RETAIL

KANTAR BRANDZ

RETAIL TOP 20:

Brand Value $ (US) millions

AMAZON	$ 281,695
THE HOME DEPOT	$ 84,220
TMALL	$ 64,549
WALMART	$ 61,492
COSTCO	$ 49,614
TAOBAO	$ 39,057
JD	$ 27,213
LOWE'S	$ 24,562
TARGET	$ 23,539
IKEA	$ 23,414
ALDI	$ 21,282
EBAY	$ 17,328
SHOPEE	$ 16,224
MERCADO LIBRE	$ 14,887
PINDUODUO	$ 14,853
COUPANG	$ 14,489
LIDL	$ 14,453
DOLLAR GENERAL	$ 12,865
WHOLE FOODS	$ 12,458
WOOLWORTHS	$ 12,132

*Tmall and Taobao are part of Alibaba group. ** Amazon and Mercado Libre include their retail business only. *** JD includes its retail and supply chain business

DEFINITION:
The retail category includes physical and digital distribution channels in grocery and department stores and specialists in drug, electrical, DIY and home furnishings.

FASTER, BETTER, MORE UNIQUE/ RETAIL'S NEW RULES OF VALUE

Category Brand Value
Year-on-Year Change

N/A

Retail Top 20
Total Brand Value

$ 830,328 m

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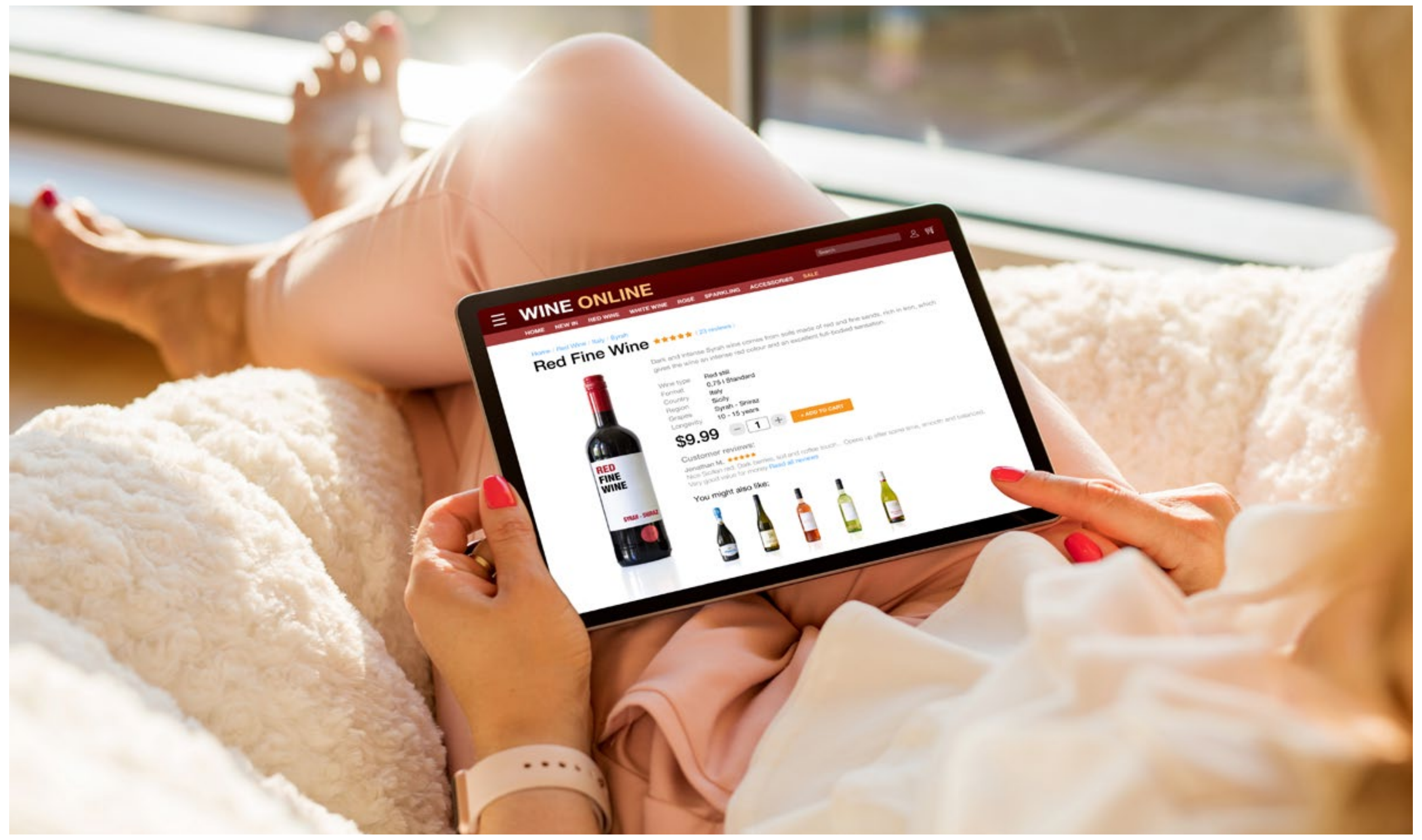
For retail brands, this past year was an unsettled one. Businesses moved to consolidate pandemic-era shifts toward e-commerce and hyperlocal formats, all while confronting fresh challenges from rising costs and price inflation. Through it all, however, many of the world's Top 20 Retail brands found successful paths to growth.

