Interbrand

Best Global Brands 2020

Automotive
Finance
Luxury
Media
Retail
Sport
Tech

Provide

In the Decade of Possibility

Welcome to Best Global Brands 2020 →

In 2020, in a year of turbulence so seismic in scale and rapid in impact that the world is still computing the effects, the aggregate value of the Top 100 Best Global Brands has grown by 9%. Their total brand value exceeds $2 trillion.

As the pandemic and wider social outrage exposed fault lines in society and polarized people further; we see a similar divergence in the Best Global Brands with 43% of brands growing, and 57% declining in value (vs 29% declining in 2019). This years' winners are notable for particularly fast growth; the average increase amongst the top 3 brands alone was 50%. It's clear that in 2020, strong brands have become stronger as a result of the COVID effect, which has accelerated digital transformation trends, such as cloud-based tech and streaming, across sectors, reinforcing the dominance of technology first brands.

Crises recast the tacit contract between organizations and people. Certainly, we are seeing that now. As rising expectations dissolve into anxiety, people are demanding more of the businesses they buy into. There is a growing sense of human disempowerment, a growing awareness of the power of brands, and consumers are beginning to see their consumption choices as votes of confidence. In some instances, organizations have more power than governments.

At a time of deep reflection, the deepest form of relevance is increasingly being driven by an uncompromising approach to fundamental human issues. Businesses that do not yet know, very specifically, which constituents they are systematically disadvantaging (and how) are at risk because in this hyper transparent world, the truth will out, and customers will "cancel".

PayPal is one of 2020's fastest risers, thanks to a radical application of its values and the trust those actions drive. In 2015 it decided to prioritize customers' financial interests over its own higher revenue products. Despite an immediate stock market drop of 9% this move unleashed long-term growth. More recently, Paypal has begun a program to redistribute capital from shareholders back to its lowest paid employees to ensure that everyone who works at PayPal can pay their bills. At a time of anxiety, there's not much that matters more.

Microsoft has become a Top 3 Best Global Brand in 2020. It's CEO, Satya Nadella, argues that in the future: "you'll only have permission to profit as a business if you have the consent of customers." In this we see that as people begin to hold business to account, choice is morphing into consent and brands are mediating the commitments a business makes to its constituents. In this mix brand is still a promise, but a promise of something deeper. Done right brands offer an equilibrium between business and customer. A set of shared values.

Only 41 brands from our 2000 ranking remain on the table today. At one time, it was inconceivable that the DotCom Boomers Yahoo or AOL could fail, or that we'd fall out of love with our Nokia handsets. But Google and Apple showed us a more compelling vision of the future and the rest is history.

The lifespan of an organization was contracting before 2020; the pandemic and our collective awakening will only serve to accelerate that trend. Jeff Bezos, CEO of Best Global Brand, Amazon, a business so large it is almost planetary, said: "I predict one day Amazon will fail. Amazon will go bankrupt. If you look at large companies, their lifespans tend to be 30-plus years, not a hundred-plus years."

While it's hard to conceive of a world in which the 100 Best Global Brands are no longer in our lives, we are undoubtedly at a point of divergence. A tipping point for many. Businesses that cannot serve citizens and brands that fail to gain the consent of customers will not stay ahead of our constantly renewing expectations and they will fail.

Climate change is the next apocalyptic event we face, so sustainability has to become a radical priority for organizations and brands. Microsoft has committed to being carbon negative (not just neutral) by 2030 (and Shell dropped off the Best Global Brands list this year).

Change, once again, is creating winners and losers and posing difficult choices. The real question may be, are you going to lead from the future or manage your decline?

Charles Trevail

Charles Trevail
Global Chief Executive Officer, Interbrand

Retail brands analysis: At the sharp end

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Retail is a hugely broad category, ranging from FMCG/CPG to hospitality, sportswear to apparel, and beverages to tech-driven marketplace platforms. It's also a category that everybody has everyday experience of – and one that has been affected hugely by this year's events.

One of the major forces in this category, of course is Amazon (#2 in our 2020 ranking), and yet thanks to their sprawling business model, which encompasses streaming video, cloud-based web services and much more, they fall into the Technology category. But they have been one of the big winners, cementing a 38% share of the US ecommerce market, which itself has surged by more than 50% this year.

In this unprecedented year, the winners have either been very adept at adapting to a new landscape, or lucky enough to reside in a sector that fits into our newly home-bound, childcare-centric, permanently-online existence. IKEA, Nescafé, Lego, eBay and others have done well; others less so. While apparel chains Zara and H&M do have a respectable online presence, their flagship physical outlets have struggled along with the rest of the shops that populate our malls and main streets, and the world of online fast fashion has some very smart and agile brands who are quite capable of taking on and beating longer-established names.

Out-of-home food and drink brands have also had a tough time, though adapting to a delivery model is showing promise, and in a year when exercise was often the only outside activity possible, sportswear brands were able to stay buoyant. And lastly, there was a little home sales cheer for the drinks brands whose restaurant and bar trade was hit, meaning that one new entrant this year was venerable whisky brand Johnnie Walker. We'll raise a glass to that in the hope that 2021 sees all our brands increase their value.

06	Coca-Cola	-10%	56,894 $m
15		+6%	34,388 $m
25	IKEA	+3%	18,870 $m
26	pepsi	-9%	18,603 $m
33	Budweiser	-3%	15,606 $m
34	Pampers	-4%	15,073 $m
35	ZARA	-13%	14,862 $m
37	H&M	-14%	14,008 $m
38	NESCAFÉ	+2%	13,900 $m
43	L'ORÉAL	+8%	12,553 $m
46	ebay	+2%	12,277 $m
50	adidas	+1%	12,070 $m
54	Gillette	-16%	11,578 $m
56		-5%	11,246 $m
62	DANONE	+4%	10,340 $m
63	Nestlé	+8%	10,252 $m
66	Kellogg's	-8%	9,547 $m
68	Colgate	+6%	9,345 $m
72	LEGO	+9%	7,535 $m
78	Corona	+3%	6,563 $m
82	Jack Daniel's	-1%	6,288 $m
87	Johnson & Johnson	+1%	5,764 $m
88	Heineken	-2%	5,520 $m
91	Hennessy	-3%	5,123 $m
92		-7%	5,111 $m
98	Johnnie Walker	New	4,555 $m

COLIN GILLIS
DIRECTOR OF RESEARCH, CHATHAM ROAD PARTNERS

The analyst's view: You can't eat money

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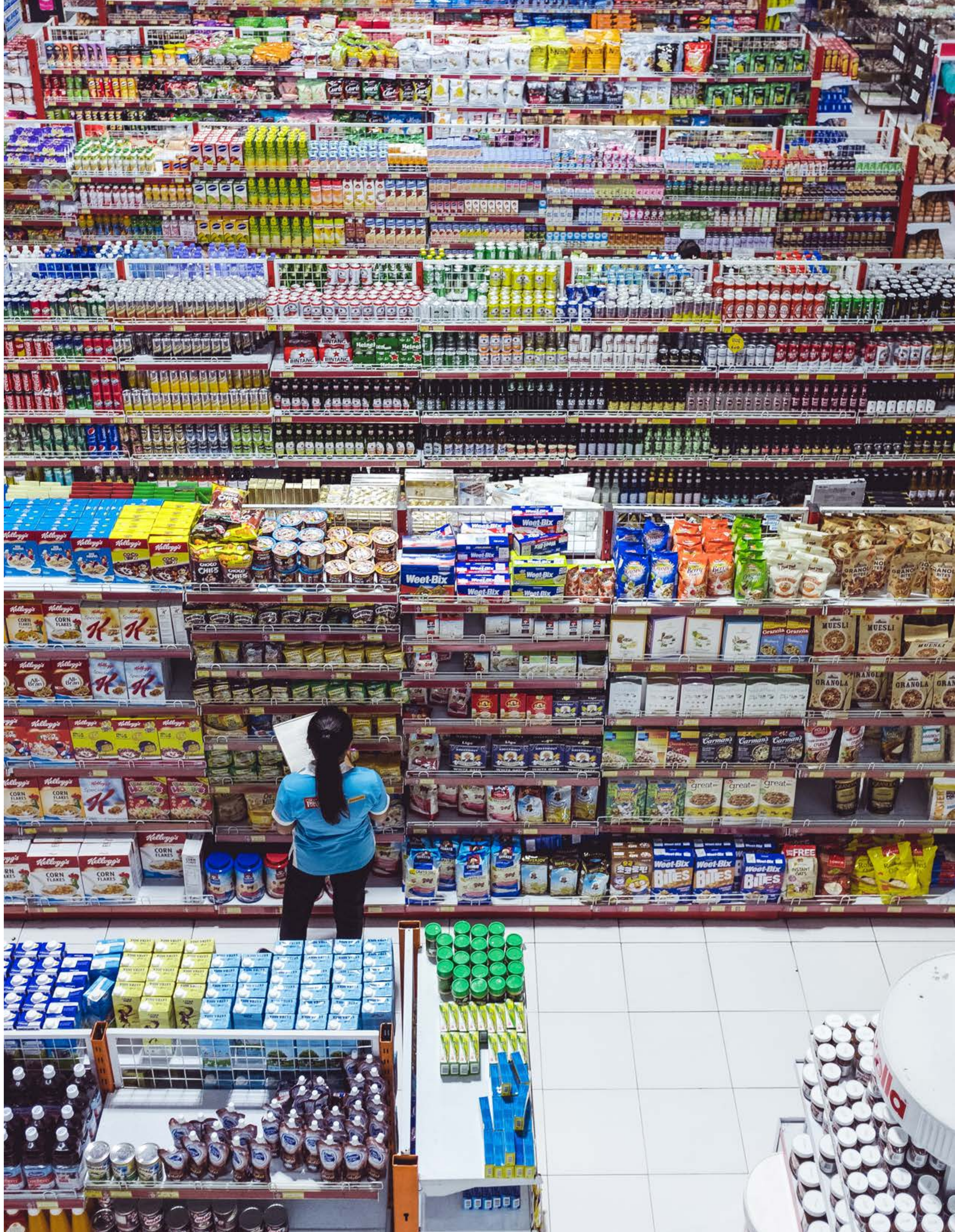
It is broadly accepted that the largest economies in the world are driven by consumer spending. The consumer driven society prioritizes the consumption of goods and services over production, and the economic engines for these countries spin best when citizens are purchasing goods, enjoying services, and spending instead of saving. Companies in a consumption economy seek to lower their costs by building a global network of suppliers, and gain market share by offering products of a similar quality to the competition at a lower price. Often this comes at the expense of domestic jobs and wages. This view of the world, sometimes called Keynesian economics, is a hotly debated concept that believes production is not an essential component for economic prosperity as long as low prices on goods generates a higher standard of living.

