

THE  REPORT

# Crocs (NASDAQ: CROX)

May 9<sup>th</sup>, 2022

**crocs**<sup>TM</sup>



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# About The W Report™

**The W Report™** provides a proven, innovative way to see what contributes to a company's revenue growth today, and predictive power of where to focus efforts that will drive future revenue.

Created by *Harvard Business Review* author Gary A. Williams, the patented wRatings system provides fresh, forward-looking data and analytics that cannot be found anywhere else.

Our competitive strength research requires a number of fixed investments to help executives make decisions about how to drive organic revenue growth.

Basic economic theory shows that in a highly competitive market, returns will be driven down to essentially no economic profit as rivals imitate any known advantage. To achieve a durable advantage, executives must find ways to defy this very powerful force of competition.

Since starting a fund on January 1st, 2015, the Top 25 Companies in our rankings have outperformed the S&P 500, the Russell 1000 and Russell 2500 by double-digits. Our research was featured as the May 2002 cover article in *Harvard Business Review*.

The wRatings Corporation provides CEOs, their executive teams and PE Firms & Hedge Funds with subscriptions to our independent competitive research analytics.

## FIXED INVESTMENTS



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(Software-as-a-Service)



**Patents,  
Copyrights &  
Trademarks**



**Competitive  
Benchmark  
Database**

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## Our Top 25 companies consistently out-perform the S&P 500, Russell 1000 and Russell 2500

Our Top 25 Companies	S&P 500 (Total Return)	Russell 1000 (Total Return)	Russell 2500 (Total Return)
<b>168.3%</b>	<b>130.7%</b>	<b>127.6%</b>	<b>87.4%</b>



Source: Concentus Wealth Advisors, May 1<sup>st</sup>, 2022

# Crocs Pricing Power vs. Revenue TTM

The Crocs executive team managed its playbook through the pandemic crisis about as good as any company could. Simplicity helps.

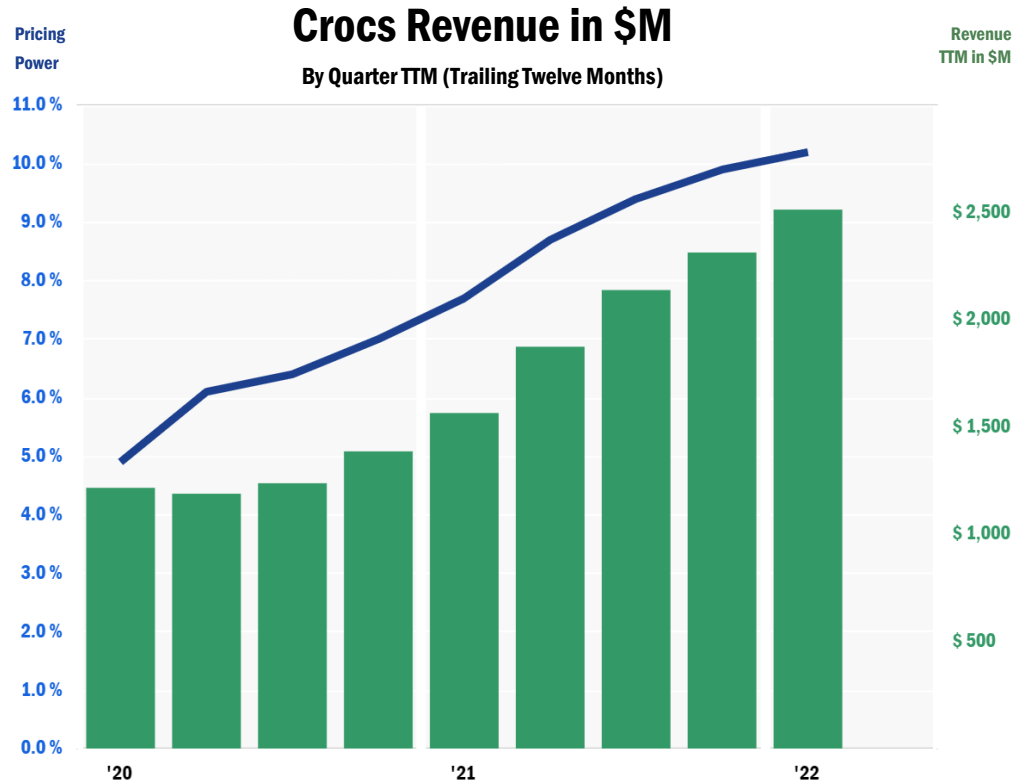
The classic clog shoes are easy to make with only three components, and two of them are made on site according to their CEO. That implies a core competency in rapid manufacturing.

