THE W REPORT

Most Competitive Companies

2024-Q2

We are Moneyball for Sales Growth

See our research in THE WALL STREET JOURNAL. INVESTOR'S BUSINESS DAILY Harvard Business Review

For those who know the Moneyball story from the early 2000s, Sabermetrics unlocked a new way of thinking for baseball owners : The pathway to winning wasn't through buying players, but through buying runs. Similar to sports team owners, business executives today must build a decision-making framework that provides a roadmap for how to win.

We believe there is an epidemic failure in business to understand what really drives the sports equivalent of winning: Sales growth. This leaves executives to misjudge why customers buy and mismanage their resources. Companies today think in terms of customer satisfaction. Yet, many companies with satisfied customers go out of business: Just look at Blockbuster, Borders, Compaq, and Ringling Brothers.

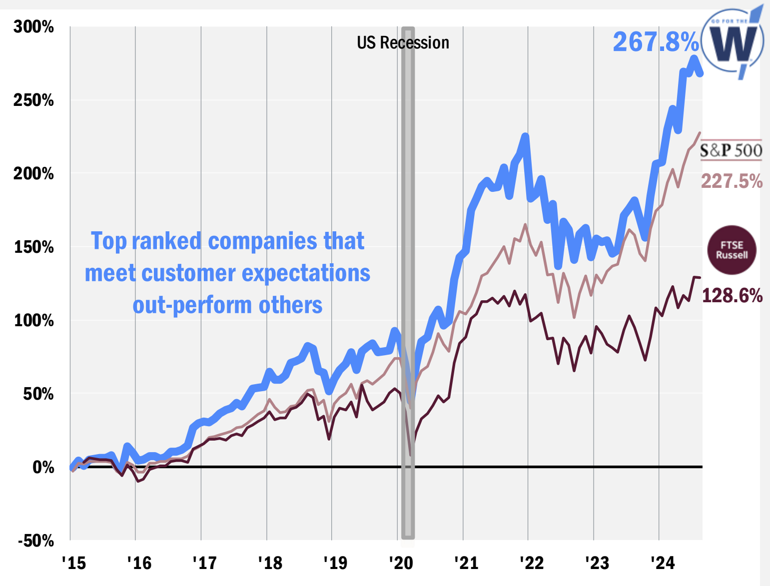
The goal isn't to simply satisfy customers – the goal is to set, then meet, their expectations. Executives at publicly held companies quickly learn about managing investor expectations, yet few understand how critical it is to manage customer expectations to grow sales.

Does managing customer expectations work? Our fund of the top ranked companies best meeting customer expectations from our coverage has out-performed the S&P 500 and Russell 2500 by a wide margin.

In this report, we spotlight our most current rankings of 30 well-known companies based on their ability to meet customer expectations. Become a wRatings Insider to gain access to the data underneath the charts in this report.

Independent Proof

wRatings Portfolio vs. S&P 500 and Russell 2500



Source: Concentus Wealth Advisors, As of September 1st, 2024

Key Takeaways

In this report

- ✓ In 2024-Q2, companies turned the corner to better meet customer expectations, resulting in higher revenue growth and pricing power.
- ✓ Net Promoter Score® continues to decline to its post-pandemic low of 15.8 (from its peak of 32.2 at end of 2021), even though companies are better meeting customer expectations. The reason is counterintuitive though.
- ✓ In today's changing economy, customers want companies that are easy to do business with and streamline interactions, which means LESS engagement is more desired. The goal is to save customers both time and money.
- ✓ Which sector of the economy is best poised to take advantage of this shift? Four of the top 5 movers YoY in the W-30 are from Industrial/Transport: Southwest, ExxonMobil, Uber, and Tesla.
- ✓ The top half of the W-30 – those best meeting customer expectations – generated more pricing power (4.7% to 4.4%), grew revenue faster (6.7% to 3.3%), and improved gross margins (80 to 24 basis points).
- ✓ Using Bayes' rule, companies better meeting customer expectations have a 63% probability to grow revenues and 67% probability to grow pricing power.

Top 5 Most Competitive

	Company	Score	Segment	Sector
1	chewy	95.0%	Challenger	Food/Retail
2	John Deere	87.1%	Premium	Industrial/Transport
3	Toll Brothers	85.6%	Premium	Home/Finance
4	Apple	82.1%	Premium	Media/Technology
5	amazon	75.9%	Standard	Food/Retail

Top 5 Movers YoY

	Company	Change	Segment	Sector
1	Toll Brothers	63.3% ↑	Premium	Home/Finance
2	Southwest	26.0% ↑	Standard & Discounter	Industrial/Transport
3	ExxonMobil	14.1% ↑	Standard	Industrial/Transport
4	Uber	13.5% ↑	Challenger	Industrial/Transport
5	Tesla	12.2% ↑	Challenger	Industrial/Transport

Our Methodology and SaaS Platform

Similar to the Dow Jones Industrial Average of 30 companies, we've selected 30 well-known companies from our universe of coverage to form the W-30 Index. **We chose them based on their size, industry, and brand recognition, as well as their business framework**:

- **Premiums**, that compete on quality offerings
- **Challengers**, that challenge the status quo
- **Standards**, that are leaders in their industry
- **Discounters**, that compete on price or are free

Rankings of the W-30 serve as a scorecard for any organization, providing unbiased data to benchmark and build competitive strength. To generate the rankings, we poll thousands of customers at the end of each quarter to measure their expectations against each company's performance.

