



Retail

50

2018

The annual report on the world's most valuable retail brands
August 2018

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. Sceptical 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 marketing and finance. 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 marketing 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 research revealed the compelling link between strong brands and stock market performance. It was found that investing in 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.

About Brand Finance.

Brand Finance is the world's leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the strongest and most valuable.

For more information, please visit our website:

www.brandfinance.com



Contents.

Foreword	3
About Brand Finance	4
Contact Details	4
Definitions	6
Executive Summary	8
Full Table	12
Methodology	14
Understand Your Brand's Value	15
Consulting Services	16
Communications Services	17

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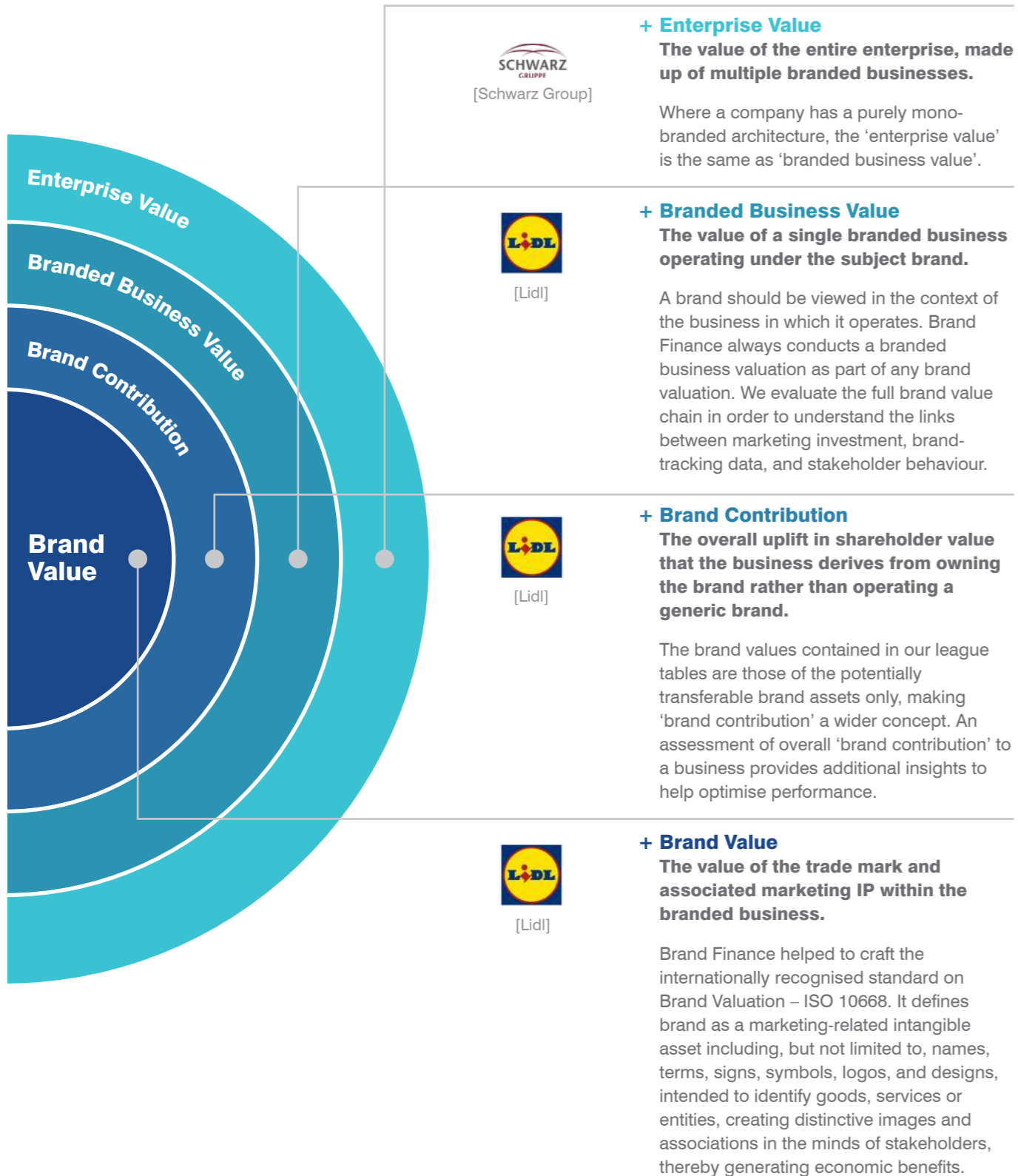
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Definitions.

