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2011 **TOP**



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PRESENTING THE 2011 **TOP100**



You don't need me to tell you that it's been an incredible couple of years for retailers around the world. Not only has there been significant change, but the rate of change itself is dizzying. The new challenge is striking the balance between getting the day-to-day affairs done while also looking out for those things on the horizon that could alter established routines and processes.

Many of the things that are on the minds and the "worry lists" of retailers have been there for awhile: integrating channels, delivering a consistent customer experience and providing quality customer service. But there are some new elements to the game that are still of indeterminate impact: social media, apps, new marketing tools such as Groupon and the like.

Those shifting trends are the impetus behind our 2011 Top 100 list, the second in what we intend to be a series of annual publications. We started by gathering with our family of retail experts — our advisory panel — and getting on paper several hundred trends, tools and retailers that had an impact on customer experience in the past 12 months. We then had those retail experts vote on the nominees numerically, ranking each one on a numbered scale of importance, and then we distilled the results.

(And undoubtedly, we missed something that you think probably should have made the list. Come on over to RetailCustomerExperience.com and let us know what that is, and why.)

Here's to a very successful and safe 2011!

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1 SOCIAL MEDIA

2010 was decidedly the year social media came into its own. It is impossible to view social media as separate from the Web itself. Facebook alone now accounts for 25 percent of the Web's traffic, claims more than 600 million active users (roughly one-tenth of the world's population) and founder Mark Zuckerberg received the "Citizen Kane" stamp of cultural iconography by being the subject of the movie "The Social Network." Meanwhile, Twitter signs up more than 300,000 new users a day, and YouTube exceeds 2 billion views per day. Devices designed to support social media, from smartphones such as the Droid to Apple's popular iPad, are selling out before they hit the market.



Katie Raynes-Golde

Social media not only is changing the way people communicate, but also the way they make purchases.

Dave Yovanno, chief executive of social media service company Gigya, says that "people are spending less time navigating the Internet on their own and are now navigating the Internet based on their friends' recommendations or their friends' activities." In February, Facebook beat out Google as the top source of traffic to entertainment and news portals.

But Facebook isn't the only face in the social media scene. According to the Huffington Post, Twitter's 100 million registered users (growing by approximately 300,000 every 24 hours) generate more than 55 million tweets a day, with 75 percent of the site's traffic coming via third-party applications.



Christopher S. Penn

Although Facebook reigns supreme, Twitter established itself as the Internet sensation of the year, with its popularity growing white-hot during the run-up to the midterm elections. Who can forget William Shatner going viral—and scoring yet another career boost—when he recited Sarah Palin's tweets in the form of beat poetry on The Tonight Show with Conan O'Brien?

2 MULTICHANNEL INTEGRATION

Multichannel integration has taken off: No. 54 on the 2009 list of Top 100 Retail Movers & Shakers, it now appears at No. 2.

Today's customers, empowered by easy access to information, are increasingly "channel agnostic," leveraging multiple channels for each buying cycle — whether they know it or not. It's not uncommon for a consumer to encounter a product in a store but, rather than buying it right away, research it online to compare features and prices, order it through the retailer's call center and then pick it up at the local store.

This multichannel behavior provides retailers with opportunities to increase their revenue. For example, offering in-store pick-up provides a prime opportunity to upsell and cross-sell while the customer is in the store to retrieve the item she bought online.

Retailers such as Best Buy and Nordstrom are focused on using multiple channels to provide their customers with the ability to transact with them across these channels, and Walmart executives

have told analysts that multichannel integration will be a strategic priority over the next five years. The company plans to use stores as an edge over Web-only competitors, notably Amazon, even as Walmart opens smaller stores in urban locations. Walmart's U.S. president and CEO Bill Simon recently announced the giant retailer's plans to offer its customers a number of new multichannel options, including the ability to order items on Walmart.com with free delivery to urban FedEx locations.

Social media, in collaboration with traditional e-mail, is poised to be an important catalyst that brings marketers closer to the goal of true multichannel integration. Social media is where conversations about brands, products or services often take place. E-mail, however, is still the vehicle that alerts consumers to the social content, effectively delivering "the right message at the right time" that converts shoppers into customers.

Then there is the Genius Bar, usually located at the back of the store, where customers can set up appointments for everything from troubleshooting and memory upgrades to lessons in website design and video editing. It remains the most astonishing aspect of the company's retail strategy: Apple has found a way to make people pay to receive customer service.

In October, Apple announced that its largest retail store to date (more than 6,000 square feet with a 55-foot-wide storefront) in the St. Louis Galleria Mall would be the first to include a detached lounge area with free Wi-Fi. The new Apple Lounge — something never before seen at an Apple retail store — will also feature a Genius Bar check-in space and training area. In addition, Apple announced plans to overhaul its Genius Bars in all of its stores as part of an effort to increase customer satisfaction, promising shorter wait times and quick overnight repairs.

Altus

3 APPLE STORES

Apple stores continue to grow in popularity, moving up from No. 7 on last year's Top 100 Retail Movers & Shaker's list.

Apple gave consumers a glimpse into the future of retail shopping when the first Apple store opened in 2001. Designed by San Francisco-based architecture firm Eight Inc., these bright minimalist stores are not unlike the pristine environs featured in Stanley Kubrick's landmark science fiction film "2001: A Space Odyssey," set in a then-far-off future, right down to the ubiquitous screens embedded in the walls and perched atop every surface.

What Kubrick and his co-screenwriter, futurist Arthur C. Clarke, did not foresee were Apple sales associates prowling the sales floor carrying iPod touch devices equipped to scan barcodes and swipe credit cards. Associates also carry an attached stylus customers can use to sign for credit charges. By doing away with cash registers, Apple has eliminated check-out lines.



4 ONLINE REPUTATION MANAGEMENT

The business of reputation management has undergone big changes in recent times and, once again, social media is at the heart of it. (See why social media is No. 1 on this list?) The interactive, real-time, user-generated environment leaves businesses' reputations more exposed than ever to customer comment, both good and bad, justified or not. Every interaction prompts consumers to voice an opinion on products and services, whether commenting on Foursquare when checking in at a hotel, discussing smartphones on Twitter or posting a long rant on their blog about the terrible service they received at a newly-opened restaurant.

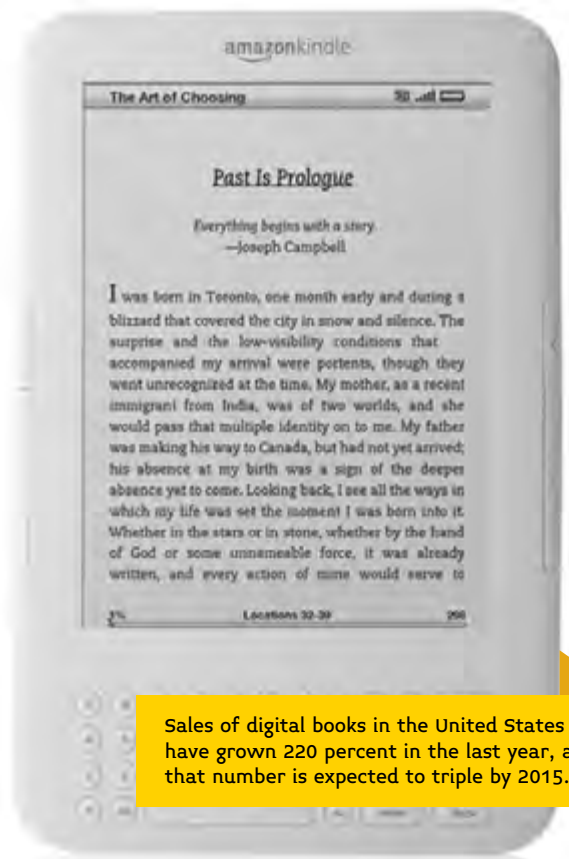
An influx of negative news stories, blog posts or updates to open-source platforms such as Wikipedia can quickly send negative content to the top of a search engine's hit list. Moreover, brand equity, which can take years to build, can be unfairly colored or destroyed by anyone with an agenda and working knowledge of search engine algorithms.

Considering that 90 percent of users trust the first page of search engine results and rarely click deeper than the top ten, online reputation management is critical.

Companies such as Defendmyname.com have developed new programs to help companies combat negative links in major search engines. Defendmyname.com also is launching an online video educational system with tutorials on how to remove negative links from search engines; tips on search engine optimization to help push negative links further down the list and ways to utilize social media, video media and press release distribution to a company's benefit while protecting its reputation on the Web.

5 DIGITAL PRODUCTS

Despite the explosion of digital distribution of music, books, games, movies and software, retail sales are still very much a thriving part of the mix.



Sales of digital books in the United States have grown 220 percent in the last year, and that number is expected to triple by 2015.