All wRatings clients receive access to the W-30 benchmarks through our SaaS (Software-as-a-Service) platform, along with their own customer data we collect about them and their key rivals. Our platform delivers real-time, predictive analytics to identify compelling value sources that drive sales growth and margins.

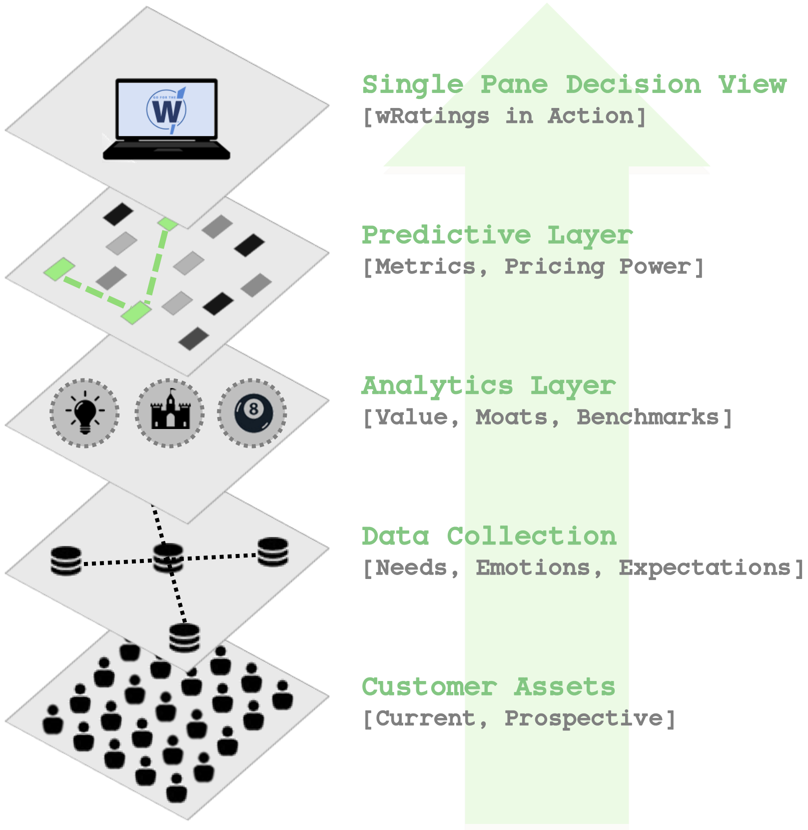
The W-30 Company Index

	STANDARDS	PREMIUMS	CHALLENGERS
Media/ Technology	facebook* intel Microsoft	Disney Apple	NETFLIX Roku zoom
Food/ Retail	Domino's amazon Costco Wholesale*	Starbucks Coffee lululemon	chewy crocs TSC 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 Cash App*

* Discounters or Free

In 2024-Q2, Chewy replaced Beyond Meat

Our Sales Growth Platform



2024-Q2 Most Competitive Companies

With its high-touch, customer-service first approach, **#1 Chewy** has found a business framework to out-smart and out-execute even the e-commerce king **#5 Amazon**. They focused on the least appealing aspect of e-commerce, labor-intensive customer interactions, that Amazon and others ignore.

Jumping 25 spots from just a year ago, **#3 Toll Brothers** continues to impress its homeowners in the luxury-living category. While known for their brand reputation, the real competitive secret is in their tight relationships and trust levels with customers.

A sizable difference exists for companies in the top- versus bottom-half of the W-30. The top-half, those best meeting customer expectations, generated more pricing power (4.7% to 4.4%), grew revenue faster (6.7% to 3.3%), and improved gross margins more (80 to 24 basis points).

