

THE **W** REPORT

Most Competitive Companies

2023-Q3

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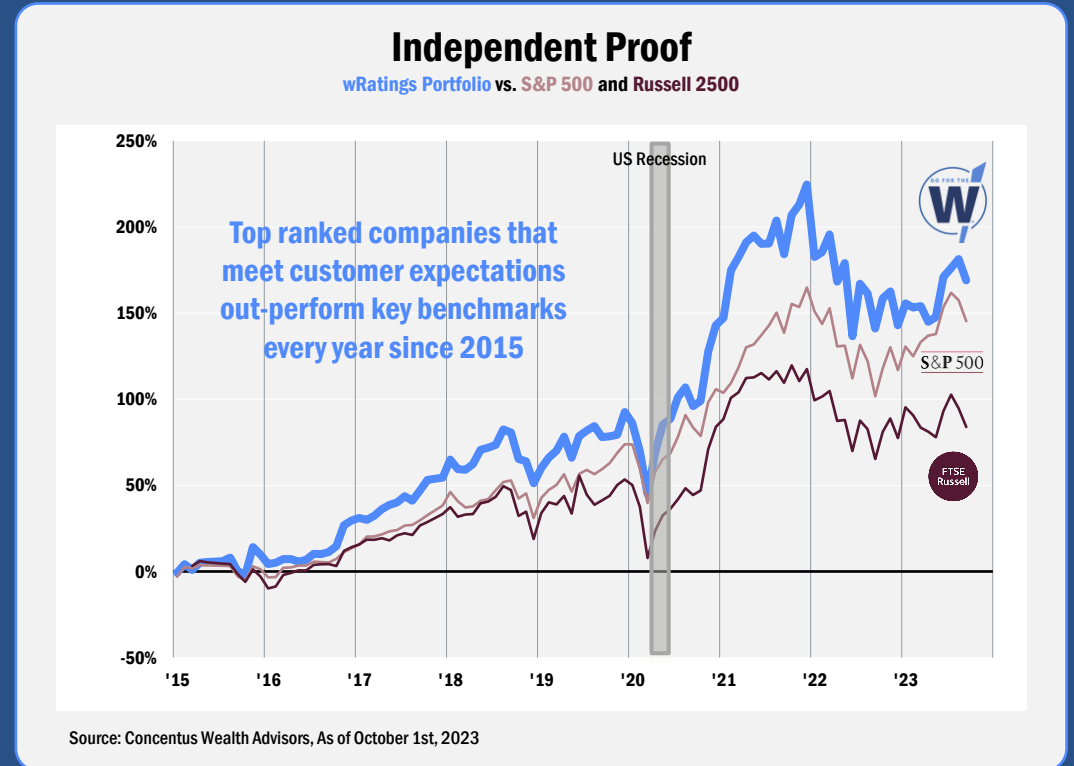
Why Competitive Strength Matters

For decades, executives have been told that companies must satisfy customers in order to succeed. Yet, many companies with satisfied customers went out of business: Blockbuster, Borders, Compaq, and Ringling Brothers to name a few. Satisfying customers by itself is not enough to prepare companies for the future; Just as the likelihood for customers to recommend them (NPS®) is also not enough.

What companies must strive to achieve is competitive strength, which is the ability of a company to meet customer expectations better than its rivals.

At wRatings, we measure the size of those expectation gaps that build competitive strength. By better meeting customer expectations, companies generate more pricing power and grow sales. For 15 years, wRatings has been ranking the competitive strength of companies. One hedge fund uses the top ranked companies from our universe of coverage, and that portfolio has out-performed the S&P 500 and Russell 2500 every year since 2015. Building and keeping competitive strength matters.

This **Most Competitive Companies** report is our quarterly rankings of 30 well-known companies selected from our universe of coverage.



