



Retail 50 2017

The annual report on the world's most valuable retail brands
March 2017

Foreword



David Haigh, CEO, Brand Finance

What is the purpose of a strong brand; to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place it frequently lacks financial rigour and is heavily reliant on qualitative measures poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Skeptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo may fail to agree necessary investments. What marketing spend there is can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but

steady downward spiral of poor communication, wasted resources and a negative impact on the bottom line.

Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

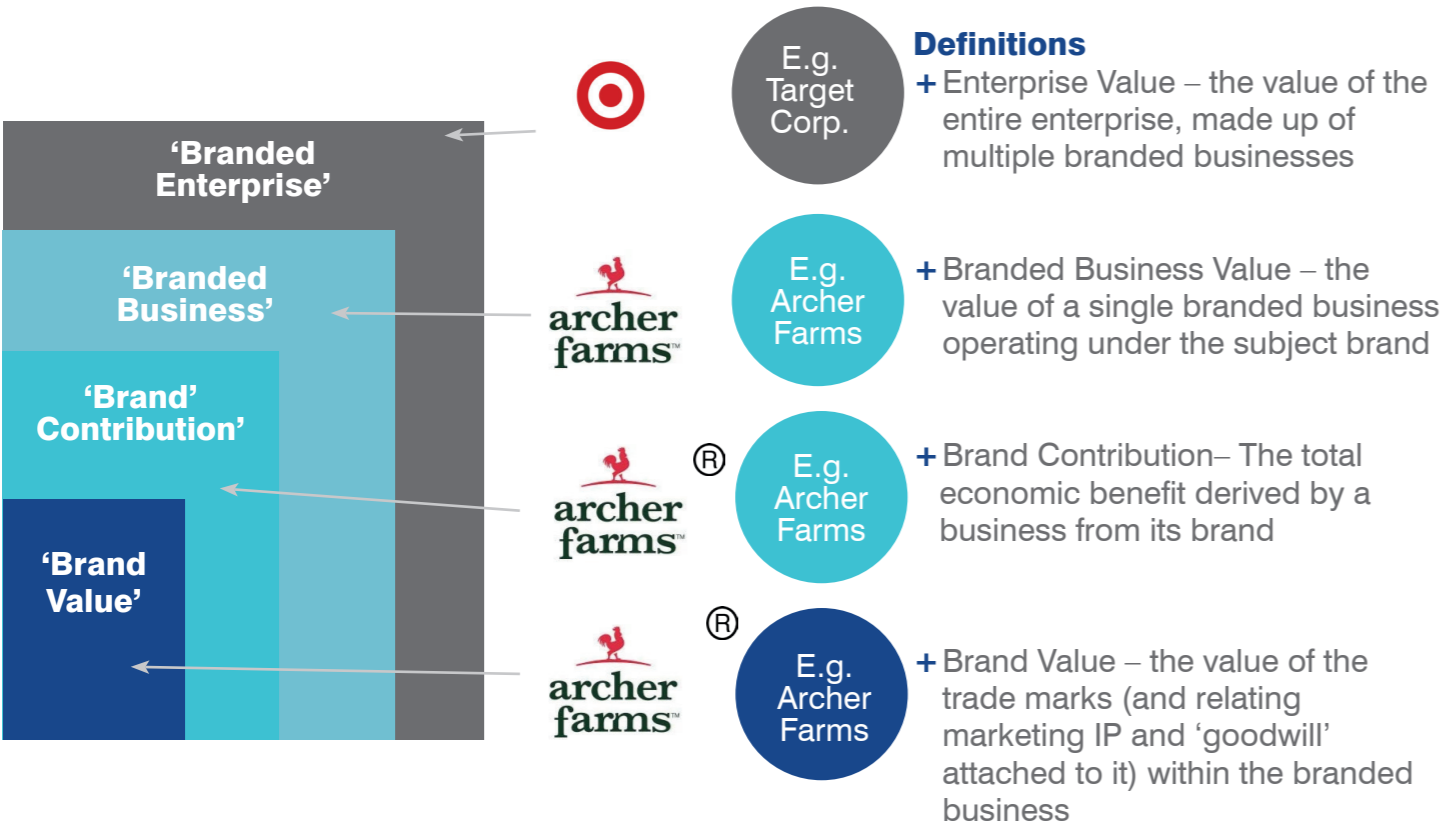
By valuing brands, we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole. Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.