Rank	Company	Moat Score	YoY Rank Change	YoY Score Change	Pricing Power	NPS	YoY Revenue Growth	YoY GM Increase
1	Chewy^	95.0%	--	--	3.9%	59.5	4.7%	0.68
2	Deere	87.1%	3	4.1%	4.8%	17.2	-8.8%	2.65
3	Toll Brothers	85.6%	25	63.3%	6.0%	13.2	-1.5%	1.73
4	Apple	82.1%	--	2.5%	4.4%	38.4	0.4%	2.51
5	Amazon	75.9%	1	3.4%	4.0%	38.5	12.3%	2.51
6	Costco	74.3%	1	5.3%	4.1%	45.1	7.8%	0.39
7	lululemon	72.4%	-4	-3.4%	7.6%	7.1	13.0%	1.80
8	Cash App	72.4%	1	2.2%	5.2%	21.3	19.3%	0.54
9	Zoom	66.5%	-8	-16.3%	4.4%	36.8	2.9%	0.46
10	Zillow	62.7%	0	-1.6%	3.3%	7.6	9.5%	(3.32)
11	Intel	60.8%	-3	-7.8%	5.5%	26.7	2.0%	3.15
12	Roku	57.7%	-10	-23.8%	3.7%	30.5	16.5%	(1.42)
13	American Express	55.8%	3	2.8%	4.3%	21.8	14.4%	(2.78)
14	Starbucks	53.3%	-2	-2.2%	4.1%	7.6	4.2%	0.96
15	Crocs	50.2%	-1	-4.4%	5.2%	12.4	4.4%	2.19
	Top Half	**70.1%**			**4.7%**	**25.6**	**6.7%**	**0.80**
	Bottom Half	**30.4%**			**4.4%**	**6.1**	**3.3%**	**0.24**

Rank	Company	Moat Score	YoY Rank Change	YoY Score Change	Pricing Power	NPS	YoY Revenue Growth	YoY GM Increase
16	Tractor Supply	45.5%	-5	-10.7%	5.3%	27.3	-0.3%	0.83
17	Southwest	44.8%	10	26.0%	5.3%	16.0	7.5%	(3.74)
18	Tesla	43.9%	6	12.2%	6.8%	16.3	1.4%	(3.77)
19	Schwab**	42.9%	-2	-9.4%	3.9%	8.1	-10.9%	(6.88)
20	Uber	41.1%	5	13.5%	4.1%	4.5	14.5%	(0.04)
21	Dominos	40.4%	-3	-8.8%	3.9%	(0.7)	2.2%	1.57
22	Microsoft	35.4%	--	-0.3%	4.2%	22.8	15.7%	0.84
23	UPS	32.9%	-10	-23.5%	2.8%	35.2	-6.9%	0.87
24	Johnson & Johnson	28.8%	-1	-1.6%	3.7%	(1.1)	-11.4%	1.97
25	Waste Management	26.6%	1	5.3%	3.7%	10.4	4.8%	1.68
26	ExxonMobil	20.1%	3	14.1%	4.7%	(11.9)	-6.8%	(3.31)
27	Boeing	17.9%	-7	-12.5%	5.9%	(14.4)	-0.1%	2.80
28	Disney	16.9%	-7	-17.6%	4.0%	1.1	2.5%	2.59
29	Netflix	11.0%	-10	-34.2%	3.9%	2.7	13.0%	5.07
30	Facebook	0.0%	--	-0.3%	3.2%	(25.2)	24.3%	3.06

n = 6,745

Data Collection: June 18th, 2024 thru Jun 26th, 2024

^ Chewy replaced Beyond Meat for the W-30 in 2024-Q2

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

** For Schwab, we measure Operating Margin not Gross Margin

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 capture areas that impact performance beyond the company. This provides a much deeper view than traditional NPS® or satisfaction scores by themselves.

Pricing Power and Revenue Growth Increasing

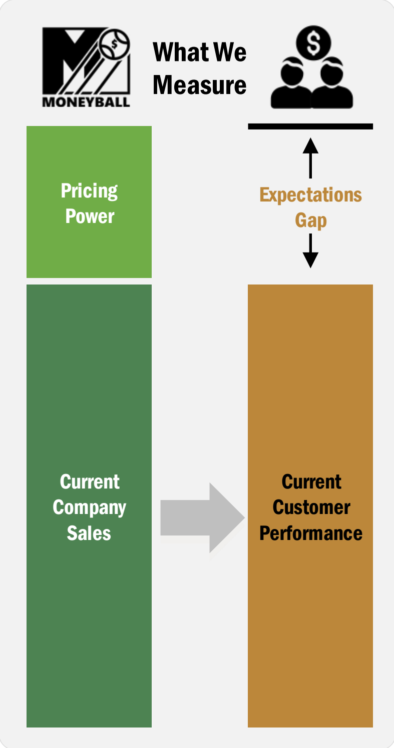
Closing the customer expectations gap is critical to revenue growth and pricing power.

Companies in the W-30 better met customers expectations for the first time since 2022-Q1, closing the gap by over 0.1 point. Subsequently, pricing power rose to 4.53% and revenue growth also increased for the first time as well since 2022-Q1.