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Key Takeaways




Most Competitive

- 1  lululemon
- 2  zoom
- 3  Roku
- 4 
- 5  JOHN DEERE

Largest % Quarterly Gains

- ↑20.1%  Toll Brothers
- ↑8.0%  Uber
- ↑6.3%  TESLA

Largest % Quarterly Declines

- ↓-14.7%  NETFLIX
- ↓-8.5%  DISNEY
- ↓-8.2%  TRACTOR SUPPLY CO

In this report

4 Roadmap to Sales Growth

Data from our W-30 companies shows the strong relationship between better meeting customer expectations and both sales growth and pricing power. This makes customer expectations the #1 competitor for any company, and the key metric to track to grow sales and generate pricing power.

5 Most Competitive Companies: 2023-Q3

Lululemon takes over the #1 most competitive company, meeting customer expectations better than all other companies. The Netflix decline continues, with customers viewing them as less competitive across every single area measured for the last 2 quarters.

6 Customers favor Premiums More & More

At the pandemic start, customers favored Discounters and Standards due to their fair-value and safe, lower risk. Today, customers are in full Premium mode as they favor quality, stability, and brands. But subtle shifts are underway.

7 Challengers losing their Pricing Power

With the exception of Tesla and Uber, every Challenger company lost pricing power with their customers over the last quarter. Netflix chose to offer an Ad-based option, which is damaging their pricing power. Standards are coming back into customer favor, possibly due to economic uncertainty ahead.

8 The Emotional Appeal of Lululemon

From near the bottom to the top spot, Lululemon focuses on selling a lifestyle rather than just products. This is similar to how Steve Jobs approached the iPhone. But selling a lifestyle is a highly emotional experience, and the company was struggling across every emotional need we measure.

9 About wRatings

We are an independent, competitive research firm that make sales growth visible for executives to improve decision making. Our research was the May 2002 cover article in Harvard Business Review, and is part of the WSJ's annual rankings for the Best Managed Companies.

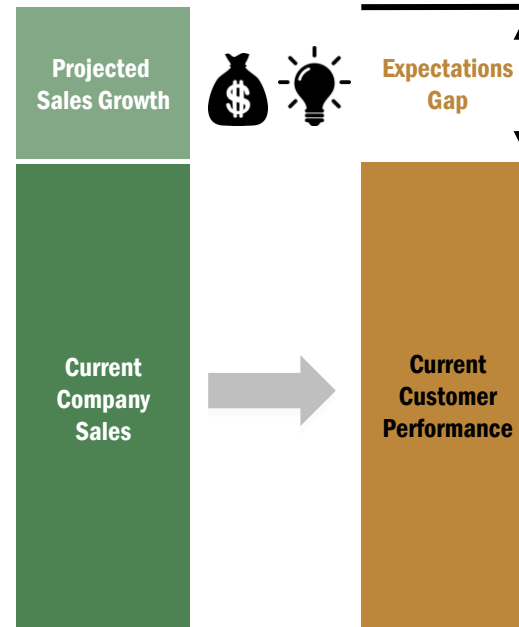
Roadmap to Sales Growth

Over the past 20+ years, our studies prove the pathway to continual sales growth is to meet customer expectations better than your competitors. And the more you close those expectations gap, the more pricing power you possess.

Data from our W-30 companies shows the strong relationship between better meeting customer expectations and both sales growth and pricing power.

This makes customer expectations the #1 competitor for any company, and the key metric to track to grow sales and generate pricing power.

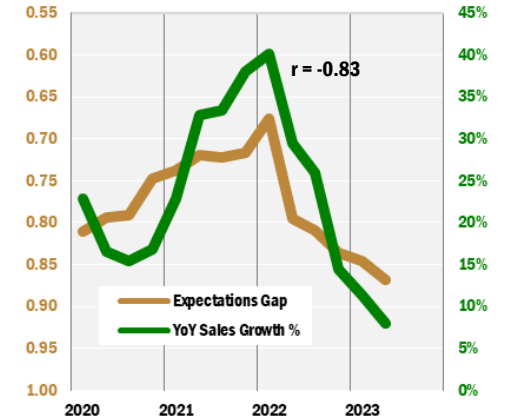
Your #1 competitor is customer expectations



