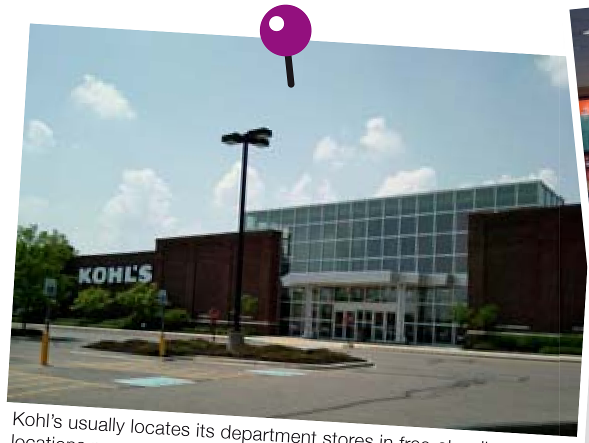
Kohl's licensed and launched the Mudd brand for young girls and enjoyed success with the Hang Ten brand for young boys. To reach women shoppers, Kohl's licensed the Dana Buchman brand from Liz Claiborne. Kohl's embraced these brands to fill market gaps, and a relatively strong balance sheet enabled Kohl's to acquire these licenses.

Unlike the many apparel retailers hurt when parents trimmed teenager allowances, the Kohl's core customer is "mom." She views Kohl's as reliable and convenient because the chain offers a broad selection of both fashion and basic items. Kohl's has turned apparel into a traffic driver by featuring some national brands along with broad assortment at competitive prices. It's particularly well known for its range of lingerie basics that women replace regularly.

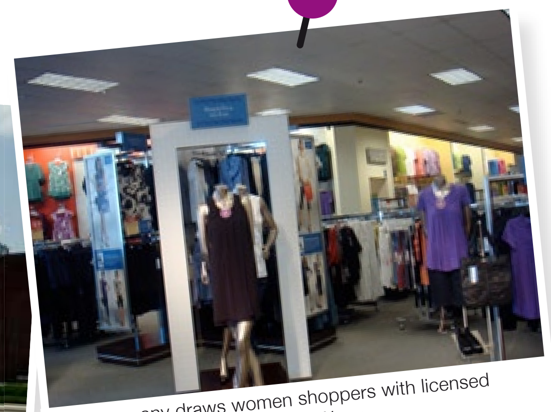
The chain continued to be intensely promotional in its stores, advertising and circulars. As competitors became more promotional, these tactics were business-as-usual for Kohl's. And customers may have felt emotionally closer to Kohl's during the recession. They relied on the brand to deliver on its price and discounting promise, and it did.

The traffic-driving merchandise strategy and promotional pricing led to a high level of trips completed without the need shop the competition for fill-in items. And not all customers visited the stores. Kohl's online revenue was up almost by 40 percent year-to-year in 2009, following a 48 percent increase in 2008.

For an apparel-focused chain, these accomplishments were especially significant in a year when most consumers dramatically reduced spending on the category and the measure of success for retailers was not about winning the most but about losing the least.



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



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

Insights & Implications

- Kohl's has a major opportunity to capture market share from less efficient retailers. Similarly, its expansion may benefit from real estate that becomes available if and when weaker retail brands exit the business.
- The challenge for Kohl's is to efficiently scale a complicated business model, which depends on putting many items on promotion and changing prices in every store almost everyday.
- Although Kohl's is an excellent operator, the daily churn of business sometimes takes its toll on housekeeping standards. In a recovering economy, some shoppers may prefer to purchase apparel in a more disciplined store environment, even it means paying more.

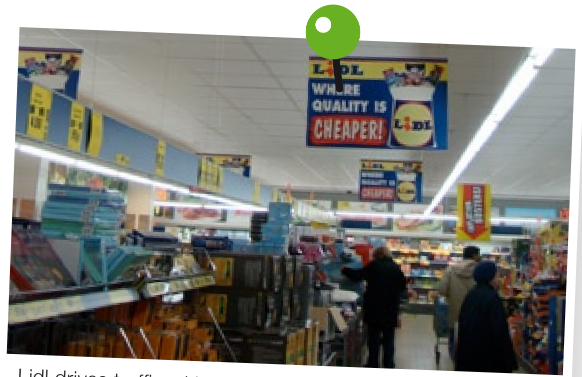
16. LIDL

Lidl is closer than any other retailer to being a pan-European grocery brand.

In good times that's a powerful position. Last year, with the continent in recession, having stores in over 20 European countries seemed less desirable, especially since the company operates its almost 9,000 stores exclusively in Europe.

Despite the economic pressure and the limitations of its geography, the Lidl brand remained roughly even in value last year, probably because its core proposition – food at a cheap price – resonated among a wider group of shoppers concerned about making ends meet.

And unlike some other retailers, Lidl has only one brand, which it reinforces on every store fascia and with aggressive marketing. That single-minded approach evinces the company's centralized approach to operations, which includes purchasing most



Lidl drives traffic with price and a limited assortment that's wide enough to complete most shopping trips.

products for every country from the German buying office. While the stores initially reflected the German tastes of the buyers, the range has become more international as it's been informed by local knowledge.