According to the NPD Group's most recent "PC Games Digital Downloads: Analyst Report," digital distribution of PC-based games accounted for just 36 percent of sales in 2009, with 21.3 million "full-game" PC titles downloaded through digital distribution networks, and 23.5 million physical units purchased at retail locations.

Frontline digital retailers, who focus on titles that also are offered in retail stores as physical purchases, increased their share of the PC full-game digital download market in the second half of 2009, at the expense of the casual digital retailers, who tend to focus on smaller, easily-accessible games that utilize try-and-buy or advertising revenue models. One of the most significant factors contributing to the decline in share captured by casual digital retailers is the increase in popularity of free social network and mobile gaming.

Although major booksellers such as Barnes & Noble and Amazon are staking out their futures in the

e-reader market, a scant 7 percent of online readers in the United States currently read e-books. That figure is expected to double in 2011. A recent report by Forrester Research states that U.S. sales of digital books have grown 220 percent from the previous year's total of \$301 million, bolstered by huge increases in the number of e-readers in use; in 2009, 3.7 million were used, while in 2010, the number jumped to 10.3 million. Forrester further estimates that e-book sales will triple by 2015, with more than 29 million e-readers in use.

While print books still make up the vast majority of the industry's revenues — around \$23 billion in 2009—that number is in decline, while e-book sales have jumped by double- and triple-digit percentage points every year since 2002.

6 MOBILE COUPONS

Mobile coupons are becoming increasingly important to retailers, rising from No. 48 on the 2010 Top 100 Retail Movers & Shakers list.

According to a recent survey conducted by research agency mobileSQUARED on behalf of Airwide Solutions, 61 percent of mobile operators predict that coupons or vouchers will be the dominant form of mobile marketing by 2015.

Joe Pemberton

The survey's respondents expect that consumers in 2015 will be "more likely to utilize mobile marketing or advertising promotions that are sent to them via their mobile phones than those generated through search, display or navigation."

Although companies from the Wall Street Journal to Sprint have included promotional barcodes in their ads, this past April, Target became the first retailer to send its customers scannable mobile coupons containing barcodes that could be redeemed at checkout.

Target may be the first big box store to go national with mobile coupons, but other retailers and marketers also are embracing the technology as coupons in general enjoy a recession-fueled resurgence and consumers are increasingly using their mobile phones for m-commerce. JCPenney, for example, has begun testing scannable coupons at stores in the Houston area, and Yahoo has partnered with Coupons Inc. to allow brand advertisers to distribute coupons via Yahoo Mobile.

For companies that may be feeling pressure to keep pace with Target, analyst Julie A. Ask cautions them not to get caught up in the hype surrounding mobile coupons or QR codes. She does, however, encourage marketers to start laying the groundwork with pilot programs and testing toward the longer-term goal of engaging customers with mobile coupons. Her advice: "Get it right before you go big."

7 AMAZON

Amazon dropped from No. 3 on the 2010 Top 100 list, but still remains a strong player in the retail world.

Amazon wrote the book on diversifying with ingenuity. The company generated an estimated \$24 billion in revenue last year, and not simply through book sales, which it continues to dominate with the top e-book reader and iPhone reader apps, but also through its growing data storage and computing service. Amazon Web Services, the cloud computing division of the Web retail



company, is becoming a more important —and more lucrative — revenue driver for Amazon as more companies move their business-critical applications to the cloud.

Amazon Web Services revenue is set to reach \$500 million in 2010. Although that represents just a sliver of Amazon's total business, UBS Investment Research analysts Brian Pitz and Brian Fitzgerald predict that Amazon Web Services could capture as much as \$2.5 billion by 2014.

Among Amazon Web Services' firsts is the Amazon Cluster GPU Instances, which provides developers and businesses immediate access to the power of GPU processing in the cloud with no up-front investment or long-term commitment. Amazon also has added video streaming to its cloud-computing service, along with expanding video on demand in the online store, and offering immediate streaming access to customers who purchase select movies on Blu-ray or DVD.

Many of the best and most pervasive attributes of online shopping were either invented or perfected by Amazon. At one time, the idea of letting "ordinary people" post content on a corporate website was heretical, but what e-retailer in 2011 would dream of launching a site that did not include customer reviews? Or a recommendation system that keeps track of each customer's purchases, then suggests new items based on previous selections? Amazon got there first.

8 DEAL OF THE DAY

Jumping from No. 74 on the 2010 Top 100 Retail Movers & Shakers list, deals of the day are a significant part of the retail experience.

Woot.com is an online store and community that "focuses on selling cool stuff cheap," generally offering just one item a day — usually a piece of computer hardware or an electronic gadget — until it is sold out or until 11:59 p.m. Central Time, when it is replaced by the next day's item.



In the words of Matt Rutledge, an electronics wholesaler who founded Woot in 2004, "it started as an employee-store/market-testing type of place for an electronics distributor, but it's taken on a life of its own."

Indeed, Woot's phenomenal success — the company was acquired by Amazon in June — has sparked a slew of similar deal-of-the-day sites with quirky product descriptions and real-time inventory updates. DODTracker.com currently monitors more than a hundred "one-a-day" sites with real-time inventory updates, the most inventive and buzz-worthy being Groupon (see No. 11).

Consumer psychologist Kit Yarrow points out that deal-of-the-day specials push consumers to cast rationality and budgeting aside.

"The immediacy and urgency of this limited time frame is one of the top killers of rational thinking," Yarrow said. "We walk around our world with a finite set of options, and suddenly this deal on a balloon ride is presented to you. It overrides a lot of our self-control that consumers have acquired in the last couple years."

Yarrow further points out that many companies participating in the deal-of-the-day phenomenon — entertainment, restaurants, nail salons, etc. — are those that have been hit hardest by the recession.

"By offering these one-day deals," she said, "they're trying to work themselves back into our spending consciousness."

Deal-of-the-day offers now are popping up everywhere, from newspapers, social sites and even established retail stalwarts such as Staples. And for good reason. This past September, coupon site Restaurant.com tried offering a deal of the day and sold 1.5 million coupons in 48 hours — a tsunami compared with the 79,000 coupons it normally sells in that time frame.

9 THE ECONOMY

While the economy dropped from No. 1 on the 2010 list, it still plays a large role in consumer spending. According to the National Bureau of Economic Research, the worst recession since the Great Depression began in December 2007 and came to an end in June 2009. Not that anyone noticed. In July 2009, 29 percent of respondents to the Discover Small Business Watch said their business' economic situation was improving. In October 2010, the figure was 28 percent.

The economy may be in recovery, but the American psyche isn't. Consumers remain wary of returning to their habits of the last decade, when Americans across the economic spectrum piled on credit-card debt and used their homes as ATMs in the

form of home-equity loans to pay for vacations and luxuries. During that time, the savings rate plunged to nearly zero. Household debt, including obligations for mortgages and credit cards, rose to approximately 140 percent of disposable income, double what it had been before the boom years.

Based on recent interviews with shoppers, retailers, manufacturers, economists and analysts nationwide, the Associated Press reports that bargain-conscious consumers are shopping at stores they once shunned and are more likely to give store-brand products a try. Goodwill and consignment shops are attracting new customers, and people are putting big-ticket items on layaway rather than whipping out charge cards. (See No. 34.) While the wealthy are spending again, their behavior is much like everyone else's, and they are buying more timeless and classic goods that won't go out of style quickly.

An index of consumer confidence from New York-based independent research firm The Conference Board has ranged from the high 40s to high 50s. A reading of 90 indicates a healthy economy, and that level has not been seen since December 2007, the month the recession began.

10 USER-GENERATED CONTENT, PRODUCT REVIEWS

Jumping from No. 31 on the 2010 list of Top 100 Retail Movers & Shakers, consumers are increasingly turning to each other for product or service information before making a purchasing decision.

According to a recent study from comScore ARS, user-generated content (UGC) product reviews have proved as persuasive, and ultimately as effective, a sales tool as more costly display and television advertising.

Based on a sample of 25 video product reviews from ordinary users across a range of product types, the comScore ARS study found these otherwise



rough presentations contained some of the primary drivers known to increase persuasiveness and memorability in advertising. Indeed, of the 25 videos put through the content analysis, none performed below industry averages for similar professionally-produced material.

Online marketers also are coming to appreciate just how effective UGC can be in strengthening search engine optimization strategies. User-generated product reviews have proven to be one of the most highly effective tools of social media marketing, allowing marketers to tweak and modify their messages — and to help businesses increase their profits in the process.

Retailers, too, are beginning to embrace UGC by including consumer opinions in testimonials, blogs and video updates, resulting in increased conversion, higher average order value, increased site traffic, lower return rates and new opportunities for merchandising and marketing. Retailers are leveraging customer reviews in the offline realm of in-store displays, kiosks, product signage and inclusion in print catalogs. Furthermore, as a source of unbiased feedback from actual customers, UGC provides a window into what goes on inside customers' heads.

