

Most Competitive Companies

2024-Q3

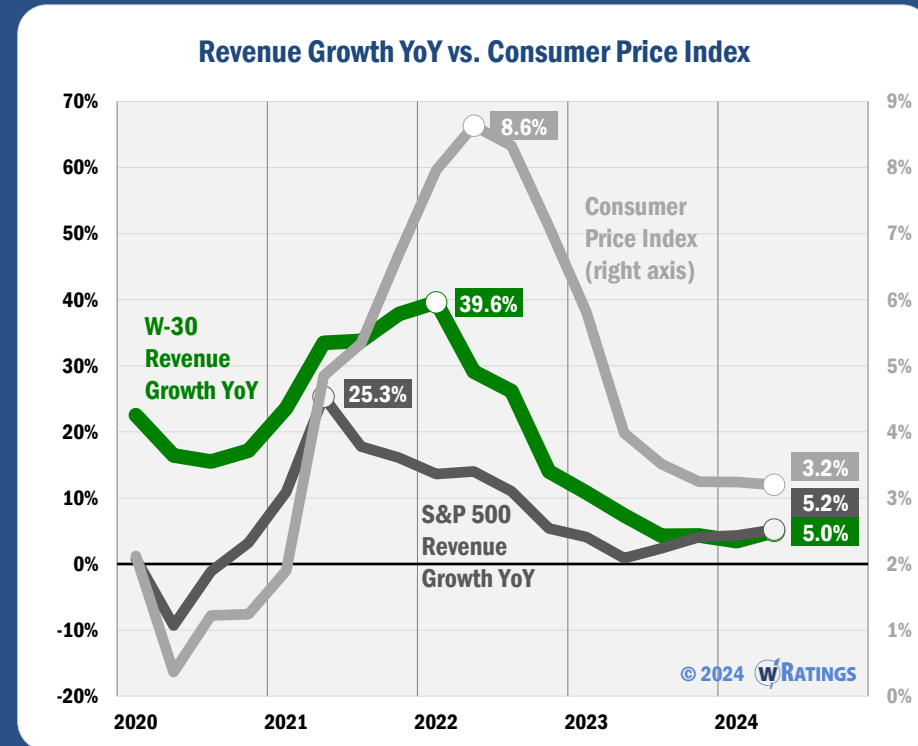
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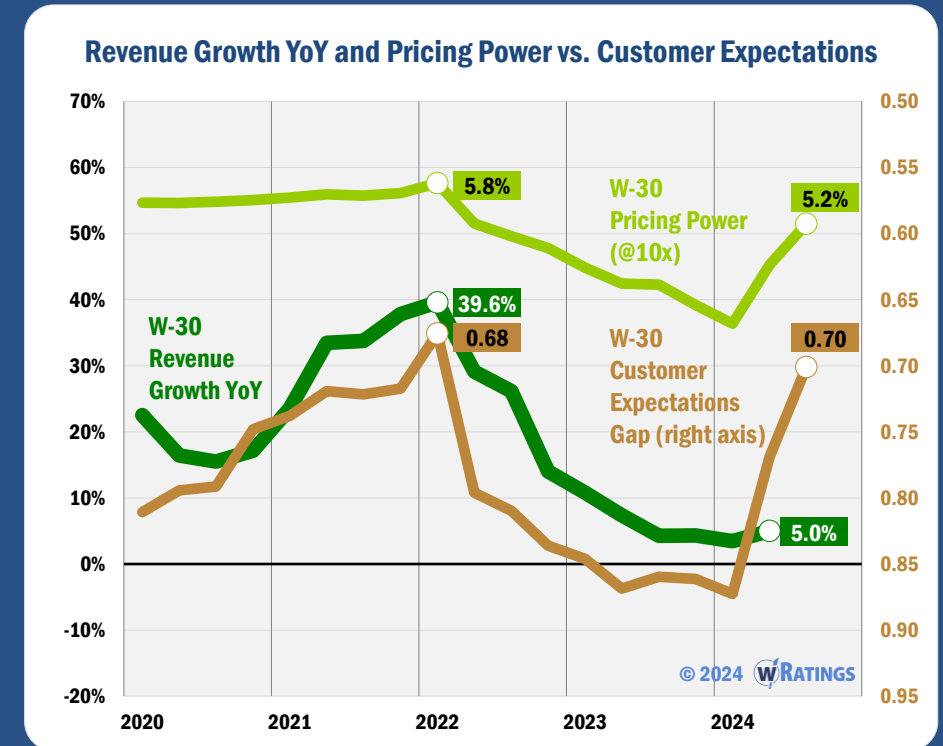
Core Datasets: CPI, S&P 500, and W-30