Brand Value



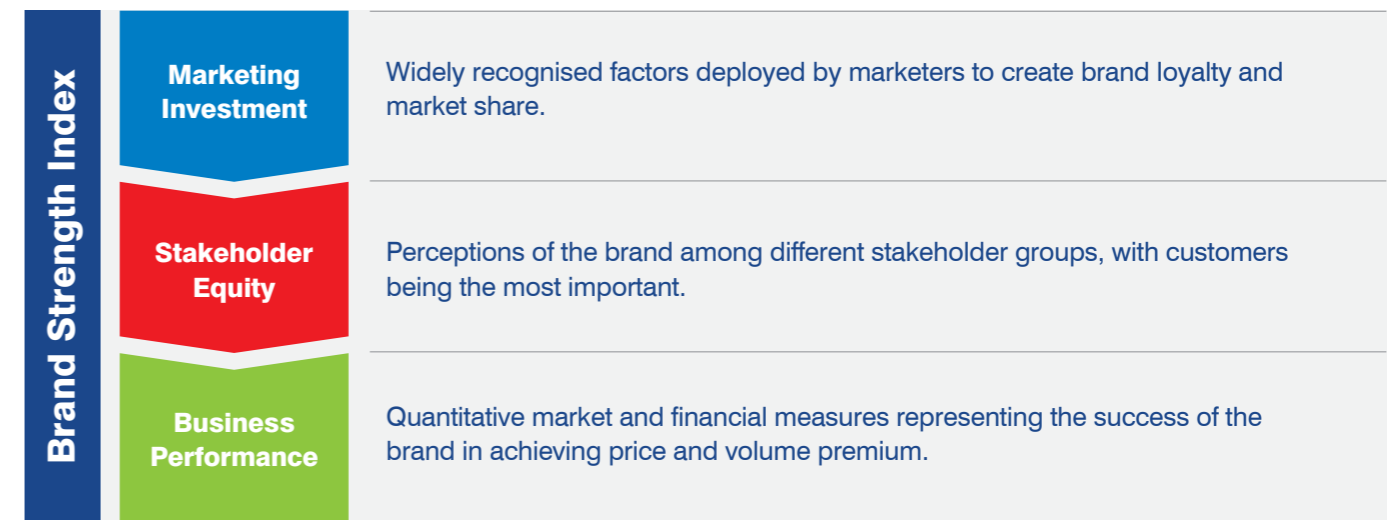
Brand Strength

Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.



Executive Summary.



Amazon is the most valuable brand

Amazon's brand value has risen 42% to US\$150.8 billion, retaining top billing as the world's most valuable retail brand.

As Amazon's brand continues to innovate and make its presence felt across more markets, its brand value has swelled significantly, making it now worth as much as the second, third and fourth biggest retail brands combined. The value of Amazon's brand has grown by an average of more than 30% a year in the past decade. This has seen it advance from "a mere" US\$9.6 billion in 2008 to overtake Apple and Google as the world's most valuable brand across all sectors in 2018.

Online brands boom

Other e-commerce brands are in hot pursuit, such as China's Alibaba (up 58% to US\$54.9 billion) and JD.com (up 47% to US\$19.6 billion) as well as Germany's Zalando (up 40% to US\$3.8 billion) – the most valuable brand among new entrants in this year's Brand Finance Retail 50 ranking.

Amazon's brand success is not based upon a marketing campaign, it is based upon a relentless obsession with customers. By aiming to remove every possible impediment to customers using its services, Amazon has built a brand that has no peer, providing unmatched convenience, availability, and scale. Its rise and the growth of other online brands worldwide have called the entire traditional retail model into question.

