

EXECUTIVE SUMMARY

Interbrand Releases 4th Annual Best Retail Brands Report

Report highlights emerging trends from seven major retail categories across Asia-Pacific, Europe, Latin America, and North America

NEW YORK, New York (8 April 2014) – Interbrand, the world's leading brand consultancy and author of the annual Best Global Brands ranking, has released its 4th annual global report dedicated to the retail sector.

The global Best Retail Brands report ranks the top 50 North American retail brands, the top 50 European retail brands, the top 30 Asia-Pacific retail brands and the top 20 Latin American retail brands—all by brand value. The report is produced in collaboration with Interbrand Design Forum, the retail experience group within Interbrand.

Walmart is the most valuable retail brand in North America and across all four regions, with a brand value of USD \$131.877 billion. Looking beyond North America, the following brands ranked as the top retailer in their respective regions:

- H&M – USD \$18.168 billion (Europe)
- Woolworths - USD \$4.948 billion (Asia-Pacific)
- Natura - USD \$3.156 billion (Latin America)

From mobile shopping to virtual fitting rooms, the world's most valuable retail brands are reimagining the customer journey through a digital lens. The report also suggests that major retailers are looking beyond their core business models to gain competitive advantage. They are doing this by using online innovation to bridge the divide between in-store and online shopping and by developing a strategic understanding of sales data so that they can meet customer needs and desires better and faster than ever before.

"Adapting retail formats to accommodate the shift in consumer preferences for e-commerce is proving to be the key to success for many retailers worldwide," said Jez Frampton, Interbrand's Global Chief Executive Officer. "In today's rapidly evolving global marketplace, retail brands must be more agile, flexible, and responsive than ever before. The winning retail brands will not only survive the continuous shift to digital retail, they will become more extraordinary because of it."

Global key findings across the seven major retail categories include:

Apparel: Traditional Stores Expand, E-Commerce Innovates

- The remarkable success of apparel brands can be attributed to their sheer scale in addition to their unique brand attributes and strategies. Beyond real estate dominance, leading brands ably manage to stay on top of trends while feeding shoppers' social media appetites. Online-only players are increasingly creating real world interaction

with customers, such as pop-up shops, showrooms, and kiosks in enhancing the overall customer journey.

- **H&M** (#1 – Europe; +10%) **Coach** (#9 – North America; -21%), and **Zara** (#3 – Europe; +14%) lead as the most valuable retail apparel brands overall.
- Fast fashion giant, H&M opened a new store nearly every day in 2013. It keeps exciting consumers worldwide with its brand promise of stylish apparel at affordable prices, such as a \$99 wedding dress and collaborations with designers such as Isabel Marant.
- In North America, **T.J. Maxx** (#32, +22%) and **Marshalls** (#34, +19%) rose as the apparel industry's 'top risers'. The off-price apparel and home good leaders are thriving by updating merchandise and responding quickly to current trends and styles. After an eight-year hiatus, T.J. Maxx, relaunched its e-commerce site, spending USD \$200 million to acquire e-tailer Sierra Trading Post for its technology and expertise.
- On the European league table, online apparel retailer **ASOS** (#29, +59%) emerged as the 'top riser' among the apparel brands - having increased sales 37% in the last quarter of 2013. It was the top retailer on Pinterest last year and was the first fashion e-tailer to achieve Carbon Neutral status.
- Looking to the Asia-Pacific, apparel brands grew notably in brand value. Japanese retailer **Uniqlo** (#2, +14%) continues its impressive growth. China and the Asia-Pacific region remain vital markets for its continued growth, as does the U.S., where Forever 21 veteran Larry Meyer is overseeing an aggressive rollout of 100 stores and tweaking its "Made For All" sizing for America.
- In Latin America, leading Brazilian retailer **Renner** (#9, -30%) saw its brand value decline the most against its apparel competitors. However, with 16% market share and a business strategy focused on enchanting consumers, the second largest store chain in Brazil is well positioned to lead well into the future.