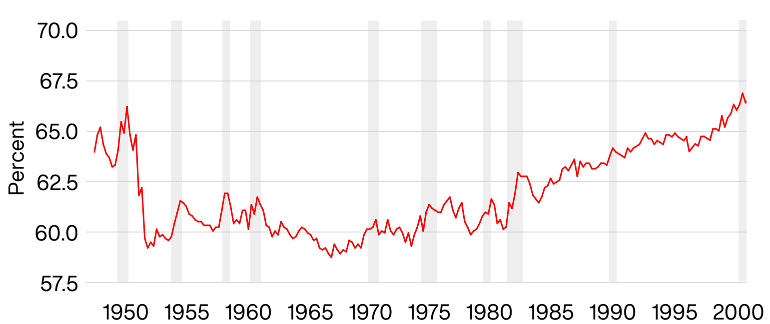
The poster child for this style of economy is, of course, the United States. The world's largest economy since 1871, the United States just posted record growth of 33% annualized for the third quarter of 2020 according to the Bureau of Economic Analysis (BEA). The $1.64 trillion increase of current dollar GDP to $21.26 trillion is the largest single quarter of economic growth on record and approximately twice the prior record set during the first quarter of 1950. The rebound in the economy in the third quarter allowed the United States to recover two-thirds of the economic output lost in the first half of the year. Driving



Haiku
Whether you call it Main street, High Street, or just home The stores are closing

this remarkable rebound in growth is the U.S. consumer, always willing to spend. The Federal Reserve bank of St. Louis which tracks personal consumption expenditures as a share of gross domestic product, showed that consumer spending accounted for 68% of U.S gross domestic spending, a total of $14.3 trillion spent. On an annualized basis, spending increased by 40.7% in the third quarter when compared to the second quarter, according to the BEA. To see how important the consumer is to the United States economy, just look at the chart below showing the steady climb of consumer spending as a percent of the overall economy. The push to get consumers to spend is also supported by the Federal

SHARES OF GROSS DOMESTIC PRODUCT
Personal consumption expenditures



U.S recessions are shaded, the most recent end date is undecided.
Source: U.S. Bureau of Economic Analysis

Reserve that has set a base interest rate of 0%, essentially creating a system that causes savers to lose purchase power as time advances when adjusting for inflation.
So how is all this money spent? Clearly there is a massive shift in consumer behavior to online commerce channels that was already underway before the 2020 pandemic. The decimation of retail stores can be seen when a record 9,500 locations closed in the United States in 2019, up a startling 64% from the 5,844 businesses that closed in 2018 according to Coresight Research. Estimates for 2020 bleakly show up to 25,000 businesses closing. Many of these locations are located in shopping malls, the center of the retail apocalypse. Even more bleakly, an increasing number of retailers are choosing to head directly into liquidation rather than pursue an attempt to restructure and continue operations. In the United Kingdom, a common refrain is the disappearance of High Street and the data supports this thesis with record business closings in the first half of 2020. The 6,001 net store closures during that time period is almost twice the 3,509 net closings in the same time period of 2019. The British Retail Consortium has labeled the situation "a nightmare before Christmas" and cited that retail foot traffic is down by as much as 75% from 2019.

Those familiar with Interbrand's canon of work may have encountered the concept of Iconic Moves. It's a framework of thinking that includes a commitment to change that is materially above the rest of an industry, change that is driven from the inside out. Picture the current state of the retail market. An industry that has had to grow a decade's worth of skills in 2020 to survive higher operating costs, government intervention, and a customer base that is abandoning them to shop online. It's clear why some businesses decided to resolve their woes by heading directly to liquidation. After managing the daunting industry turmoil of recent years caused by changing consumer patterns, when the pandemic challenges of 2020 arrived, it's understandable that certain business owners called it quits. It is a simpler task to pursue a home garden and tend to the backyard chickens.

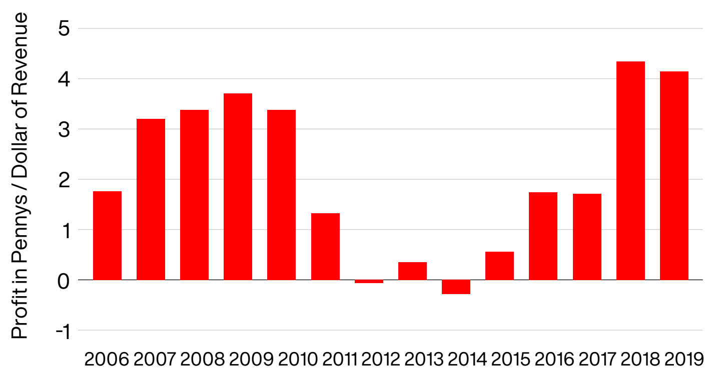
THE NEW BUSINESS MODEL
Gary Hamel, an influential expert on business strategy, is quoted as saying "inventing an innovative business model is often mostly a matter of serendipity." When taken to the core, all business models run on two levers: pricing and costs. The art is to correctly determine, as Peter Drucker eloquently stated in his theory of the business, the set of "assumptions about what a company gets paid for."

ESTIMATED QUARTERLY U.S. RETAIL SALES: TOTAL AND E-COMMERCE
(Estimates are based on data from the Monthly Retail Trade Survey and administrative records.)

QUARTER	RETAIL SALES (Millions of dollars)		E-COMMERCE AS A PERCENT OF TOTAL	PERCENT CHANGE FROM PRIOR QUARTER		PERCENT CHANGE FROM SAME QUARTER A YEAR AGO	
	Total	E-commerce		Total	E-commerce	Total	E-commerce
Adjusted							
2nd quarter 2020(p)	1,310,973	211,505	16.1	-3.9	31.8	-3.6	44.5
1st quarter 2020(r)	1,364,197	160,414	11.8	-1.2	2.4	2.1	14.8
4th quarter 2019	1,381,250	156,581	11.3	0.5	2.2	3.9	16.6
3rd quarter 2019	1,374,212	153,274	11.2	1.1	4.7	3.9	17.3
2nd quarter 2019	1,359,250	146,394	10.8	1.8	4.8	3.2	13.8
Not adjusted							
2nd quarter 2020(p)	1,331,284	200,720	15.1	4.6	37	-3.4	44.4
1st quarter 2020(r)	1,273,055	146,539	11.5	-12.8	-21.1	2.9	14.6
4th quarter 2019	1,459,855	185,700	12.7	6.0	27.7	4.1	16.3
3rd quarter 2019	1,376,996	145,474	10.6	0.0	4.7	4.4	18.0
2nd quarter 2019	1,377,667	138,956	10.1	11.3	8.7	3.5	13.9

(p) Preliminary estimate
(r) Revised estimate

AMAZON: MERE PENNIES OF PROFIT
Per Dollar of Revenue



It was 1999 when Amazon as a company first topped $1 billion in sales, and internet enabled commerce was a mere 0.5% of total retail sales in the United States. Amazon's operating expense was 3x larger than its gross profit that year, and the company suffered a net loss of 44 cents for every dollar of revenue. CEO Jeff Bezos made clear to investors in his first letter to shareholders printed in 1997, and reprinted every year since, that the company was going to be focused on "bold rather than timid investment decisions" with a "focus relentlessly on our customers." The company was in pursuit of a long term victory as the CEO stated then "this is Day 1 for the Internet and, if we execute well, for Amazon.com... online commerce saves customers money and precious time."

In the two decades that have passed, e-commerce has risen to 16.1% of total retail sales in the United States according to the latest data from the U.S. Department of Commerce1.

1 The Quarterly Retail E-Commerce sales estimate for the third quarter of 2020 is scheduled for release on November 19, 2020 at 10:00 A.M. EST. If we want to update the data.

While the data shows that total retail sales declined 3.6% from the prior year, growth in e-commerce registered at 44.5%, sharply eclipsing the typical growth rates of 15-17% seen in prior years.

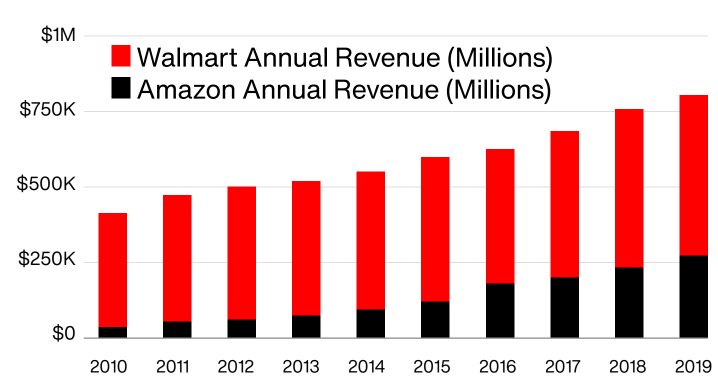
Since its IPO in 1997 at a split adjusted share price of $1.50, management of Amazon has stayed true to its North Star. By keeping its focus on satisfied customers and constantly reinvesting free cash flow back into the business, the financial markets have rewarded investors with a stock price of well over $3000 per share. This is an ROI of over 200,000% (not a typo) and an annual return during the 23.5 years since the IPO of 38% per year. Competition has learned that it is difficult to battle with a company that is allocating decades of time for its dominance and excellence to permeate the market before generating profit leverage. Today Amazon boasts over 150 million subscribers to its Prime service, and is on track to generate $375 billion in turnover in 2020 according to Interbrand research estimates. Amazon is in the forefront of utilizing both robotics and artificial intelligence to improve efficiency for customers and remove costs. The company acquired Kiva Systems in 2012, now called Amazon Robotics, to drive automation of the warehouse picking and packing process. Amazon let the contracts that Kiva had with other customers expire, and is now the sole user of the technology. The Associated Press reported this year that Amazon uses over 200,000 robots, up from a reported 100,000 robots working in Amazon warehouses in 2017. Even with the robots, the company is a relentless hiring machine adding over 250,000 employees since the start of the pandemic in February 2020 to add fulfillment capacity. The most recent headcount for the company

stands at 1,125,300, the first time the company has crossed the million employee mark, and a 50% growth rate in employees year-over-year. These workers in Amazon fulfillment centers share space with a multitude of different robots, a compelling dance of man and machine. The company also leans heavily on its artificial intelligence to recommend products. Piecing together a product graph from machine learnings based on historical purchase grouping, browsing history, and buying history, the company is reported to generate as much as 35% of its revenue from its AI driven product recommendation engine.