11 Groupon

Groupon delivers everything the dot-com boom once promised: huge sales and easy profits, at minimal startup cost generating monster buzz. The company was founded in 2008 by 20-something music major Andrew Mason and was into the black a scant seven months after launch. According to Forbes, Groupon is on pace to reach the \$1 billion sales mark faster than any company in history, and has even drawn the attention of search engine giant Google. Groupon (a portmanteau of "group" and "coupon") connects bricks-and-mortar retailers with online shoppers by offering unbeatable discounts on products or services for a limited time. Limited as in hours, that is. The come-on is familiar enough. Here's where the novelty comes in: customers get the deal only if



a certain number of others shoppers also buy. Oh, and the company offers but one "Groupon" per day in each of the markets it serves. It's deep-discount coupons meets Black Friday shopping frenzy every day of the year.

12 IN-STORE WEB ACCESS

Following in the footsteps of Best Buy, Borders and CompUSA, retailers are offering customers in-store Web access through self-service kiosks and workstations. These implementations can strengthen the in-store experience by allowing shoppers to read consumer reviews and product specs, review online warranty information, place orders for out-of-stock items — and check competitors' prices. Big box retailers such as Walmart hope in-store workstations will make up for reduced sales floor acreage in urban-area stores. Connectivity at the end of every aisle may help lure more sophisticated consumers who have come to expect more benefits and incentives to remain loyal, but the effort could prove moot as these same customers are already bringing the Web into stores with them on their smartphones.

13 M-COMMERCE

Travel and entertainment ticket sales have largely fueled the rapid growth of mobile commerce thus far. Mobile ticketing transactions alone are forecasted to exceed \$100 billion by 2012, more than double the market in 2010. Look for emerging m-commerce applications to further erode the technological barriers between consumers and suppliers of products and services as the m-commerce stream increasingly includes mobile

payments for digital and physical goods, NFC mobile payments, mobile money transfer and remittances, mobile coupons and mobile banking.

14 THE IPAD AND OTHER TABLET DEVICES

Few mortals can disrupt entire industries with a single product launch the way Steve Jobs can. Apple's most recent game-changing moment came on April 3, 2010, with the release of the iPad. Seven months and an estimated 6 million units later, pundits continue to debate the device's impact on app development, online gaming, PC sales, Mac sales and even the healthcare industry. (Will the iPad finally be the catalyst that drives healthcare professionals away from the desktop and into the arms of point-of-care computing?) Could the iPad be the end of life as we know it? At least until the next time Jobs steps up to his virtual podium.



Richard-G

15 WEB-ENABLED POS

In years past, adding Internet connectivity to a store's point-of-sale system allowed employees to access the retailer's own e-commerce site and other Web-based data to check the online availability of items not in stock, with special-order capabilities that increased customer satisfaction while eliminating lost sales for the retailer. More recently, POS systems have evolved to truly become the command centers of in-

store operations, with a host of applications that leverage a customer's search history, generate cross-selling recommendations to prompt add-on purchases, streamline inventory functions, schedule employees and more effectively allocate store resources.

16 DIGITAL SIGNAGE



Digital signage is transforming the customer experience by displaying targeted messages — including animated content — that can easily be customized according to the context and the audience. When combined with RFID technology, gesture-enabled technology, greater connectivity with cell phones and narrowcast networks, digital signage will provide increased opportunities for customized interaction with consumers on an individual basis.

17 EXPERIENCE DESIGN

At its core, design experience operates from the premise that when consumers purchase a product or service, they actually want something more. They want to have a meaningful interaction. The rise of social media and the digital age has made it more important than ever that retailers engage in

meaningful “buying” interactions with customers in order to make them truly empowered participants. In practice, experience design involves the creation of culturally relevant products, processes, services, events and environments that focus on the quality of the user experience rather than functionality. This emerging trend in “user-centered” design informs the latest in everything from intelligent buildings to Facebook apps, iPhone games and digital equipment that will support childhood learning and help disabled individuals take part in social activities.

18 SMALLER STORE FORMATS

Taking its Neighborhood Market store concept a step further, big box champion Walmart is planning to open several dozen scaled-down stores throughout Chicago over the next five years, some no bigger than a 7-Eleven. Conceived as a strategy for gaining entry into urban areas where its supercenters (average size, 185,000 square feet) either wouldn't fit or weren't welcome, the smaller-format stores also will give Walmart the opportunity to enter rural communities that are too small to support a supercenter. The trend toward smaller-footprint stores generally is credited to the pioneering efforts of Tesco's Fresh & Easy concept, but, in many ways, it was a natural and cyclical reaction to the “bigger is better” mentality, one that has no doubt been helped along by the appeal of folksier retailers such as Whole Foods and The Fresh Market.

Walmart



19 DISCOUNTING

To no one's surprise, a struggling economy, coupled with double-digit unemployment, has kept U.S. consumers on a perpetual bargain hunt. As consumers flock to the best bargains on everything from essentials to vacation travel, jewelry and concert tickets, retailers had little choice but continually to trim prices in an effort to drive demand. Analysts warn that retailers who offer heavy discounting year-round fail to create a compelling experience for their customers and risk permanent damage to their brand.

20 EMPLOYEE ENGAGEMENT

Unlike employee satisfaction, motivation, culture, climate or opinion, employee engagement is a measurable degree of an employee's positive or negative emotional attachment to his or her job, colleagues and organization which profoundly influences their willingness to learn and perform at work. According to a recent Gallup study on employee engagement, this describes only about 29 percent of U.S. employees (with 54 percent not engaged and 17 percent deemed disengaged). Mental Health Foundation chief executive Dr. Andrew McCulloch estimates that employee disengagement is responsible for 11 million lost working days each year, at an estimated cost of some \$350 billion.

21 ELECTRONIC SHELF LABELS

You know the scene: a shopper is overcharged for an item marked at a reduced price on the shelf display. The cost of the customer's dissatisfaction can far outweigh the dollar amount of the blunder and ultimately damage your store's brand. Electronic shelf labels promise not only to increase price accuracy at the shelf, but to reduce the substantial labor costs involved in ticketing items. Electronic shelf labels connect to a store-wide network that communicates with the retailer's POS system and downloads prices to the labels at the store, or from

a corporate location for numerous store locations with no additional labor or time. Electronic shelf labels also can display additional information via a touchscreen interface such as nutritional information, price-per-measure or even recipes.

22 ETHNIC RETAIL

Walmart's Hispanic-themed Más Club in Houston stocks a variety of Hispanic foods and international brands, including beverages and spices, while its café offers fresh-made tortillas. The familiar blue-and-white Sam's Club logo has been replaced with the Mexican flag's red and green. Other retailers have since followed Walmart's lead, expanding their range of products, advertising in other languages and changing storefront signage in hopes of attracting ethnic consumers. None of these efforts can guarantee that cash registers will ring, warns Tony Hernandez, director of Ryerson University's Centre for the Study of Commercial Activity. Ethnic populations are far from homogenous and retailers will need to understand the enormous size and complexity of these markets in order to attract and retain them as loyal customers. "We still have a lot to learn about immigrant consumer behavior," said Hernandez. "We need to know more about immigrants' consumption habits and generational differences."



Retailers such as Walmart are trying to tap into the Hispanic market, but experts warn that ethnic populations are complex and far from homogenous.

23 POP-UP SHOPS

With the national retail vacancy rate at a three-year high, temporary shops popping up in empty spaces have proved an attractive option for business owners and landlords alike. Evolving from

the concept store-within-a-store merchandising flash points, these small, temporary shops allow companies to push products for a limited time, usually in a highly visible area. Some pop-ups exist primarily to unload old inventory or to build buzz and promote demand for new products in order to generate profitable sales at other locations.

24 ASSORTMENT LOCALIZATION

The concept of store assortment localization encourages chains to create custom assortments based on each store's local characteristics and demographics. John Seidl, a partner at Kurt Salmon Associates, argues that as U.S. consumers become more diverse, they tend to rebel against the one-size-fits-all retailing model. To counter this, proactive retailers are utilizing sophisticated communication tools such as assortment planning, financial planning, flow modeling, price optimization, promotion optimization and size optimization to capture information about the specific buying patterns of shoppers at each of their stores and then catering to each store's particular needs. By utilizing this understanding of local markets, Seidl says retailers are able to boost sales by 40 to 50 percent and carve out a solid competitive advantage.

25 CONTACTLESS PAYMENTS

What's not to love about contactless payments? By eliminating the need to fumble for cash or even give a thought to how much antiquated currency they have in their wallets, consumers enjoy added speed and convenience, while issuers and merchants enjoy faster transaction times, increased spending per transaction and reduced operational costs. Yet, in the United States at least, contactless payments have been stuck in a chicken versus egg loop for years: Customers have been slow to adopt near-field communication (NFC)-equipped smartphones or utilize the contactless payment cards they already carry in their wallets, so retailers have been reluctant to install the

necessary equipment or actively promote its use. Millions of U.S. consumers already are paying for low-cost purchases using NFC-enabled debit cards, with millions more expected this year in response to new financial industry-backed initiatives slated to launch nationwide. Stay tuned.