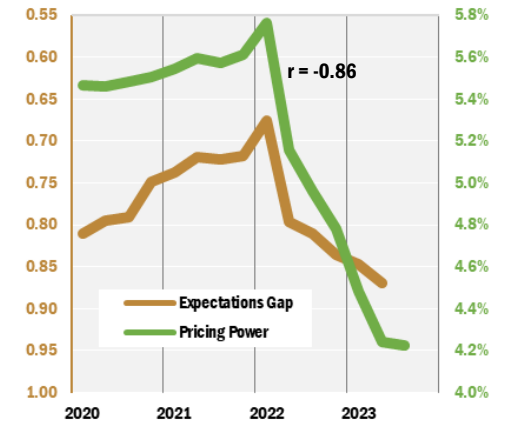
More sales growth is driven by better meeting customer expectations

More pricing power is driven by better meeting customer expectations

W-30 Expectations Gap vs. W-30 YoY Sales Growth



W-30 Expectations Gap vs. W-30 Pricing Power



Most Competitive Companies 2023-Q3

Lululemon takes over the #1 most competitive company, meeting customer expectations better than all other companies. The athletic-apparel maker has discovered a way to attract both girls and their moms, giving them a multigenerational appeal that is typically difficult to achieve. In the past 2 years, Lululemon customers have seen improvements in product choice and speed.

Toll Brothers has gained the most since Q2, with customers seeing improvements in trust and competence which has driven up their overall house values.

The **Netflix** decline continues, with customers viewing them as less competitive across every single area measured for the last 2 quarters.

About Moat Scores

The moat concept was made famous by Warren Buffett decades ago, as moats help protect a company's growth and future earnings. The precursor to Buffett's economic moats are customer moats, which is how we use the term. Moat Scores measure a company's ability to meet their customer's expectations. Because customer expectations are influenced by events outside a company's control, Moat Scores better capture areas that will imminently impact performance thus providing a much deeper view than traditional NPS® or satisfaction scores by themselves.

Rank	Company	Moat Score	Rank* Change	Score* Change	Pricing Power	NPS®
1	lululemon	80.6%	+2	1.3%	5.9%	23.9
2	Zoom	80.6%	--	-1.9%	4.2%	48.6
3	Roku	80.6%	-2	-2.2%	3.2%	44.6
4	Apple	79.9%	--	2.5%	4.7%	48.9
5	Deere	77.1%	--	0.3%	4.1%	28.6
6	Costco	76.5%	+2	5.0%	3.6%	55.4
7	Amazon	75.9%	-1	2.2%	4.2%	42.1
8	Square**	66.8%	+1	1.9%	4.7%	23.6
9	Intel	66.5%	-2	-6.9%	5.3%	48.4
10	Zillow	61.4%	--	-1.9%	3.5%	17.2
11	Beyond Meat	61.4%	+3	4.1%	4.7%	24.4
12	Starbucks	58.6%	-1	0.3%	4.9%	9.3
13	American Express	58.0%	+2	2.8%	3.7%	26.9
14	Crocs	55.8%	-1	-1.9%	4.6%	7.8
15	UPS	53.0%	+1	-1.3%	3.9%	39.4

n = 8,462
Data collected as of October 3, 2023

* Changes are from previous quarter
** We measure Square/Cash App and Facebook with customers; Block and Meta are their parent company names respectively