Amazon was once again the world's most valuable retail brand, and one of the most valuable global brands of any kind, with a value of more than $281 billion. Supply chain issues, rising transportation costs, and labor supply disruptions made this anything but a normal year for Amazon's core e-commerce business – but it nevertheless remains the brand's biggest division by far (even amid continued strong performance from digital service business).

Fortunately, Amazon's dominance in retail has also fueled the emergence of a robust advertising business for the brand - chiefly based around selling sponsored ads and links on Amazon search results. Among Silicon Valley heavyweights, the brand now trails only Google and Meta in digital ad sales, exceeding more established brands like YouTube and Twitter.

This year, a planned $20 increase in the price of annual Prime memberships should afford Amazon some breathing room as it begins to position itself for its next phase of retail growth. Among other initiatives, this phase will include a refinement of Amazon's brick and mortar strategy, as the brand shutters experimental formats like its Amazon Books and "4-star" stores. Instead, Amazon plans to expand its use of cashierless "Just Walk Out" technology in Amazon Go and Amazon Fresh stores in the US and UK; it has also begun to experiment with the technology in Whole Foods grocery stores in Washington, DC, and Los Angeles.

This plan for tighter integration between the Amazon and Whole Foods brands could also pay dividends in the quest to offer customers more and easier options for product returns - which has emerged, industrywide, as one of the most crucial brand differentiators. In the 2020s, merely *free* returns are becoming table stakes (even if it means building the price of a possible return into product costs). Now, "return excellence" is all about exceeding expectations around speed and convenience.



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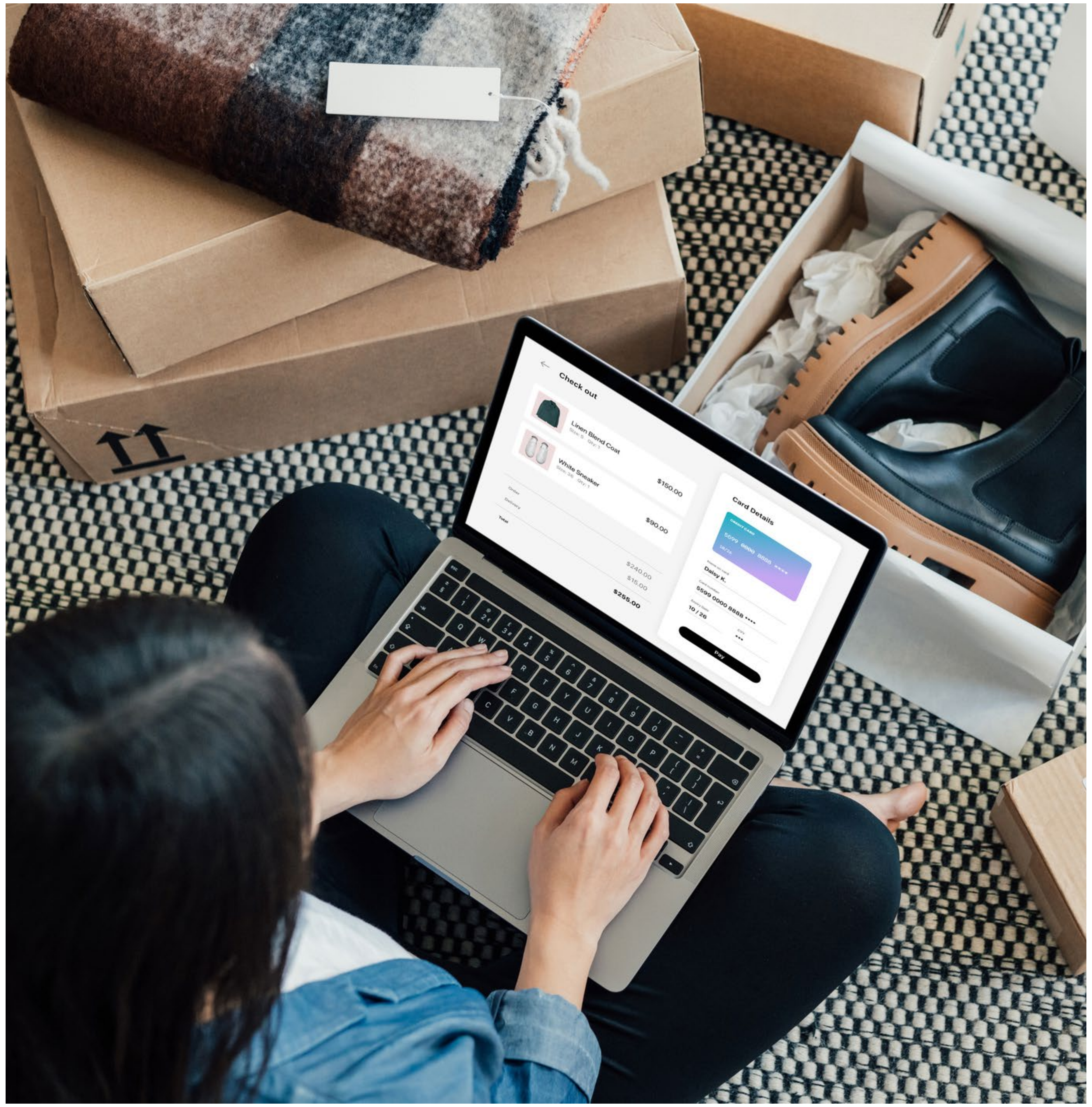