For all the serendipity of having the right mindset to capitalize on internet enabled commerce, the company still barely generates a nickel of profit on every dollar of sales despite its $1.5 trillion market valuation. As a reference, Apple generated 21 cents of net profit for every dollar of revenue in its most recent fiscal year.

There was another entrepreneur that made investors swoon in the early days of e-commerce. This was Jack Ma, who sold a 30% stake in his privately-held Alibaba to Yahoo in 2005, while merging in the assets of Yahoo China. The transaction was meant to counter the growing dominance of eBay as a retail platform, but the investment in Alibaba would prove to create far more value for Yahoo investors than any of the multitude of businesses and acquisitions that Yahoo management pursued in its entire history. When Jack Ma would take the stage at Yahoo events, the room was electrified, and investors took notice. Under Mr. Ma's leadership, Alibaba would replicate in China many of the successful business ideas emerging from Silicon Valley including retail, payments, lending, and cloud services. The company even made a holiday, singles day, on 11/11, that started in 2009 as a light hearted way for people to purchase a gift for themselves. This year, the event featured a live stream concert by Katy Perry and generated over $75 billion in sales, 8x the cyber Monday sales for the U.S. in 2019 per Adobe Analytics. It is no surprise that Amazon launched Prime Day in 2015, its version of an annual shopping event. Last year, Amazon celebrated with a Taylor Swift concert. These events demonstrate the growing co-mingling of commerce and spectacle.

COMPARING WALMART TO AMAZON REVENUE



THE WEIGHT OF INFRASTRUCTURE

While it's laughable now, it's entirely possible that Sears, Roebuck, and Co. could be the company still holding the retail crown instead of Amazon. It's a similar story. Sears mail order growth came from rural consumers seeking an alternative to expensive general stores that lacked scale and buying power. Sears offered a deep selection of products published via its "Consumers Guide" catalog that often exceeded 500 pages. The company sold everything, and its catalog declared itself a "Book of Bargains: A Money Saver for Everyone". Handwritten notes, a money back guarantee that started in 1903, and a slogan that claimed "We Can't Afford to Lose a Customer" showcased the laser focus on customer service and quality.

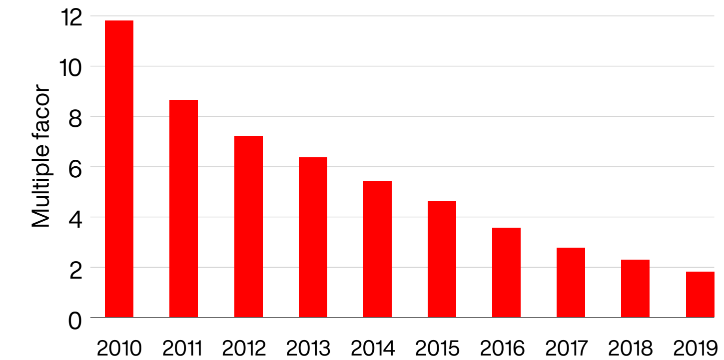
The firm went public via Goldman Sachs in 1906, the largest retail public offering ever at the time, and opened a 40 acre logistics center in Chicago - the middle of the United States - that was lauded for its efficiency. When the company started opening stores across the country in the 1920s, it was unwittingly planting the seeds for its eventual downfall.

Noted academic Clayton Christensen touches on this point with his statement that "the reason why it is so difficult for existing firms to capitalize on disruptive innovations is that their processes and their business model that make them good at the existing business actually make them bad at competing for the disruption." In other words, keeping up with the times is not so easy.

Which brings us to Walmart. The company that will once again generate more revenue than Amazon in 2020. A company that has 265 million customers each week and a global footprint of over 11,000 stores in 27 countries. A company

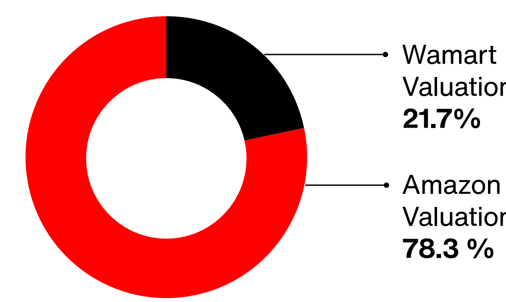
WALMART REVENUE

as a Multiplier of Amazon Revenue



$2 TRILLION OF MARKET VALUE

As of 18th Nov, 2020



that has 50 years of supply chain excellence, embraces technology, offers a wide selection and low prices. It is the largest business by revenue in the world, it has been the largest business by revenue in the United States for over two decades, and is thought to be the source of demise for small businesses across the globe.

Walmart is also a company that is in the middle of a major overhaul. Despite its clear heft, its leadership position is eroding.

Shown another way, one can see the steady erosion of Walmart's leadership, from booking 12x the turnover of Amazon in 2010 to booking less than 2x Amazon revenue in 2019. Interbrand research estimates that Amazon will eclipse Walmart revenue by 2024.

There is a reason that investors value the business of Amazon three times what they value Walmart. Even though Walmart's September quarter results materially exceeded investors expectations with revenue growth 5.2% and an increase of average purchase size by 24%, the thinking is that browsing in stores is an outdated concept.

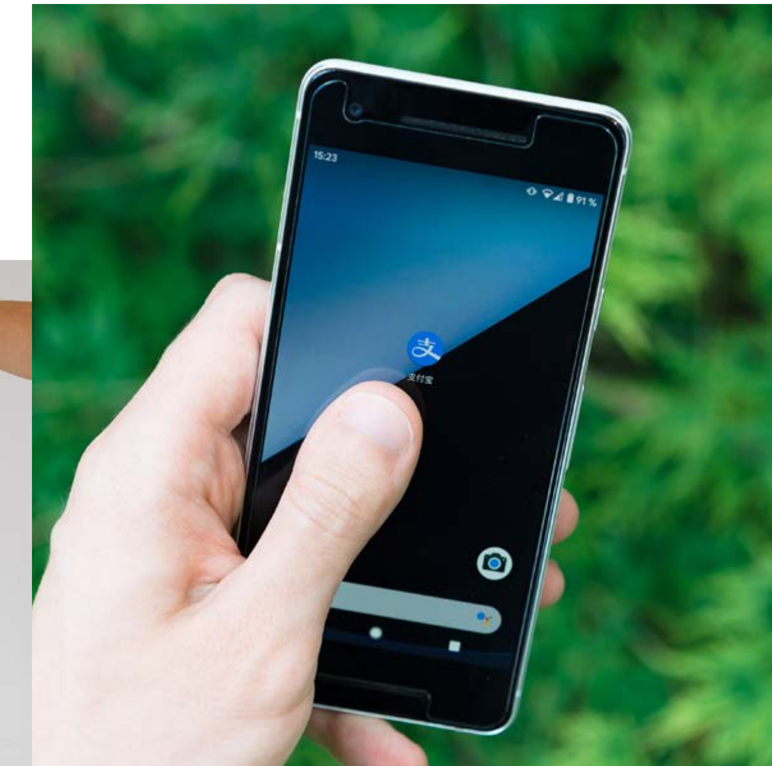
To solve its dilemma, Walmart is taking an approach to redesign its store with more open space, larger signage and contactless payments. The cues for the store redesign come from the interior of airports, using best in class navigation techniques to move volumes of customers where they need to go efficiently. There is another key component of the redesign that is critical for Walmart's future. From the company press release: "As customers enter the store, they are greeted with clean, colorful iconography and a store directory that encourages them to download and use the Walmart app while they shop". By offering

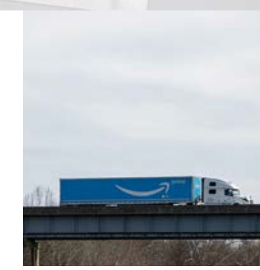
KEY RESULTS
(Amounts in billions, except as noted. Dollar and percentage changes may not recalculate due to rounding)

WALMART	Q3 FY21	Q3 FY20	CHANGE	
Revenue	$134.7	$128.0	$6.7	5.2%
Revenue (constant currency)	$135.8	$128.0	$7.8	6.1%
Operating income	$5.8	$128.0	$1.1	22.5%
Operating income (constant currency)	$5.8	$4.7	$1.1	23.7%
Adjusted operating income (constant currency)	$5.8	$4.7	$0.8	16.4%

in-store navigation via the app, Walmart creates an incentive for its customers to download and engage with their mobile phone, both in and outside of the store. As the company says "a transformational journey... reimagining ways to create seamless omni-shopping experiences that save our customers time and inspire them whether in-store, online or via mobile." This strategy may allow the company to turn its large footprint of stores into an asset, not a dead weight, as the dense store network can play a larger role in its e-commerce future. Walmart's existing footprint is structured so that there is already a store within ten miles of 90% of the U.S. population according to the company. These stores are served by a network of 150 distribution centers, with each center supporting 90-100 stores in a 150 mile radius. This means that the inventory consumers are seeking is already forward deployed to its stores and within 10 miles of the customer, an advantage that the company needs to better exploit.

Walmart also has an inherent advantage with consumer packaged goods (CPG). A highly competitive sector because of saturation and low switching costs, Walmart is able to better offer the edge that brands fight for, including shelf space and signage. A recent price comparison study also shows that Walmart has the best prices on home goods (detergent, soap, toothpastes) compared to Amazon and Target, although the price differential was generally less than





2%. The thinner margins of CPG also make the products well suited for omnichannel commerce, with the ease of mobile and e-ordering, and the cost advantage of not shipping often weighty products.