Rank	Company	Moat Score	Rank* Change	Score* Change	Pricing Power	NPS®
16	Tractor Supply	49.8%	-4	-8.2%	2.7%	41.0
17	Schwab	47.6%	--	-5.2%	3.3%	4.0
18	Boeing	41.1%	+2	2.8%	6.4%	12.5
19	Dominos	41.1%	-1	-5.3%	4.2%	5.4
20	Tesla	38.9%	+3	6.3%	5.8%	8.2
21	Toll Brothers	37.3%	+7	20.1%	5.8%	0.0
22	Microsoft	37.3%	--	-0.3%	4.3%	24.5
23	Uber	34.2%	+2	6.0%	4.6%	9.7
24	Netflix	29.5%	-5	-14.7%	3.5%	24.3
25	Disney	29.2%	-4	-8.5%	3.5%	20.9
26	Waste Management	25.7%	+1	8.0%	2.8%	17.7
27	Johnson & Johnson	25.7%	-3	-5.0%	3.6%	13.8
28	Southwest	20.1%	-2	1.3%	4.6%	9.3
29	ExxonMobil	10.0%	--	-1.6%	4.2%	(8.4)
30	Facebook**	0.0%	--	-0.3%	2.4%	(17.8)
Top 3rd		74.6%			4.3%	38.1
Mid 3rd		50.5%			4.4%	17.9
Bottom 3rd		24.9%			3.9%	9.4

Customers favor Premiums More & More

At the pandemic start, customers favored Discounters and Standards due to their fair-value and safe, lower risk. Costco, Domino's and J&J were in the top 5 most competitive companies.

In 2021, customers shifted their preferences to Challengers such as Crocs, Roku and Zoom. Customers coveted their uniqueness and creativity.

Today, customers are in full Premium mode as they favor quality, stability, and brand reputation. American Express, Apple, Lululemon, and Toll Brothers continue to gain in competitive strength, even as Disney continues to lose strength with its customers (-8.8% since 2023-Q2).

Subtle shifts are underway though, especially looking at quarterly gains by Costco (+5.0%) and Amazon (+2.2%) ranking them at #6 and #7.

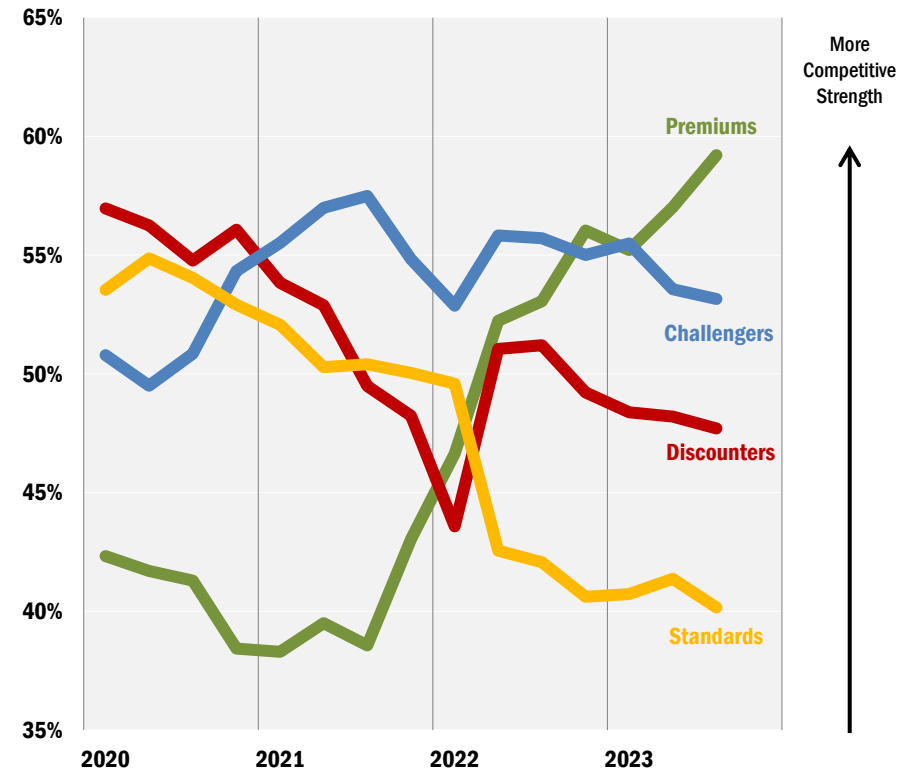
Customers are also warming back up to the Challenger business framework. Most of this quarter's decrease is from Netflix (-14.7%). Both Tesla and Uber posted impressive gains with customers. And Square/Cash App is also moving up, posting a 1.9% quarterly gain and the best YoY gains at 27.9%.