26 MILLENNIALS

2010 marked the year that the Millennial population—those born between 1980 and 2000—surpassed both Baby Boomers and Gen-Xers to assume the coveted mantle of most significant consumer sector the United States. Here's the challenge: They are the most fragmented and difficult-to-reach generation to date. Millennials communicate and consume entertainment through a bewildering array of media channels — Twitter, e-mail, social networks, iPods, smartphones, game consoles, ad infinitum. Given their enormous size and unabashed hunger for instant gratification, they remain a surprisingly slippery and elusive quarry.

r. f. m ll



27 SMS



Stich

When a massive earthquake struck Haiti this year, the Red Cross collected \$30 million in donations sent via Short Message Service (SMS) text message. With 2.4 billion active users, or 74 percent of all mobile phone subscribers, SMS text messaging is the most widely used data application in the world. As more people are using mobile phones for texting, marketing messages delivered via SMS are received instantaneously and can include mobile coupons, event invitations, mobile alerts, special promotions or a chance for the recipient to enter a sweepstakes simply by responding to the text.

28 SUPPLY CHAIN OPTIMIZATION

Supply chain optimization makes use of mathematical modeling techniques to address the general supply chain problem of delivering products to customers at the lowest total cost and highest profit. This includes trading off the costs of inventory, transportation, distributing and manufacturing. For example, when ABC Fine Wine & Spirits recently undertook an initiative to highlight an expanded wine selection and to raise the level of the "shopping experience," the spirits retailer selected Manhattan Associates' warehouse management solutions to optimize IT operations by eliminating as many customized functionalities as possible from its warehouse management software. As a result, ABC integrated customized functions into its own versions of the software,

including a Web-based dashboard providing graphic representations of warehouse management data and a mix-to-putaway functionality that searches for the smallest available space within a designated zone in order to maximize storage capacity.

29 ZAPPO'S

Zappo's rapid growth from a \$70 million company to a \$1 billion business was built on its exemplary customer service policy that includes free shipping for all its products and 365-day returns, along with a quirky corporate atmosphere that includes parades and parties at its Las Vegas headquarters. Since being acquired by Amazon, Zappo's has maintained its consumer- and employee-centric culture. After the deal was announced, CEO Tony Hsieh and COO Alfred Lin held an all-hands meeting, rewarding each employee with a Kindle and a retention bonus equal to 40 percent of their annual salary.

30 ITUNES

Although the new logo with a bulbous double-clef note in a blue circle replacing the old CD imagery may have received the most immediate attention when version 10 of iTunes was released in September, the star power of the leading online media store belongs to Ping, a social network where music lovers and artists can create profiles, follow friends, post "top 10" lists and share favorite selections from their iTunes library. It is true social music discovery. With iTunes 10, Apple is beginning to shift away from being a simple music player into a system where online commerce, social networking and home use are all integrated into one easy-to-use program.

31 LOYALTY PROGRAMS

John Bartold, vice president of loyalty solutions at Epsilon, sees one sure indication that the U.S. economy remains in slow recovery: Loyalty cards

are everywhere. "Anytime we have a downturn in the economy, loyalty gets a lot more attention," Bartold said. Today's retailers use loyalty programs not only to build relationships, but also to analyze purchasing habits, target marketing efforts and adapt products and store hours to customer preferences. And for consumers inundated with loyalty cards, there is, of course, an app for that; the free iPhone download CardStar is now available in Droid and BlackBerry versions as well.

32 QUICK RESPONSE (QR) CODES

Almost everyone could tell at first glance that those funky, oversized, Rorschach-looking QR codes (short for "Quick Response") were going to be the next cool thing. Consumers could point their smartphones at one and it would take them to a website without having to memorize and then key in a lengthy URL. Better still, a QR code on a billboard, print ad, window sign or direct mail piece can prompt an otherwise passive viewer to take immediate action — leading him to respond to an offer, make a purchase, register for an event or take a survey, right then and there.

33 BEHAVIORAL TARGETING



Stock

As people share more personal information online, advertisers can create compelling messaging targeted toward specific shoppers.

The constant deluge of user-generated content churned out by users of Facebook, Twitter and YouTube is nothing less than a behavioral marketer's dream come true. Social media users have a growing propensity to divulge their likes and dislikes in obsessive detail — where they go to eat, the bands they listen to, the movies they watch, the clothes they buy and the events they attend. All that data, freely given, is rich in exactly the sort of detail that behavioral marketers need to select which advertising messages to display to that individual. The challenge is to find the appropriate opportunities without seeming too invasive or acting like a virtual stalker.

34 LAYAWAY



Although the concept still conjures up images of the Great Depression, layaway plans saw a big resurgence during the economic downturn of the 2008 holiday season. Then, as now, merchants gave cash-strapped customers a chance to buy items they otherwise couldn't afford. (Let us pause for a moment to consider that, as recently as the 1980s, credit cards were issued only to those who could actually afford them.) Even though our own Great Recession is technically over, the idea of setting items aside until they are paid for seems to have taken root. Until consumers' economic confidence is restored, expect layaway to remain a part of the retail landscape.

35 RETAIL CRM

When CRM solutions first emerged, many retailers got caught up in the excitement and rushed to adopt the cutting-edge technology without first setting goals for CRM implementations or even identifying what type of data they needed to collect. Others gathered any information they could, then didn't know what to do with it. Now, by capturing transactional data collected through proprietary payment tools and point-of-sale software, retailers are marrying the "what" of behavioral data to the "why" of attitudinal data. "They know what's happening and the emotional triggers behind the activity," said marketing consultant Mike Capizzi. This type of intelligence helped Walmart respond effectively when hurricanes were due to hit the Gulf Coast and Florida. The company rushed Pop-Tarts and beer to affected areas. "Walmart has strong identification of its core customer," Capizzi said, "and its core customer wants something to give to a scared and hungry kid to calm him down." The beer, we presume, was a no-brainer.

36 RETAIL HEALTH CLINICS

Typically located inside grocery and drug stores, retail health clinics provide convenient health care for common ailments. Patients don't need an appointment, and care is administered by a licensed nurse practitioner or physician's assistant instead of a staff physician. According to a recent RAND report, ongoing debates over the role of retail health clinics have raised concerns that they pose a threat to the financial viability of primary-care practices by treating the latter's most profitable patients. Others argue that retail clinics drive primary-care revenue up by generating referrals to those practices and by freeing physicians to focus on more critical patients with more complex needs who generate higher reimbursement. RAND researchers tend to side with those who see retail clinics as less of a rival and more of a complement to existing care. The report further notes that the heaviest users of retail clinics tend to be younger adults and minority families who are less likely to have an established relationship with a primary-care provider.

37 WHOLE FOODS

After weathering boycott calls in the wake of his August 2009 Wall Street Journal editorial opposing healthcare reform, Whole Foods Market CEO John Mackey went on to share a number of political views squarely at odds with most bumper stickers on display in Whole Foods parking lots. A lengthy New Yorker profile showed him to be an unabashed libertarian opposed to the very idea of regulation and taxes and a global warming skeptic who believes that “prosperity tends to correlate to warmer temperatures.” Yet Whole Foods ranks third on the EPA’s National Top 50 list of the largest green power purchasers. In April, the vegan CEO announced a controversial incentive to drive down the company’s health insurance costs by awarding greater store discounts to healthier employees at rates to be determined by body mass index. In short, Whole Foods may prove to be the emblematic company for our times.

David Shankbone

**38 CULTURE MANAGEMENT**

Although the concept of culture management remains an abstraction for many, it does have a real and profound impact on corporate success and profitability. Culture management focuses on identifying what the company culture really is, as opposed to what the company says or thinks it is, by determining what the culture should be and developing a plan to make it happen. Like any type of program involving organizational change, culture management generally faces three big

challenges: executive support, old-school mentality and instilling the understanding that culture management is not a project, but a journey.

39 HIGH-TECH DRESSING ROOMS

High-end fashion shops have come to realize that dressing rooms are powerful places where purchasing decisions are made or broken based on a customer’s perception of herself in an outfit. Thus, retailers have rushed to adopt high-tech enhancements such as kiosks that allow customers to contact friends through cellular phones and social media, RFID-aware racks that recognize a customer’s selections and display them on a touch screen linked to the inventory system, and “magic” mirrors that can videocapture a customer’s rear view for an onscreen close-up. Despite a few glitches along the way — such as automatic glass walls that fail to turn from clear to opaque when a customer enters to disrobe — it looks as though there is no turning back.

40 AT&T WIRELESS

As part of an ongoing effort to drive customer engagement, AT&T is trialing high-definition telepresence videoconferencing kiosks in several of its retail stores. The kiosks offer small business customers real-time, face-to-face communication with expert consultants who can provide technical support or purchasing recommendations about wireless or wired solutions based on individual business needs. They also can offer insight about other business services such as website hosting, remote tech support and online data backup. Retail store associates nationwide also are taking part in a “Small Business Certification” training program.