Central control also enabled Lidl to expand rapidly after the launch of its current format, 35 years ago, to challenge ALDI. By carrying about 2,000 items, more that double the ALDI range, and including several hundred national brands, Lidl positioned the brand as a traditional but less expensive supermarket for completing most shopping. Establishment of the European Union and the absence of tariffs facilitated Lidl's cross-border expansion and propagation of the deep discount grocery concept. Growth remained organic until Lidl acquired the German-based Plus chain in Bulgaria and Rumania, in early 2010.

Lidl slowed its expansion somewhat for financial and strategic reasons. It's paying off some debt incurred during its period of rapid growth. And while expansion opportunities exist in Europe, they're more limited as the continent becomes more heavily stored. Expansion outside of Europe is compelling but difficult because the Lidl system is set up for the EU. For now, Lidl is looking in places like Cyprus and Malta, small corners of Europe that remain generally underserved and where ALDI is not present.

The company operates throughout the EU with stores of modest size, such as this one in the UK.

At a glance

Brand Value	$4.1 billion
Brand Value Change YOY%	-1%
Total Company Sales	$53.0 billion
Total Company Stores	8,772
LIDL'S Brand Sales	$53.0 billion
LIDL'S Brand Stores	8,772
Countries of Operation	23

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

Insights & Implications

- Lidl's discount grocery brand proposition positions the company well for serving cautious, value-seeking post-recession consumers.
- The company's success in quickly saturating the EU suggests that it will pursue another surge of store growth once the current expansion is digested.
- Future growth will require expansion to countries and regions outside the EU and beyond Lidl's existing infrastructure, which adds complexity.

17. COSTCO

Costco felt the impact of the recession last year because of the vicissitudes of its geography and business model.

The Seattle-based chain operates a large proportion of its stores on the West Coast, with 28 percent of its US sales coming from California, which was hard hit economically. Customers in these markets especially sought to fill needs more than wants. And they were determined to spend as little as possible to fill those needs.

At a glance

Brand Value	$3.8 billion
Brand Value Change YOY%	-26%
Total Company Sales	$72.8 billion
Total Company Stores	559
COSTCO Brand Sales	$72.8 billion
COSTCO Brand Stores	559
Countries of Operation	9

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

As a membership warehouse, Costco operates on a thin 10.5 percent gross margin, which leaves little room for price changes on existing merchandise. Lowering prices requires changing the merchandise mix. That takes time. Customers didn't abandon Costco. It's a club and shoppers are loyal. They spent less, however, which was a problem.

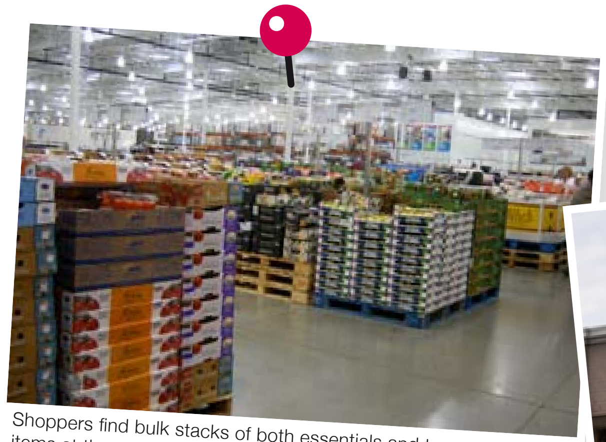
When the Costco system works, which is most always, Costco is an unparalleled item velocity merchant. Costco gains a high share of wallet from its best members. The problem occurs when members are destabilized, like last year. Shopping trips were up but the average basket declined – primarily because members traded down on aspirational merchandise.

But on the plus side, because Costco drove more trips, it was able to take some share from its food competition. Having Costco brand gas stations to drive traffic, literally, at many locations didn't hurt.

The company launched several new initiatives. It emphasized a monthly coupon program with a direct mail campaign to members to drive value and trips. While sales and promotions cut against the club philosophy of controlling costs and margins, the coupon books generated some excitement.

Costco also increased the range in health and wellness to serve a core of older customers who had depended on Costco to fill their pantries and closets during child raising years. Today, the median age of a Costco member is over 50, and for many of those members Costco has become a sort of "empty-nester treat shop."

The chain was somewhat helped by its international business, which includes eight countries and almost 20 percent of its roughly 560 stores. Costco opened its first store in Australia last year.



Shoppers find bulk stacks of both essentials and treasure hunt items at the warehouse club.

This store in Columbus, Ohio, is one of roughly 560 Costco locations in the US and eight other countries.

Insights & Implications

- As the economy recovers, Costco will be able to introduce more aspirational products at higher price points. While margins will remain thin, the higher price points will yield greater sales volume and profit.
- The company has plenty of expansion room both in North America and globally, building on a presence in the UK, Japan and other markets, such as Australia where it opened its first store last year.
- With most of its US stores located on the west and east coasts, Costco will increasingly compete head-to-head with Walmart as it fills in the middle of the country.

18. SAM'S CLUB

The Sam's Club brand value softened slightly last year.

At a glance

Brand Value	$3.2 billion
Brand Value Change YOY%	-7%
Total Company Sales	$47.6 billion
Total Company Stores	596
SAM'S CLUB Brand Sales	$47.6 billion
SAM'S CLUB Brand Stores	596
Countries of Operation	1

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

But Sam's warehouse club pricing credentials, and its strong offer in food and other basics, buffered the brand somewhat from the full brute force of the recession.