Consumer Electronics: The Battle for Market Share Moves to E-Commerce

- Most consumer electronics brands dropped in brand value this year. Retailers around the globe face a fiercely competitive environment. Ongoing challenges include waning customer loyalty and shrinking profit margins. Aiming to break down all the barriers between its stores and its internet and mobile sites, leading brands are focusing their efforts on their omnichannel strategies.
- U.S. based electronics giant, **Best Buy** (#20, -40%) witnessed the steepest decline in brand value across the four regions. As recently as 2009, Best Buy was the second most valuable brand in the U.S. after Walmart. Two years later, however, weak sales and online competition chipped away at the company's dominion and by 2013, Best Buy had lost more than 50 percent of its brand value.
- Online competition – coming primarily from **Amazon** (#4, +27%) – is price-centric and notoriously fierce.
- Amazon has enormous pricing advantages – not just due to low overhead, but also due to its ability to make millions of price changes per day compared to traditional retailers' thousands a month. These price changes have begun escalating at brick and mortar stores as retailers fight for consumer dollars. Best Buy, for example, has begun matching any online price for the products it sells in its physical stores.
- In the Asia-Pacific, Australian electronics retailer, **JB Hi-Fi** (#27, +13%) had a decent year and is the only consumer electronics retailer that grew its brand value from 2013. Despite an industry-wide decline in physical music and entertainment sales, the electronics chain is expanding. It's expanding its NOW-branded digital sales of music,

books and movies and looking at online rentals, and adding appliances to its product mix by converting a handful of stores to its JB Hi-Fi HOME sub-brand.

Department Store: *Weak in Mature Markets, Strong in Developing Economies*

- Although the biggest retailers still have name recognition, the traditional department store format is largely fading away. Celebrated brands saw little growth in their stores throughout North America and Europe. Other parts of the world where department store growth is generally flat include Japan, Australia, and Korea. Such stagnant growth indicates the need for fresh brand appeal to new consumer segments.
- U.S based retailers **Nordstrom (#12, -12%), Macy's (#16, +383%),** and **Kohl's (#17, +3%)** lead as the most valuable department store brands.
- Referring to its rapid response to shoppers' new digital behaviors, Macy's calls itself America's Omnichannel Store. Adopting a "digital hybrid" model, the retailer uses technology to create a tailored shopping experience within an environment that is fashion-forward, celebrity-infused and luxurious.

Drug Store: *Adapting to Aging Populations and the Growing Demand for Health Service*

- Two critical market trends continue to impact the growth of the drugstore category. First, is the world's aging population, which is accompanied by rising levels of health consciousness. Second, there's a rising demand for affordable and accessible healthcare worldwide. While the traditional drugstore format continues to carry health and beauty products, the pharmacy is moving away from simple prescription dispensing to an active healthcare service function.
- **CVS** (#5 – North America; +12%), **Walgreens** (#6 – North America, +8%), and **Boots** (#8 – Europe, +2%) lead as the most valuable drug store retailers.
- When it comes to effectively utilizing mobile applications CVS/pharmacy and Walgreens lead the way. These brands make it easy to fill a prescription, shop by smartphone, manage one's rewards program, or send pictures to in-store photo centers for printing. Customers who engage with Walgreens online and via mobile applications spend six times more than those who only visit its stores.
- With pharmacy making up 70 percent of sales, CVS is looking for ways to help customers better achieve health goals, including its recently announced landmark ban on cigarette sales.

Grocery: *Fierce Competition, Fragmentation, and Format Challenges*

- Grocery retailers are reinventing themselves according to how consumers want to shop. Trends driving change include mobile technology, home delivery, consumer income disparity, and the strategic necessity of e-commerce.
- **Carrefour** (#4 – Europe, 0%), **Publix** (#10 – North America, +2%) and **Tesco** (#5 – Europe, -16%) lead as the most valuable grocery brands.
- Carrefour, the world's second-largest retailer by sales is in the midst of a turnaround plan. Internally, the global hypermarket operator is refining its vision, reorganizing to respond to local markets and developing a more relevant product offering. Externally, the priorities are multi-format, multi-local model, strict financial discipline, managing decentralization, and upgrading stores. 2013 saw better than expected operating growth of 5.3 percent and organic growth of 2.5 percent overall and 3.5 percent internationally.
- **Whole Foods** (#23 – North America, +173%) increased the most in brand value within the category. While others try to enter into the space, Whole Foods continues to

dominate mind share and draw ever more consumers into its sphere of healthy eating. With more than 350 stores in North America and the U.K., the company sees enough demand to justify operating 1,000 stores in the U.S. alone.