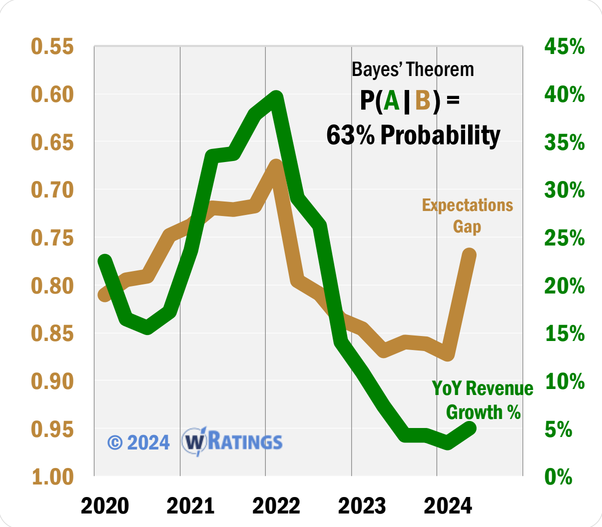
Using quarterly financial reports from the W-30, we can evaluate the probability that a company will grow sales or pricing power by measuring customer expectation gaps.

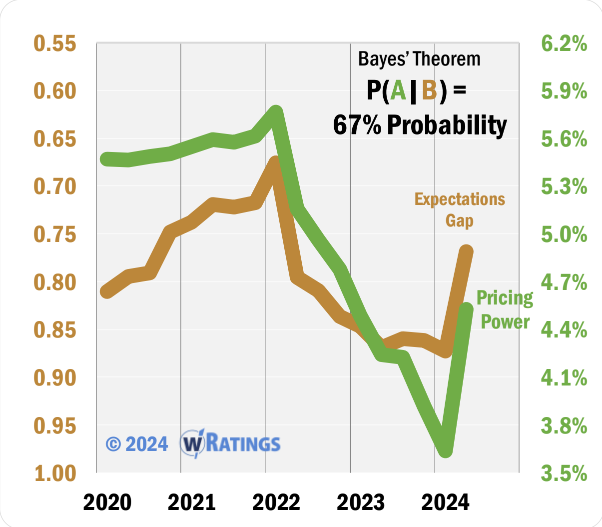
Bayes' theorem is a mathematical rule for measuring the probability of a cause given its effect. The rule is considered essential for statistical inference in fields such as AI, medicine, and evidence-based decision-making (e.g. how to grow company's revenue).

In our case, the cause is better meeting customer expectations and the effect is generating more revenue and pricing power. We use public data from the W-30 companies to measure probability. When a company closes their customer expectations gap, the probability to grow revenue is 63%, and to increase pricing power is 67%.



Companies that better meet customer expectations are highly probable to grow revenue and pricing power





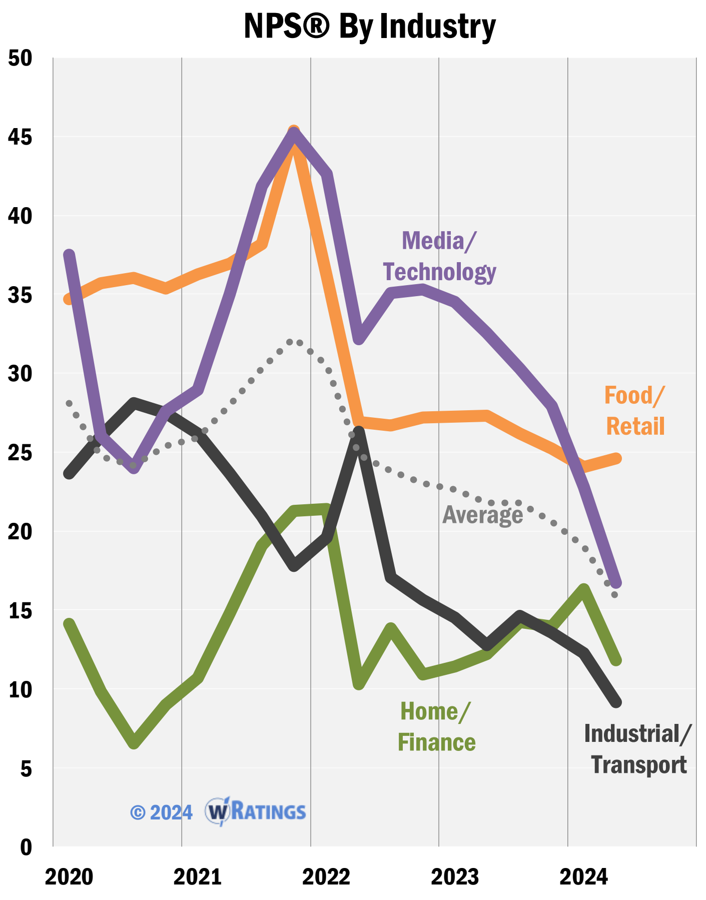
Pricing power is the willingness of a customer to pay X% more if their expectations are met.