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Definitions



Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

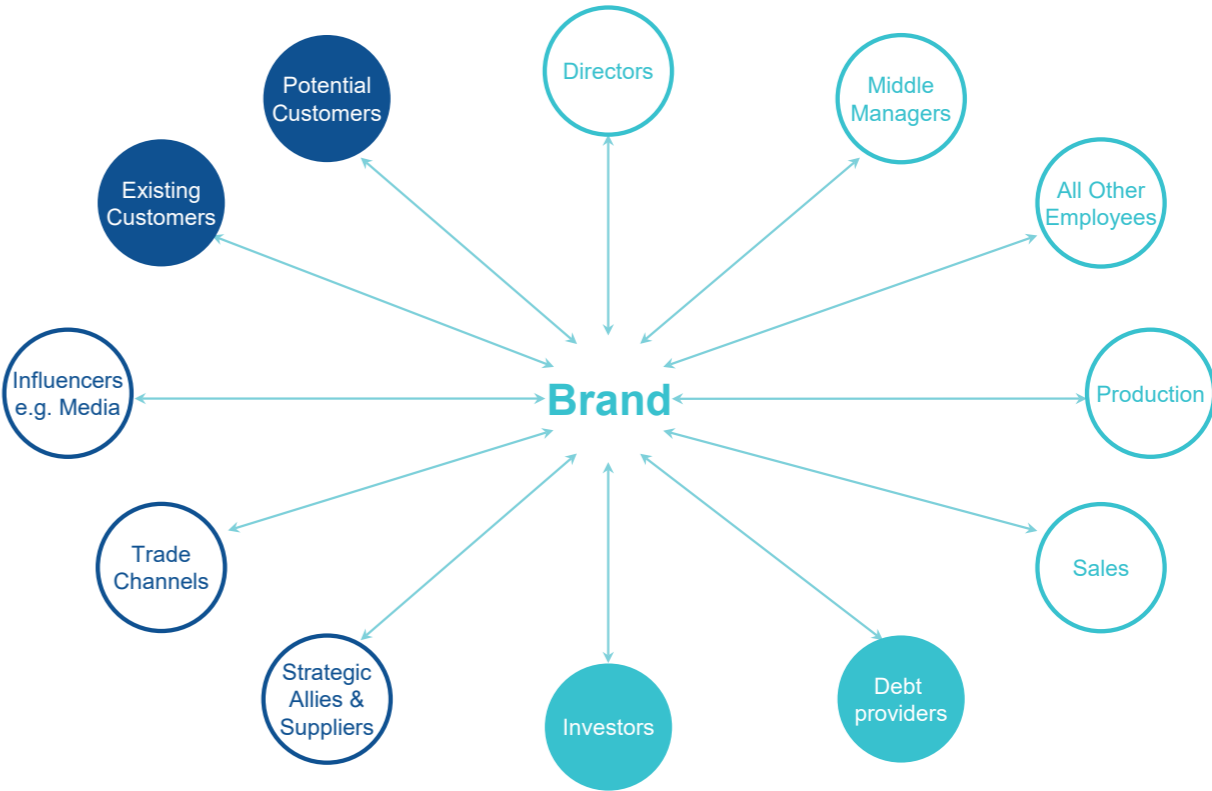
Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike. An assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

Brand Contribution represents the overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

Effect of a Brand on Stakeholders



Brand Value

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However, when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”.

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance.

Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Methodology

League Table Valuation Methodology

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world’s largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

2 Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database of license agreements and other online databases.

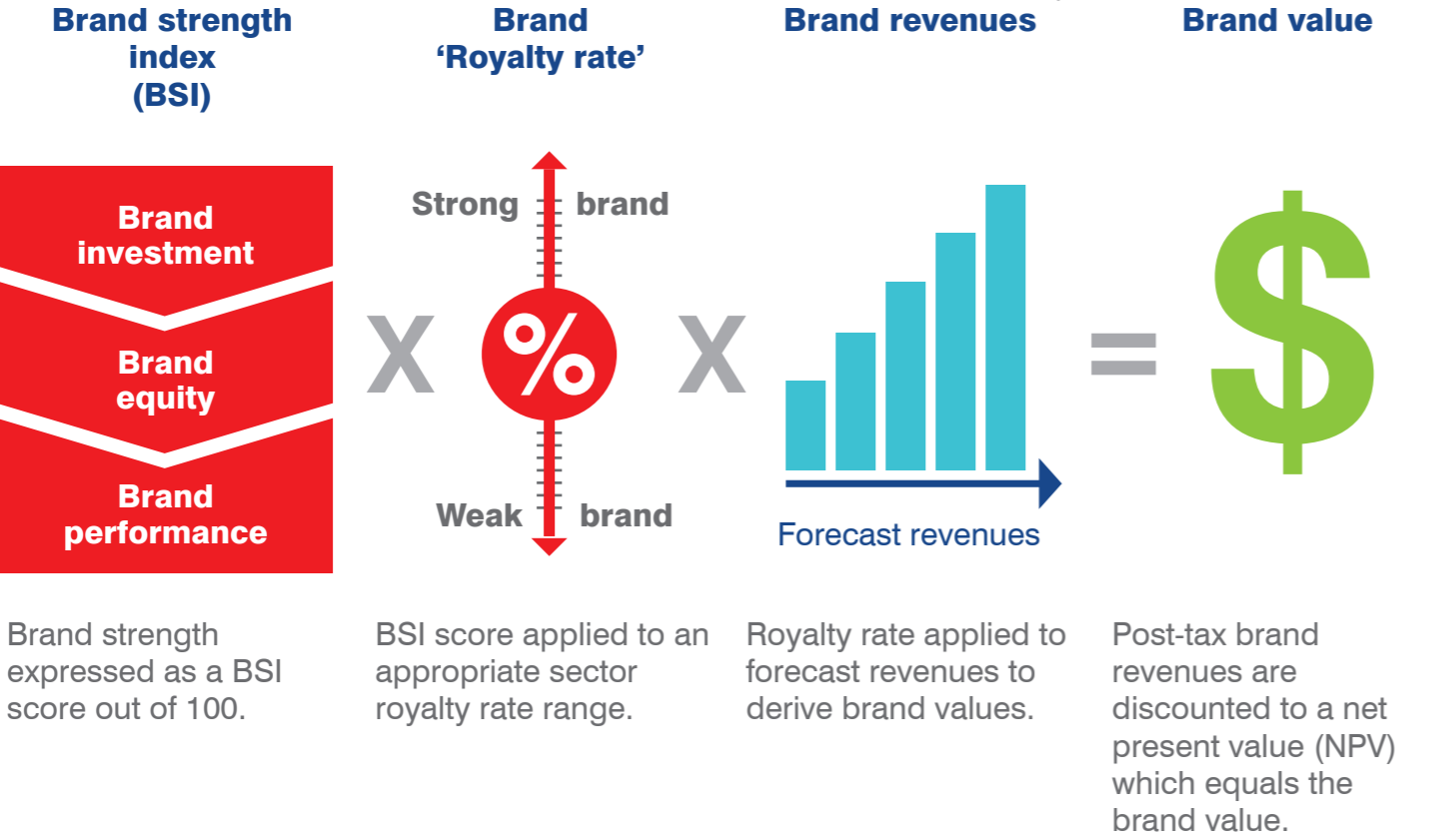
3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 1-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4.2%.