At the same time, recessionary pressure revealed the brand's fundamental challenge—the need to differentiate. As consumers sought the best value for everyday essentials, the choice often was not between Sam's and its warehouse club rival Costco, but between Sam's and other grocers, including its fiercely competitive corporate parent, Walmart.

Geography and a merchandising focus on essentials rather than treasure hunt items, insulate Sam's from Costco somewhat, but expose it directly to Walmart, with which it often shares locations and shoppers.

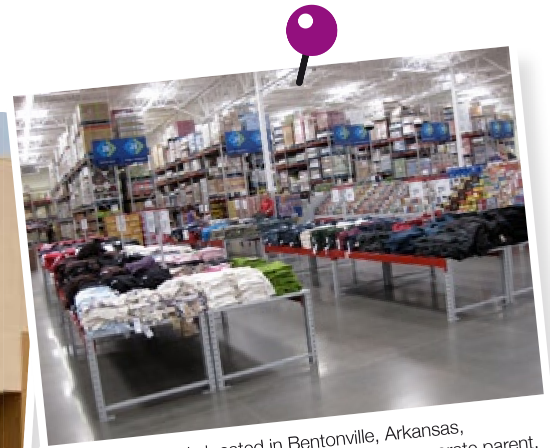
To differentiate the Sam's brand, the company is implementing a strategic store refurbishment program, not unlike the Walmart's Project Impact. By reducing clutter and making the in-store environment more appealing, Sam's hopes to reduce distractions and make the product the hero.

To tackle this challenge, Sam's installed a new CEO, in March 2010, with a background in food retailing and consumer goods marketing. He will contend with another lingering challenge—the need to prune Sam's sites and optimize inventory. The Sam's warehouse stores produce a wide range of annual sales. Its highest producing stores gain about $120,000 in annual sales, about eight times the volume of its least productive stores. In contrast, Costco stores operate within a narrower range. Its highest and lowest performing stores differ by a multiple of three.

At the same time, Sam's is segmenting its membership to target higher-spending Elite members with special offers. The program is part of a wider effort to more aggressively mine shopper transactional data from the Sam's loyalty card to target member communication and refine the product offering. While indicative of Walmart's fluency with shopper research, the initiative may actually outstrip Walmart's capabilities and it exceeds Costco's efforts. It also potentially provides a cost-effective way for Sam's to shape its merchandise range for local tastes while accruing the economies of scale of central buying.

Emerging from the recession, many consumers may feel cautious, materially sated and perhaps less inclined spend hundreds of dollars per trip at a warehouse club. They will continue to seek value on basic items and the occasional reward, and Sam's is well positioned to capitalize on this shopper mindset.

The sales volumes at Sam's Club stores vary widely, topping out at about $120,000 annually.



This Sam's Club is located in Bentonville, Arkansas, headquarters of the chain and Walmart, its corporate parent.

Insights & Implications

- Sam's needs to establish legitimate differentiation from Walmart with which it shares significant shopper overlap.
- The brand has a major opportunity to leverage its considerable member insight information to more precisely target communication and assortment.
- Improvements to the store shopping experience also should help strengthen the bond with the customer.

19. SAFEWAY

Safeway may have made the right moves at the wrong time last year.

Prior to the downturn, the US grocery chain finished its Lifestyle prototype rollout, which is aimed at shoppers interested in trading up in food and exploring a more premium offer. Brand value declined somewhat.

The chain remodelled its Safeway stores to emphasize perishables and reduce dry groceries. As the premium customer became thriftier, Safeway lost share to lower-priced, need-based competitors. The impact of inopportune timing was compounded by difficult geography. More than one-third of Safeway's selling space is located in California, one of the states hardest hit by the recession.

It was as if the chain had put up a giant sail and the wind died. As the wind picks up, however, both strategy and geography could be strong assets. The chain's focus on a narrow but vital group of customers, rather than a mass audience, is consistent with the sensibilities of post-recession consumers who will resume

At a glance

Brand Value	$3.1 billion
Brand Value Change YOY%	-8%
Total Company Sales	$40.0 billion
Total Company Stores	1,724
SAFEWAY Brand Sales	$26.5 billion
SAFEWAY Brand Stores	1,159
Countries of Operation	2

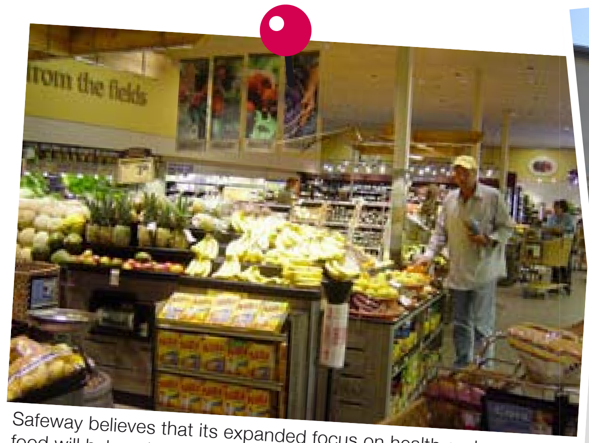
Safeway brand sales include Safeway supermarkets but not other holdings with different names. Sources: Kantar Retail, Millward Brown Optimor

spending but will prefer offerings that are more personalized. Plus, Safeway is the historic grocer of choice west of the Rocky Mountains, with dominant market share in many metro areas.