Customers Want Ease of Doing Business, Streamlined Interactions

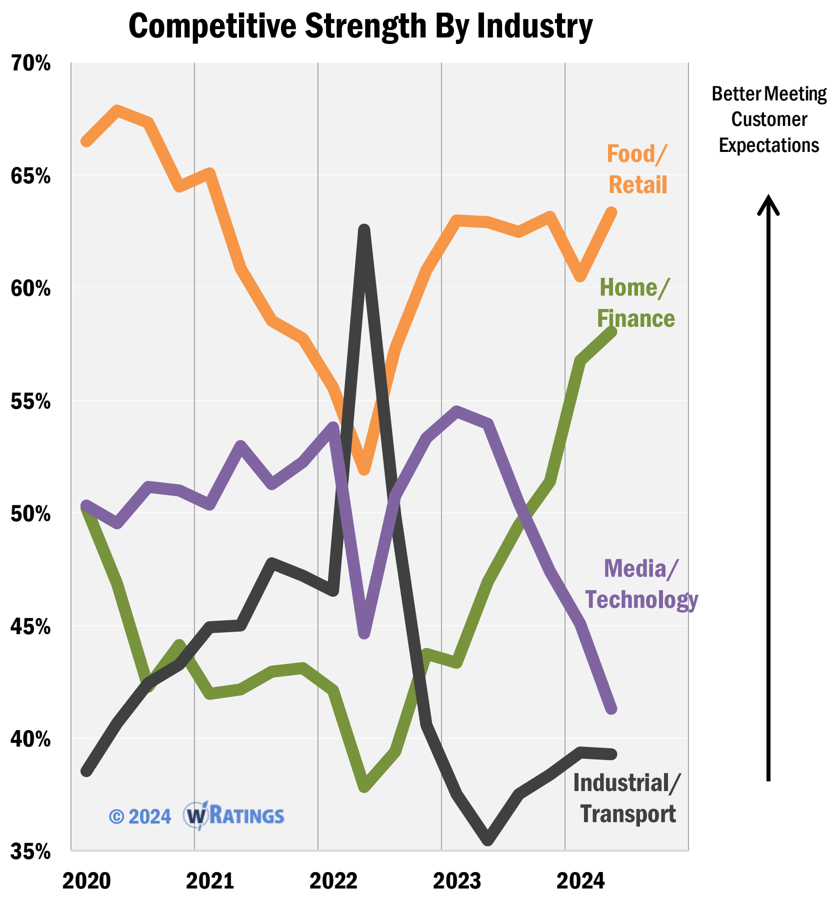
In 2024-Q2, companies turned the corner to better meet customer expectations, resulting in higher competitive strength across all industries except for Media/Technology. Somewhat counterintuitively though, **Net Promoter Score® continues to decline across all industries* to a 15.8 average from its 32.2 peak at end of 2021.**

How can a lower NPS result in higher revenue growth and competitive strength? It's about what customers desire in today's changing economy. Customers want companies that are easy to do business with and that streamline interactions with them. Ironically, this means slightly less engagement is actually a good thing currently. **The goal is to save customers both time and money by not bothering them (think automation & productivity for customers).**

Which industry is best poised to take advantage of this? During the pandemic, Industrial/Transports rose the top of competitive strength by mid-2022. And today, four of the top 5 movers YoY in the W-30 are from Industrial/Transport: Southwest, ExxonMobil, Uber, and Tesla. Customers also view Industrial/Transports as the highest in pricing power.



* In 2024-Q2, Chewy replaced Beyond Meat in Food/Retail causing a slightly upward NPS



Discounters Rising; Challengers Fighting Back

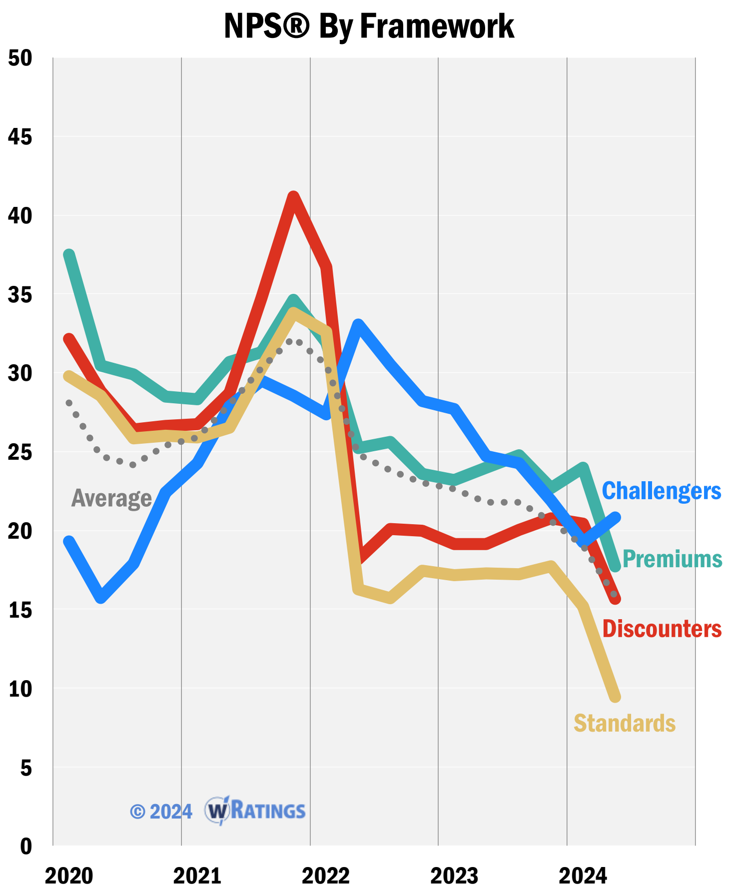
With NPS® down overall even though companies are better meeting customer expectations, how a company competes – what we refer to as its business framework – is becoming increasingly critical to its success.

