

Retail Relevance

Amazon.com and Target Lead the Retail Relevance Top 10

Who is America's most relevant retailer? Of the top retailers and retail experiences in America – from supermarkets to department stores to big box stores and e-commerce – which has the most relevance in people's lives? Which retailer matters most?

We're delving into *relevance*, of all things, because we believe it's the most important quality a brand, store or experience can offer. In addition to rational economic value, relevance is a reflection of sensory appeal, a shopper's values and phenomena that speak to our social impulses. Indeed, sometimes these non-functional factors matter most.

Picking a single most relevant retailer is difficult, perhaps even impossible question to answer. So many factors go into people's decisions about where to shop. Your choice ultimately depends on who you are, what you are hoping to experience, and, of course, what you are trying to purchase. Shopping is a multifaceted experience that is difficult to generalize.

At the same time, we've seen clear and dramatic changes in the retail landscape over the last decade. Retailers endlessly experiment with new product and service offerings and new consumer experiences. And the maturation of e-commerce along with the growth of mobility is making shopping the poster child for Thomas Friedman's "flat" world – one that thoroughly dismantles traditional power structures and makes every store shelf instantly accessible from any location.

Given the dynamism of the sector, we conducted an experiment to try and measure the retailer that shoppers found most relevant to them.

We selected twenty-one of the largest retailers in the United States, including a variety of different types of retailers – large discount stores, supermarkets, department stores, e-commerce retailers and specialty stores. We used a technique called *maximum difference scaling* to compare and score one retailer against another. That is, shoppers were asked to “test” each retailer at least four times against a different combination of competing retailers. Each time, shoppers were asked to select the store they felt was the most and the least applicable in one of four areas that are part of the Brodeur Partners’ relevance model:

- ▶ **Practicality** – *Select the retailer you believe is the most dependable and provides you the best value.*
- ▶ **Values** – *Select the retailer that you most admire and most reflects your personal values.*
- ▶ **Sensory appeal** – *Select the retailer that you find the most interesting and appeals to your senses.*
- ▶ **Social appeal** – *Select the retailer you’re most proud to be associated with and is an experience you’d want to share.*

The survey included 2,008 shoppers between the ages of 18 and 65 and was conducted from November 13-20, 2011, just prior to the 2011 holiday shopping season. The shoppers’ “votes” were then used to create a value score for each retailer in each of the four areas tests. The use of maximum difference scaling allowed us to collect over 60,000 data points with highly precise and detailed data for each retailer.

Amazon and Target

So who was America's "most relevant" retailer?

First place went to the retailer that shoppers click on but can't drive to: Amazon.com. Close behind was the upstart retailer that topped the list as the most interesting and most appealing to shoppers' senses, Target.

This one-two finish by Amazon.com and Target says a lot about what Americans look for and find meaningful in a place to shop. The case of Amazon.com highlights the incredible power of e-commerce in the retail world of today. It shows how technology can move a retailer from specialty online bookstore to one that people view as more practical and value-driven than even Walmart, the world's largest retailer. The number-two showing by Target underscores the importance of blending elements that appeal to shoppers' senses with value and dependability.

Review of the Top Ten

In establishing our top ten, we looked only at the scores from shoppers who said they either "frequently" or "occasionally" shopped at that retailer – that is, we eliminated potential bias resulting from shoppers who either had not shopped with that retailer or were not familiar with the retailer.

Among shoppers, Amazon was the clear winner with a score of 9.54.¹ Second place went to Target with a score of 9.1. Third Place Walmart, scored 8.57. BestBuy came in a distant fourth followed by a closely clustered group that included Costco, Kohl's and J.C.Penny. Rounding out the top ten were Macy's, Walgreen and Apple.

You might expect relevance to correlate closely with sales, foot traffic or market share. In many cases it does not. Many of the retailers with much

¹ In maximum difference scaling the sum of all items tested equals 100. The structure of our MaxDiff survey is straightforward. Survey respondents are presented with a set of items and asked to choose which is most preferred and which is least preferred. Dozens of items can be tested, but the task is manageable, because respondents consider only four or five items at a time. The final score for each item tested indicates both absolute and relative importance based on preference, importance or relevance of the item.

larger annual sales volumes did not make the top ten. They included well-known names like Kroger, Home Depot and CVS Caremark.²

Store	Practical Relevance	Social Relevance	Values-based Relevance	Sensory Relevance	Average
1. Amazon.com <i>Seattle</i>	10.14	9.15	9.40	9.45	9.54
2. Target <i>Minneapolis</i>	9.59	8.40	8.68	9.72	9.10
3. Wal-Mart <i>Arkansas</i>	10.00	7.57	8.26	8.45	8.57
4. Best Buy <i>Richfield, Minn.</i>	6.78	7.28	6.81	8.52	7.35
5. Costco <i>Washington</i>	7.69	7.04	6.93	6.79	7.11
6. Kohl's <i>Wisconsin</i>	6.84	6.72	6.86	7.50	6.98
7. J.C. Penney <i>Plano, Texas</i>	6.28	6.91	6.90	7.50	6.90
8. Macy's <i>Cincinnati</i>	5.11	7.00	6.49	7.23	6.46
9. Walgreen <i>Deerfield, Ill.</i>	6.65	6.11	6.04	6.20	6.25
10. Apple <i>Cupertino, Ca.</i>	5.68	7.00	6.53	5.73	6.24

²The following 21 retailers were included in this study: Amazon.com, Apple, Best Buy, Costco, CVS Caremark, Dell, J.C. Penny, Home Depot, Kohl's, Kroger, Lowe's, Macy's, QVC, Rite Aid, Safeway, Sears, Staples, Target, T.J. Maxx, Walgreen, Wal-Mart.