Indeed, the need for speed has become a guiding axiom across the entire retail industry this decade. This speed imperative is a natural consequence of consumers' pandemic-era embrace of e-commerce, in nearly all retail categories ranging from grocery shopping, to beauty. During the pandemic, retail brands began to invest heavily in hyperlocal warehouse formats, "dark stores," and last-mile infrastructure improvements - and, as a result, consumer expectations around on-demand delivery speed have begun to adjust accordingly.

For Amazon and many of its customers, "one-day shipping" has quickly supplanted "two-day shipping" as the ideal, default expectation for delivery speed. In the grocery sphere, 90-, 60-, and even 45-minute delivery guarantees are becoming a challenging but attainable gold standard for large brands, especially in urban areas.

In many cases, this "2 hours or less" imperative is being driven by digital-first brands like Southeast Asia's Shopee and India's Flipkart (both of which are new entrants in the retail rankings this year, and both of which offer ultrafast grocery guarantees in certain metro markets). But in some areas, it's more established grocery players who are spearheading the speed revolution. This is true in the case of South Africa's Checkers brand, which has outmaneuvered the startups in its market to make its Checkers Sixty60 offering (shop in 60 seconds, delivery in 60 minute) the country's top grocery delivery service. Meanwhile, Uber and Carrefour have partnered up in France to offer 15 minute grocery delivery on items stocked in a network of storefront dark stores across Paris - an offering meant to compete with the wave of hyperfast, microwarehouse grocery startups that in Europe include names like Getir, Gorillas, Zapp, and Yandex.

Today, Kantar's shopping trackers suggest while the growth in online grocery shopping has slowed somewhat from its lockdown-era peak, retail's larger shift toward e-commerce is permanent, irreversible, and ongoing.

In the near term, the big question is whether the appeal of faster speeds will be able to offset the pain of higher prices in the retail sphere. The pandemic-era shift to e-commerce was fueled, in part, by a new consumer calculus that saw values like convenience, safety, and reliability take their place alongside price as key decision factors in the path to purchase. For retailers, this was a welcome shift: it's good to have the pricing power to charge more money, should you choose to do so!

But this consumer math is new being tested by economy-wide inflation - which has squeezed household budgets at the same time that it has forced brands and retailers of all stripes to raise their prices. To date, inflationary pressures have been so great that it has not even been a question of *if* most retailers will raise their prices.

The open questions, instead, surround "when", and "how much," and "with what degree of marketing acknowledgment" brands should pursue price increases. (Should brands try to communicate explicit forward guidance about upcoming price hikes, and should they explain the reasons behind these cost increases? Or can they remain silent on these issues, and rely on more conventional retail marketing, as well brand equity, to weather the storm?).