As CPI stabilized over the past several quarters, revenue growth YoY of the S&P 500 and W-30 has started to rebound, albeit slowly. Moving in sync, the W-30 serves as a strong proxy for the S&P 500.



Sources: Factset, BLS.gov, wRatings

When a company better meets customer expectations, they have a 63% probability of growing revenues and a 67% probability of more pricing power using Bayes' rule. W-30 revenue growth should improve in Q3.



Source: wRatings

Moneyball for Sales Growth

Moneyball (Sabermetrics) unlocked a new way of thinking for baseball owners in the early 2000s: The pathway to winning was through buying runs, not players.

We believe an epidemic failure in business exists today to understand what really drives the sports equivalent of winning: Sales growth. This leaves executives to misjudge why customers buy and, subsequently, to mismanage their resources.

Companies today think in terms of customer satisfaction. Yet, many with satisfied customers go out of business: Just look at Blockbuster, Borders, Compaq, and the Ringling Brothers to name a few. Satisfying customers isn't enough. Companies must set, and then meet, their expectations.

Does managing customer expectations work? A fund of the top ranked companies in our coverage best meeting customer expectations has out-performed the S&P 500 and Russell 2500 consistently since its launch in January 2015.

In this report, we spotlight the W-30 Index of the most well-known companies in our coverage. To gain access to the data and insights underneath the charts and data in this report, apply to become a [wRatings Insider](#).

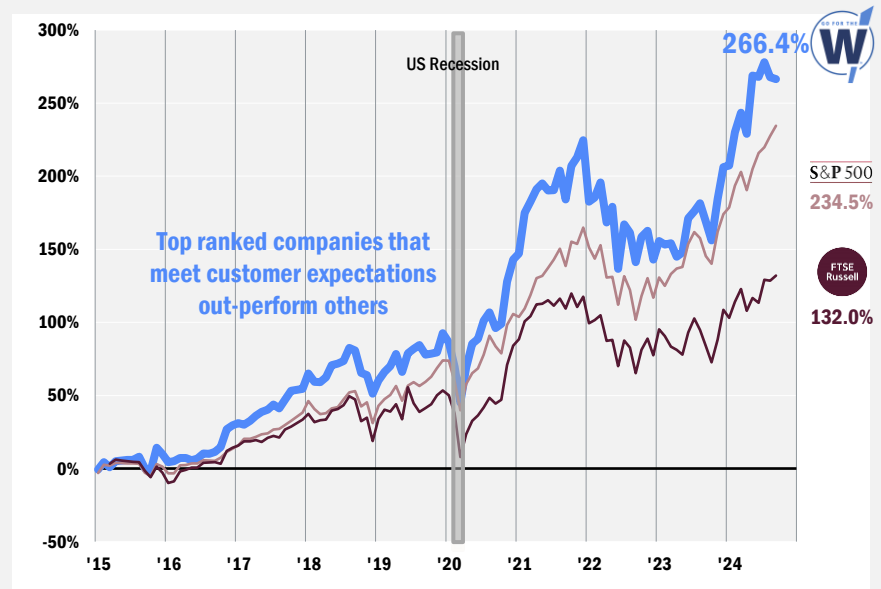
See our
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THE WALL STREET JOURNAL
INVESTOR'S BUSINESS DAILY