For the first time in three years, customers view Premium companies as less competitive although they do remain the strongest business framework.

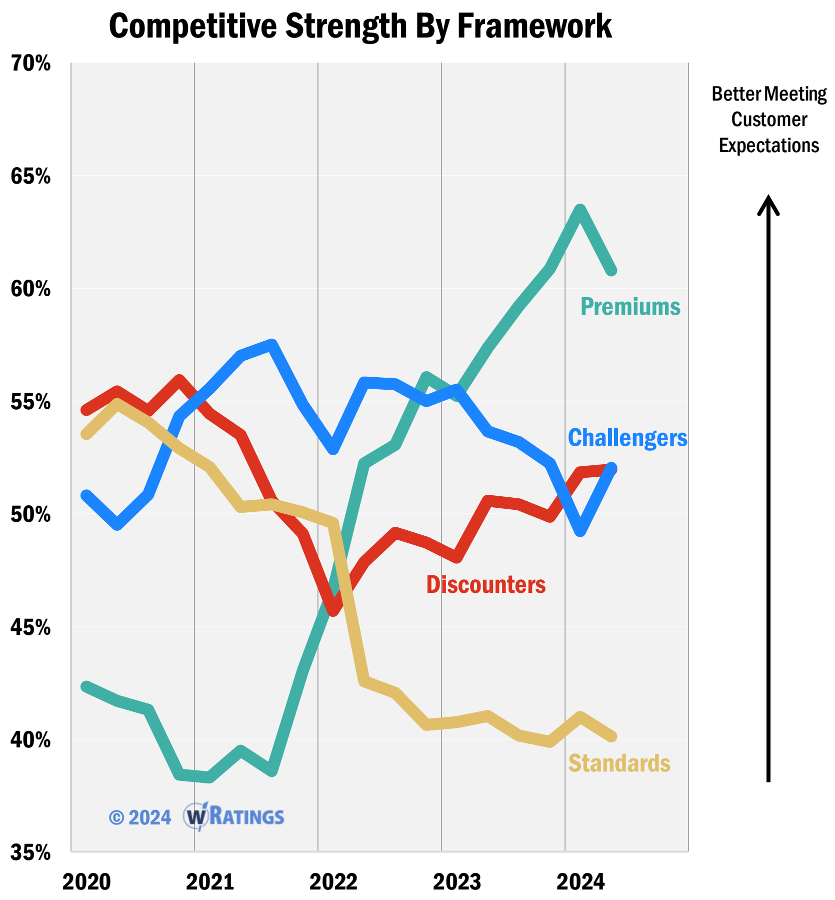
Since early 2022, customers have been shifting towards Discounters as they seek out better cost controls. In 2024-Q2, Challengers – those companies that seek to change the status quo in an industry – are staging a comeback with customers due to several focusing on ease of doing business.

Today's customers value both their time and money as they seek out streamlined interactions.

Pet-food retailer and #1 Chewy is a strong example of how to gain repeat customers. Their subscription-based model for pet consumables and medications provides a significant level of order predictability. Customers value their service-intensive focus, which translates into perceived higher quality and trust.



In 2024-Q2, Chewy replaced Beyond Meat in Challengers



Pricing Power Rising, but Unequally

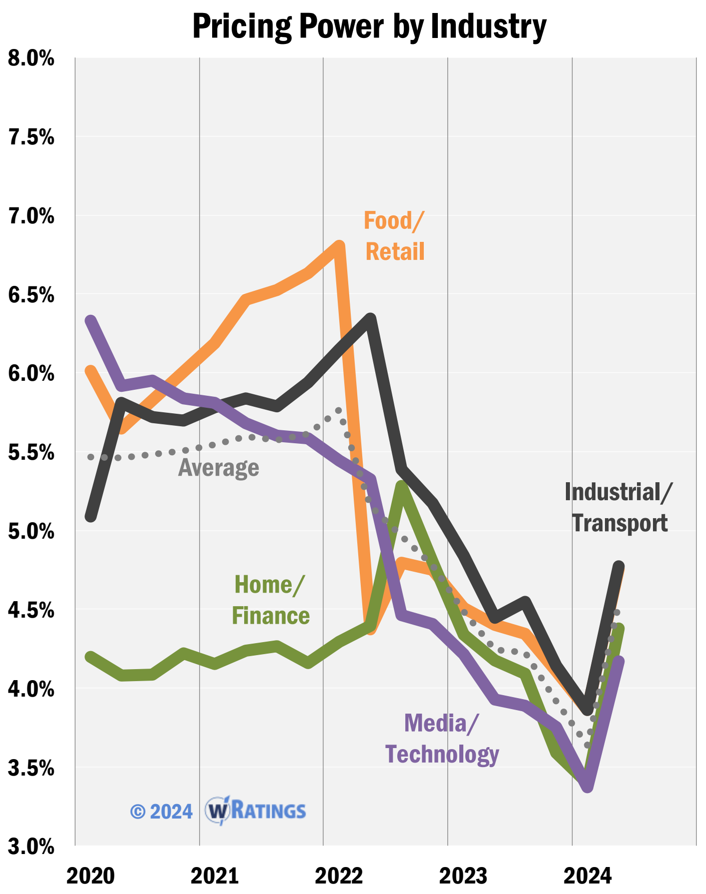
Pricing power matters a lot because it allows companies to pass on their increased costs to customers without sacrificing sales volume.