The W-30 Company Index

	STANDARDS	PREMIUMS	CHALLENGERS
Media/ Technology	facebook* intel Microsoft	Disney Apple	NETFLIX Roku zoom*
Food/ Retail	Domino's amazon COSTCO* WHOLESALE	STARBUCKS COFFEE lululemon	BEYOND MEAT crocs™ TRACTOR SUPPLY CO
Industrial/ Transport	ExxonMobil BOEING Southwest*✈️	JOHN DEERE ups	WM WASTE MANAGEMENT TESLA Uber
Home/ Finance	Johnson-Johnson charles SCHWAB *	Toll Brothers AMERICAN EXPRESS	Zillow* Square

* Discounters or Free

The W-30 Average Moat Scores By Business Framework



Challengers losing their Pricing Power

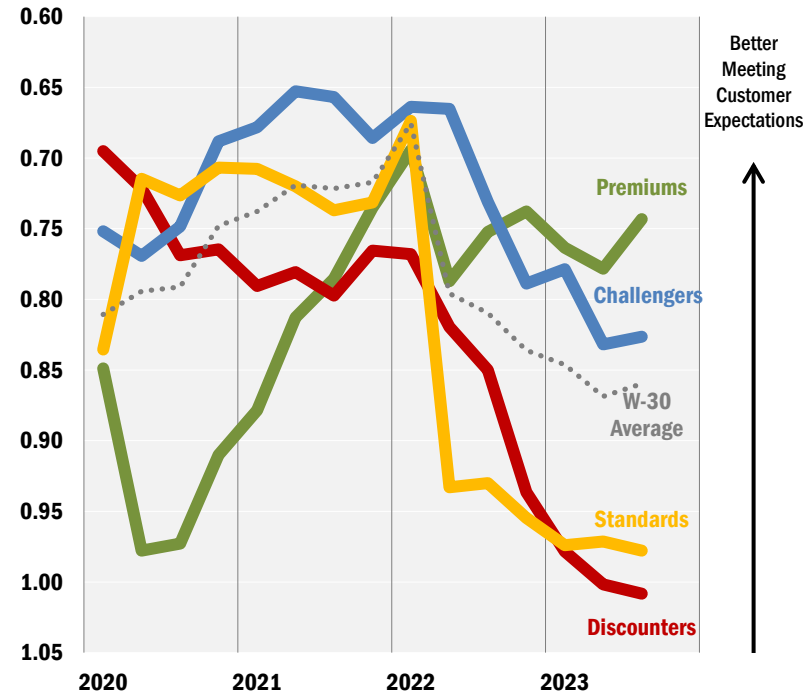
Over time and on average, gaps in customer expectations move in sync with customer pricing power. For a company to increase its pricing power, they must find ways to better meet customer expectations. Any twists in this correlation leaves clues as to how customers are behaving in the current market conditions.

With the exception of Tesla and Uber (who were top gainers in strength), every Challenger lost pricing power with their customers over the last quarter. In some instances, Challengers like Netflix are choosing to offer Ad-based options, which is damaging their pricing power with customers. Zillow and Zoom are similarly starting to fall out of favor with customers, even with their freemium approach.