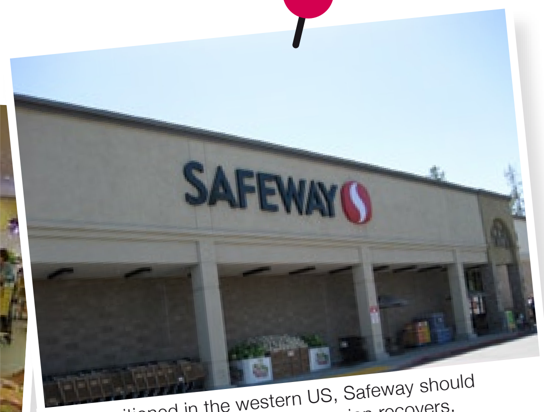
To get its fair share of the recovery, Safeway will need to win back customers lured away to the competition and reengage them with the brand. Rather than focus on the mass market and attempt to grow market share, the company is taking steps to grow share of wallet from this narrow group of existing and potential customers.

These steps include: refining its loyalty card program; developing a private label program in organic food, called O Organics; and selling O Organics to other food merchants in the US and globally through a Safeway subsidiary company.

Safeway also is differentiating itself with a focus on health and wellness. The company engages shoppers about the healthiness of the food they consume. On the Safeway Web site, for example, loyalty cardholders can review their purchases for calorie count and receive recommendations for reducing it.



Safeway believes that its expanded focus on health and organic food will help gain greater share of wallet from its core customers.



Well positioned in the western US, Safeway should prosper as the economy of that region recovers.

Insights & Implications

- As the California economy recovers, and consumers consider purchasing premium items, Safeway's business should strengthen.
- Safeway will continue to build share of wallet from its most profitable shoppers by leveraging loyalty card and e-commerce information to create targeted offers.
- As Safeway moves into the more premium sector of the grocery business, it becomes more insulated from price-driven competition but faces strong up-market competitors.

20. SAINSBURY'S

The value of the Sainsbury's brand dipped only slightly during the recession.

While the UK brand trades close to the upmarket end of traditional grocers, it responded early and promotionally to the slow down in spending even among its core shoppers. Clever marketing like “Feed your family for a ‘fiver,’” captured the mood of the nation and drew shoppers from the competition.

The Sainsbury Sydenham store in the UK offers a broad assortment of both food and non-food merchandise.

Sainsbury's also ventured into non-food, adding a mix of margin and impulse items, such as entertainment and video games, to some of its larger stores. The chain of 534 supermarkets and 325 convenience stores hopes to grow the non-food part of its supermarket mix to about 5-to-10 percent of total sales.

The merchandising and the promotional activity proved to be successful responses to an immediate problem, the recession, and an untenable reality—50 percent of Sainsbury's shoppers also visit Tesco. These incremental moves enabled growth by somewhat blurring the Sainsbury brand.

If not integrated into the brand proposition, the price-driven tactics potentially threaten to erode an upmarket heritage. And they may not be enough to secure a sustainable market position for Sainsbury, whose offering is considered just above Tesco in shopper perception and just below Marks & Spencer and Waitrose.

Sainsbury's has proved that it can fix problems. Its in-stock position is much improved from a few years ago, for example, when supply chain problems resulted in excessive out-of-stocks. The company also has more aggressively expanded its online business during the past several of years.

The “Feed your family for a fiver” campaign that helped customers manage during the recession also promoted meal solutions.

At a glance

Brand Value	$2.7 billion
Brand Value Change YOY%	-4%
Total Company Sales	$30.9 billion
Total Company Stores	859
SAINSBURYS Brand Sales	$30.9 billion
SAINSBURYS Brand Stores	859
Countries of Operation	1

Sainsbury brand sales include Sainsbury and sainsbury.com
Sources: Kantar Retail, Millward Brown Optimor

Insights & Implications

- Sainsbury’s need for a stronger convenience store presence becomes even more imperative as Waitrose aggressively adds stores.
- Tactical promotions, which helped Sainsbury weather the recession, need to be sustained and integrated into its brand proposition.
- It is not clear whether Sainsbury management believes that the best way to maximize shareholder value is to build the brand or to sell it. But the urgency of the question increases as debt costs fall.