CLOSING THE LOOP

Mastercard eloquently stated "payment is only the final step in a customer journey that should be an enabler and not a barrier to the completion of a purchase. Both consumers and retailers demand simplicity, seamlessness and safety". The company lays out the challenges facing retailers in breaking down the siloed channels of payments that can happen between point of sale and in-app purchasing solutions. The payment goal for retailers is three fold:

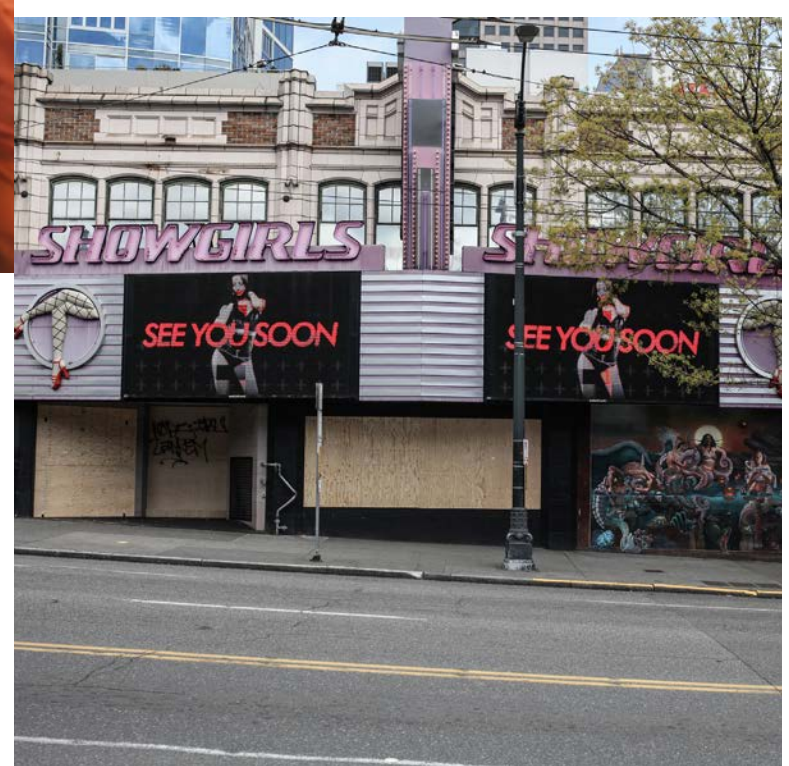
- Have payments be consistent across all platforms,
- Have payments be a seamless process that transitions across platforms, and
- Have the payment process and relevant information feed into the company data warehouse.

The last point is important because this is the area where retailers can close the loop between the various expressions of interest in a product that a customer may express in an omnichannel environment. This includes looking at the product online and purchasing in the store, seeing the product in store and purchasing online, or other combinations.

Here it is worth a look into a product offering that is not often included in a discussion of the retail sector. This is the category of products with the special price of zero. Consider Google, a company that offers 9 products that have over one billion users each. These products include Search, YouTube, Maps, Gmail, Drive, Photos, Play, and Android.

All these products are offered to its customers for the special price of zero. The company is worth over $1 trillion dollars on the back of these free products. Facebook has over 2.7 billion monthly users of its free products. Both of these companies are pushing into payments as it allows their advertising model to become more efficient by closing the loop on consumer transactions.

Google just announced an extensive revamp of its Google Pay service including a new offering of checking accounts in partnership with major banks. Home assistant devices like Amazon Alexa and Google Nest Mini are increasingly being given away or sold below cost because the value of the data insight and presence in the consumer's home has a longer and more enduring value than any small one-time profit from the hardware sale. Just like the classic late night TV pitch "Yours Free! Just pay shipping and handling..." we expect to see more innovation in this area as retailers experiment with price in relation to the value of the data that is collected.



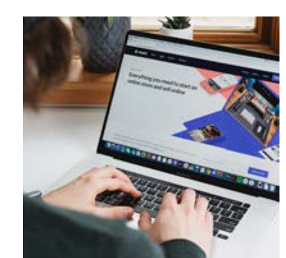
THE WRAP UP

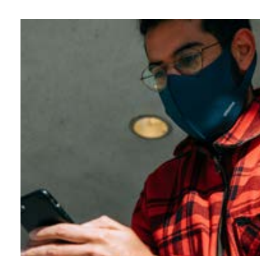
"We at BMW do not build cars as consumer objects, just to drive from A to B. We build mobile works of art." Chris Bangle, Chief of Design, BMW Group 1999-2009

The business cycle moves at different speeds, with acceleration in one part of the world igniting a butterfly effect across the globe. In the current climate, advanced economies see production as holding less value than knowledge and human capital. In the United States, the number of actual, physical buildings used for manufacturing fell below the number of actual, physical buildings used for warehousing in 2001, a clear marker in a time chart that distribution had become more primary than production in the country. It all leads to change, and 2020 has proven to be an accelerant for change that has no compare in recent history. The year has forced people to reassess their consumption and patterns, often due to Government lockdowns. Health concerns compressed technology adoption that may have taken a decade into a three-month time span.

Customers are fundamentally reappraising themselves, questioning how they want to be consumers going forward, if at all, and demanding that brands that serve them follow suit. Brands that desire to stay relevant need to anticipate tomorrow by understanding what people are doing today. It is a reminder that Blockbuster could have been Netflix, Yahoo could have been Google, Oldsmobile could have been Tesla.

To end with another quote from Gary Hamel, "In a world of commoditized knowledge, the returns go to the companies who can produce non-standard knowledge." It can be as simple as listening closely to your customers.





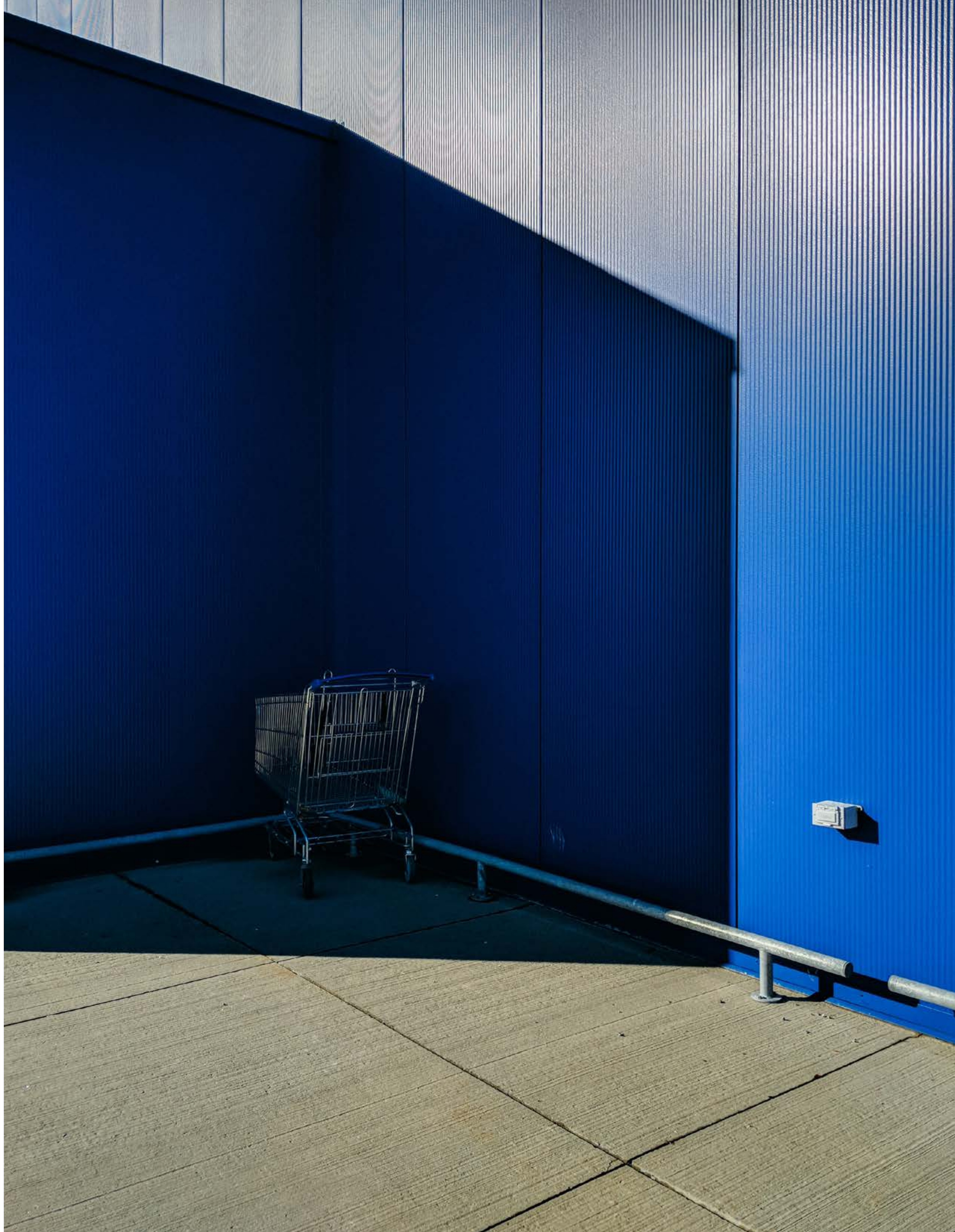
CHRISTIAN PURSER
CHIEF EXECUTIVE OFFICER, INTERBRAND LONDON
EMMA ELLIS
EXECUTIVE DIRECTOR, BUSINESS DEVELOPMENT, INTERBRAND LONDON

The Interbrand view: Convenience versus relevance →

Give Me Convenience Or Give Me Death sounds all too much like a plausible slogan for today's retail consumers. It's actually the title of an album by punk band The Dead Kennedys, but it seems very relevant in today's age of click-and-buy commerce.

But is convenience truly all people want? How about relevance? Or experience? Or purpose? Or the fulfilment of higher-order needs, rather than just seamless acquisition?