The W-30 Index average jumped close to 1% from a post-pandemic low of 3.64% to 4.53%. Customers have not felt this strong about paying more since the end of 2022.

As companies are better meeting customer expectations, pricing power is also increasing across all industries and business frameworks. But these trends can be highly misleading, since the top 5 leaders in pricing power come from different industries and frameworks.

This quarter's leaders are lululemon, Tesla, Toll Brothers, Boeing, and Intel. They compete in Food/Retail, Industrial/Transport, and Home/Finance, and Media/Technology. They are Premiums, Challengers, and Standards. The sixth leader in pricing power is Southwest, which is a Discounter.

This indicates pricing power leadership today is more attached to a company's performance than its industry or framework, and instead is driven by their ability to better meet customer expectations.



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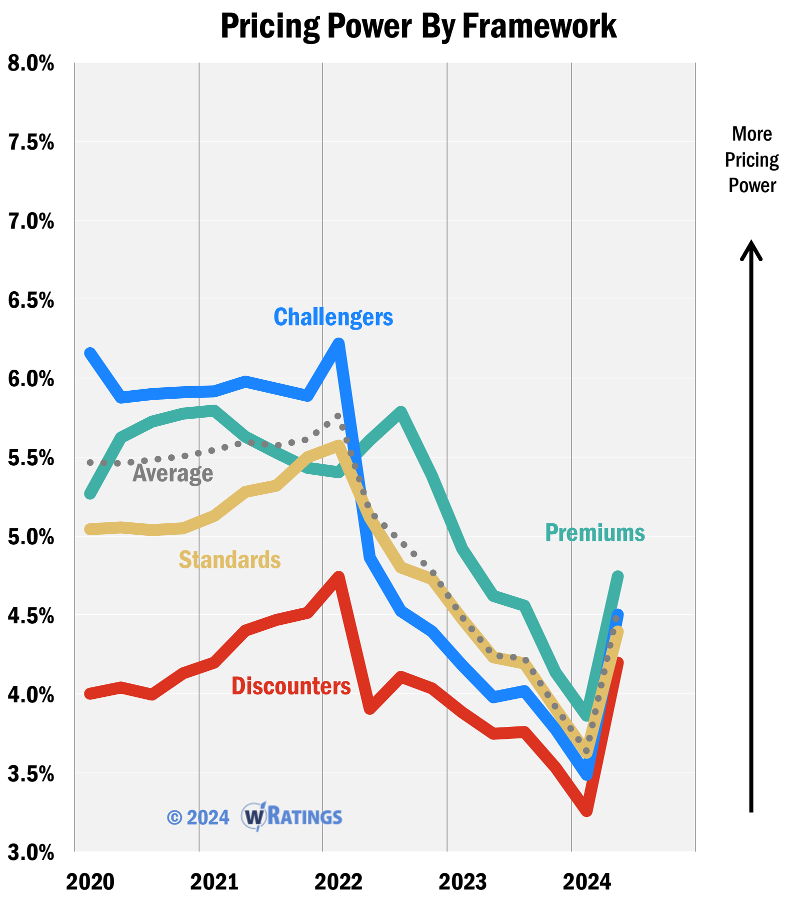


In 2024-Q2, Chewy replaced Beyond Meat in Challengers

The Shift in Customer Expectations

NPS® for the W-30 Index peaked at the end of 2021 with an average of 32.2. Currently, NPS is at its lowest with an average of 15.8.