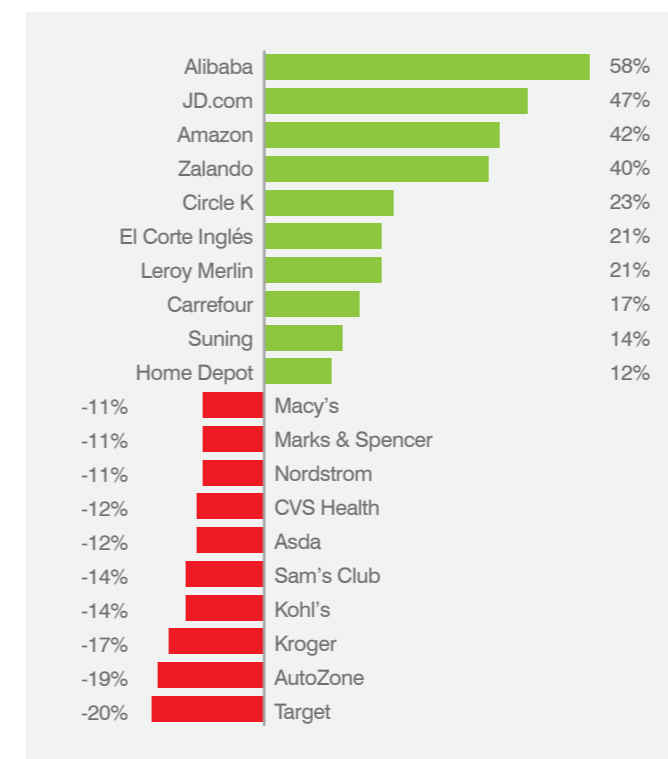
David Haigh
CEO, Brand Finance

Alibaba, this year's fastest-growing retail brand in percentage terms, shows no sign of slowing down as it plans to invest US\$15.2 billion towards its global logistics chain expansion. JD.com has had a remarkable year too, rising through the ranks into the world's top 10 most valuable retail brands for the first time. JD.com's success can be attributed to its advancements in retail technology and plans to market its developments to third parties around the world; effectively creating a Retail-as-a-Service (RaaS) offering.

Pressure on offline brands grows

With a global trend towards online retailing, pressure on offline brands is growing. For brands yet to adapt to the digitalisation of the industry, brand value has stagnated at best or plummeted at worst. The biggest fall in brand value this year has struck Target (brand value down 20% to US\$13.7 billion). While the launch of their private brands such as Cloud Island and Pillowfort shows promise for the future health of the company, the Target brand is retreating from the limelight.

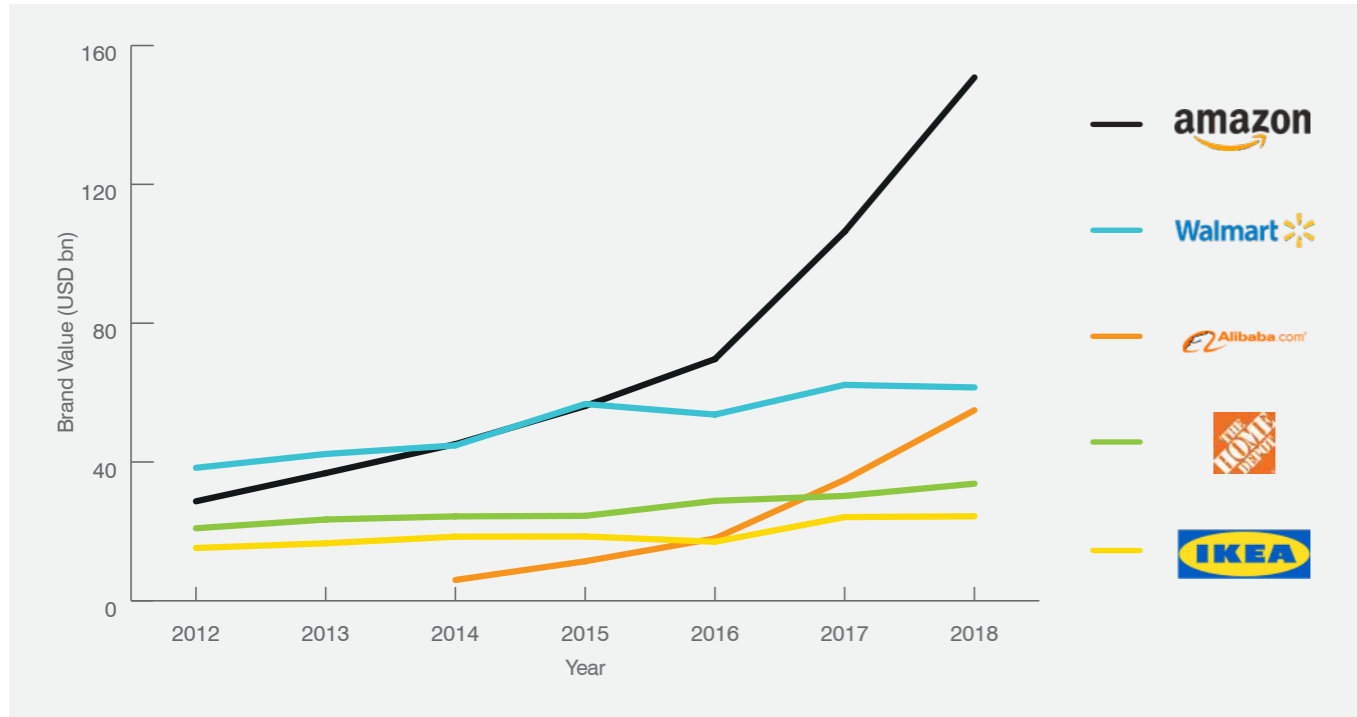
Brand Value Change 2017-2018 (%)