Harvard
Business
Review

Independent “Moneyball” Proof

wRatings Portfolio vs. S&P 500 and Russell 2500



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

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In this report






Key Takeaways

- ✓ In 2024-Q3, companies continued to improve their customer experience and close gaps to better meet expectations. The current gap is 0.70 points on average, nearly matching the best performance period (2022-Q1) since the pandemic.
- ✓ Better meeting customer expectations increases pricing power. Customers are willing to pay 5.15% more as companies meet their expectations, an increase of more than 1.5 points since the end of 2023.
- ✓ Counterintuitively, this is happening while Net Promoter Scores® are decreasing. The average NPS of the W-30 is now 11.1, down ~5 points from 2024-Q2.
- ✓ Greek philosopher Heraclitus is quoted with saying “the only constant is change.” Customer expectations are shifting rapidly across multiple customers needs this year.
- ✓ Changing expectations represent huge opportunities for sales growth. Two emotional needs – Assurance and Activity – have shifted 1.4+ points since the start of 2024, providing new sources of value for companies in sync with customers.
- ✓ In this dynamic environment, customers are shifting more and more toward Challengers (e.g. Chewy, Tesla, Tractor Supply), as this business framework grows stronger competitively than Discounters, Premiums, or Standards.

Top 5 Most Competitive

1		94.4% Challenger Food/Retail
2		85.9% Premium Industrial/Transport
3		84.6% Premium Home/Finance
4		79.6% Premium Food/Retail
5		79.0% Standard Food/Retail

Top 5 Pricing Power

1		8.0% Premium Food/Retail
2		7.1% Challenger Industrial/Transport
3		6.8% Challenger Food/Retail
4		6.7% Premium Home/Finance
5		6.4% Standard Industrial/Transport

The W-30 Index and Our 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

W-30 data provides unbiased ways to benchmark any company outside of its conventional competitors. Each quarter, we poll thousands of customers to measure their expectations against company 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.

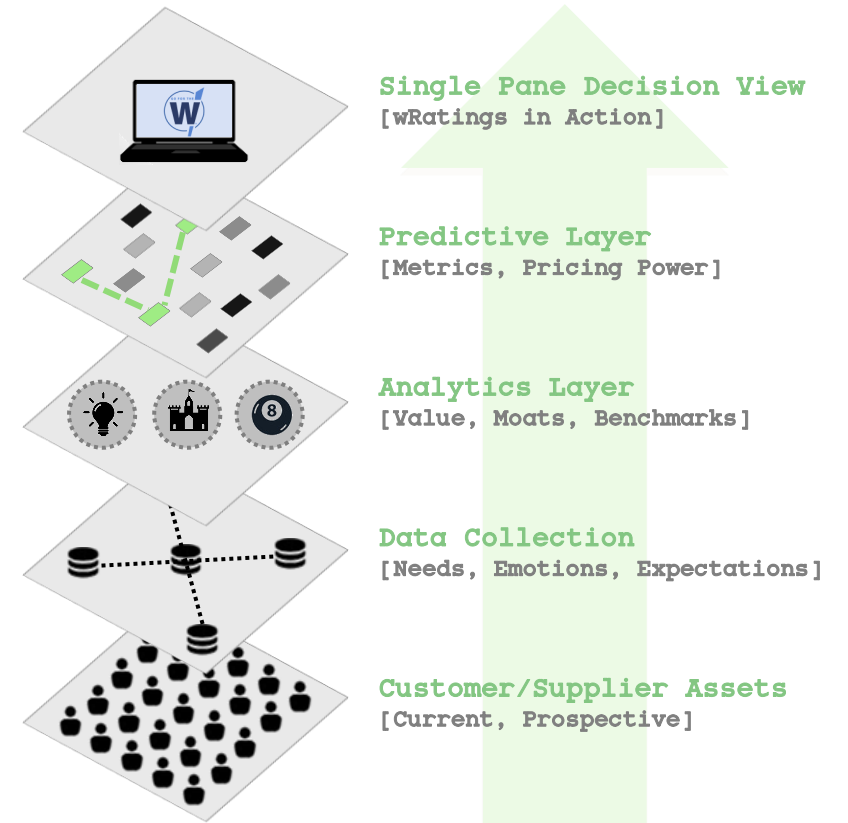
The W-30 Company Index

	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 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



Most Competitive Companies 2024-Q3

The top-half of the W-30 Index generated more pricing power (5.4% to 4.9%), grew revenue faster (6.3% to 3.7%), and improved gross margins more (75 to 29 basis points). Better meeting customer expectations reward companies with more sales at higher margins.