The Top 20 Most Valuable Global Retail Brands 2010

#	Company/ Home Country	Brand Value	Brand Value Change YOY	Sector(s)	Total Corp. Sales	Total Corp. Stores	Brand Sales	Brand Stores	Country Markets
1.	Walmart US	$39,421,000,000	-4%	Discount	$406,420,425,761	8,051	$294,656,926,728	4,577	15
2.	amazon.com US	$27,459,000,000	+29%	Online	$24,509,000,000	0	$23,556,652,474	0	7
3.	TESCO UK	$25,741,000,000	+12%	Food	$89,742,099,511	4,768	$77,331,772,473	3,396	15
4.	Carrefour France	$14,980,000,000	0%	Hypermarket, Other	$131,595,035,573	14,299	$98,935,192,557	3,489	41
5.	TARGET US	$12,148,000,000	-1%	Discount	$63,435,000,000	1,740	$63,435,000,000	1,740	1
6.	ebay US	$9,328,000,000	-28%	Online Auction	$57,206,000,000	0	$30,319,180,000	0	39
7.	The Home Depot US	$8,971,000,000	-3%	Home Improvement	$65,906,929,397	2,244	$65,906,929,397	2,244	7
8.	ALDI Germany	$8,747,000,000	1%	Hard Discount Food	$65,876,476,921	9,396	$59,211,435,002	8,957	20
9.	Auchan France	$7,848,000,000	-26%	Hypermarket, Other	$63,265,135,037	2,624	$37,147,816,243	323	13
10.	LOWE'S US	$7,008,000,000	+10%	Home Improvement	$47,207,073,792	1,709	$47,207,073,792	1,709	2
11.	BEST BUY US	$5,807,000,000	+18%	Home Electronics	$48,821,391,535	4,037	$38,510,436,791	1,222	14
12.	IKEA Sweden	$5,710,000,000	-15%	Home Furnishing	$29,957,818,134	309	$29,957,818,134	309	38
13.	MARKS & SPENCER UK	$5,699,000,000	-5%	Department Store, Food	$15,081,753,582	929	$15,081,753,582	929	27
14.	ASDA UK	$4,922,000,000	-9%	Discount, Food	$29,958,557,695	371	$29,958,557,695	371	1
15.	KOHL'S US	$4,371,000,000	+12%	Department Store	$17,178,000,000	1,058	$17,178,000,000	1,058	1
16.	LIDL Germany	$4,102,000,000	-1%	Hard Discount Food	$53,079,853,088	9,736	$53,079,853,088	8,772	23
17.	COSTCO WHOLESALE US	$3,875,000,000	-26%	Warehouse Club	$72,843,092,770	559	$72,843,092,770	559	9
18.	Sam's Club, US	$3,255,000,000	-7%	Warehouse Club	$47,605,497,314	596	$47,605,497,314	596	1
19.	SAFEWAY US	$3,173,000,000	-8%	Food	$40,062,671,355	1,724	$26,552,665,159	1,159	2
20.	Sainsbury UK	$2,728,000,000	-4%	Food	$30,981,119,982	859	$30,981,119,982	859	1

Sources: Kantar Retail, Millward Brown Optimor. See the At a glance charts for brand footnotes.

COMMENTARY

Why a Ruritanian Poltergeist can be as valuable as an Automated Processing Plant

First published in the WPP Annual Report

by Jeremy Bullmore

We're in the boardroom of a company that makes fast-moving consumer goods. At the heart of today's agenda is budget allocation for the forthcoming year. The two most prominent supplicants are the Production Director and the Marketing Director.

The Production Director has a meticulously-prepared case for an increase in capital expenditure. A concerning proportion of the company's manufacturing capacity is obsolescent. Working together, Production and Procurement have put their requirements out for tender and have interrogated the competitive proposals within an inch of their lives. They are wholly satisfied that they've got the most cost-effective deal. Full-colour plans and scale models are on display to augment the imagination. Visits have been made to other sites where equivalent plant has been installed – to the complete satisfaction of the operators. The suppliers' calculations of expected ROI have been double-checked and audited: the predicted payback is mouth-watering. Unless this programme is fully funded, competitive pricing of the company's goods may soon become impossible.

The Production Director's case is a sturdy one: proposed investment at its most responsible, with deeply reassuring numbers attached to every item. Like the assets it's designed to protect and enhance, it's wonderfully tangible: it's concrete. And so is the language in which the recommendation is framed.

The Marketing Director is responsible for the company's brands. On the company's balance sheet, they are categorised as intangibles. Marketing budgets have traditionally been decided on the basis of last-year-plus-a-little. The Marketing Director's most high-profile recent campaign is aimed at teenagers and features a Ruritanian poltergeist who wears a kilt and is called Feliks. Although there's evidence to suggest that this campaign is greatly appreciated by its target audience, and sales are indeed buoyant, not every member of the Board fully appreciates Feliks nor is familiar with the largely digital media on which he features.

When compared with a new robotic processing plant, a kilt-wearing Ruritanian poltergeist doesn't intuitively strike them as being as deserving a recipient of precious, finite funds.

The Marketing Director makes an excellent case. He doesn't resort to jargon, sensibly plays down the creative awards that Feliks has accumulated and musters an impressive array of research that demonstrates a strong correlation between levels of marketing spend and his brand's market share and profit contribution. The Board listens attentively to his presentation and asks intelligent questions. But as the Chairman puts it in summary: times are tough, and there's universal agreement that costs must be contained. So on balance, with economic conditions being what they are, and with the brand's momentum looking gratifyingly healthy, rather than the suggested increase, perhaps some modest reduction in promotional support would be the more responsible course of action at this moment in time.

At the end of the Board Meeting, the Marketing Director is not as happy an executive as the Production Director.

◇ ◇ ◇

The above cameo, of course, is fiction. But it was prompted by a remarkable investors' note issued by the Consumer Staples Research team from Deutsche Bank, Europe, in January 2010*. Its stated purpose was to analyse "the effect of advertising and promotional investment on the consumer staples sector, its impact on profit growth rates and the likely shape of profit recovery coming out of the recession."

Throughout their report, the Deutsche Bank team use 'A&P' as shorthand for this investment.

Here are three of their conclusions.