4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.

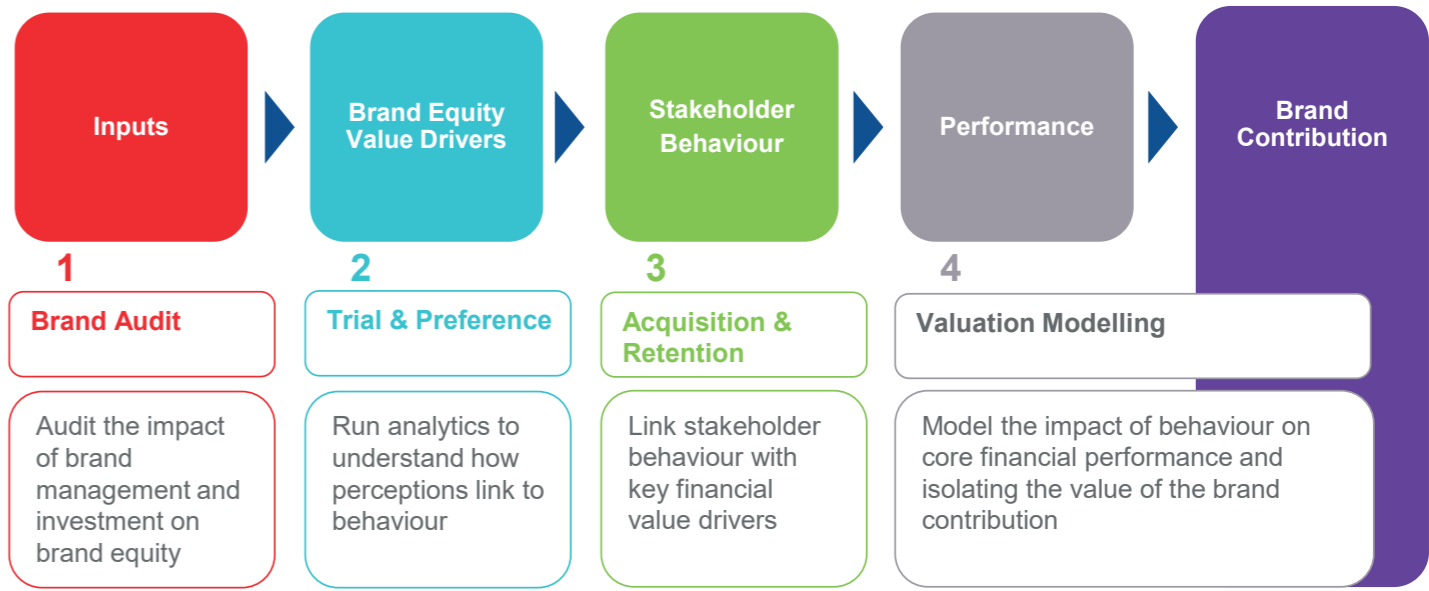
5 Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.