Of course, the retail landscape has changed due to Covid. The pandemic has created a new precedent for shopping online – in October 2020 in the UK, for



instance, according to the Office for National Statistics, store sales dropped by 3% but online grew by a startling 53%. And this could prove to be a permanent shift. Behavior is notoriously hard to change, so if people have changed their behavior to shop online it's unlikely that they'll revert back to pre-COVID norms.

Amazon is, of course, the poster child for e-commerce, even if it's not yet as dominant as many people assume. In the UK it has less than a quarter of the online retail market, for instance, and in the US it's around 39% – and it has even lost a little market share recently to rivals including Target and Best Buy. Amazon has encouraged shoppers to shop online, though, and has created an opportunity for other brands by normalizing that behavior.

What Amazon has locked up, though, is convenience, moving to a model of same-day delivery which is going to make it difficult if not impossible to compete on convenience at scale. Amazon has stated that its mission is to be the world's most customer-centric business; an aim that can be delivered through its superlative use of data.

That is Amazon's greatest strength – but also a potential weak spot, because it can't offer what it can't measure. What about needs that customers don't have? Or needs that customers don't yet know they have? Or what about meeting needs, or inventing needs, that customers don't have today – needs that can't be measured in raw data, like the need for socialization, the need for leisure or the need for inspiration? Needs are neither static nor amenable to a mechanical analysis.

We have identified three areas where the needs of the shopper are changing, leading to opportunities for smart retailers. The brands that have been good at adapting are clearly gaining, but it's the ones that think about the creating the next-generation new experience that will ultimately win.

RELEVANCE

People are moving to new neighborhoods as at-home time increases, and the changing scope of where people live will have a major impact on the future retail experience, where it is, and the role it will play in people's lives. Changing city landscapes and communities have re-emphasized the local and the value of independent, close-to-home retail. These retailers' connection with their environment and community is crucial. The local experience is ultra-connected – it's all about the quality of the proprietors and their customer service.
There's an even more tangible use right now for local stores – the US Department of Health and Human Services has signed on dozens of grocery and pharmacy chains – including Kroger, Albertsons and CVS – to provide Covid-19 vaccines.

ENGAGEMENT

The experience retailers create for their shoppers needs to be omnichannel, relevant, and paired with the right influencers and brand collaborations. This can involve easy shopping for products, or conversely just showrooming products to facilitate online sales.

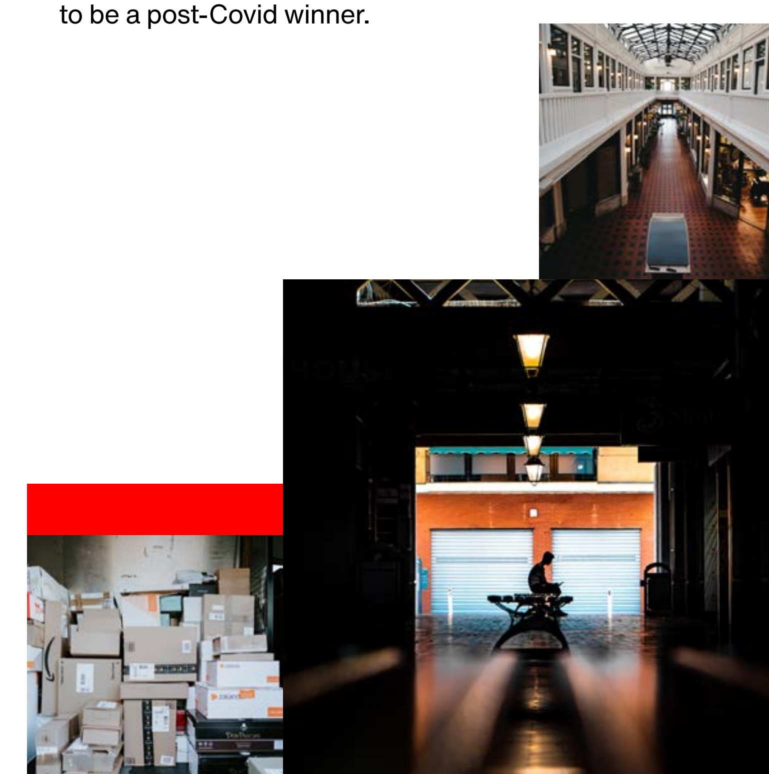
LEADERSHIP

The leadership of brands with a common purpose to the consumer is key. The people behind businesses are now more closely scrutinized; their ethics and values are seen as part of the brand's value, and its influencers and ambassadors also need to live up to their promises.
One good recent example of common purpose was when UK supermarket chain Sainsbury's ran a Christmas advertisement, featuring a Black family, which became a focus for racists on social media. The collective force of the entire industry came together in support: rivals Aldi, Asda, Co-op, Iceland, Lidl, M&S, Sainsbury's, Tesco and Waitrose staged a back-to-back ad break with the tagline #StandAgainstRacism.

These are all areas where retail has much more to offer than convenience. History tells us that kind of functional relationship with buying is at odds with what we know consumers want, and that shopping plays a much bigger part in people's lives than merely the acquisition of products.
Maybe the problem isn't necessarily the rise in dominance of tech, it's the absence of relevance in the physical space. Shopping at its best can be more than an experience. It's involved with self-actualization and self-esteem – there are a lot of higher-order emotional things going on when people go shopping.
In evolved consumer societies such as the USA and Europe, we don't buy because we need, we buy because we want. There are higher-order needs that we express through shopping that present opportunities on which other retailers can compete; the higher up the needs ladder we go, the more successfully we satisfy those needs, the harder it is to replicate, because it becomes intangible. And intangibility is one thing that technology is very bad at.

What's great about retail is that it's about the needs that people have around socializing, sharing, dreaming and imagining – answering that question of "who do I want to be, what things am I putting in my house, what am I saying about myself?" There's a sense that with great retail you're continually reimagining yourself; you're building a new image of yourself.

What does the next successful retailer look like? Purpose will be key. Offering relevance, and a unique experience will be vital. And it will be crucial to offer an omnichannel experience – those with all of those things plus a strong e-commerce offering have the optimum opportunity to be a post-Covid winner.



CHRISTINA STAHLKOPF
ASSOCIATE DIRECTOR, RESEARCH & ANALYTICS, C SPACE

The customer view: Credibility is the challenge →

There has been much discussion about Amazon's perceived dominance in the e-commerce market, and who could become a credible rival. One of the names often mentioned in this sphere is Walmart. The grocery giant seems to have all the necessary credentials – it has the sheer size, the financial heft, the brand awareness and the logistic capabilities. And it has been building out its own ecommerce arm too.

But of course, it isn't analysts and industry commentators who decide whether a company will be successful, but customers. And what they're saying, from our research, is that Walmart has some work to do on how it is perceived.

One of our most interesting findings is how an individual company can perform quite differently depending on what industry the consumer places it in. When it comes to Walmart, customers have different experiences with the brand and different brand perceptions depending on whether they see it as a grocer, a discount store or an internet retailer. Walmart has made a conscious effort to focus on grocery in the past couple of years and it shows, with Walmart garnering their highest ratings here.

Walmart is now making a real effort against Amazon with Walmart+, their own version of Prime. Yet here we see Walmart's poorest performance. Consumers don't yet see them as an internet retailer, and their customer experience when placed within the context and mental map of internet retail leaves something to be desired for consumers.

So how can Walmart look to become more competitive in the internet retail space? Of course it could benchmark itself against to Amazon, but that leaves Walmart chasing rather than leading. More interestingly, Walmart could start by looking at where it's performing well and where it's performing poorly across industries.

We have seen some very interesting cross-industry moves from big players just recently – for instance Google's move into banking with its Plex partnership, and Amazon making its broadest push into healthcare to date with Amazon Pharmacy. But while these companies seek to reduce friction in the customer experience and push those industries forward – which they will no doubt do – our data suggests that there is more to cross-industry moves than Google's version of personal finance and Amazon's version of Pharmacy.

One good example of successfully keeping the customer satisfied is HEB – a regional grocer in Texas – which has been able to hold off Amazon Fresh, and this year achieved the status of #1 grocer in the US in the third annual dunnhumby Retailer Preference Index (RPI), a comprehensive, nationwide study that examines the $700 billion U.S. Grocery market. The RPI study surveyed 7,000 U.S. households to determine which of the top 60 largest grocery retailers have the strongest combination of financial performance and consumer emotional sentiment, and for the first time, HEB was rated the top U.S. grocery retailer, bumping Trader Joe's from the top spot, which the discounter has held the last two years. The regional grocery retailer from Texas also jumped ahead of Amazon and Costco.

Jose Gomes, President of North America for dunnhumby, said: "If they can compete on price and quality – the value core for grocers – they are especially well-positioned to fend off the growing threat of non-traditional players. Retailers with Customer First strategies are most likely to fare best."

Our CXC customer data over the past few years has pinpointed the foundations of HEB's success – their customers rate them very highly, particularly on trust, quality and sense of belonging. While Amazon Fresh pulled ahead on personalization of experience, and very slightly on being time-efficient, it couldn't match the Texas store on the key industry driver, trust.

As companies like Walmart, Google and Amazon increasingly start to play in different sandboxes, the important point will be how they bring a version of themselves into that environment in a way that remains authentic to them, but which meets and ideally surpasses the right consumer drivers for that space.

So far, our customer panels are telling us that Walmart hasn't managed to translate its offline grocery credibility into the online area. But that doesn't mean that it won't or can't in the future. And there are other potential challengers in the game too, who also have a great interest in persuading their loyal customers to follow them – wherever they go next.

NEIL LINDSAY,
VP OF PRIME AND MARKETING FOR AMAZON CONSUMER BUSINESS.