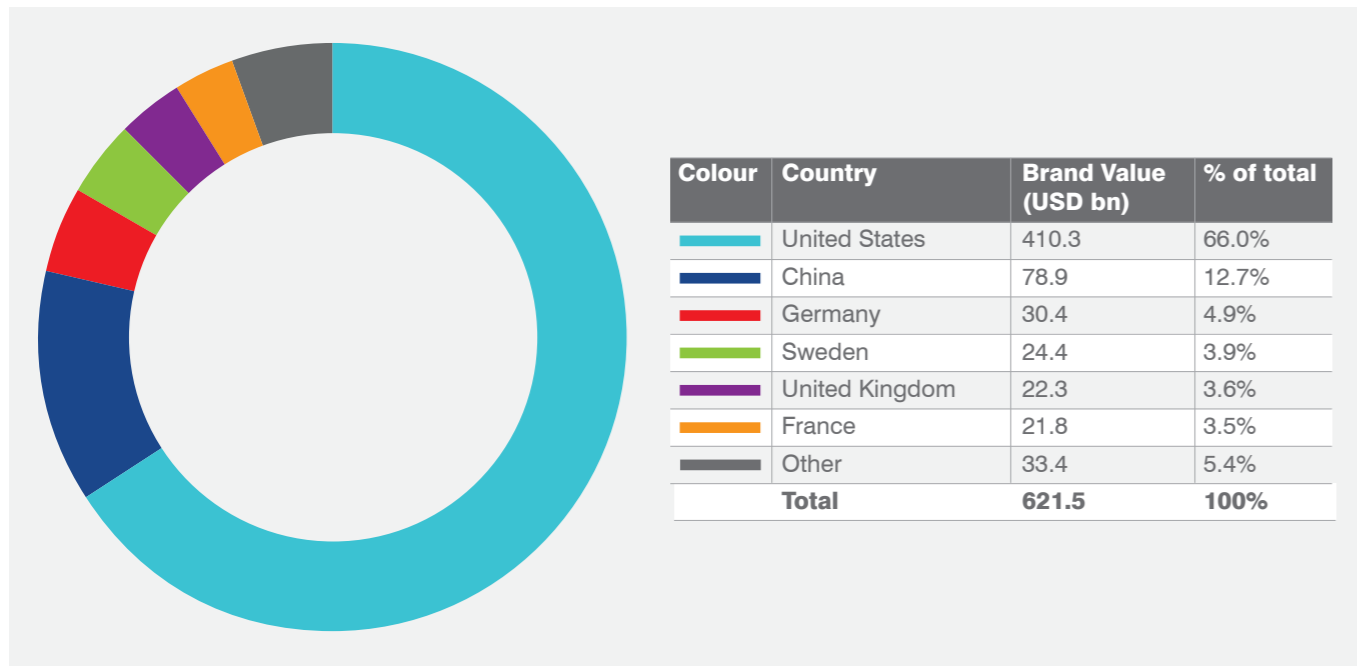
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: \$150,811m BV 2017: \$106,396m +42% Brand Rating: AAA-
	2	Rank 2018: 2 2017: 2 → BV 2018: \$61,480m BV 2017: \$62,211m -1% Brand Rating: AA+
	3	Rank 2018: 3 2017: 3 → BV 2018: \$54,921m BV 2017: \$32,859m +58% Brand Rating: AAA-
	4	Rank 2018: 4 2017: 4 → BV 2018: \$33,748m BV 2017: \$30,216m +12% Brand Rating: AAA-
	5	Rank 2018: 5 2017: 5 → BV 2018: \$24,351m BV 2017: \$24,119m +1% Brand Rating: AA+
	6	Rank 2018: 6 2017: 6 → BV 2018: \$20,603m BV 2017: \$23,286m -12% Brand Rating: AA+
	7	Rank 2018: 7 2017: 11 ↑ BV 2018: \$19,623m BV 2017: \$13,377m +47% Brand Rating: A
	8	Rank 2018: 8 2017: 8 → BV 2018: \$15,546m BV 2017: \$15,969m -3% Brand Rating: AA+
	9	Rank 2018: 9 2017: 9 → BV 2018: \$14,021m BV 2017: \$13,938m +1% Brand Rating: AAA-
	10	Rank 2018: 10 2017: 7 ↓ BV 2018: \$13,679m BV 2017: \$17,016m -20% Brand Rating: AA+