6 Apply the royalty rate to the forecast revenues to derive brand revenues.

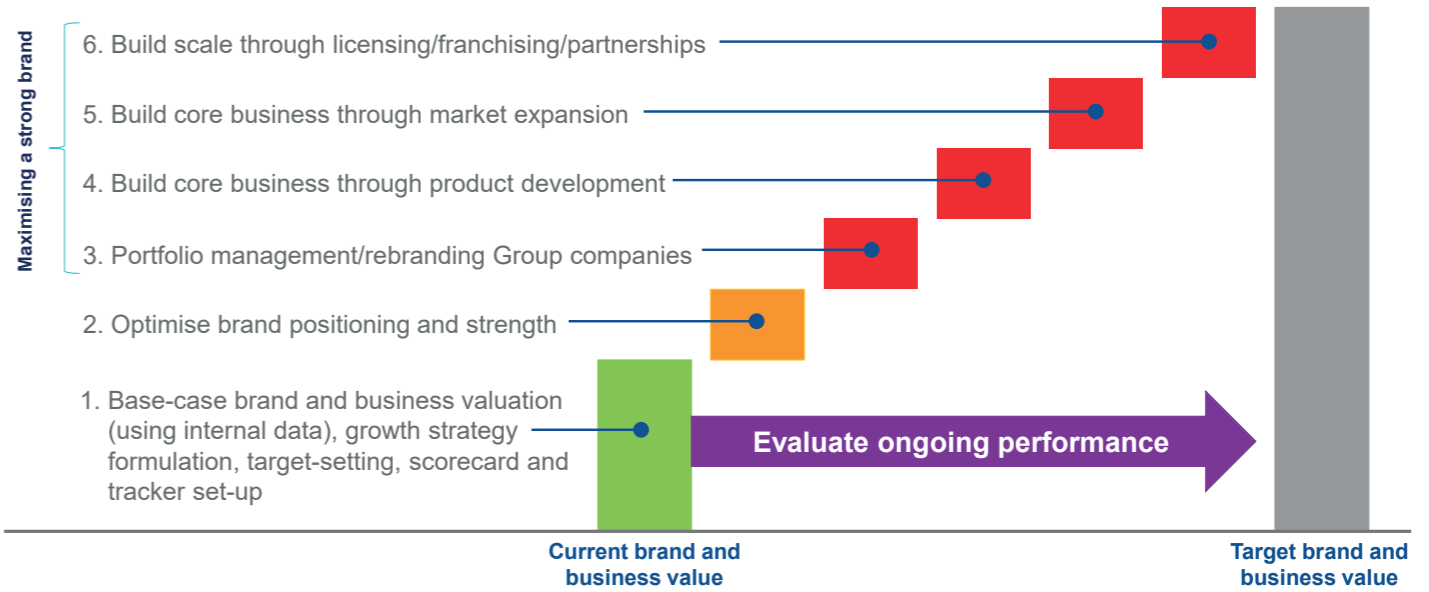
7 Brand revenues are discounted post tax to a net present value which equals the brand value.



Brand Finance Typical Project Approach



How We Help to Maximise Value



Executive Summary

Retail 50




















Amazon is the world’s most valuable retail brand. Its strong 53% brand value growth this year meant Amazon was close to becoming the most valuable brand across all industries.

For now, with a brand value of US\$106.4bn it sits just behind Google (US\$109.5bn) and Apple (US\$107.1bn). The firm is growing strongly as it continues to both reshape the retail market and to capture an ever larger share of it. Its brand value is already nearly double that of second-placed Walmart. Amazon Fresh, its grocery service, is still relatively limited in scale but this year began operating overseas for the first time, serving Central and East London initially.

Amazon has stated it will create 100,000 jobs in the US over the next 18 months. Such confidence suggests that Amazon may well become the most valuable brand in the world in 2018.

Alibaba’s brand value has nearly doubled, making it this year’s fastest growing retail brand. Valued at over \$34.8 billion, the online marketplace continues to thrive in China and globally. Alibaba has created a fair and open portal for small businesses and enterprises. Its success stems from the opportunities to both open up and simplify commerce for Chinese communities, particularly rural ones. Its service has clearly underpinned brand value growth at home, but in order to accelerate growth abroad by aiding brand recognition, it is investing in marketing communications including joining McDonald’s, Coca-Cola and Visa as a major sponsor of the Olympics Games.

TJ Maxx (known as TK Maxx in Europe) has also grown rapidly this year, with brand value rising 79% to US\$5.568bn. A stronger trend for cost consciousness in western markets, originally initiated by the financial crisis, has been sustained