Home improvement: *Moderate Growth, Immense Potential*

- To remain relevant in an increasingly competitive sector, top brands are creating meaningful experiences for their customers and communities. Shoppers are encouraged, inspired, and supported with service and instruction. Internationally, companies continue to experiment with the best way to expand.
- **The Home Depot** (#3 – North America, +12%), **Lowe's** (#11 – North America, +9%) and **Sherwin-Williams** (#27 – North America, +15%) are the home improvement category leaders.
- **Tractor Supply** (#41 – North America, +16%) saw the biggest rise in brand value. The company continues to thrive by serving its market niche: recreational farmers and ranchers. In 2013, the company opened over 100 new stores, and is expanding into the western region of the U.S.
- Latin America's **Sodimac** (#7, New) is finding opportunities to innovate through 3D visualization. The brand created a mobile app that lets shoppers view its catalog in 3D.

Mass Merchandise: *Taking the Store Online and Into Smaller Boxes*

- **Walmart** (#1 – North America, -6%), **Target** (#2 – North America, +8%), and **Amazon** (#4 – North America, +27%) continue their reign of dominance for the mass merchandise category.
- Walmart faces the same challenges as its peers around the globe: price competition from pure e-commerce brands – in particular, Amazon – and the growing popularity of small-box discount stores in the dollar and convenience categories. The retail giant has struggled internationally; closing stores in Brazil and China and is reassessing its strategy in India. With a new U.S. and global CEO to get the business back on track, it's also investing in mobile and e-commerce to keep up with the 10 percent annual growth rate of U.S. online shopping.
- Amazon, whose brand value jumped 27%, is becoming a force to be reckoned with in the entertainment industry; expanding into online advertising and original programming for its streaming video service.
- For the past several years, Europe's mass leaders **Carrefour** (#4, +7%), **Auchan** (#7, +7%) and **Casino** (#37, -2%) have been exploring new formats for their hypermarkets in combination with smaller stores and new services. Traditional big box formats have also been redesigned for better shopping experience, some with drive-through options.

Commenting on the report, Dirk Defenbaugh, Managing Director of Interbrand Design Forum, said, "The world's best retail brands understand the complex and challenging relationships between analog and digital and have been quick to address changing shopper behaviors. By integrating the physical and virtual, making purchases easier, enhancing service, and using storytelling, these leading brands are reimagining their offers, and creating unique experiences for consumers that convert browsers into buyers."

Detailed overviews of the four regions including North America, Europe, Asia-Pacific, and Latin America, are available by visiting: <http://www.bestretailbrands.com>

For information about the criteria for inclusion and methodology, please visit:
<http://www.interbrand.com/en/BestRetailBrands/2014/best-retail-brands-methodology.aspx>

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About Interbrand

Founded in 1974, Interbrand is one of the world's largest branding consultancies. With nearly 40 offices in 29 countries, Interbrand's combination of rigorous strategy, analytics, and world-class design enables it to assist clients in creating and managing brand value effectively, across all touchpoints, in all market dynamics. Interbrand is widely recognized for its annual Best Global Brands report, the definitive guide to the world's most valuable brands, as well as its Best Global Green Brands report, which identifies the gap between customer perception and a brand's performance relative to sustainability. It is also known for having created brandchannel.com, a Webby-award winning resource about brand marketing and branding. For more information on Interbrand, visit Interbrand.com.

About Interbrand Design Forum

For more than 35 years we have been creating retail brand experiences for companies around the world. We design transformative retail experiences that create an ongoing connection with customers. From engaging digital implementations to strategically scaled physical executions, we partner with brand leaders to strengthen brand loyalty in store and out. We harness the creative minds of experts across numerous disciplines: strategy, shopper sciences, retail design, digital, documentation and rollout. Together, we anticipate customers' needs and design dynamic brand interactions to keep them connected and coming back for more. For more information, visit InterbrandDesignForum.com.

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