Brand Value Over Time



Brand Value by Country



Despite retaining its position as the world's second most valuable retail brand, Walmart (brand value down 1% to US\$61.5 billion) has stagnated in brand value this year. Other big offline brands to face challenging times include Costco (down 9% to US\$12.2 billion), Macy's (down 11% to US\$4.9 billion), CVS Health (down 12% to US\$20.6 billion) and Walgreens (down 3% to US\$15.5 billion).

Focus on customer experience is paying off for those retail brands, which have made an effort to adapt to the changing marketplace. Home Depot (brand value up 12% to US\$33.7 billion) has solidified its fourth-place ranking. By focusing on faster checkout lanes, improving supply chain efficiency, and investing heavily in its e-commerce platform, Home Depot has recovered, along with the US housing market in the past 10 years, with a steady compound annual brand value growth of 8%.

UK high street shake up

Earlier this summer, the UK's second-largest supermarket retailer Sainsbury's (brand value up 6% to US\$5.4 billion) proposed purchasing the third-largest British supermarket brand Asda (brand value down 12% to US\$6.4 billion) from Walmart. In recent years, the market share of both Sainsbury's and Asda has dropped, with shoppers moving to German budget retailers Aldi (brand value down 3% to US\$9.2 billion) and Lidl (brand value up 7% to US\$8.5 billion). The merger of Sainsbury's and Asda may allow the combined entity to better challenge Tesco (brand value down 8% to US\$9.9 billion) for market leadership, while at the same time, confront the challenge from the German supermarkets.

7-Eleven is the strongest brand

While 7-Eleven (up 7% to US\$8.4 billion) was ranked as only the 16th most valuable retail brand globally, it was recognised as the strongest brand with a Brand Strength Index (BSI) score of 85.9 out of 100, supported by high brand ratings amongst its stakeholders in different geographies. The acquisition of 1,000 Sunoco retail stores across North America over the last year has been a major factor in 7-Eleven's rise as the world's strongest retail brand.

Top 10 Strongest Brands

	BSI Score 85.9
	BSI Score 83.8
	BSI Score 82.7
	BSI Score 80.8
	BSI Score 80.1
	BSI Score 79.7
	BSI Score 79.1
	BSI Score 78.9
	BSI Score 78.3
	BSI Score 78.0

Brand Finance Retail 50 (USD m).