	1	Rank 2017: 1 2016: 1  BV 2017: \$ 106,396m BV 2016: \$ 69,642m +53% Brand Rating: AAA-
	2	Rank 2017: 2 2016: 2  BV 2017: \$ 62,211m BV 2016: \$ 53,657m +16% Brand Rating: AA+
	3	Rank 2017: 3 2016: 5  BV 2017: \$ 34,859m BV 2016: \$ 17,968m +94% Brand Rating: AA+
	4	Rank 2017: 4 2016: 3  BV 2017: \$ 30,216m BV 2016: \$ 28,798m +5% Brand Rating: AAA-
	5	Rank 2017: 5 2016: 6  BV 2017: \$ 24,119m BV 2016: \$ 17,009m +42% Brand Rating: AA
	6	Rank 2017: 6 2016: 4  BV 2017: \$ 23,286m BV 2016: \$ 22,891m +2% Brand Rating: AA+
	7	Rank 2017: 7 2016: 7  BV 2017: \$ 17,016m BV 2016: \$ 15,331m +11% Brand Rating: AA+
	8	Rank 2017: 8 2016: 8  BV 2017: \$ 15,969m BV 2016: \$ 14,315m +12% Brand Rating: AA+
	9	Rank 2017: 9 2016: 9  BV 2017: \$ 13,938m BV 2016: \$ 12,717m +10% Brand Rating: AAA-
	10	Rank 2017: 10 2016: 12  BV 2017: \$ 13,455m BV 2016: \$ 11,847m +14% Brand Rating: AA

even as the economy has recovered. TJ Maxx’s reputation for exceptional value is key to its success and consumers’ affinity for its brand.

However just as significant is the fact that it is a gateway to the World’s most powerful and desired apparel brands for a vast swathe of consumers who could otherwise not afford them. Ross Dress for Less operates in a similar way and is also growing strongly. Like TJ Maxx, it has minimal online presence, relying on its buying and merchandising expertise to sell designer goods (in addition to own brand) for up to 70% less than conventional retailers. Its brand value is up 71% to US\$5.278bn.

IKEA, the world’s largest furniture retailer, is another brand that has always been very price-led and reliant upon physical sales. However it is making more concessions to the digital revolution than TJ Maxx and Ross, expanding its click-and-

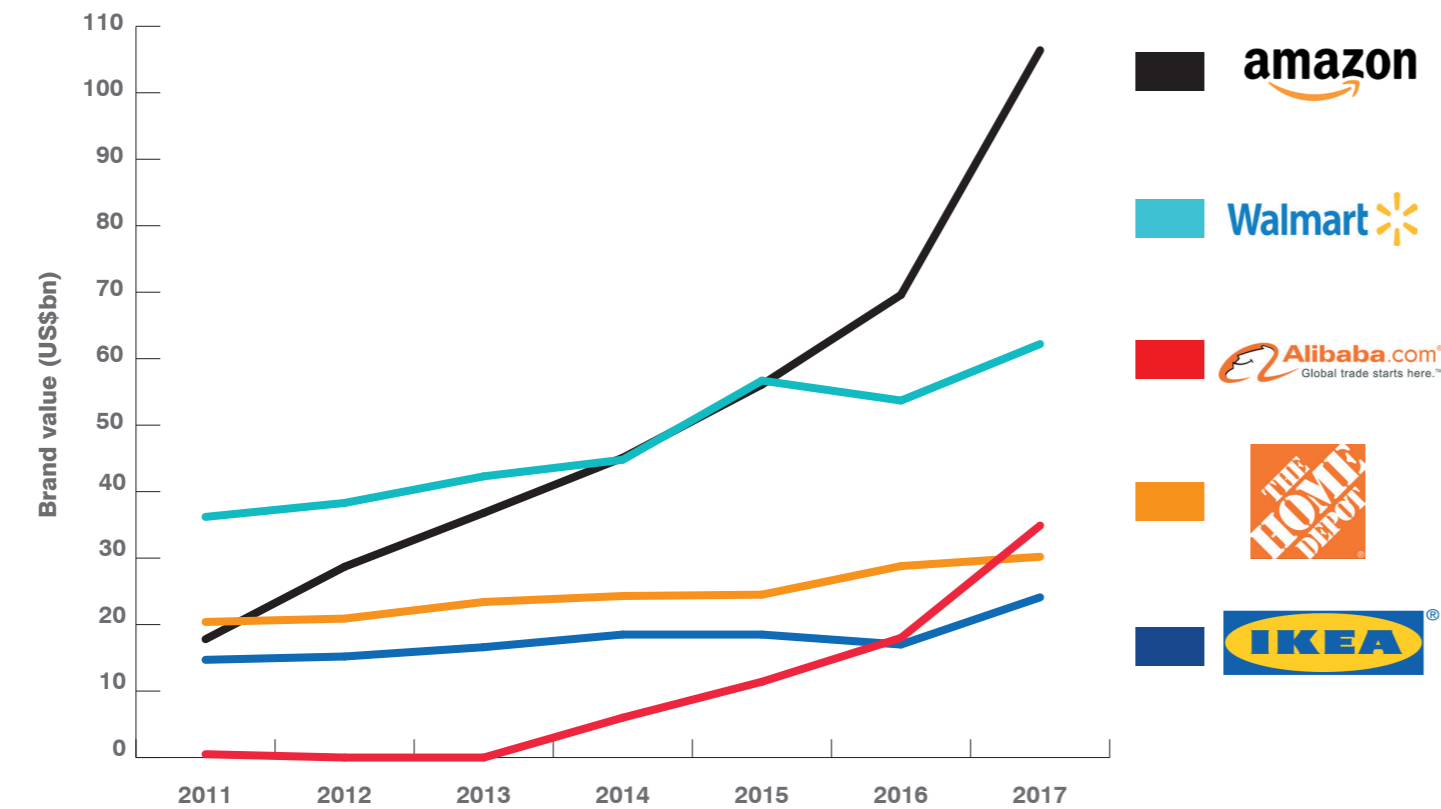
collect network and opening more of much locations in than traditional stores in 2016. IKEA has been making plans to accelerate its expansion in China and India as it seeks to boost sales by almost 50% over the next four years.