But product availability was not the reason for the company's success. As seen in their Competitive Profile, their true source is in their company culture.

Crocs found ways to leverage word-of-mouth from their employees, and collaborated with celebrities to pump up interest. This well-defined strategy allowed them to fine-tune how they connect with customers.

They also stabilized their relationships with a variety of stakeholders beyond just customers, focusing on multiple environmental achievements. In 2020, Crocs sold 85% of its products without shoeboxes. They donate unsold shoes to people in need.

The results? Consumers were lining up out the doors in NYC for a chance to buy the brand at times in 2021.



# Match Profile: 2020-Q1 vs. 2022-Q1

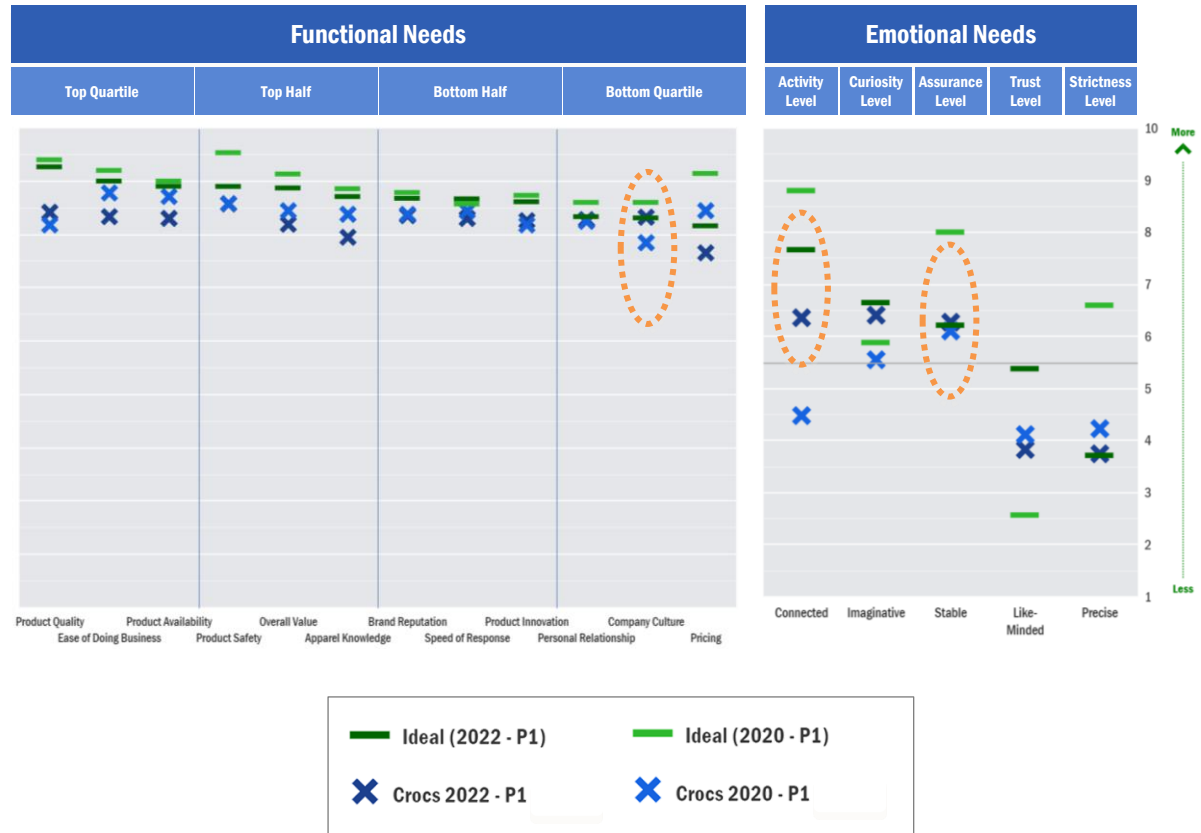
So how did Crocs win over more customers and grow their revenue between 2020 and 2022? In a word, focus.

Match Profiles compare any two customer profiles over time, with the lighter colored markers “fading into the background” since they are from an earlier time period. In the Crocs profile, the lighter green bars and blue X’s represent Crocs customers in 2020-Q1. The darker markers represent customers two years later in 2022-Q1.

When analyzing the data, Crocs did an excellent job of managing customer expectations. In 2020, Pricing was the third most important need. By 2022, Pricing was the last in importance. No doubt pandemic shortages played into this, but Crocs set customer expectations appropriately. The ability to set & meet expectations is the difference between a market dominator and a market follower.

The key contributor to Crocs growth was how they connected with their customers. Improving their company culture provided new ways to generate activity with influencers, celebrities and other stakeholders.