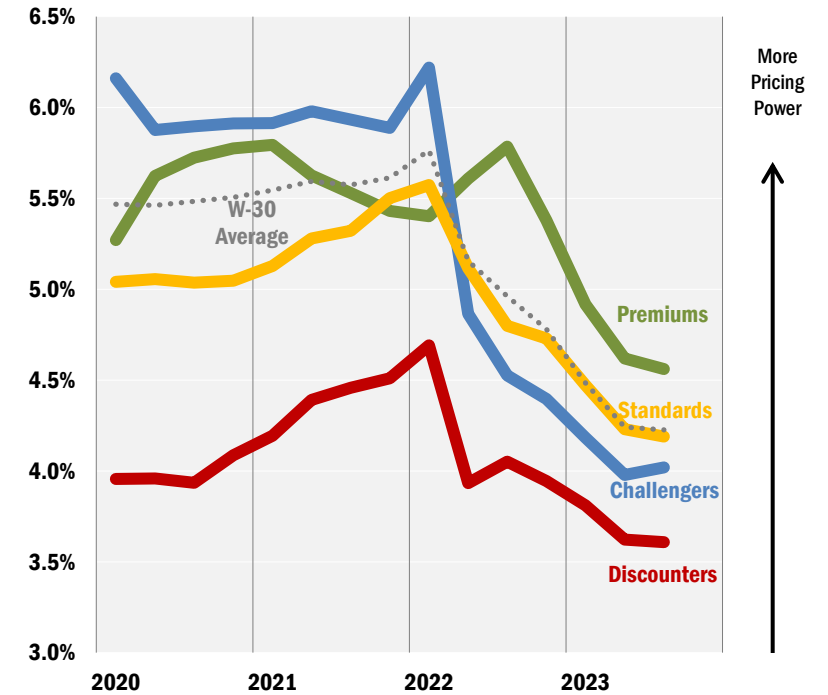
Although Standards have lost considerable ground in their ability to meet customer expectations, Pricing Power has not dropped as fast or as far. **This may indicate that Standards are coming back into favor, possibly due to the economic uncertainty ahead.**

Customers are seeking out more useful products from companies that can provide more stability, which would favor Standards like Amazon, Costco and Microsoft. **The shift to more risk-free buying may be underway.**