IKEA draws upon its national heritage more than almost any other major firm for its brand positioning. Its visual identity and brand personality are strongly associated with Sweden’s reputation for quality manufacturing, simplicity, design expertise and social modernity. However the IKEA brand is now owned and managed from the Netherlands rather than its how country.

Managing intellectual property from a different jurisdiction can be a sensible strategic move for many brand owners, however the potential repercussions for consumer-facing brands in particular must be carefully assessed against the financial benefits.

Executive Summary

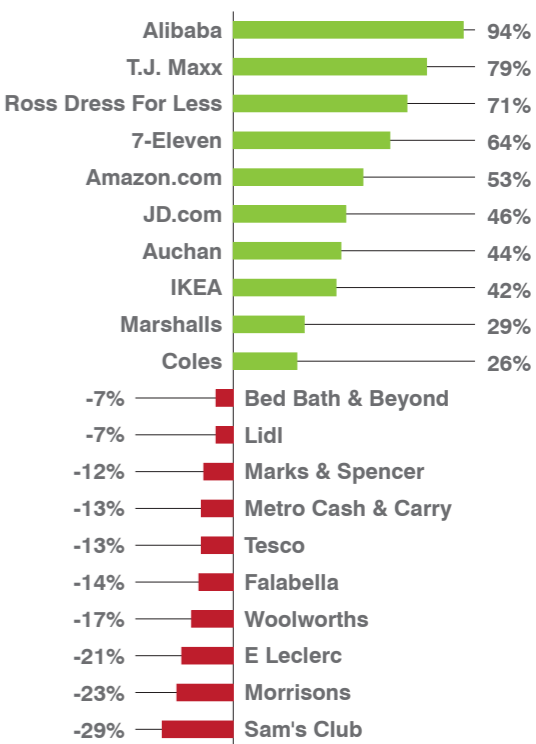
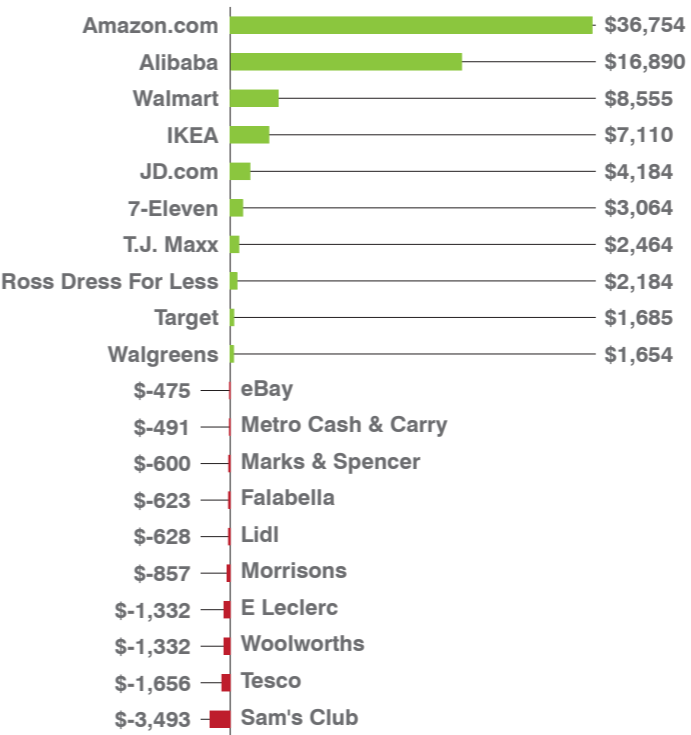
Brand Value Over Time



Brand Value Change 2016-2017 (USDm)



Brand Value Change 2016-2017 (%)