02

amazon

+60%
200,667 $m

The brand view: Future is an attitude →

> “At our best, we’re enabling the triumph of the everyday hero”

Neil Lindsay

How has Amazon adapted to the challenges of 2020? We’ve all had many challenges in 2020 as companies and as individuals. Clearly our number one priority has been making sure our environment is safe for our employees. We’ve been aiming to get people what they need, in terms of essential items and groceries, and getting it to them reliably and fast. That’s always been a big thing for us. It’s an important part of who we are, what we do every day and what we invent to ensure that we can deliver the things people need reliably and fast. It’s been challenging this year, but we’ve adjusted. We’ve adapted to that challenge to get customers

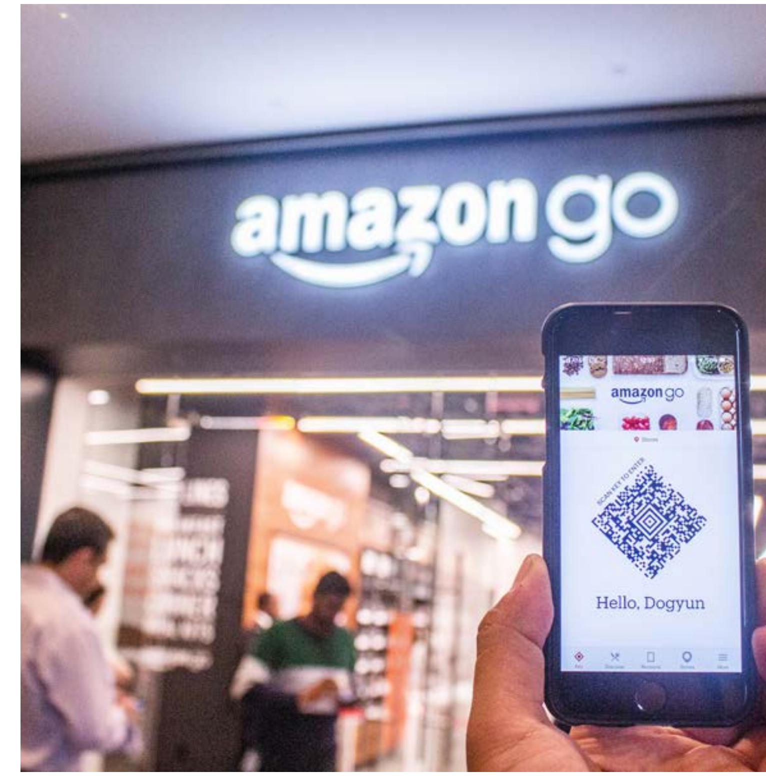
the things they need most, which have been different to what they've traditionally needed.

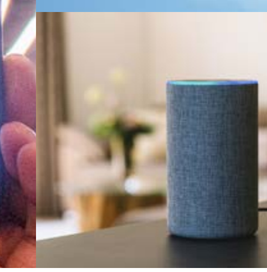
The past six months have been hard in many ways. Particularly, obviously, for the people who've had to deal with the pandemic personally, either with their families or others getting sick; it's been a terrible period for many, many people.

But from a business perspective and for us as Amazon, it's been about adjusting to the working-from-home environment but, even more importantly, adapting to make sure our employees are safe, whether they're working in offices, working out of distribution centers, driving trucks or flying planes – getting our environment to be safe as possible so that we can deliver to customers those essential services that they need.

How does Amazon relate to its customers? Has that changed?
The relationship between Amazon and its customers is something that we earn every single day. We're grateful for the trust customers put in us, but we often say: "it's always Day One." And the reason we do that is that we recognize that customers can get dissatisfied quickly – yesterday's invention becomes today's new normal, and we have to get up tomorrow and invent on behalf of customers to make their lives a little easier and a little better and a little bit more fun, in order to earn their trust every single day.

When I think about the relationship we have with customers, I often think about stories I've heard from some customers when they say they love Amazon – the deepest relationship typically comes with a story about how we've enabled them to have a moment of triumph. Like when customers tell us that we were able to deliver that thing they needed just on time that made them a hero in the eyes of their family, their colleagues or friends, whether it be the perfect gift or something that solves a problem. What I get most excited about is that at our





Our job is to make our customers' lives a bit easier, a bit better and a bit more fun

best, we're enabling the triumph of the everyday hero. And that's the core of what we try to do and why we're inventing every day.

Has COVID-19 helped or hampered the brand's ability to build meaningful emotional connections with your customers?
Covid has maybe changed some of the very specific things customers need now, but it hasn't changed the fundamental basis of our relationship with customers. Our job is to offer selection, value and convenience to make our customers' lives a bit easier, a bit better and a bit more fun. So the relationship is first and foremost about meeting our promises, and our commitments to our customers. But beyond that, I also think our customer relationship is that of a "small b" brand. The relationship they have with our brand is an output of the customer experience. A "capital B" Brand might have a manifesto that defines the products they build and so forth. But for us we're "capital C" – Customer obsessed, which puts the focus on the things we need to invent.

How would you say Amazon is having a positive impact on the world?
Our job at Amazon is first and foremost to make sure that we deliver on our promises to our customers with the products, services, and content we deliver. But we have a responsibility over and above just serving our customers. And that is to find the best future we can

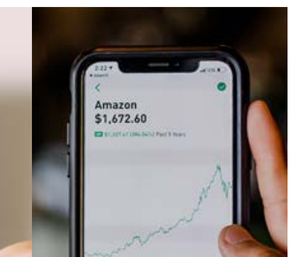
together with our customers, with our employees, with the communities we operate in, and frankly, in the world at large, which is why we have efforts like the Climate Pledge. It's why we're determined by 2040 to reach net carbon neutrality. And that's going to take a lot of invention on our part. It's why we invest in things like Career Choice to help our employees grow and find careers, whether they're in Amazon or even outside of Amazon. It's why we invest in employees, in programs, and in communities – like Mary's Place here in Seattle, where we've provided space to help deal with homelessness, particularly for single-parent families.

Our responsibility is to leave this place a lot better than we found it every single day. And we're committed and work hard to do that in many, many ways.

What do you see in the near future for Amazon?
Beyond 2020, I'm hoping clearly for some level of back to normal, but I know the new normal is going to be different to the old normal. There's a lot of ways we've all had to adjust. I'm looking forward to connecting with friends in person again, rather than just over video conferencing. And frankly, we all need a few hugs. It would be good to be close enough to do so.

There's lots of exciting things ahead of us clearly as a business. And we all need to be optimistic about the future – optimism believes in better; optimism with grit makes things better. The key for the future is for us to be optimistic and to work hard at making things better.

We are in business to serve our customers in ways over and above what they expect above what they expect.



What is your future vision for brands in 2021 and beyond?
First and foremost, brands are about making sure they deliver on their promise. We are in business to serve our customers and to serve them in ways over and above what they expect. That's the number one job, but brands obviously have a bigger obligation. Brands are like people; we all have a story to tell, we have a personality. We all have things that we stand for.

And it's becoming increasingly important that brands need to be clear about who they are and what they stand for. Our responsibility as marketers is to amplify the truth about why we do what we do and how we do it, and to make sure that people understand our motives. Other brands have things that they stand for as well. People expect brands to make a difference. And I'm excited that we're able to.

56

-5%
11,246 $m

The brand view: Transparency and transformation →

"We have accelerated our store and digital transformation to be ahead of shifting customer behaviors"

Since Starbucks first began navigating COVID-19, our goal has been to lead with partner care, transparency and decision-making based on facts and science. To accomplish this, our leadership team – led by Kevin Johnson, Starbucks CEO – established three simple principles early on that have guided us since the beginning of this global pandemic:

- Prioritize the health and well-being of our partners and customers
- Support local health and government officials as they work to contain and mitigate the virus
- Show up as a responsible member of the 32,000 communities in which we are the "Third Place".

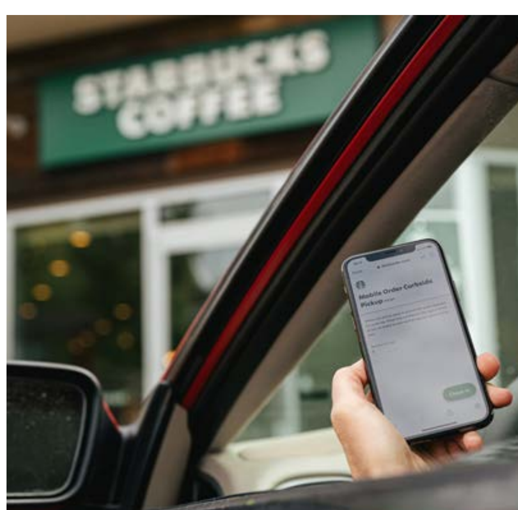
Staying true to these three principles has enabled quick and agile decision-making around the world, and they guide us to this day. These guiding principles continue to serve us well as we move beyond the “mitigate and contain” phase into the “monitor and adapt” phase, enabling us to re-open the vast majority of our stores around the world while meeting public health guidelines and evolving customer behaviors and expectations.

Currently, 99% of all Starbucks stores in China are open. As local regulations have evolved in China, half of our stores are open with full seating, while the rest offer socially distanced seating. Today, more than 95% of U.S. company-operated stores are operating at various levels of modified operations, and the 5% that remain closed are primarily located in the New York City metro area.

We continue to work towards recovery in the U.S. and have communicated our progress transparently through 8-K filings; we will have additional updates on our quarterly earnings call shortly. We have navigated the various phases of COVID and we are now on a solid path to recover the business. Stores have reopened and customer visits are increasing.

As we have navigated COVID-19, we have been mindful in addressing the needs of our partners and the communities we serve. This includes meaningful investments since the early days of the crisis. When we closed our stores, we continued to pay partners, whether they worked or not, through expanded Catastrophe Pay.

Additionally, partners who were able and chose to continue to come to work were eligible for Starbucks Service Pay, an additional $3 per hour for shifts worked as scheduled. We provided solutions to support our partners through our benefits: health care, mental health and wellbeing, childcare, paid sick leave, COVID specific benefits for quarantine and caring for a loved one who was ill with COVID.



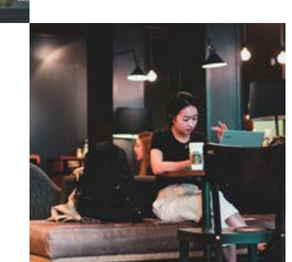
We also addressed the needs of other stakeholders:
- Keeping our customers safe with store protocols developed in partnership with the CDC
- Providing free coffee to the health workers and front-line responders who were caring for others
- Supporting our supply chain partners and paid rent to our landlords on time
- We have been transparent with shareholders and paid the quarterly dividend through the downturn

We have done all of this by staying true to the mission and values of the company – and this builds trust and confidence in the brand and in our future.