"Brands are critical in consumer staples. *Intangible assets account for more than 100% of the market value of the consumer staples sector reflecting the power of brands built up over many decades. Indeed, just as Capex protects the tangible assets, advertising and promotional spend builds and protects the value of consumer brands."*

"The importance of A&P is not well understood. *A&P spend is the second largest cost for the staples industry and critical to the health of brands and thus valuation. However, financial disclosure of these items is generally poor and 73% of respondents in our investor survey said that they did not have a good idea of how the industry spends its marketing budget."*

"Actions in recession key to shape of recovery. *Our analysis shows that companies who continue to invest, grow faster, and we can see clear trends in terms of A&P investment during the downturn. The actions of companies through the recession have diverged significantly and it is those actions that we believe will drive the trajectory of subsequent profit recovery."*

Their analysis of over 30 large European and US consumer staples companies over more than 15 years shows "that companies that increase A&P to sales ratios deliver sales growth 30% faster than those who do not." And while it's self-evident that cutting marketing spend delivers an immediate cost benefit, "companies that increase A&P deliver profit growth faster than those that cut A&P." They add the chilling comment:

"Losing market share can be quite a profitable experience – it is the cost of stabilising and rebuilding a brand that is expensive."

What the Deutsche Bank note does, among many useful things, is to remind us of the remarkable differences in vocabulary, in the use of language, that are employed when we talk about a company's different assets.

A company's tangible assets are exactly that. They're tangible. The money that is commonly agreed to be necessary for the maintenance and enhancement of those assets has a commonly agreed name: capital expenditure, or Capex. A public company's Capex is necessarily disclosed.

A company's brands, perhaps representing more than 100% of its market value, are called intangibles. Synonyms for intangible include insubstantial, elusive, vague, ethereal and indefinable. The money that every company knows to be necessary for the maintenance and enhancement of those assets has no commonly agreed name. Among the 30 companies scrutinised, Deutsche Bank identified 10 slightly different terms for A&P expenditure. The precise composition of different companies' A&P expenditures also varies widely – and in several instances, their expenditures are not disclosed at all.

To attempt to compare the relative values of Capex and A&P would be as pointless as attempting to determine which is the more important wheel on a bicycle. To be unable to make what you sell is neither better nor worse than being unable to sell what you make. But because of their uniquely elusive quality, the value of brands – rather more than the value of machinery – badly needs periodic championing; and so, it follows, does the importance of A&P.

Mere products may have life cycles – and tangible assets certainly do. But if nurtured and nourished by its A&P, a brand can be forever.

It seems somehow appropriate that the only company asset capable of returning a profit for all eternity should be called an intangible.

Jeremy Bullmore is a member of the WPP Advisory Board.

*European Consumer Staples: The Importance of A&P, 15 January 2010. Deutsche Bank AG, Consumer Staples Research team. Extracts from Deutsche Bank note reproduced with kind permission.

10 KEY TAKEAWAYS

1 Value remains critical. But it's not enough. Brands that combined value with a more emotion-based connection to consumers did well last year. That ability will continue to be the key to engaging post-recession shoppers.

2 Successful retail brands increasingly will be built on intimate knowledge of shopping behavior. Retailers that invest in this capability most aggressively are the ones mostly likely to continue to thrive. Retailers that ignore these insights will struggle.

3 The battle for shopping trips will drive competitive strategy coming out of the recession. Retailers will fight to keep shopping trips gained during the downturn (by keeping the shopper from going back to the outlet they abandoned). And they'll fight to regain shopping trips (by stealing their shopper back from another outlet or another activity).

4 Retailing will be about much more than the transaction between buyer and seller. The best retailers will leverage the unique bond of trust with their shoppers to become more important in other aspects of the lives of their shoppers—financial services, healthcare and entertainment are good examples.

5 Mobile commerce will be a game changer in how, when and where people purchase products, in the same way that the Web dramatically altered the way people research products before purchasing. M-Commerce potentially will change the store experience, if not the very nature of the store and retailing itself.

6 Retail brands need to think outside the box. Literally. Brands must be active participants in the digital conversations that surround purchases. Or they risk becoming irrelevant and disintermediated as shoppers find product information, product reviews, pricing and purchasing options without going near a physical store.

7 Best-in-class retailers will maximize share of wallet from their most profitable shoppers to expand their business in today's slow-growth environment. Category conversion (getting shoppers to buy more of the assortment) may replace category growth (adding more skus) as the lingua franca of supplier-retailer partnerships.