41 KIOSKS

Investment in Web-enabled kiosk technology is paying dividends for retailers such as Art Van

Furniture, allowing the Michigan retailer to reduce store sizes and overhead while offering expanded selections and personalized service it hopes will attract increasingly sophisticated consumers. Walmart likewise is banking on user-friendly connectivity to win new customers. The retail chain is placing workstations in store aisles so that shoppers can order goods via the company's website, which could help translate the brand to its smaller stores in urban areas.

42 MACY'S

Feeling flush after a major restructuring effort and a stronger-than-expected 2010, the venerated department store expects to regain its investment-grade credit rating by using its cash to pay down debt. A recent restructuring spread responsibility for running stores to local teams in charge of smaller groups of stores, which has allowed for more flexibility in stocking and marketing each location. The program also helped Macy's improve sales, collaborate better with vendors and reduce expenses by nearly \$500 million a year. The company also is adding a new loyalty program that will reward shoppers for purchases both in store and online, install 50,000 registers with the ability to order a sold-out product online and delve into social media, mobile and online marketing to better reach younger shoppers.

43 SELF-CHECKOUT

Given consumers' ready adoption of self-service technologies at supermarkets and airline check-ins, a recent report sponsored by IBM Corp. suggests that merchants are considering implementing the same type of convenient technology throughout the retail sector. According to IBM marketing manager Ken Duffy, customer-facing kiosks can drive increased revenues and sales by 30 percent or more. Duffy notes that deli kiosks have increased consumer spend by 35 percent in some instances, and a guided sales kiosk targeted a specific product drove a 20 percent increase in sales. The primary challenge for retailers is in integrating self-service technology with existing point-of-sale and back-office systems. To truly take advantage of self-service technologies, retailers need to manage self-checkout applications at the enterprise and store levels.

44 TARGET

Target is looking to change the face of urban retail by 2012. The discount retailer's new initiative includes new stores in eleven of the United States' biggest cities over the next two years. The first will open in Seattle, with others to follow in San Francisco and Baltimore. Unlike recent Target stores in Chicago and New York City's East Harlem Mall, the new urban shopping centers will only take up around 80,000 square feet of real estate, approximately half the size of typical Target stores. This past summer, the company also announced its new Target Mobile program, adding mobile phone activation centers to their stores, as well as the new Target Trade-In program, allowing customers to trade in old iPods and other electronics toward new purchases. Provided its new urban stores are completed on schedule, Target may soon have a whole new consumer base to help build on a profitable 2010.



smcgee

45 TRADER JOE'S

Trader Joe's continues to enjoy a near cult status for making healthy, organic and locally-produced food accessible to shoppers on a budget, and for providing friendly service in an environment that harkens back to the neighborhood shops of earlier, simpler times. By limiting its stock to specialty products at low prices, Trader Joe's sells twice as much per square foot than most supermarkets. Industry observers will be watching to see if Trader Joe's can maintain its image and value proposition as it continues to expand, while existing competitors seek to be more Trader Joe's-like as new competitors enter the market.

46 AMERICAN GIRL

Mattel's American Girl line of dolls, accessories, books and (more recently) movies, has dominated the big-and-expensive (\$95) doll market for 24 years. Recently, Toys "R" Us, Walt Disney Co. and MGA Entertainment all introduced lower-priced dolls in advance of the 2010 holiday season. With U.S. unemployment hovering at 9.6 percent, these cheaper entrants may be the biggest threat to American Girl sales since Wisconsin educator Pleasant Rowland created the American history-themed characters in 1986.

47 BEST BUY

In the sixteen months since taking the wheel as Best Buy CEO in the midst of a global economic crisis, Brian Dunn has kept the world's largest consumer electronics chain on an even keel with his vision of a "connected world" strategy, which leverages the growing interplay between the "three screens" — TVs, computers and cellphones — and the digital content and high-speed connections that drive them. "The customer wants to be connected all the time," Dunn said, "and we are a one-stop shop for all their connectivity needs." That is why Best Buy



roblawton

Best Buy is focusing on the interplay between screens and the high-speed connections that drive them.

is downsizing its slow-turning CD and DVD sections in favor of an expanded wireless department and dedicated sections for emerging categories such as e-book readers and motion-sensor video gaming.

48 CAFÉS AND OTHER AMENITIES

In-store cafés have become an integral part of bookstores, offering shoppers an oasis in which to linger over reading material. Last year, upscale chain Wegmans took the concept a step further by including a full-service restaurant in its new Providence Town Center. "Stumbling onto an authentically styled Irish pub in a place where you can purchase mayonnaise and light bulbs is not as crazy a concept as it seems," said Wegmans' Pennsylvania regional manager Kathy Haines. "Historically, Irish pubs were like meeting houses that sold grocery items for the pantry, and they were also a place to sit at a counter and have a conversation with your neighbor." When shoppers and diners alike turned out in record numbers, other retailers quickly lined up to follow Wegmans' lead. Variations on the expanding concept include restaurants with full-service liquor licenses setting up shop inside multiplex theaters.

49 INTERACTIVE STOREFRONT WINDOWS

More companies are using channels such as augmented reality (see No. 77) to create enhanced interactive storefront displays designed to allure and captivate passersby in high-traffic locations. ESPN's "Is It Monday Yet?" campaign for Monday Night Football featured storefronts in New York City, Chicago and Boston outfitted with interactive touch screens utilizing gesture-recognition technology, so pedestrians could stand in front of the store windows and try to catch consecutive footballs "thrown" at them by a virtual quarterback. Audio commentary by ESPN talent narrated each user's performance. The game ended when a missed pass "shattered" the window. Riding the World Cup wave, BMO Financial Group installed a soccer-themed interactive video wall outside its flagship Toronto branch. "The beautiful game" employed a combination of motion capture and touch activation to transform pedestrians into virtual goalkeepers.

50 CABELA'S

Cabela's takes the concept of "in-store experience" to new vistas. After passing statues of two huge bears wrestling at the store's entrance, outdoor adventurers are in their element scouting out guns, camouflage rainwear, scent eliminators, arrow rests, trolling gear, blinds, tactical knives, camping stoves, swimbaits and outdoor-themed furniture and artwork. Shoppers also will find a museum of sorts, with dioramas featuring trophy animals, a walk-through aquarium and a conservation mountain complete with a running stream that ends in a small pond stocked with live trout. Cabela's also offers in-store workshops on everything from how to choose a waterfowl call to how to pick the right crossbow. While opportunities to experience Cabela's are limited to 31 stores in the United States and Canada (another four are on the way), the retailer's enhanced Web presence and popular line of Big Game Hunter video games, produced by Activision, give outdoor enthusiasts worldwide the next best thing.



51 COSTCO

As part of its foray into urban areas, Costco is experimenting with locations in regional shopping malls. The strategy has raised eyebrows as food stores tend to shun enclosed malls, which can be more costly and less convenient than other locations. (Think holiday season parking.) Shopping mall developer Westfield is bullish about the trend. "Introducing the new grocery category to our shopping centers is first and foremost a valuable new option for customers, and a very positive move for our grocery partners," said senior vice president Chris Barnett. Although malls aren't for every food retailer, analysts say Costco's unique price-oriented model makes the grocer a good candidate.

52 CVS/CAREMARK

CVS Caremark Corp was forced to lower the high end of its expected 2010 earnings range as a result of increased spending to streamline its ailing pharmacy benefits management (PBM) business. CVS's 2007 acquisition of the Caremark PBM brand has been criticized by investors who say the combination failed to provide the benefits initially expected. Caremark administers prescription drug benefits for employers and health plans and also operates mail-order pharmacies. CVS claims its retail sales were helped by PBM customers

who make additional purchases when picking up medications. Its Maintenance Choice plan encourages customers to pick up their long-term medications at CVS stores instead of ordering them by mail.

53 MARSHALLS

Cynics may be leery of buying trendy designer clothing at up to 60 percent off, reasoning that if it is too good to be true then it probably is. But because designers must buy back whatever department stores don't sell, they are happy to sell to Marshalls at deep discounts in order to clear their racks. Marshalls buyers are in the market 40 weeks a year snatching up the same styles and labels as high-end department stores directly from top designers. In addition to high-end clothing, Marshalls applies a similar formula to items ranging from cookware, luggage, and electronics to books, lotions, food and bedding.

54 NETFLIX

In 2010, Netflix added nearly eight times as many subscribers as eight of the top nine pay-TV operators combined. (Cox, ranked No. 3, is private and doesn't report its numbers.) While Netflix doesn't offer live, or even current, content compared to pay-TV, it does offer deep content selection, greater convenience through integrations with dozens of inexpensive connected and mobile devices, unlimited viewing and a superb user experience.