We are also now laying the foundation for a more transformational phase to “restore and build resilience”, where we asked ourselves the question, how will the COVID experience alter consumer behavior going forward? We know that safe and familiar experiences, where customers order on the mobile app for either pickup or delivery, will be very relevant to customers going forward. In fact, consumers have been embracing these experiences for the past few years. Prior to the COVID-19 outbreak, around 80% of Starbucks transactions in U.S. company-operated stores were “on-the-go” occasions.

This doesn’t mean that customers will no longer seek a warm welcoming place to sit and enjoy their beverage with friends, neighbors, family or colleagues, but it does mean that it is time for us to optimize our store experiences by blending various store formats, such as pickup, curbside and drive thru, with our traditional Starbucks stores.

This work was already well underway and, we have accelerated our store and digital transformation to be ahead of shifting customer behaviors for the long term.



Today, more than 95% of U.S. company-operated stores are operating

JULIE BRAMHAM,
GLOBAL BRAND DIRECTOR, JOHNNIE WALKER

98
JOHNNIE WALKER
New
4,555 $m

The brand view: Tradition plus innovation

→

“We will be looking at how we can continue to push the boundaries of what is possible”

Julie Bramham

How has your brand reacted to the events of 2020? Is there anything you would call out that the brand has done that exemplifies the Johnnie Walker approach? How are your customer’s and consumer’s needs changing and how is Johnnie Walker responding?
Obviously 2020 has been a very difficult year for everyone as we continue to face up to the challenges of the global pandemic. We had big plans in 2020 to celebrate the 200th anniversary of our business but we, like the wider world, put many of our plans on hold.

One thing we’ve kept in mind this year is that Johnnie Walker was born out of adversity. Our founder, John

Walker, actually began this 200-year journey following the death of his father – the decision to sell the family farm and buy a small grocers shop in Kilmarnock was the first step on a journey that led us to where we are today. The spirit of Johnnie Walker – of progress and our message ‘Keep Walking’ has sustained us in difficult times throughout our 200-year history and helped us through the challenges of 2020.

Throughout the year it was massively important to us to support our wider industry – knowing the impact the events of 2020 have had. During the summer Diageo, our parent company, announced a global programme - Raising the Bar - to support pubs and bars and help them to recover following the pandemic. The programme provides targeted support to help pay for the physical equipment needed for outlets to re-open. For example, in the UK, Diageo is providing initial funding for: ‘hygiene kits’ with high-quality permanent sanitiser dispense units, medical grade hand sanitiser and a range of personal protection equipment (such as masks and gloves); help to pubs and bars to establish partnerships with online reservations and cashless systems; mobile bars and outdoor equipment. Our spirits facilities were also adapted to create millions of bottles of hand sanitiser for people around the world.

We also wanted to ensure our whiskies could still be enjoyed, albeit in new ways! It is obvious that the very simple act of getting together and enjoying a whisky has been a real challenge for people and will continue to be for the foreseeable future. People are spending more time at home, in smaller group celebrations, that means it was and is important for Johnnie Walker to adapt to those changes, and make sure the brand stays relevant. We do this by being innovative in the way we think about our brand. As consumers shifted to at-home cocktail-making we launched new initiatives like Johnnie Walker ‘Kitchen Sink Drinks’ - inviting people to submit ingredients they had at home to our bartenders, who showed them how to mix them into delicious Scotch cocktails.

Keep Walking means thinking about the future and persevering through challenging times – we don’t think the phrase has ever been so relevant to the world at large.

What have been the biggest lessons in 2020 and what will you be taking forward into 2021?
We think it has been wonderful to see how people have adapted to the challenges that the global pandemic poses. It is more difficult to gather in big groups, so people have been finding innovative ways of coming together (mainly digitally) to enjoy our whiskies and serves – we expect that focus on the at-home occasion will stay and maybe even change the way people consume our whiskies forever. It is important for us to adapt to that and to provide ways of engaging with people that takes this change into account.

Keep Walking means thinking about the future and persevering through challenging times

It has been wonderful to see people come together in our industry to rise to the challenge of these difficult times - that has been an inspiring lesson in the power of community.

After 2020, I do not think that we'll ever take for granted the simply joy of sharing a drink with friends in a great bar.

Have the last 12 months reaffirmed or changed your view on how brands need to exist and operate, both now and in the future?
We have the same pioneering spirit that our founder John Walker had when he first threw open the doors to his small grocery store all those years ago and that is something that we will continue to keep at the forefront of our minds. The last 12 months have reaffirmed that ideal. That defining spirit, which is part of our DNA, has remained the same for two centuries and we intend to hold true to that. We also believe that this will help us thrive into the next 200 years.

What is next for the Johnnie Walker brand – where will you be focusing activity in 2021?
We look forward to carving a new path for what we believe whisky can be in the future.

We are opening Johnnie Walker Princes Street, a new multi-sensory, immersive visitor experience in the heart of Edinburgh. This new destination, for whisky lovers, the whisky curious and the Scottish visitor, will help people discover the sensory world and endless possibilities of Scotch. Next summer we will open the doors to eight epic floors, two world-class bars, one spectacular roof terrace and an unforgettable whisky experience.

We want people to use Johnnie Walker Princes Street as a gateway to explore more and take off on a whisky adventure across Scotland and check out the brand-new visitor experiences opening at the distilleries of Glenkinchie, Clynelish, Cardhu and Caol Ila. These new and upgraded visitor experiences are part of a £180m investment from Diageo, the biggest concerted programme ever seen in Scotland's whisky tourism sector.

We also have big ambitions for the environmental impact of our brand. We've pushed the boundaries of quality and taste in Scotch, and we intend to tackle our sustainability goals with the same spirit.

We are reducing our environmental impact by lessening the carbon footprint of our whiskies and our packaging; for example, in 2020 all the plastic in our giftpacks was made from 100% recycled plastic. Alongside this, we are working to restore the natural resources we use when making our whiskies - particularly in our home in Scotland where we have committed to planting one million trees over the next four years. In fact, we've planted nearly half a million already. And we are leading by example as we look to reinvent our packaging and develop innovative sustainable solutions, including Pulp, which we'll roll out next year

This sustainability journey is massively exciting, not only because it unearths new and better ways for us do things – but by sharing those ideas with the wider spirits industry and beyond we can deliver real, impactful change for everyone.

As always though, whisky is at the heart of everything we do, and we will be looking at how we can continue to push the boundaries of what is possible. We'll continue to innovate with flavour to create whiskies and serves that thrill your senses. The passion and spirit of the pioneers who forged our business in the 1800s, driving it from the four corners of Scotland to the four corners of the world, will continue to inform Johnnie Walker. Restless, ambitious, committed; pursuing quality and flavour above all else; refusing to accept limits on ambition… we will always believe more is possible.

This is our driving passion, just as it was for our founders.

JOHN MACKEY,
CO-FOUNDER AND CEO, WHOLE FOODS

The brand view: Conscious Leadership

→

“Business exists to create value for other people”

John Mackey

You’ve written a new book called Conscious Leadership: Elevating Humanity Through Business, following on from one seven years ago called Conscious Capitalism, which was a best-seller. Why is the word ‘conscious’ so important to you?
Business, and capitalism in general, are both good. They have both really helped humanity. But they could be a lot better if we were more conscious. Generally what people say about business is that the purpose of business is to make a profit. But if you think about – if you become more conscious about it – that’s really not a very good answer.

What’s the purpose of a doctor? They make a lot of money, but their

purpose isn't to make money; their purpose is to help heal people. Teachers educate people. Architects design buildings. Engineers construct things. If you think about it, all the professions refer back to some type of value creation that they're doing to serve other people.

Business is all about value creation. Its profits are a by-product of value creation for other people. So the purpose of business is not really to make money. It's like the analogy that Milton Friedman, the founder of stakeholder theory, uses, which is that my body produces red blood cells. And if it stopped producing red blood cells, I'd die. But it doesn't follow that just because I must make red blood cells in order to exist, the purpose of my life is to produce red blood cells. No, I have a more transcendent purpose than that.

Similarly, all businesses need to make a profit or they'll die. That's just simple economic fact – if you make no profit, you will fail eventually in business. But it doesn't mean that's why the business exists – the business exists to create value for other people. That value creation is where their higher purpose can be discovered. But it will only be discovered if we become more conscious – if we become more aware of what business is doing and why it's doing it.

Another psychological framework you talk about in your book is the Jungian theory of the light and dark side.' You write that every organisation has a 'shadow side.' What does that mean?
The shadow is a very good metaphor, particularly when we're talking about conscious capitalism, because the shadow is the part that's not conscious, the shadow in ourselves, or parts of our own self, that we may not like or may be afraid of. But we are largely blind to it; we don't see it. Others see our shadow. And if we have people that really care about us they will gently point out to us when our shadow takes over, so to speak.

When it comes to the Whole Foods brand, where has that shown up and what effect has it had?
I'll give you one example of the shadow side of Whole Foods. 18 years ago, at the annual meeting of Whole Foods Market in Santa Monica, California, we got picketed by animal rights activists who accused us of selling factory-farmed meat.

At that time I was very upset. Back in 2003 I thought Whole Foods was doing a lot more than any other company. 'Why are you blaming us?' I thought. 'Why aren't you picking on Walmart, Kroger or Safeway? Why are you picking on Whole Foods? We care more about animals than anybody else!'

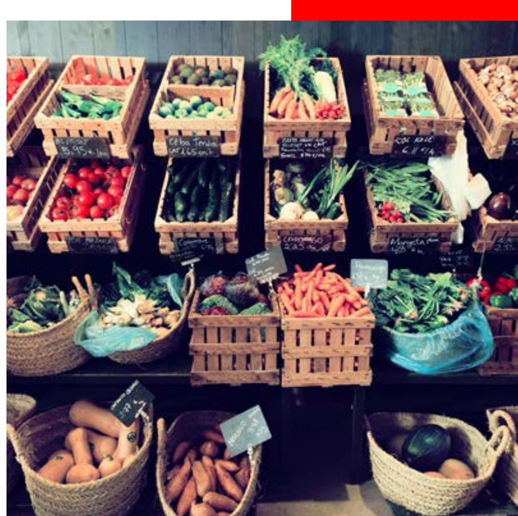
After I talked to the activists, they said: 'Well, we actually figured Whole Foods will listen. Of all people we thought you might listen.' This was a shadow side of Whole Foods. One activist challenged me. She said: 'Mr. Mackey, I can see that you're a very idealistic man. But when it comes to what's really happening to livestock animals, you're pretty ignorant about it. And you ought to educate yourself better.'