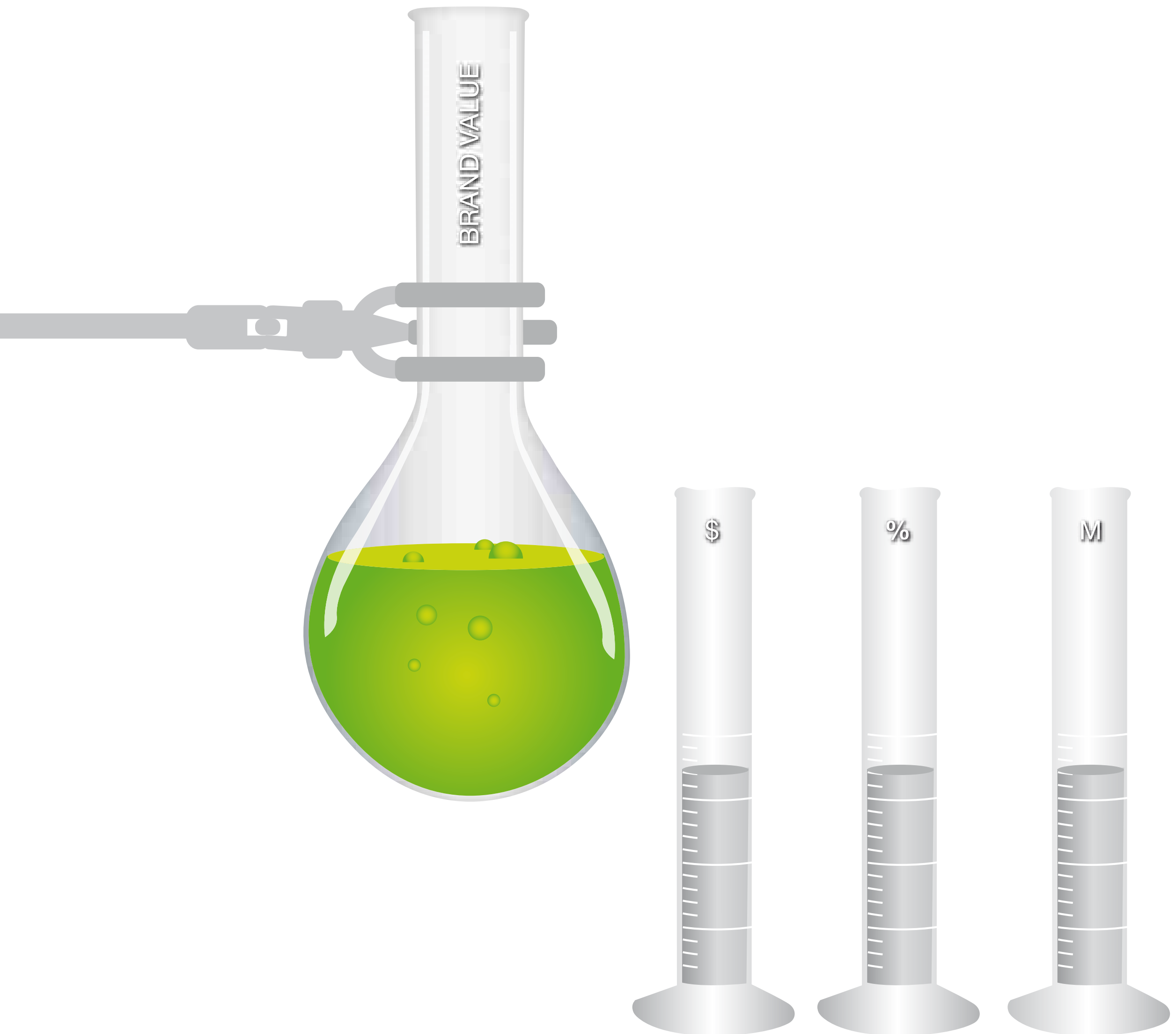
8 Developing markets provide tremendous opportunity for retail brands to cultivate extremely loyal shoppers who view successful retailers not simply as suppliers of merchandise, but also as agents of economic transformation helping to improve local life. China, for instance, has some of the highest retailer bonding scores of any market in the world.

9 This slow-growth era still requires long-term vision to build and sustain retail brand equity. But sustaining that vision becomes more difficult, as many retailers, particularly in continental Europe, painfully recognize. While cost cutting can be necessary and appropriate, short-term gains need to be understood against the fundamentally important investment in brand equity.

10 Retailers with business models that enable them to thrive on slim profit margins will continue to disrupt the market with often unbeatable prices. These retailers have an opportunity to leverage that value—with smart merchandising, marketing and customer understanding—into a broad and intense connection with shoppers.

METHODOLOGY

The brand value published is based on the intrinsic value of the brand – derived from its ability to generate demand.



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. Given the high volatility of financial markets over the past 12 months, the brand value is in some cases high relative to current market capitalization, reflecting true value rather than current market swings.

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 12 years ago, over one 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 reports, Datamonitor™ industry reports, and company filings with regulatory bodies. A team of Millward Brown Optimor analysts then prepares financial models for each brand that link brand perceptions to company revenues, earnings, and ultimately shareholder and brand value.

The Valuation Process

The brand value is calculated in three steps:

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.

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 particularly 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 being the highest).

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 are 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.

The Brand Momentum™ metric that indicates each brand's growth is based on this evaluation. It is presented as an indexed figure that ranges from 1 to 10 (10 being the highest).

Step 1.
Intangible Earnings

Intangible corporate earnings allocated to each brand by country, based on company and analyst reports, industry studies, revenue estimates, etc

Data Sources
Bloomberg DATAMONITOR

Step 2.
Brand Contribution

Portion of intangible earnings attributable to brand.

Directly driven by BrandDynamics™ Loyalty Pyramid and Category Segmentation collected within the BrandZ study

Data Sources
BRANDZ™

Step 3.
Brand Multiple

Brand earnings multiple.

Calculated based on market valuations, brand growth potential and Voltage™ as measured by BrandDynamics™

Data Sources
Bloomberg BRANDZ™

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KANTAR RETAIL

The extensive knowledge presented in this report can be reduced to a single conclusion: Past performance won't assure future success. Success requires an integrated understanding of the business from insight through strategy and activation. That's the broad perspective Kantar Retail provides and why we are uniquely qualified to help businesses serving today's complicated retail industry.

We offer the combined experience and capabilities of four companies renowned for their leadership in retail insight and consultancy: Cannondale, Glendinning, MVI and Retail Forward. Enhanced with the expertise of our WPP sister companies, we help our clients achieve both major shifts in their business and incremental improvements.