Amazon was the clear winner with an average retail relevance score of 9.54. We were intrigued by Amazon.com's high ranking in the area of *practical* relevance. Shoppers voted Amazon highest in "dependability" and "best value," elements of practicality. The high practicality score is particularly striking considering Amazon was measured against companies with large real-world storefronts like Target, Walmart, Costco, Walgreens, Kroger and Safeway. So has online become the decidedly more practical way for Americans to shop? Also distinctive was Amazon's commanding lead in the areas of *social* and *values-based* relevance. That is, when compared against all of the other retail experiences, shoppers said that that the Amazon experience was the one most people wanted to share and that most reflects their personal values.

Target came in a commanding second with a relevance score of 9.10. Target's strong second place finish was closely tied to shoppers viewing it as the perfect blend of *practical relevance* and *sensory appeal*. That shoppers scored Target higher than Walmart was remarkable given the fact that Target's total sales are a fraction of Walmart's with only approximately one-fourth the number of total stores. We think this disparity speaks to the power of the senses to create a strong bond with a customer.

Walmart was a distant third with a retail relevance score of 8.57. While Walmart scored well in all four areas, the store's high ranking was very highly dependent on its *practical* relevance to shoppers. Our research has found that people view practical relevance as the most important attribute for a retailer to have. The bad news for Walmart is that our study also found that the importance of "practical relevance" drops sharply among younger Gen Y shoppers.

BestBuy held a position as the bridge between the first and second tier of retailers. With an average retail relevance score of 7.35, it was over a full point behind **Walmart**, but considerably above the next retailer **Costco** (7.11). Like Walmart, Best Buy's relevance profile was distinctive in that it relied heavily on one factor – *sensory* relevance. This may be due in large measure to the fact that BestBuy sells consumer electronics, which are inherently more "sensory" than books, clothes or groceries. That said, some of the others tested (Apple) were exclusive to electronics and others (Sears, HomeDepot, and Loew's) sell appliances. Whatever the cause, like Target, there appears to be something sensory about BestBuy's appeal and relevance that resonates with American shoppers .

With a relevance score of 7.11, **Costco** led a closely packed group that included clothing retailers **Kohl's**, **J.C. Penny** and **Macy's**. As one might expect, Costco's leading indicator was its *practical relevance* while the leading indicator for the clothing retailers was *sensory*. **Walgreen's** came in ninth at 6.25 and **Apple** tenth 6.24. Apple's showing was particularly surprising given that the company only opened its first store in 2001 and that their retail outlets largely sell one product line – its own.

Those who didn't make the top ten

Of those tested, **Sears** came in a distant 14th, and its relevance scores may reflect why it has fared so poorly in the past and recently sought bankruptcy protection. On our critical measure of *practical* relevance – the measure that the majority of Americans say is most important in considering where to shop – Sears scored a paltry 4.78, far below both the big box home improvements stores of **Home Depot** and **Lowe's** and department stores **J.C. Penny** and **Kohl's**. In fact, with a score of 5.73, fashion retailer **T.J. Maxx** was considered by shoppers to be more practically relevant than Sears. What has happened to this once-venerable brand?

Our experiment also underscored the struggles that traditional grocery stores **Kroger** and **Safeway** have in sustaining relevance as big box stores (Target, Walmart) and drug stores (Walgreen's, CVS) storm into the food business. Despite sales that dwarf stores such as Amazon.com, Kohl's, and Pennys, neither Kroger nor Safeway made the top ten.

Conclusion

What lessons can we draw from our retail relevance study? For starters, we'd repeat what we said at the outset: shopping is a personal experience that involves an incredibly large and complex set of factors. Generalizations should be made with great care. What we can say is this:

- Retail brands have distinctive profiles. Most are organized around one or two distinctive elements. For Walmart, it is the practical and

functional. For Target, it is that and the ability to appeal to the senses, which may explain as much as anything why Target has by some indicators outperformed its much larger rival Walmart in recent years.

- That Amazon.com topped the list and yet has no physical storefront says a lot about the mainstreaming of online shopping. What was striking in Amazon.com's profile was how often people selected it as the most practical of all retailers – more practical than your local grocer. If anything, this confirms the current push by retailers to strengthen and increase their online presence as that platform becomes the most practically relevant to today's shoppers.
- That Apple made the top ten after only being in the retail business for a decade and largely selling its own products speaks volumes about the incredibly dynamic nature of retail and the power of the socially relevant brand.

Retail Relevance Score: Those who said they 'frequently or occasionally shop there