And I did. That summer of 2003. I read about a dozen books on livestock practices in the United States. And I was horrified. By the end of the summer, I decided that she was right, I was wrong. I decided to become a plant-based vegan, on ethical grounds, because I just didn't want to do harm to animals any longer.

And that's also when I began our pledge that Whole Foods Market would begin to become more conscious about our animal welfare practices. We asked the animal activists to work with us, along with scientists and farmers and producers, to try to develop a more humane approach with a higher degree of animal welfare practices.

So we took something that was a shadow for Whole Foods, became more conscious of it and then made changes in our behaviours. And that's happened a lot of times – that's just one good example of Whole Foods becoming more conscious as an organisation. Seafood sustainability is another one that we were definitely not very conscious of, but we have got more conscious. People like Greenpeace and Monterey Bay Aquarium helped us wake up to a shadow side of our practices that we weren't aware of.

What's next for you and Whole Foods around this mission?
Whole Foods is continually trying to evolve the quality of its food. And fortunately for us, there's a new crop of entrepreneurs – the millennial generation, in particular, that's now grown up and is moving into more leadership positions around the country in the world are very conscious of environmental integrity and sustainability. As they work their way through the culture they are pushing corporations, including people within Whole Foods, as well as our customers, to become more environmentally sustainable in many different ways, from food waste to emissions of all types, to just lowering the impact that we have on the environment and doing it in a more conscious way.



This is an area that's going to continue to grow and we'll continue to try to improve in. It's also something I know Amazon is passionate about. I do think it'll be very different in five or ten years from now. In terms of the quality of products, there are so many entrepreneurs who are inventing and changing whole new categories of foods.

But in terms of health, the biggest challenge we still have in America now is that we're 70% overweight and 42.5% obese. This is a huge challenge.

We are somewhat captive to our genes; when we evolved food was very scarce, and starvation was our biggest genetic problem for most of that time, so we really like calorie-dense foods, we like foods that have a lot of fat, a lot of sugar, a lot of salt. And, frankly, we are addicted to those foods. We can eat them three times a day – and too many of us do – and we're paying the price with obesity and the consequent health issues.

It's not just the next big thing for Whole Foods. It's the ongoing challenge of our culture – we have to evolve past this food addiction, we have to become more conscious. Obesity is a shadow side of America. It needs to come out of the shadow, and we have to be conscious in changing the way we eat. Otherwise, we're just going to kill ourselves.

You have to understand this is not a trend that stopping, it's getting worse every year. We're fatter than we were the year before, collectively.

We have to make a conscious decision to choose differently. And we can. You can change the way you eat, you can become more conscious of it. So if you ask me what's next I'd say that whole fitness challenge.

We have to make a conscious decision to choose differently. And we can

ALESSANDRA BELLINI,
CHIEF CUSTOMER OFFICER, TESCO

The brand view: Listening to customers faster →

“The whole business was tested from the perspective of clarity on priorities”

Alessandra Bellini

Can you tell us about Tesco as a business?
Tesco is a British grocer. It was launched 101 years ago by a guy called Jack Cohen in London. It currently operates in Great Britain and Ireland, in Central Europe and in Asia – Malaysia and Thailand. We have 6,700 stores around the globe and 400,000 colleagues; we serve around 80 million customers every week. I believe we’re the fourth biggest grocery retailer in the world. We have a multi-channel offer, so we do large stores, small stores, neighbourhood stores and online.

You joined in 2017 with the title of Chief Customer Officer. What was that role exactly, and how did you go about making an impact?

It became evident that Tesco was forgetting what had made it really successful

In 2014-15 it became evident that Tesco was forgetting what had made it really successful. It was focusing more on chasing margins and profits than its customers' views and its customers' needs. And the sad thing was that customers noticed, and that affected the performance of the company as well. This was just before CEO Dave Lewis joined from Unilever, with a specific job of turning around the business. And he immediately thought that the first thing to do was to set out a strategy for the turnaround and identified a very simple truth – what had made Tesco popular was also what could make Tesco come back to its prior success, which was focusing again on the customer. Very easy to say, quite hard to do.

I joined in 2017, two years into that strategy. And I joined, in Dave Lewis's words, to try and help continue to build a brand and bring the customer voice into the company. We had shared experience at Unilever. So we had a language in common, and the understanding that brands need to be crafted and nourished, and customers need to be listened to and understood.

I was puzzled by the job title at first. Why is it different from a chief marketing officer? What's the difference? The best way I can explain it, and tell you how I went about, is that at Tesco we believe there are three pillars that help Tesco serve its customers a little better every day, which is our company purpose.

The first pillar is product. That's the team that sources ideate, creates, develops, buys and sell products. In other companies you might know it as the commercial team. But it's a bit broader than that, because it includes sourcing and creating own brand products as well.

The second pillar is the team that we call "channel," those are the teams that operate the stores, their colleagues that are in the stores and in the online commerce function, and all of the operations that go with that to make sure that those products get to the stores and are available for our customers.

And the third pillar is the customer team. These three teams are seen as equally important to be able to serve our shoppers, and the customer team, which is my team, specifically has responsibility to represent the voice of the customers. Really bringing it from the outside in, ranging from insight and foresight to developing products, services, and experiences and propositions to keep the customer front and centre. But at the same time, keeping in mind what the Tesco brand is about and how we can differentiate that proposition in the market.

And those responsibilities in my team range from our own brand portfolio, brand equity management, positioning and strategic pricing and quality setting. We are also responsible for one of the biggest loyalty schemes in the world, our Clubcard. And all the programme of customer relationship management – data mining, personalization and digital relationships with our customers.

And we're responsible for the brand expression of the brand of Tesco as a whole – our stores, our formats, the design of the stores and permanent fixtures to make sure that they build the brand and speak to the customers in the best possible way. Then we're responsible for developing the more classic ways to tailor customer propositions to seasonal events, like Thanksgiving if we were in the US, and other occasions in the UK from Valentine's Day to Mother's Day, and so on. Then finally, all areas of marketing communication.

That's enormous scope. Can you tell us a couple of milestone things that you've done to drive the transformation?

When we looked at the brand's food architecture, it was clear that strategic positions in terms of pricing and quality had not been as rigorous in more recent years, therefore creating confusion. We had customers who didn't feel they could trust Tesco, neither on the quality of the food that we were offering, nor on the value that we were offering. And finally, not even in the range that we had. If I can summarise it, it was almost too much noise.

So one of the biggest jobs that we did was to strip out everything that wasn't core to Tesco regaining an identity. We knew that quality of fresh food was at a time a key driver of choice for a grocery retailer.

However, Tesco had not communicated on its food credentials or passions or anything around food; the last 18 years of activity that was customer-facing had been entirely focused on promotions and deals on price.

And that had two consequences. One, that people didn't really believe in the quality of our food. And the second was that people were really confused about our value offering. When you have a lot of noise, you tend to put your hands over your years, and you care even less. You know as a marketer that less is more.

And that's where we developed a campaign that was quite a big move for Tesco in 2017, called Food Love Stories. It was the first time in many years that Tesco talked about something that wasn't its price, or its many promotional promises. And it was quite brave, because it talks about love, from a retailer about food. It was really a stake in the ground to say we are passionate about food – we care about the food just as much as you do.

What has the business learned about its relationships with consumers through COVID?
The pandemic has been an incredible challenge for all of us, as a human race and as professional colleagues. It was a complete change of everything that we knew. And yet, it was also confirmation of everything that we knew about Tesco, and what makes it great when it works.

Speed was really, really important. Retail is normally known for being a very fast-paced business but here we're talking about minutes, hours and days between a decision and implementation, not weeks.

The second really important point was that we had to be on top of what colleagues and customers felt. And just between March and May we had daily customer sentiment from 23,000 customers every day. And we had an amazing dashboard that my team in insight put together where

every day by three o'clock, we would know how colleagues felt, what was in the minds of the customers, how they saw and perceived Tesco, what they were expecting us to be better in, or where we were already in a good place. And that really shaped and informed the decisions that we would take that day.

From a leadership perspective, we spent the majority of the time in aligning those decisions on a daily basis, on an hourly basis, then letting everyone else know and getting the machine going. In a business with 300,000 colleagues, that was quite an endeavour.

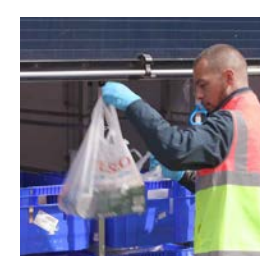
It was tough for all of us, because it was all uncharted waters. But it was also amazing to see how what I call the muscle of the last 100 years at Tesco, that memory muscle, kicked in. People almost instantly knew what was right to do, how we could help our customers and colleagues.

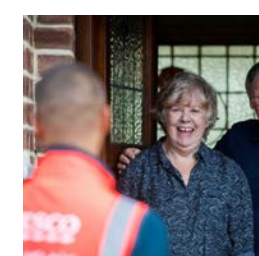
The whole business was tested from the perspective of clarity on priorities, clarity on what needed to be done together. And everyone, from their amazing experience and expertise, chipped into do the right thing.

What will continue in the future? Is that becoming clear yet?
If I think about the work that we're doing to be on top of the customer sentiment, on a daily basis and on a weekly basis, I don't want to go back to doing it only once a month, or once every three months. We've kept what we called the COVID-19 report – we still get it once a week.

We never had that before – maybe other people in the team, but not at leadership level. So being on top of understanding what people need, how competitors move, and how we can do a good job, is super important. And I don't want to lose that.

Being fast in our decisions, and being clearer, has also been proven to be something that everybody has very much appreciated, despite the long hours and the hard work and the difficult circumstances.





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