In this inflationary environment, deep-discount retail brands like Dollar General may be well-primed to win among more price-conscious shoppers. (Notably, Dollar General has *not* raised its prices in the US even as many of its dollar-store competitors have.)

Also well-positioned are grocery chains like Aldi, Lidl, and Trader Joe's, which have pinned their low-price strategies on the use of fun, distinctive, premium-feeling private labels. These are discount retail brands that don't necessarily *present* as discount brands in shopper's minds – well-priced, sure, but not cut-rate in the undesireable sense. That's because of how Aldi et al have supplemented low prices with attributes like discovery and design. Own label does not need to mean generic, or unbranded.

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Indeed, there's a more refined, distinctive approach to private label that's on the march across a variety of retail categories. When done right, these products can not only provide retail brands with higher margins - but they can also attract foot traffic in their own right.

Consider the home improvement sector, for instance, where Home Depot has long been able to rely on its strong connections with the contracting industry to stand out from the pack. Its competitor Lowe's, meanwhile, has taken a more diversified customer approach. Today, it has supplemented its professional-tier offerings with a stable of well-regarded, consumer-facing private labels like Allen Roth, Origin 21, and Stainmaster. And it has also announced plans for store-in-store pop-ups from Petco.

The gold standard when it comes to resonant private brands is probably Target, which has now launched 10 own-label players worth a billion dollars or more (including, most recently, its women's activewear line All in Motion). At the same time, Target has also pursued partnerships with brands like Levi's and the beauty retailer Ulta.

The view from China

In China, the retail picture has been more mixed of late. Top e-commerce brands like Alibaba, JD, and Pinduoduo continue to launch successful promotions around events like Singles Day and Golden Week. And Chinese e-retailers continue to lead the world in innovations around group commerce and live-streamed shopping entertainment content. The latter format has not only yielded enviably high rates of sales conversions, but can also provide enormously rich data insights around how marketing messages are resonating in real time with consumers.

At the same time, however, regulatory pressures and the impact of ongoing COVID-19 lockdowns have led to declining revenues and layoffs across China's retail tech sector. Now, the hope is that the industry will establish a new equilibrium in the back half of 2022, as the Chinese government has begun to restate its commitment to supporting a strong (but ethical) local tech scene.

Overall, consumer spending on FMCG in urban China grew by 3.1% in 2021, an increase of 3.7% compared to 2019. This dovetails with how the bricks-and-mortar Chinese retail sector has gradually recovered from the impact of COVID-19.

This physical retail landscape may look different in the years to come, however: since 2020, small supermarkets have fared much better than hypermarkets and other "big box" stores, as shoppers favor brands that can meet their immediate needs in their nearby local communities. In response, Walmart closed more than 30 of its hypermarkets, while local player Yonghui Superstores converted more than 50 into warehouse stores that offer affordable products and an optimised shopping experience.

Going forward, large-format stores in China will need to transition to offering middle-class shoppers a more refined and focused customer experience. For an idea of what this will look like, consider the success of membership stores like Costco and Sam's Club, both of which are expanding in China alongside new membership-based formats from Freshippo, Metro, and Carrefour.

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BRAND SPOTLIGHT

Among brick-and-mortar retailers, Costco stands out for the singularity of its approach to branding. Its membership-based approach and "warehouse store" model has allowed it to keep prices low while stocking top name brands.

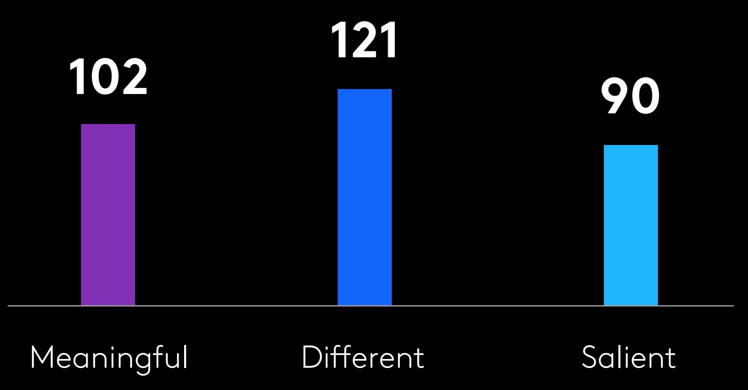
In many ways, Costco behaves more like an outlet store than a big-box retailer. Costco hides most of its online prices from non-members, which introduces friction to the online shopping experience but protects the brand's suppliers from comparison shopping. It has also eschewed most traditional advertising in favor of word of mouth – which partly explains its lower Salience scores. It is a unique approach, but one that seems to have global appeal: especially in China, where the store has become a hit with the country's growing middle class since opening its first store in Shanghai in 2019.