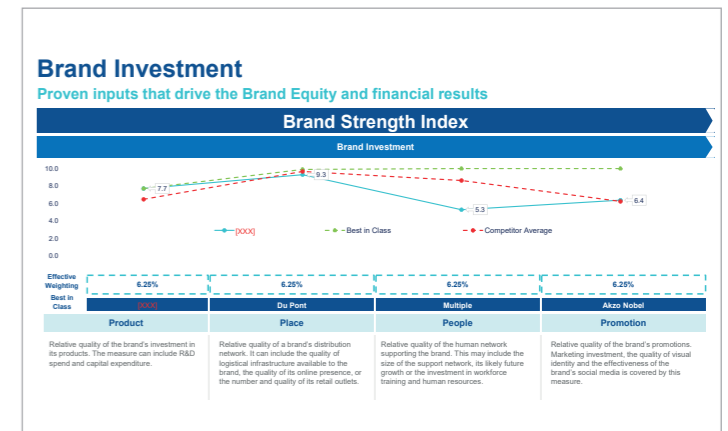
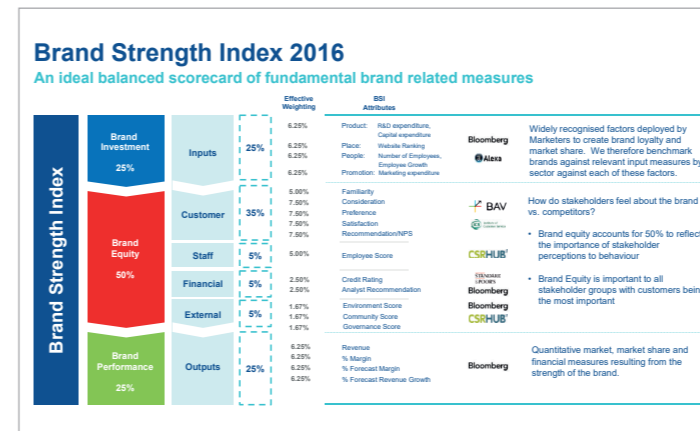
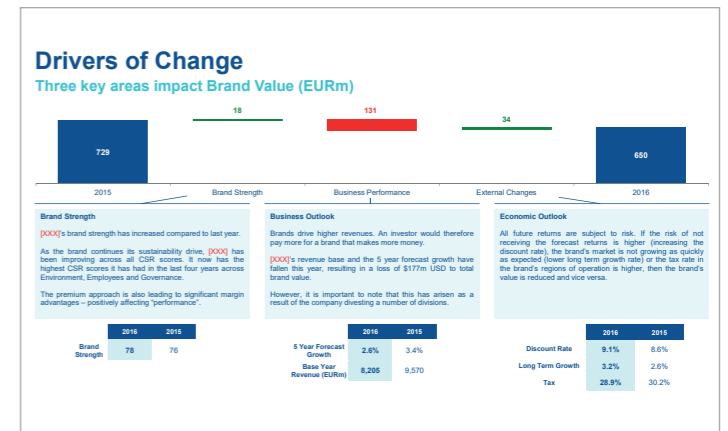
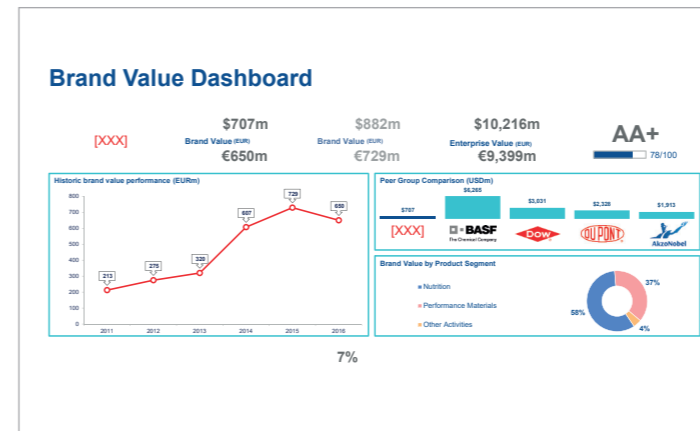


Brand Finance Retail 50 (USDm)