55 NORDSTROM

The "Nordstrom experience" is legend in the U.S. retail industry. Nordstrom employees write thank-you notes to customers and the company has one of the most customer-friendly merchandise return policies in the global retail industry. Customers are free to return their unwanted Nordstrom purchases back to the store with no time limit and may even receive full-price refunds, no matter how much time has elapsed. By staying true to its customer-centric brand throughout the recent recession, the fashion specialty retailer showed that acting in the best interest of the customer will yield financial rewards even in times of economic distress.

56 RETAIL CROWDSOURCING

The t-shirt company Threadless and athletic shoe manufacturer Ryz invite consumers to take part in designing their products. Visitors to the websites vote for their favorites, thus determining which items the companies will sell. In yet another play on the "wisdom of crowds" theory, the concept has been dubbed "crowdsourcing." Although consumers have long been involved in helping companies develop products and services through focus groups, some companies are looking to the Internet to tap into consumer input on a much grander scale. Professional creatives will scoff and decry the lowest-common-denominator taint of it all, but for the generation coming of age in the era of Web 2.0, crowdsourcing is the kind of input and interaction they've come to expect.



joshleejosh

57 ALDI

Rather than trying to dazzle sensory-overloaded consumers with even more choices, the discount no-frills grocery chain has built a global empire by offering between 1,000 and 1,500 items (compared to the 30,000 items on display at the typical U.S. supermarket) at near-wholesale prices. To keep costs down, Aldi's products are mostly private label, and only cash and debit cards are accepted. And Aldi backs up its private-label products with a double guarantee: If a customer isn't 100 percent pleased with a product, Aldi replaces it and refunds the customer's money.

58 BARNES & NOBLE

Just weeks prior to a Forrester Research report that U.S. sales of digital books had skyrocketed 220 percent from the previous year's total of \$301 million, Barnes & Noble announced the release of its NOOK Color touch screen e-reader and tablet powered by Android and further hinted at a dramatic change in its business model to "take advantage of compelling digital opportunities." The retailer's free "More in Store" program — available only in Barnes & Noble stores and only on the NOOK — offers customers new, exclusive content from bestselling and new authors, in-store promotions and free café offers. More in Store is updated weekly with each new feature available for four weeks on a rolling basis.

59 BED BATH & BEYOND

Bed, Bath & Beyond weathered the worst of the recession, posting a 4.4 percent increase in same-store sales for 2009 while the industry as a whole experienced a 0.5 percent decrease. When the retailer announced in April that it planned to open 60 new stores in fiscal year 2010, the news heralded a welcome change in outlook that slowly began taking hold among other national retail chains.

**60 NIKE**

Once seen as the paragon of corporate autocracy, Nike got its open-source groove on this year. The company invited skaters at its Laguna Beach storefront to customize Chuck Taylor All Stars and Hurley board shorts, introduced an iPhone app that lets women create their own virtual personal trainers that can be shared with friends and gave social entrepreneurs and manufacturers access to the green technologies dreamed up in Nike's R&D lab with its new open-source website co-founded with the likes of Best Buy and Yahoo.

61 OFFICE MAX

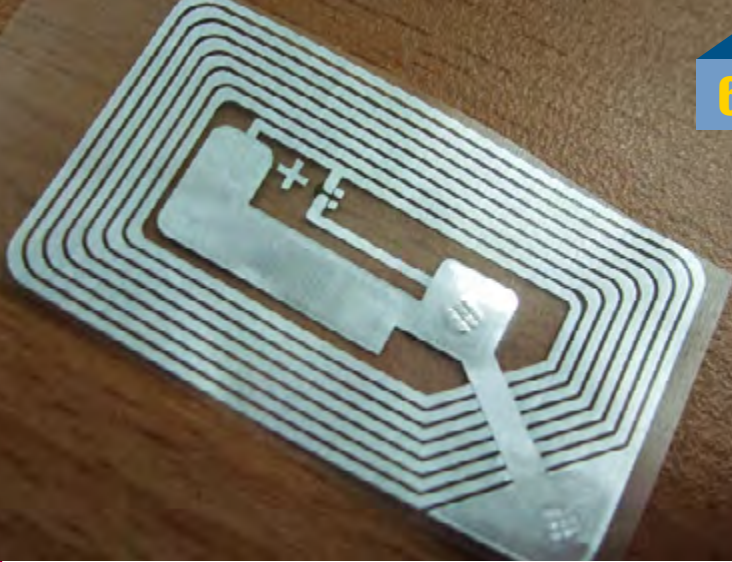
Office Max has been struggling to compete with online retailers such as Amazon and big box stores such as Staples, but saw third-quarter profits more than triple. While sales of less-profitable big-ticket items such as furniture and computers are still down, demand for its more profitable paper and office supply products increased. The No. 3 U.S. office supply retailer lowered buying costs by centralizing its pricing team and giving it greater tools to analyze contracts. To bolster demand during the back-to-school selling period,

the company abandoned its past practice of “front-loading” campaigns and instead staggered its advertising around times when customers would be shopping in the stores.

62 RFID IN RETAIL

If the developers of radio frequency identification (RFID) tags have their way, grocery store checkout lines will soon be a thing of the past. RFID technology uses ink laced with carbon nanotubes to print electronics directly onto items such as cereal boxes and potato chip bags, and then instantly transmits information about an entire cart full of groceries. In the future as envisioned by James M. Tour of Rice University, whose research group invented the ink, shoppers will simply stroll past a detector that instantly calculates the contents of their carts. “No more lines,” he said. “You just walk out with your stuff.”

4-6



63 STARBUCKS

During the Great Recession, Starbucks found itself bruised by rising costs and the cannibalizing effects of years of overexpansion in an economic climate that had most people reassessing their daily spending habits on luxury items, exacerbated by stiff competition in espresso drinks from the likes of McDonalds and Dunkin’ Donuts. In the dark

days of early 2009, Starbucks announced it would cut thousands of jobs and close 300 stores, but the fortunes of the chain have improved greatly since then. In the spring of 2010, Starbucks’ profit rose more than eightfold and the company announced its first dividend to be paid in cash to investors.

64 EBAY

Retail giant eBay is betting on recent technological innovations to revive its marketplace business. By adopting a catalog approach similar to Amazon’s, eBay’s search engine now includes a “Savings Box” feature that highlights just a few listings and a “Group by Condition” checkbox that allows shoppers to sort matching items. In addition to opening its platform to third-party developers and launching mobile apps, the website has added daily deals and a custom fashion shopping experience, among other improvements.

65 FOREVER 21

Forever 21 grew during the recession by taking advantage of liquidation sales and abandoned retail spaces. This past spring, the LA-based fashion retailer set up a new flagship in the former Virgin Megastore Times Square location. The store is a trendy mix of strategic concepts and site-specific décor, such as graffiti-tagged taxi and store-within-a-store neighborhood sections, including a men’s department with exposed brick and hanging scales in homage to Manhattan’s meatpacking district. Meanwhile, a Sears store in California recently announced it was giving up 15 percent of its floor space — some 43,000 square feet — to a Forever 21 store-within-a-store in exchange for rental revenue and some much-needed fashion pizzazz.

66 GOOGLETV

“Imagine turning on the TV and getting all the channels and shows you normally watch and

all of the websites you browse all day.” Advance promotions for the long-awaited GoogleTV promised all that and more. The device, which connects any TV to the Internet, comes with a built-in Google Chrome browser with Flash support that allows full Internet access to stream video, listen to music and view pictures. It also features a menu that allows users to save their favorite channels, websites and online content. An onscreen search bar allows users to scour both the Internet and their cable provider for any available content. Google’s Android-based smartphones also will be integrated into the system so that users can speak the name of a TV show into their phone, and it will appear on screen.

67 WEGMANS

Appearing on Fortune’s annual “100 Best Companies to Work For” list every year since its inception in 1998 — and placing among the top 10 for eight consecutive years — has not made Wegmans complacent. The top-rated grocery chain increased its 2010 budget for customer service courses by 13 percent over the year before, investing \$27.3 million in the effort. That number does not include new-store orientations or the extra staffing costs incurred while workers are in class. Wegmans’ employee tuition scholarship program also survived the recession with 1,423 staffers taking advantage of the perk in 2009.

68 BANANA REPUBLIC

“Mad Men and Banana Republic are both mad about style,” said Banana Republic president Jack Calhoun. “Banana Republic is known for its versatile fashions, with modern takes on 1960s icons like the pencil skirt, cardigan, and suit — which is why our collaboration with Mad Men is a natural fit.” AMC president Charlie Collier concurs. “The iconic style depicted in Mad Men is unquestionably a character in the show, and the Banana Republic promotion is testament to the broad influence the series has had on the world of fashion design.” The network and the clothier extended their marketing promotion for a second year by featuring Mad Men

online and in all 400 of Banana Republic’s North American retail locations during the run-up to the show’s season four premiere this past July. Banana Republic also created a style guide for the occasion featuring Mad Men characters and images alongside Banana Republic looks.