Customer Expectations Gap



Customer Pricing Power



The Emotional Appeal of Lululemon

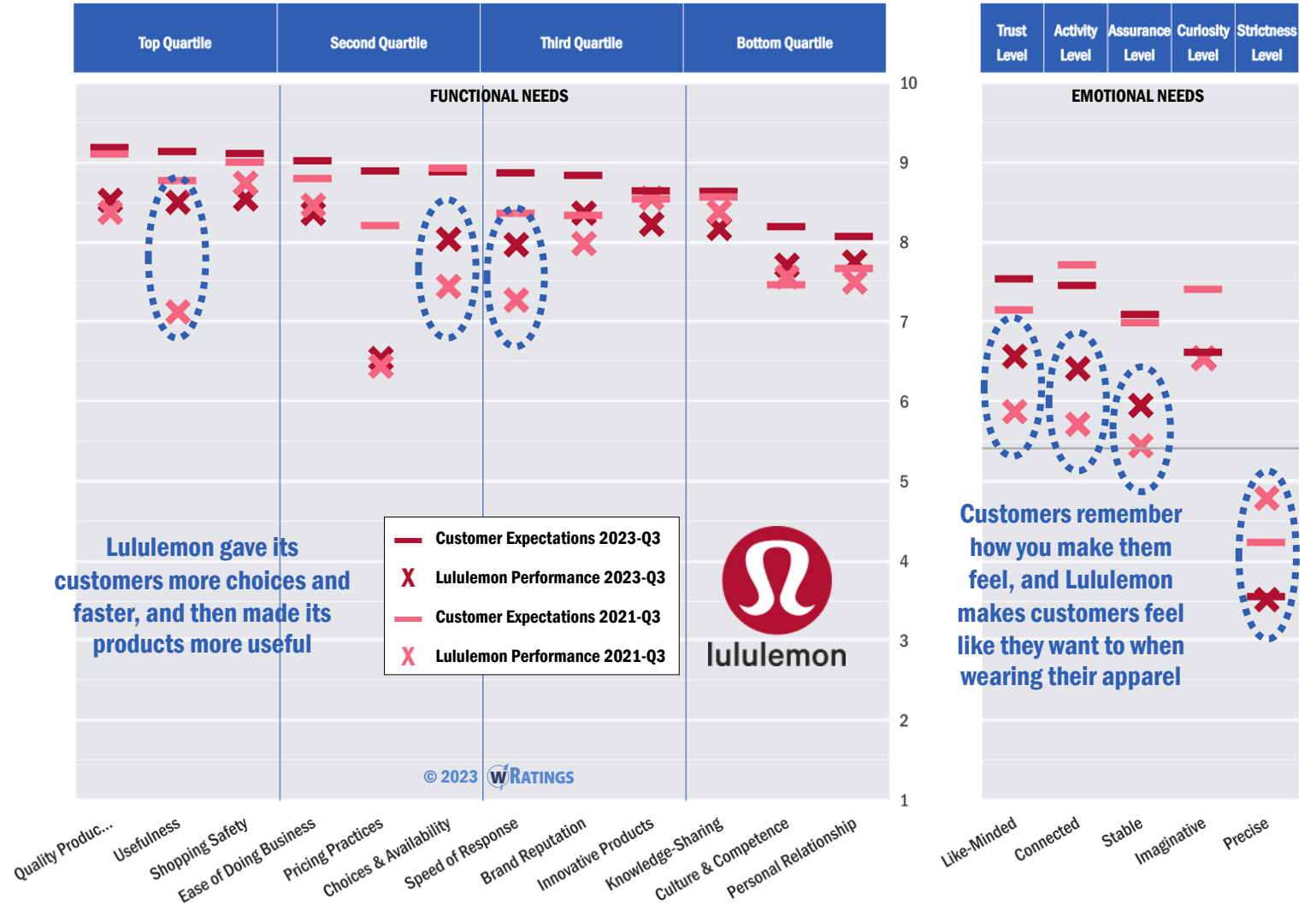
For the first time ever, Lululemon gained the #1 spot in our Most Competitive Company rankings in 2023-Q3. Just two years ago, they were consistently in the bottom half of the rankings.

Athletic apparel puts them in competition with the likes of Adidas, Nike and Under Armour. By targeting females with their yoga and exercise apparel though, Lululemon carved out a niche, but they didn't stop there.

They've focused on selling a lifestyle rather than just products. This is similar to how Steve Jobs approached the Apple iPhone as more than just a dumb phone.

Lululemon had some work to do in order to win over more customers. **Selling a lifestyle is a highly emotional experience**, and the company was struggling across every emotional need we measure.

Their improvements have paid off in their niche customer segment. They attract both young females and – rather amazingly – their moms, giving them a multigenerational appeal that is difficult to achieve for any company, let alone an apparel one.



About wRatings

We are an independent, competitive research firm that make sales growth visible for executives to improve decision making.

We make a series of fixed investments in tools, benchmarks and predictive analytics. Using our proprietary algorithms and patented methods, we build forward-looking views of where companies can create compelling value for their customers.

In May 2002, our research was highlighted as the cover article in **Harvard Business Review**. We are a partner to the *Drucker Institute* to score the best managed companies, which is published in the **Wall Street Journal** every December.

CEOs/Executive Teams and PE Firms/Hedge Funds gain real-time access to our research & analytics through our fully automated platform (Software-as-a-Service).

FIXED INVESTMENTS



Our Platform
(Software-as-a-Service)



Patents, Analytics & Predictive Power

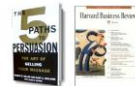


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Breaking Away: It's A New Way of Thinking

We help companies leapfrog their rivals by infusing an innovative, proven way of discovering new sources of customer value.

Rather than copying what your competitors are doing (or trying to do), we grow your sales by introducing the only true competitor you have: What customers expect.