- Insight: Our syndicated intelligence services, MVI-Insights and the Retail Forward Intelligence System™, provide unparalleled insight into global retailing and retail brands. To understand purchase behavior we rely on our Shoppers Genetics® database, the largest loyalty household database in the US, and ShopperScape, our monthly survey that tracks where people are shopping and what they're buying.

- Strategy: With custom consulting we help our clients identify the key drivers of category growth and more effectively understand and shape the path to purchase. We also specialize in helping our clients with marketing and trade spend investment analysis and go-to-market strategy.

- Activation: We provide the designs and tools required to implement new or revised strategies. Our broad offering includes retail content and skills-based training along with coaching and eLearning. These proven implementation products and services assure that creative thought is quickly converted into profitable action.

Our focus on pragmatic results helps clients achieve tangible transformational change. With offices in 15 countries, we work with more than 350 companies. To learn how Kantar Retail can help your company enjoy the immediate benefits of tangible transformation, please see our details on the opposite page and contact us.

WPP

WPP is a world leader in marketing communications.

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Healthcare Communications

Direct, Digital, Promotion & Relationship Marketing

Specialist Communications

Collectively, WPP employs over 138,000 people (including associates) out of almost 2,400 offices in 107 countries. Clients include 354 of the Fortune Global 500, 60 of the NASDAQ 100 and 33 of the Fortune e-50.

A complete list of WPP companies and a searchable directory is available at

www.wpp.com/WPP/Companies

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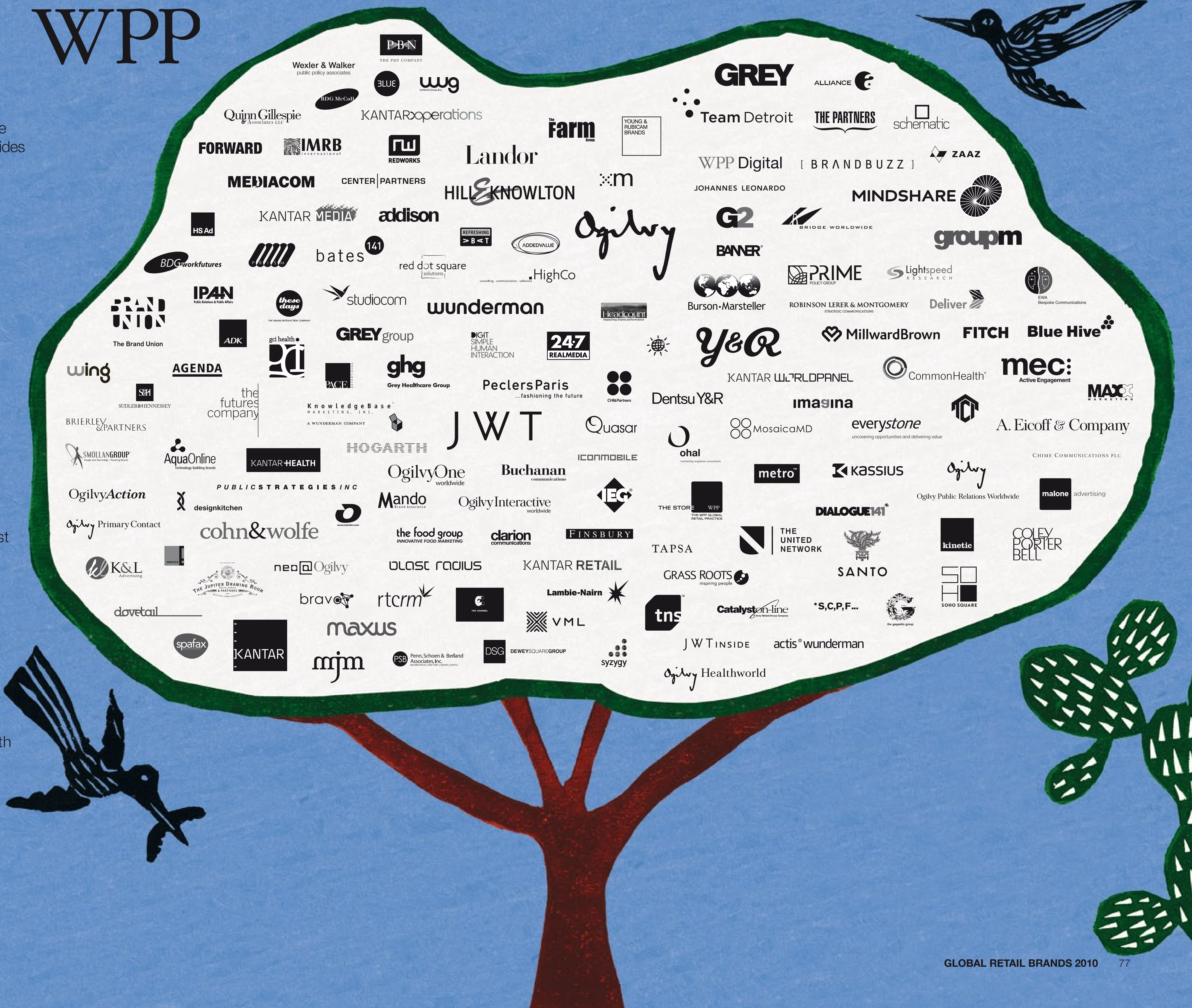

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