69 DICK’S SPORTING GOODS

Dick’s has succeeded where other big box efforts in the sporting goods category have failed by catering to serious enthusiasts and their families who want a big selection, superior service and an engaging in-store experience. Each Dick’s location features stores within the store, such as the Golf Shop, the Lodge and Perfect Season (highlighting whatever sport is then being played). While same-store sales dipped slightly in 2009, the company kept a lid on costs and produced earnings of \$135 million, compared with a loss of \$40 million in 2008 — the only year Dick’s has lost money since going public in 2002.



FishCop

Stores-within-a-store, such as the Lodge for hunting enthusiasts, allow Dick’s to cater to a variety of interests.

70 RADIO SHACK

Radio Shack’s biggest challenge, according to Bruce Geller, chief executive officer of investment management firm Dalton, Greiner, Hartman, Maher, is that it’s viewed as a has-been, appealing only

to geeky hobbyists. In an effort to appeal to a generation raised on iPods rather than crystal radio kits, the retailer has been busy rebranding itself in a more contemporary image, dropping the "Radio" and calling itself simply "The Shack." The efforts are paying off. The consumer-electronics retailer, which operates nearly 4,700 stores in the United States and Mexico, in addition to nearly 1,000 wireless-phone kiosks in Walmart Stores' Sam's Club division and Target, reported impressive third-quarter results with net income rising 23 percent on a 6 percent gain in revenue.

71 REI

Director of sales Matt Hyde points out that while many businesses see the Web as competing with their other lines of businesses, REI takes Web orders "from customers who drive by our stores every day. Many customers are multichannel customers. We can't choose how our customers want to shop, so we offer our product, any time, any place and answer any question." REI has integrated digital commerce into every aspect of its operations. Banks of computer kiosks display the online catalog at all locations so customers — or, rather, "members," as the outdoor retail co-op prefers — can order merchandise not in stock, access deep data and print out full color maps of almost any destination on earth. The typical store visit is two hours. REI's director of corporate social responsibility, Kevin Hagen, said the co-op's stewardship efforts "align our business strategies with our mission of getting people outdoors, enjoying a healthy lifestyle and being good stewards of the environment. ... we are showing that innovative business solutions that address environmental and social performance are delivering financial results."

72 SAFEWAY

As part of a bold strategic shift to accelerate growth of its store brands and make private label part of its core offerings, Safeway earlier this year pulled all store brand management in-house, terminated its relationship with third-party broker Daymon Worldwide, launched a new "lifestyle" store remake

program dubbed Safeway Direct Connect, and rolled out Agentrics' product lifecycle management software, described as a secure, collaborative tool that provides suppliers and Safeway with real-time information. Agentrics business solutions director Jeremy Whinnett said the rollout came at "an ideal time to strategically push private label so retailers don't lose the share and customer loyalty they've gained during the recession."

73 VERIZON WIRELESS

After months of buzz and unsubstantiated rumors, Fortune contributor Sarah Ellison confirmed in late October that the Verizon iPhone does exist, that it will operate on a G4 network and that it will ship in early 2011. Unfortunately, it is unlikely that the first version of the phone will work outside the United States. In a major announcement earlier that same month, Verizon COO Lowell McAdam said that Verizon Wireless would do away with its "walled-garden" approach because "in a 4G world, we need to turn that guarded model inside-out." The operator will transform its business model, McAdam says, and open its network, applications and location technologies to outside developers.

74 WALGREENS

m/naill

In years past, Walgreens executives affectionately characterized the company's business model as a "hedgehog" that stuck close to its core competencies of customer convenience and high-volume pharmacy services. But with new management in place, the company has embarked on a top-to-bottom overhaul of its core operating strategy and is geared toward seeking out new opportunities in merchandising and marketing. Chief among those is an online shopping and store-pickup service called QuickShop that gives customers the option of buying nonprescription products via a new Walgreens website. The company's Customer-Centric Retailing initiative has led to a major revamp of store merchandising, presentation and décor. Walgreens also is working to position itself as an integrated, broad-based provider of lower-cost patient care and preventive health solutions.

75 WALMART

In addition to scaling down store footprints for entry into urban markets and placing Web-enabled workstations in its aisles to attract more sophisticated consumers, Walmart has set its sights on making its entire operation greener. The world's largest retailer early this year introduced a new plan enlisting its 2 million employees along with 100,000 global suppliers and a consortium of NGOs, scientists and other businesses to rate the sustainability of every product it sells.

76 ANTHROPOLOGIE

Anthropologie doesn't push a particular category of products but instead focuses on creating a sensual experience (often enhanced by French café music and aromatic candles) to sell a wide variety of interesting and unusual items to affluent, settled-down career women in their 30s and 40s, with an average family income of \$200,000 a year. Because Anthropologie is focused on increasing sales from its current store base rather than expanding, the company's loyal customers keep the brand's per-square-foot revenue at around \$750 even during the economic downturn.

motorola.com

77 AUGMENTED REALITY

Everyone agrees that augmented reality (AR) is going to be huge over the next five to 10 years. Some AR applications use projectors and screens to insert objects into the real environment; for example, to enhance museum exhibitions. Many first-person shooter video games simulate the viewpoint of a player using AR systems. Retail advertisers and marketers are expected to leverage mobile-based applications of the technology capable of interacting with print-based AR, bringing 2-D images to life and transforming location-based ads into virtual landscapes, such as those seen in interactive storefront displays. (See No. 49.)

78 BATH & BODY WORKS

Bath & Body Works posted better-than-expected sales results for the third quarter 2010, driven by increased store transactions, enhancements in the direct-channel business and growth from new stores. The U.S. specialty retailer of intimate and other apparel, beauty and personal care products launched its first stores outside of North America this past October with the opening of six stores in Dubai, followed by two openings in Kuwait at The Avenues and Marina Mall in November.

79 BJ'S WHOLESALE CLUB

Stock in Bj's Wholesale Club jumped nearly 18 percent in July when private equity investor Leonard Green and Partners acquired a 9.5 percent ownership stake in the warehouse club. The Los Angeles-based investor has a long history of retail investments, with holdings in Whole Foods Market, The Container Store, Petco, Neiman Marcus and Rite Aid. The firm is looking at ways to enhance shareholder value. Speculation as to what lies in store for the members-only club retailer includes merger, acquisition or a going-private transaction.

80 BUILD-A-BEAR WORKSHOP

Build-A-Bear Workshop ended 2010's third quarter reporting a 5.3 percent increase in North America, thanks to comparable store sales and the successful launch of its proprietary Smallfrys product line. The interactive entertainment retailer of customized stuffed animals is optimistic about opportunities for sales growth from its recently announced 11 pop-up stores. Build-A-Bear Workshop chairman and chief executive bear Maxine Clark stated that the company is well-positioned to "maximize the holiday season, as we continue to emphasize our product introductions aligned with powerful marketing." In October, the company announced a partnership with teen actress and singer Victoria Justice, known for acting roles in television shows and movies aimed at teen and tween audiences.

81 CRAIGSLIST

Like many an Internet phenomenon. Craigslist started small, based on a simple, localized idea that blossomed into something global. Started in 1995 by Craig Newmark with the modest goal of helping people find affordable housing in San Francisco, it's now the most popular online classifieds website in the world, with more than 10 million monthly visitors. In September, Craigslist capitulated in a legal fight over erotic ads posted on the site by shutting down its adult services section and replacing it with a black bar that simply read "censored." The move came after a group of state attorneys general charged that Craigslist did not adequately block potentially illegal ads promoting prostitution. Adult ads previously accounted for some 30 percent of Craigslist's annual revenue, estimated to reach \$122 million in 2010.

82 DOLLAR TREE

Dollar Tree has emerged as one of the big winners during the recession and continues to benefit even in a recovering economy. The company targets

low to lower-middle income consumers and sells everyday products from food and personal care products to non-essentials such as toys and holiday decorations at a fixed price of \$1 on all merchandise. The Chesapeake, Va.-based discount retailer reported a 37 percent year-over-year increase in profit for the second quarter, boosted by higher operating margins and sales growth amid better store traffic.

83 GREEN RETAILING

"Greentailing" isn't just for tree-huggers anymore. Consumers are increasingly focusing on eco-friendly shopping and greener lifestyles. At the same time, retailers around the globe are launching environmentally friendly initiatives aimed at reusing materials, eliminating waste and preserving resources. Even large corporations are developing green products. Apple's MacBook Pro is made of recyclable aluminum and shipped with 34 percent less packaging than the previous model. Motorola has taken that a step further with a phone made entirely from recycled plastic bottles, complete with recycled packaging and pre-paid envelopes that can be used to send the phones back to for reuse.