Top 50 most valuable retail brands 1 - 50.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value(USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	Amazon.com	United States	106,396	53%	69,642	AAA-	AA+
2	2	Walmart	United States	62,211	16%	53,657	AA+	AA
3	5	Alibaba	China	34,859	94%	17,968	AA+	AA+
4	3	Home Depot	United States	30,216	5%	28,798	AAA-	AAA-
5	6	IKEA	Netherlands	24,119	42%	17,009	AA	AA
6	4	CVS Caremark	United States	23,286	2%	22,891	AA+	AA+
7	7	Target	United States	17,016	11%	15,331	AA+	AA
8	8	Walgreens	United States	15,969	12%	14,315	AA+	AA
9	9	Lowe's	United States	13,938	10%	12,717	AAA-	AA
10	12	Costco	United States	13,455	14%	11,847	AA	AA+
11	14	JD.com	🇨🇳	🇨🇳	🇨🇳	🇨🇳	🇨🇳	🇨🇳
12	10	Tesco	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧
13	15	ALDI	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪
14	13	Carrefour	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷
15	11	Sam's Club	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
16	17	eBay	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
17	16	Lidl	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪
18	30	7-Eleven	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
19	19	ASDA	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧
20	18	Woolworths	🇦🇺	🇦🇺	🇦🇺	🇦🇺	🇦🇺	🇦🇺
21	22	Kroger	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
22	29	Coles	🇦🇺	🇦🇺	🇦🇺	🇦🇺	🇦🇺	🇦🇺
23	21	Publix	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
24	28	Dollar General	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
25	45	T.J. Maxx	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
26	23	Macy's	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
27	46	Ross Dress For Less	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
28	24	Sainsbury's	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧
29	33	AutoZone	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
30	20	E Leclerc	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷
31	32	Kohl's	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
32	26	Nordstrom	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
33	47	Auchan	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷	🇫🇷
34	34	Dollar Tree	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
35	40	Edeka	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪
36	27	Marks & Spencer	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧
37	41	Carmax	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
38	43	Suning Appliance	🇨🇳	🇨🇳	🇨🇳	🇨🇳	🇨🇳	🇨🇳
39	42	Whole Foods	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
40	31	Falabella	🇨🇱	🇨🇱	🇨🇱	🇨🇱	🇨🇱	🇨🇱
41	39	Aeon	🇯🇵	🇯🇵	🇯🇵	🇯🇵	🇯🇵	🇯🇵
42	52	El Corte Inglés	🇪🇸	🇪🇸	🇪🇸	🇪🇸	🇪🇸	🇪🇸
43	51	Best Buy	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
44	37	Metro Cash & Carry	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪	🇩🇪
45	55	Advance Auto Parts	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
46	54	O'Reilly Auto Parts	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
47	57	Circle K	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
48	38	Morrisons	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧	🇬🇧
49	48	Bed Bath & Beyond	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸
50	67	Marshalls	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸	🇺🇸

Understand Your Brand's Value



A Brand Value Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand's value. Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors. It includes:

Brand Valuation Summary

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPI's
- + Competitor benchmarking

Royalty Rates

- + Transfer pricing
- + Licensing/ franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

- + Independent view of cost of capital for internal valuations and project appraisal exercises

Trademark Audit

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

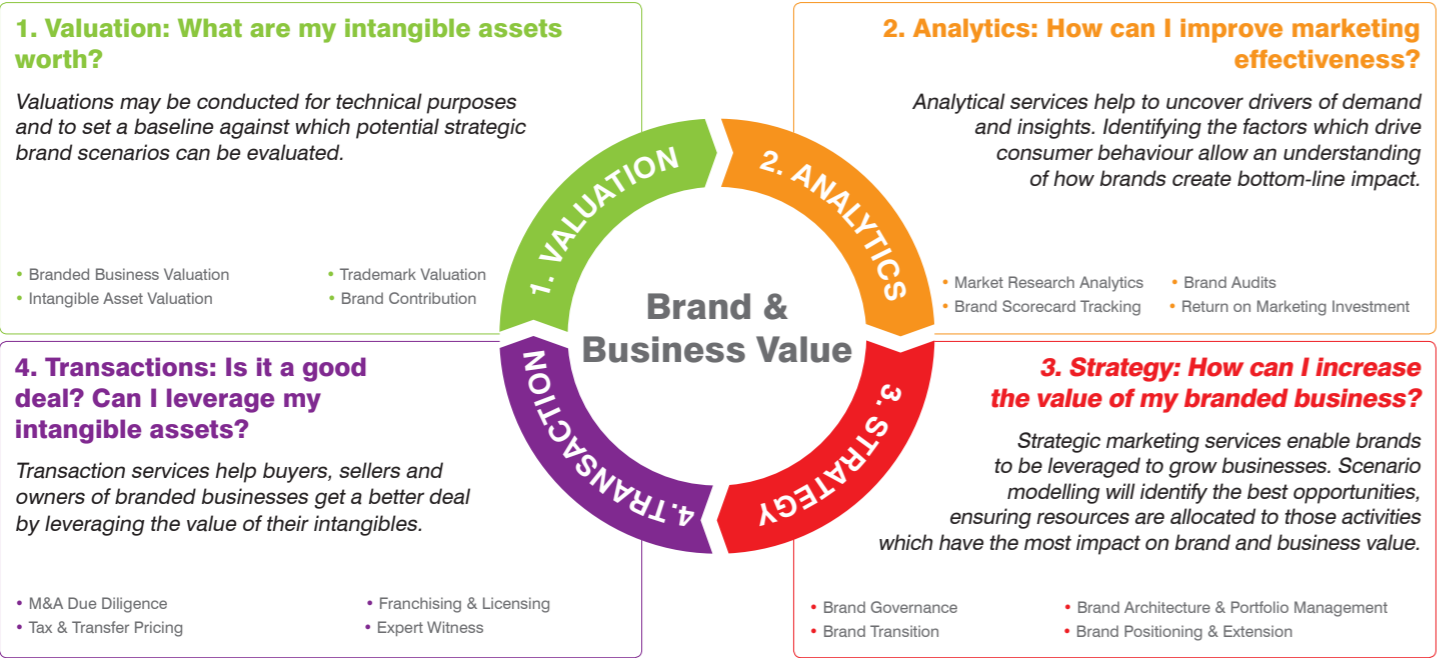
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How we can help



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