2022 BRAND VALUE

$49,614M

2021 Brand value $35,137m

+41% year on year



Clear differentiation based on range and pricing

Range 109

Fair prices 111

Different 121

Purpose led – supporting suppliers and employees

Big Ideals

Strong performance on both Corporate reputation AND Purpose

Corporate Reputation 109

Purpose 108

Treat employees well 118

Deal fairly with suppliers 110

CATEGORY ANALYSIS

E-tailers reign supreme

The global pandemic has further accelerated the rise of top e-commerce brands. E-commerce brands have become even more relevant to consumers, building momentum for future growth.

Meet needs

Offline 114

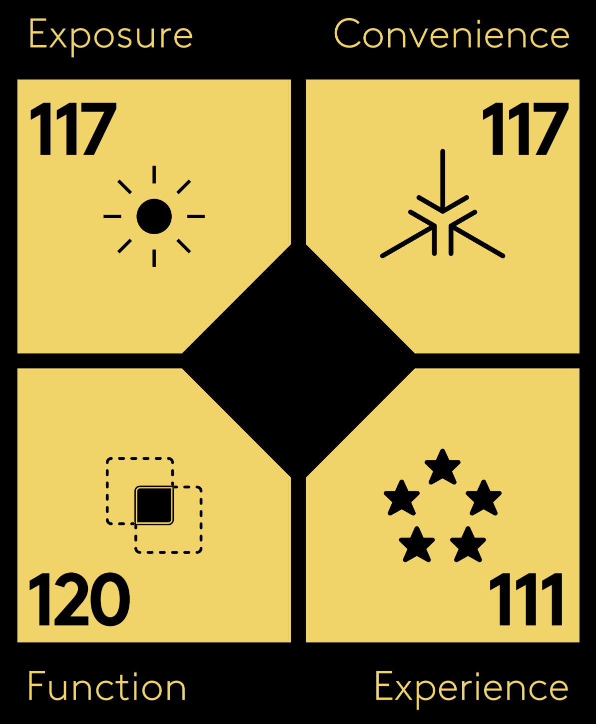
E-commerce 126

Potential

Offline 105

E-commerce 121

E-commerce brands also execute the Four Fundamentals of brand growth well.



(Ahead of offline brands in all areas)

RETAIL

ACTION POINTS/ BRAND BUILDING

1

THINK B2B

Increasingly, leading retail brands are monetizing their logistics breakthroughs in the form of B2B technology and fulfilment divisions. In August 2021, for instance, Walmart announced that it would begin to open up its last-mile delivery fleet, omnichannel software, and hyperlocal supply chain infrastructure to select partners, as part of a new white-label fulfillment operation called Walmart GoLocal; clients to date include Home Depot and fashion retailer Chico's. Amazon, meanwhile, hopes to license its "Just Walk Out" technology to outside clients as well. The lesson is that investing in innovations can pay off – in more ways than one.

2

TAKE CARE OF YOUR STAFF

For decades, Costco has offered above-market pay and generous perks for its employees – all while continuing to turn a healthy profit. Retirement accounts, life insurance, health and dental care, guaranteed college scholarship money, paid sick days and time off, semiannual bonuses: these were seen as bizarre eccentricities on Costco's part, rather than the brand's "secret sauce." Many brands claim to go above and beyond for their customers – but very few have built their brand identity around doing the same for their employees. Now, in a historically tight labor market, the wisdom of a more generous approach is becoming more apparent.

3

MIND YOUR REPUTATION

This year, eight of the world's most valuable retail brands have strengthened their responsibility credentials in their home market in the last year: Amazon, Walmart, JD, IKEA, Aldi, Target, Lidl, Tesco.

Ikea exemplifies the benefits of a successful responsibility turnaround. As part of its ambitious circular economy goals, the brand has foregrounded the use of renewable and recyclable materials such as bamboo, seagrass, and hand-blown glass - while also streamlining its program to provide replacement parts and repair tools that can prolong the lifespan of its products. In the process, Ikea has increased its reputation for quality and value, while distancing itself from notions its low-cost furnishings were somehow more "disposable" or "synthetic" than its competitors.