ZoofyTheJinx

84 H&M

Just days before the Swedish fashion giant's hotly anticipated designer collaboration, "Lanvin for H&M" hit stores on November 20, the company announced a slight rise in sales at established stores, up 3 percent in October from 2009's figure. Total sales, which include newly opened stores, were up 13 percent with overall sales for stores open a year or more in line with analysts' forecasts. Acknowledging assistance from the global financial recovery, the world's third-biggest clothing firm saw September same-store sales up 8 percent, while August saw a 14 percent rise. The company does not release absolute sales figures, only the percentage of change in local currencies. When pressed, however, H&M divulged that tuxedos for men and tailcoats for women were the must-have products for the fall season.



box up to a store kiosk equipped with a Webcam, screen and Metaio's AR technology, customers can see a 3-D image of what the toy will look like once assembled, viewable from all angles.

86 PUBLIX

The nation's largest employee-owned supermarket chain defied the recession by opening 36 new stores in 2009, and hiring more than 27,000 new associates. Publix's sales for the third quarter of 2010 were \$6 billion, a 3.5 percent increase from last year's \$5.8 billion, with net earnings of \$283.2 million, compared to \$254.9 million in 2009, an increase of 11.1 percent. This past summer, the southeastern grocery chain licensed APT's Test & Learn for Sites software to measure efficiently the impact of new capital allocation, merchandising, marketing, pricing and operations initiatives and to target intelligently the rollout of these initiatives across its more than one thousand supermarkets spanning its five-state blueprint.



chrisjohnbeckett

85 LEGO

The 76-year-old Danish toy maker saw its profit jump almost 64 percent in the first half of 2010. The family-owned company's core snap-together plastic brick empire has grown and evolved dramatically over the years to include robotics, films, video games, theme parks and even a business consultancy to foster creative thinking. This spring, LEGO introduced an augmented reality "digital box" developed by Metaio. By holding a LEGO

87 RETAIL AT AIRPORTS

Once upon a time, delayed air travelers had to settle for browsing meager newsstands and snacking on food court cuisine. Things have changed, however. Many of today's airports offer a bounty of dining and shopping opportunities within the confines of security checkpoints. Las Vegas' McCarran International Airport boasts more

than 50 retail shops and nearly 30 restaurants, lounges and snack bars, plus gift shops from the major hotel/casinos, a children's play area, fitness center, pet relief areas and more than 1,200 slot machines. The airport is less than a mile from the Vegas Strip, but there's really no reason to leave.



andreasmarx

88 BLOOMINGDALE'S

Aggressively pursuing the re-emerging upscale customer, Bloomingdale's first opened a slick 90,000 square foot space in the heart of Manhattan's SoHo district, followed by a prototype smaller-format store in Santa Monica. At just half the space of a flagship store, the Santa Monica space features revolving multi-media displays, fashion shows, yoga classes and the "B-Style Lab," a new personal shopping model that hooks into Bloomingdales.com. The retailer also began rolling out its new Bloomingdale's upscale outlet store concept, each with approximately 25,000 square feet.

89 DISNEY

Disney's purchase of Marvel Entertainment last August was merely a foreshadowing of the entertainment giant's recent spate of creative leaps

and innovative moves that included remaking Mickey Mouse's image, scoring a beachhead in the Chinese market with Shanghai Disneyland, rebranding 340 of its mall locations as entertainment hubs with interactive kiosks, karaoke contests and video-projected fireworks (all under the guidance of one Steve Jobs), and developing its own cloud-based film technology that lets consumers play downloads across devices such as smartphones, televisions or laptops.

90 DOLLAR GENERAL

After raising \$444 million in an IPO taking the discount retailer public in 2009, private equity firm Kohlberg Kravis Roberts & Co. promptly paid down \$734 million in debt and announced a 12.8 percent bump in revenue to \$11.8 billion and profits of \$339 million. The Goodlettsville, Tenn.-based retailer, which was relisted on the New York Stock Exchange in November 2009, has seen same-store sales jump more than 9 percent for each of the past two years. Since relisting, Dollar General's stock has climbed 115.6 percent. Chief executive Rick Dreiling credits new store layouts, thriftiness among higher-income consumers and Dollar General's transition "from cheap to inexpensive" — as evidenced by his successful courting of L'Oreal — for the standout year.

91 FAMILY DOLLAR

Yet another "dollar store" (see Nos. 82 and 90) has reported a sharp increase in profit thanks to wary consumers in a struggling economy. Family Dollar's burgeoning grocery business coincides with a period of rapid expansion for the national chain, which operates more than 6,700 stores nationwide, including roughly 200 stores that debuted over the last 12 months. The chain anticipates even more openings in fiscal year 2011 and plans to renovate many of its stores. Between 600 and 800 stores will be targeted for freshening; the revamped outlets are likely to have more room for higher-margin food products, including its own private label, Family Gourmet.

92 JCPENNEY

While other retailers closed stores or laid off workers in response to the downturn, JCPenney continued investing, most notably opening its first Manhattan store in July. Playing to the department store's strength of offering shoppers a stylish alternative to higher-priced rivals, CEO and chairman Myron E. Ullman III has moved the chain away from store brands in favor of trendy Sephora cosmetics shops and affordable lines of exclusive fashion brands from designers such as Nicole Miller. This fall saw the arrival of "Cindy Crawford Style," a home furnishing and accessories collection exclusive to JCPenney, and JOE Joseph Abboud, an exclusive collection of men's sportswear and tailored clothing.

93 MICHAELS STORES

Founded in 1984, Michaels Stores anticipated the modern arts-and-crafts boom by providing nascent painters, scrapbookers, knitters, florists and cake decorators with the preselected materials necessary to pursue their muses. In keeping with its do-it-yourself philosophy, the world's largest arts-and-crafts retail chain reduced middleman expenses during the recession by purchasing product from the companies it owns, such as ReCollections and Artist's Loft.

94 OLD NAVY

Old Navy hoped to leverage consumers' renewed frugality last year when the company recommitted to its original focus and began redesigning more than a thousand stores. Year-to-date revenues are up 1 percent, due largely to a third-quarter same-store sales increase of a healthy 10 percent, it's first rise in six years.



95 ROSS STORES

Even though off-price discount retailers have generally been top performers in recent years, Ross Stores has distinguished itself against its closest competition among consumers who value brands and enjoy the Ross "treasure hunt" format for finding bargains. Women shopping for themselves and other family members make up 75 percent to 80 percent of Ross Stores' total traffic. The nation's second-largest off-price retailer grew earnings by more than 20 percent in 2008 during one of the most severe recessions on record. The company topped this performance in 2009 by increasing earnings another 50 percent over 2008 results. For the nine months ending October 30, 2010, the retailer's sales totaled \$5.721 billion, up 10 percent over sales for the nine months ending October 31, 2009.

96 SEARS

With Sears Holdings Corp.'s total revenues falling \$93 million to \$10.5 billion for the second quarter of 2010, the retailer began revamping its Web strategy. This past October, Sears.com unveiled a new logo for its site and added more user-generated content from the MySears community.

In conjunction with site changes, Sears is delivering ads via Apple's iPhone and iPod Touch, through Apple's iAd mobile advertising network. Sears also unveiled a beta version of Shop Social, a microsite where consumers can create a profile, follow other shoppers and access ratings and reviews.

97 STAPLES

The top U.S. office supplier recently announced a new corporate sustainability strategy, and challenged its suppliers to join in. "Race to the Top" calls on suppliers to compete not only in terms of product quality, cost and features, but also in finding innovative solutions for manufacturing, packaging and distribution. Staples' chairman and CEO Ron Sargent said, "Viewing our business through the lens of environmental and social sustainability will lead to better results for our customers, our shareholders and our communities." At the program's October launch, Staples asked key suppliers to begin addressing environmentally sustainable packaging priorities within the first six months of 2011.

98 TJ MAXX

The "fashionomics" (as TJ Maxx terms it) of off-price retail is simple: selling clothing and accessories from major-label brands at low prices. By forging solid relationships with its vendors around the world the chain is able to buy in-season items at the last minute directly from designers and get them to the floor very quickly. Moreover, TJ Maxx operates this model year-round, unlike department stores that purchase merchandise seasonally.

99 TOYS "R" US

In an effort to position itself as being more convenient for customers, Toys "R" Us launched some 600 Express pop-up stores in malls and shopping centers across the country in time for the 2010 Christmas season, effectively doubling the number of the chain's locations. The Express initiative also created the need for 10,000 new hires beyond the toy giant's usual seasonal workforce build.

100 ZARA

Rather than promoting predicted trends via fashion shows and similar channels of influence, ZARA focuses its attention on understanding the fashion items its customers want and then delivering them. As a vertically integrated retailer, the Spanish clothing store controls most of the steps on the supply chain, designing, producing and distributing its own apparel. ZARA has managed to shorten substantially the time to develop a new product. By going from design to finished goods in four to five weeks it is able to react quickly to changing market trends. Fashion director Daniel Piette describes ZARA as "possibly the most innovative and devastating retailer in the world."