Top 50 most valuable retail brands 1-50

Rank 2018	Rank 2017	Brand name	Country	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	1	Amazon	United States	150,811	+42%	106,396	AAA-	AAA-
2	2	Walmart	United States	61,480	-1%	62,211	AA+	AA+
3	3	Alibaba	China	54,921	+58%	34,859	AAA-	AA+
4	4	Home Depot	United States	33,748	+12%	30,216	AAA-	AAA-
5	5	IKEA	Sweden	24,351	+1%	24,119	AA+	AA
6	6	CVS Health	United States	20,603	-12%	23,286	AA+	AA+
7	11	JD.com	China	19,623	+47%	13,377	A	A+
8	8	Walgreens	United States	15,546	-3%	15,969	AA+	AA+
9	9	Lowe's	United States	14,021	+1%	13,938	AAA-	AAA-
10	7	Target	United States	13,679	-20%	17,016	AA+	AA+
11	10	Costco	United States	🔒	🔒	🔒	🔒	🔒
12	14	Carrefour	France	🔒	🔒	🔒	🔒	🔒
13	12	Tesco	United Kingdom	🔒	🔒	🔒	🔒	🔒
14	13	Aldi	Germany	🔒	🔒	🔒	🔒	🔒
15	16	Lidl	Germany	🔒	🔒	🔒	🔒	🔒
16	17	7-Eleven	Japan	🔒	🔒	🔒	🔒	🔒
17	18	eBay	United States	🔒	🔒	🔒	🔒	🔒
18	15	Sam's Club	United States	🔒	🔒	🔒	🔒	🔒
19	20	Woolworths	Australia	🔒	🔒	🔒	🔒	🔒
20	22	Coles	Australia	🔒	🔒	🔒	🔒	🔒
21	23	Publix	United States	🔒	🔒	🔒	🔒	🔒
22	19	Asda	United States	🔒	🔒	🔒	🔒	🔒
23	25	T.J. Maxx	United States	🔒	🔒	🔒	🔒	🔒
24	24	Dollar General	United States	🔒	🔒	🔒	🔒	🔒
25	28	Sainsbury's	United Kingdom	🔒	🔒	🔒	🔒	🔒
26	21	Kroger	United States	🔒	🔒	🔒	🔒	🔒
27	27	Ross Dress For Less	United States	🔒	🔒	🔒	🔒	🔒
28	26	Macy's	United States	🔒	🔒	🔒	🔒	🔒
29	30	E Leclerc	France	🔒	🔒	🔒	🔒	🔒
30	36	Suning	China	🔒	🔒	🔒	🔒	🔒
31	32	Nordstrom	United States	🔒	🔒	🔒	🔒	🔒
32	31	Kohl's	United States	🔒	🔒	🔒	🔒	🔒
33	41	El Corte Inglés	Spain	🔒	🔒	🔒	🔒	🔒
34	29	AutoZone	United States	🔒	🔒	🔒	🔒	🔒
35	35	Carmax	United States	🔒	🔒	🔒	🔒	🔒
36	37	Whole Foods	United States	🔒	🔒	🔒	🔒	🔒
37	34	Marks & Spencer	United Kingdom	🔒	🔒	🔒	🔒	🔒
38	New	Zalando	Germany	🔒	🔒	🔒	🔒	🔒
39	47	Circle K	Canada	🔒	🔒	🔒	🔒	🔒
40	39	AEON	Japan	🔒	🔒	🔒	🔒	🔒
41	40	Safeway	United States	🔒	🔒	🔒	🔒	🔒
42	New	Leroy Merlin	France	🔒	🔒	🔒	🔒	🔒
43	43	Best Buy	United States	🔒	🔒	🔒	🔒	🔒
44	44	Metro	Germany	🔒	🔒	🔒	🔒	🔒
45	42	Auchan	France	🔒	🔒	🔒	🔒	🔒
46	49	Morrisons	United Kingdom	🔒	🔒	🔒	🔒	🔒
47	New	Marshalls	United States	🔒	🔒	🔒	🔒	🔒
48	48	Edeka	Germany	🔒	🔒	🔒	🔒	🔒
49	46	O'Reilly Auto Parts	United States	🔒	🔒	🔒	🔒	🔒
50	New	Kaufland	Germany	🔒	🔒	🔒	🔒	🔒