And even though Crocs closed their connection gap with customers, more remains possible.



## Competitive Profile: Crocs & Apple

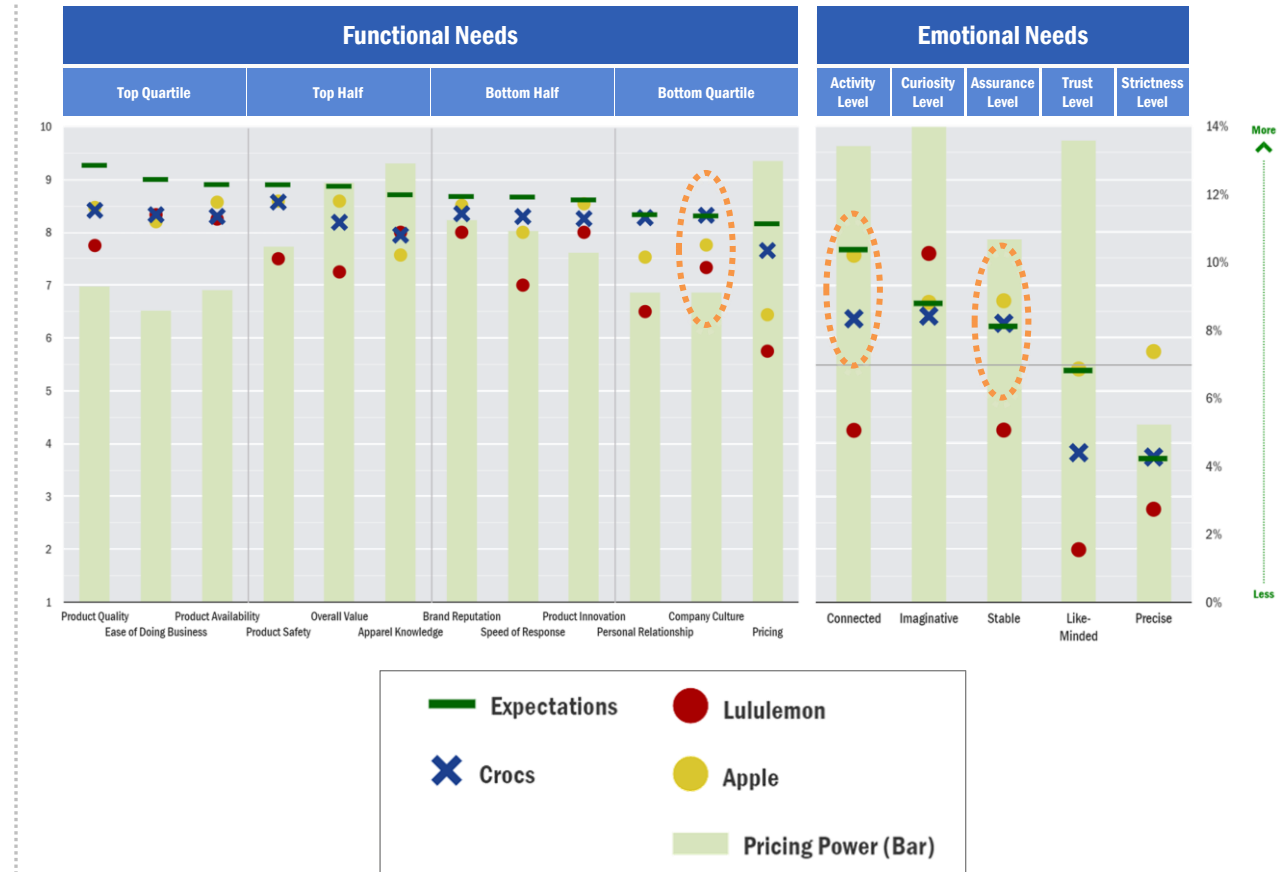
Success leaves clues. For over a decade now, Apple has continued to innovate not just its product line but its business framework. The result has been market dominance in both financial and consumer terms.

With its unique product niche, Crocs has a familiar feel and history to how the Apple brand started. And today's Crocs is building a pathway to strong revenue growth similar to Apple was well.

As innovative footwear, consumers are loving what Crocs is doing as they far exceed the performance of other apparel brands such as Lululemon across most functional needs and all emotional needs.

Compared to how Apple customers feel about that brand, Crocs measures up favorably on all but a few functional needs (Availability, Value and Innovation) and exceeds Apple with their ability to build a personal relationship and a powerful company culture.

Apple still connects better with its customers than Crocs does, although that's an excellent opportunity area to capture Crocs pricing power.



Data as of 2022-Q1

Customer Expectations and Pricing Power data are unique for Crocs, and cannot be applied to the overall industry.