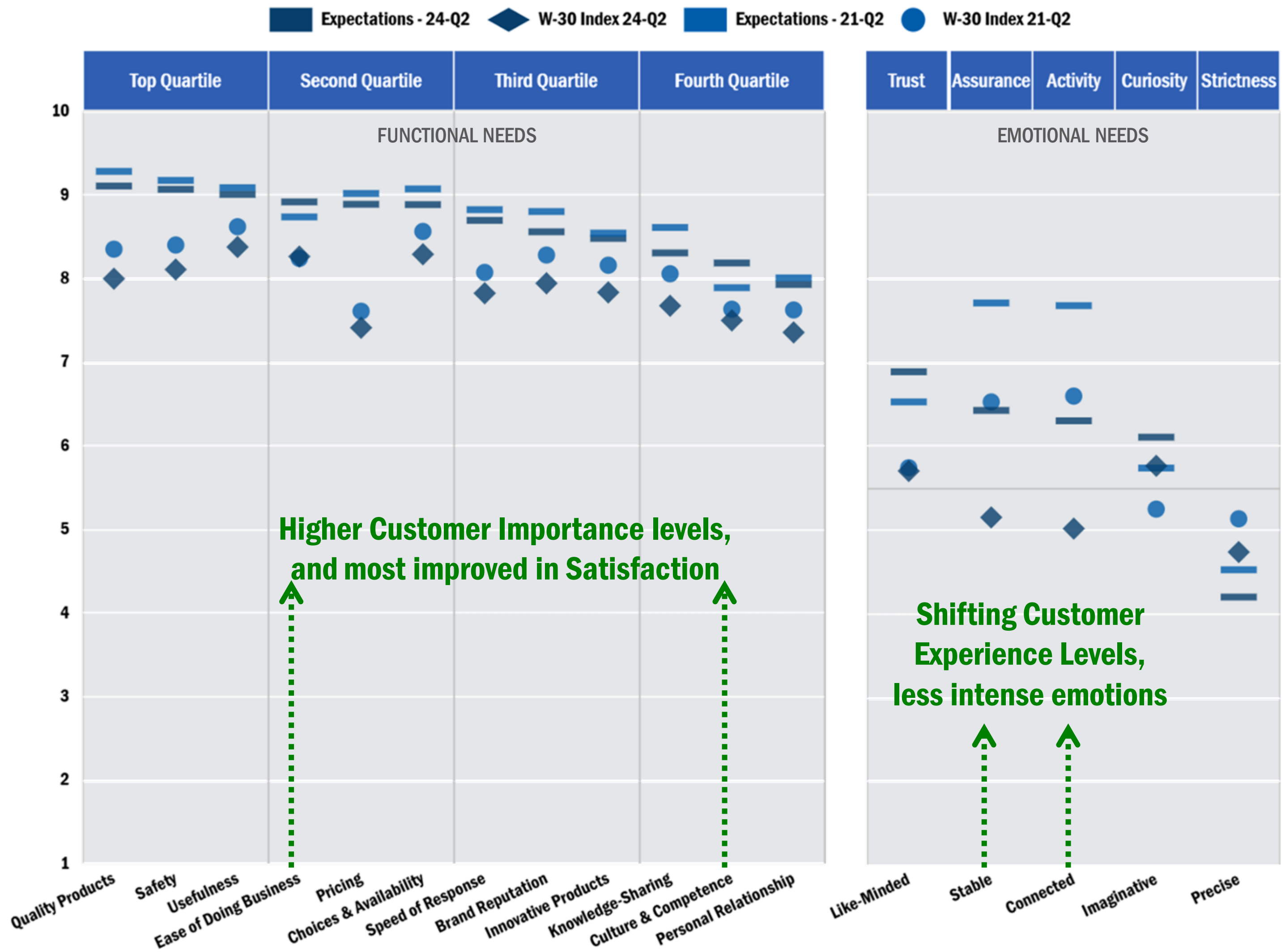
Yet, companies are becoming stronger competitively as they are better meeting customer expectations in 2024-Q2 (although still not at the level of mid-2021, see charts on page 6).

Digging into the Needs Profile of the W-30 Index, customer importance levels have decreased across all functional needs except two: Ease of Doing Business and Culture & Competence. Customers are more satisfied with companies today in these two areas than they were in the other ten areas.

Emotional needs for customers have also shifted. Customers expect a more concerned, detached experience from companies.

Additionally, four functional needs possess higher importance levels than Pricing: Quality, Safety, Usefulness, and Ease of Doing Business.

Today's customers desire a streamlined approach of seamless interactions, where companies are concerned about the customer's productivity and cost controls – in other words, time and money.



About wRatings

We are a privately held SaaS (Software-as-a-Service) firm that makes sales growth visible for executives to improve decision making.

We make a series of fixed investments in tools, benchmarking databases and predictive analytics. Using our proprietary algorithms and patented methods, we build forward-looking views of where companies can create compelling value based on customer expectations.

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 since 2017.

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

Fixed Investments

- SaaS Platform
- Patents & Algorithms
- Benchmarks

Leveraged By

- Online Panel
- News & Articles
- Reports & Indexes

Subscribed By

- CEOs & Executive Teams
- PE Firms & Hedge Funds

Historical Milestones

- 1999 – Customer Research for CEOs
- 2004 – Financial Metric Integration
- 2008 – Competitive Strength, Moats & Indexes
- 2019 – Software-as-a-Service (SaaS)

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Contact christi.blackman@wratings.com for more information.