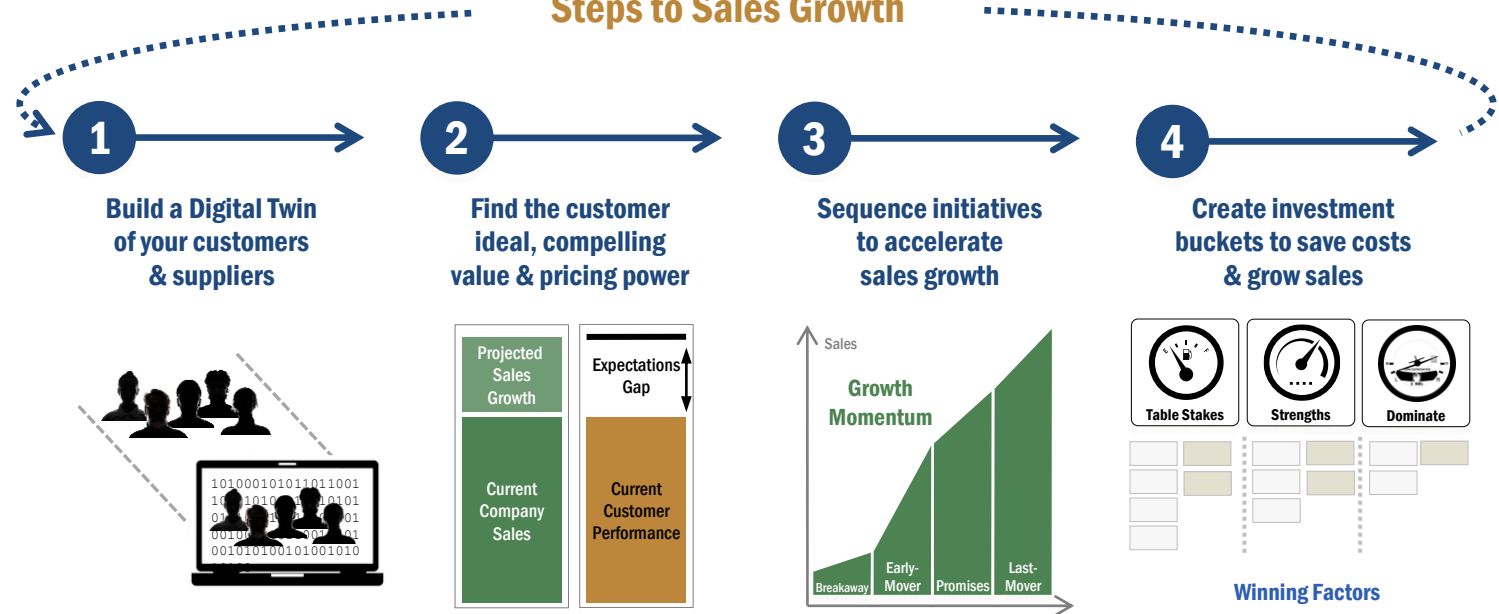
We measure customer expectations based on not only what they want you to do, but how they want to feel when you do it. Emotions drive customers off their status quo and create pricing power, two of the most critical aspects to sales growth.

By setting the new rules of competition, you force rivals to continually play catch-up to your market position.

Your #1 Competitor is what customers expect.

Be the one to set expectations by making the rules.

Steps to Sales Growth



How Competitive is Your Company?

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.

The W Reports™ provide a proven, innovative way to see what contributes to a company's sales growth today, and predictive power of where to focus efforts better meet customer expectations. Using customer data, we make visible what companies are doing that drives — or inhibits — their sales growth. Our patented, proprietary algorithms and AI tools identify new opportunities where executives can invest to boost growth and generate pricing power.

Created by Harvard Business Review author and wRatings CEO Gary A. Williams, our platform provides fresh, forward-looking data that cannot be found anywhere else.



Get your W Report™ and use it to generate more sales.

Go to [wRatings.com](https://www.wratings.com) for more information.