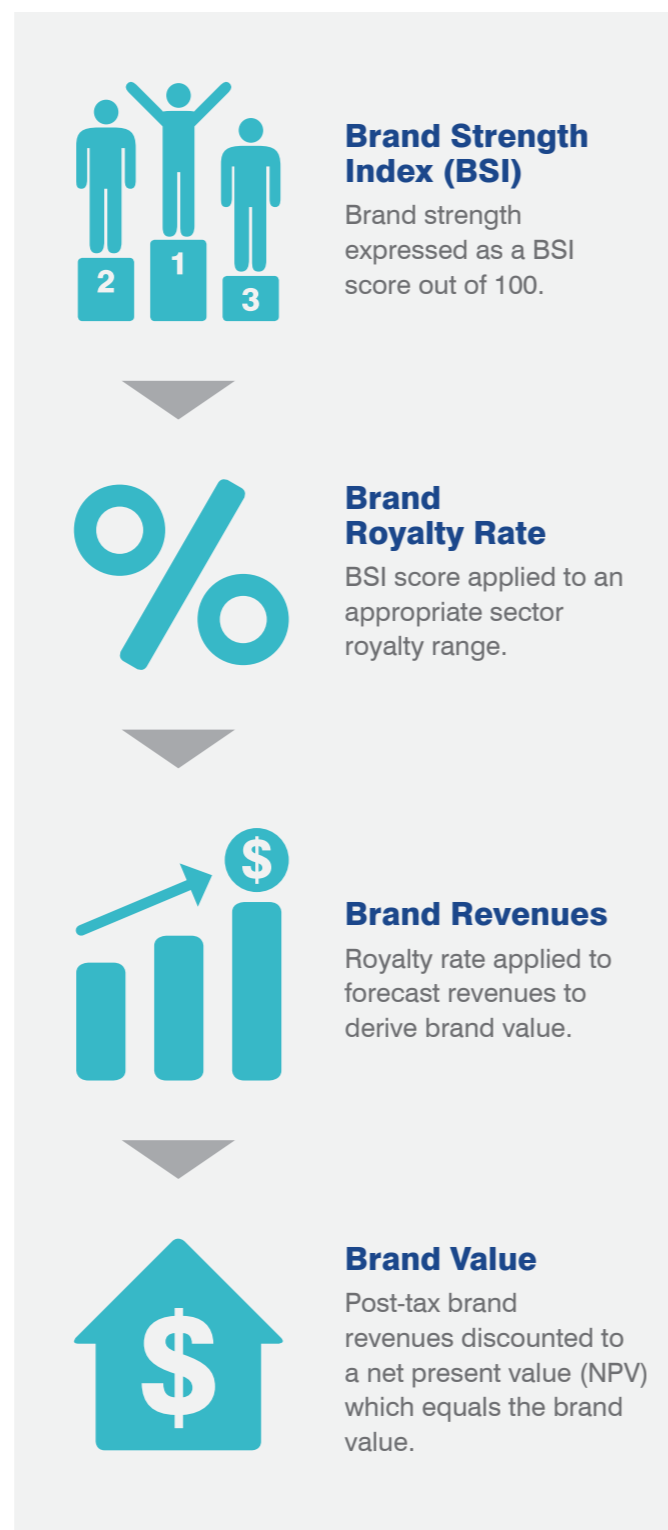
Methodology.

Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast 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.



Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

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.

What is a Brand Value Report?

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 KPIs
- + 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

Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

For more information regarding our Brand Value Reports, please contact:

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What are the benefits of a Brand Value Report?



Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



Communication

Communicate your brand's success to shareholders, customers, and other strategically selected audiences.



Understanding

Understand and appreciate the value of your brand as an asset of the business.

Consulting Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

- + Branded Business Valuation
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

Brand & Business Value

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- + M&A Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +

MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.

LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Communications Services.

We offer a variety of services to help communicate your brand's success.

How we can help

Your Brand Value
Explain and discuss your brand's performance in more depth.

Press Release
Assist with the creation of a press release communicating your brand's success.

CEO Quote
Supply a quote in recognition of your brand's performance for you to use in external and internal communications.

Social Media
Coordinate with your social media activity to communicate your brand's success more effectively.

Awards
Produce an accolade plaque and hand-written certificates, personally signed by our CEO, to recognise your brand's performance.

Advertising
Allow full use of the Brand Finance logo on your ad designs and create a bespoke digital endorsement stamp for your website and investor relations use.

Brand Finance[®]

Strongest Global Brand 2018

Your Brand

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



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Brand Dialogue[®]



Value-Based Communications

We execute strategic communications programmes to optimise the value of your business and to enhance brand perception among stakeholders.

SERVICES

- Research and Insights
- Project Management and Agency Steering
- Content and Channel Strategy
- Integrated Communications Planning and Execution
- Communications Workshops

For more information, contact enquiries@brand-dialogue.co.uk or visit www.brand-dialogue.co.uk

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