Largest movers up from one year ago include **#3 Toll Brothers** and **#18 Southwest**. The Home/Finance industry continues to be competitively strong with customers, benefiting companies like Toll Bros, Cash App, and AMEX. Southwest has been consistently digging itself out of its lackluster performance to become much stronger competitively.

Moving down by 10+ points are **#25 UPS** and **#29 Boeing**. Given the challenges that still plague Boeing, their movement is expected. While Amazon is taking business away from UPS, their downward shift is due to customers expecting more from them than rivals, especially in their stability and safety,

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 conventional NPS® or satisfaction scores by themselves.

Rank	Company	Moat Score	YoY Rank Change	YoY Score Change	Pricing Power	NPS	YoY Revenue Growth	YoY GM Increase	Rank	Company	Moat Score	YoY Rank Change	YoY Score Change	Pricing Power	NPS	YoY Revenue Growth	YoY GM Increase
1	Chewy	94.4%	--	--	4.7%	51.3	4.7%	0.68	16	Crocs	44.5%	-2	-5.6%	5.5%	10.1	4.4%	2.19
2	Deere	85.9%	3	4.7%	5.6%	13.5	-8.8%	2.65	17	Starbucks	43.9%	-5	-11.0%	4.6%	3.8	4.2%	0.96
3	Toll Brothers	84.6%	18	43.9%	6.7%	6.1	-1.5%	1.73	18	Southwest	43.3%	10	26.3%	5.8%	13.3	7.5%	(3.74)
4	lululemon	79.6%	-3	-1.9%	8.0%	5.0	13.0%	1.80	19	Tesla	40.1%	1	5.6%	7.1%	4.6	1.4%	(3.77)
5	Amazon	79.0%	2	2.8%	4.0%	30.0	12.3%	2.51	20	Uber	39.2%	3	6.3%	4.1%	2.7	14.5%	(0.04)
6	Roku	76.2%	-3	-6.0%	5.2%	31.0	16.5%	(1.42)	21	Schwab	37.6%	-4	-8.2%	4.6%	6.3	-10.9%	(6.88)
7	Apple	75.5%	-3	-10.0%	5.1%	30.5	0.4%	2.51	22	Johnson & Johnson	33.9%	5	9.7%	4.6%	(1.1)	-11.4%	1.97
8	Cash App	71.8%	--	2.8%	5.5%	11.0	19.3%	0.54	23	Waste Management	32.3%	3	6.6%	5.2%	1.8	4.8%	1.68
9	Intel	68.0%	--	-2.8%	6.2%	26.8	2.0%	3.15	24	ExxonMobil	27.6%	5	17.9%	5.3%	(15.7)	-6.8%	(3.31)
10	Zoom	64.6%	-8	-18.2%	5.0%	28.6	2.9%	0.46	25	UPS	26.6%	-10	-25.4%	2.8%	30.2	-6.9%	0.87
11	Costco	62.7%	-5	-16.0%	4.2%	40.2	7.8%	0.39	26	Microsoft	25.4%	-4	-11.9%	4.4%	18.3	15.7%	0.84
12	Zillow	61.1%	-2	-2.2%	4.1%	5.5	9.5%	(3.32)	27	Disney	16.6%	-2	-7.8%	5.2%	(0.7)	2.5%	2.59
13	Tractor Supply	58.6%	3	6.6%	6.8%	17.8	-0.3%	0.83	28	Netflix	15.7%	-4	-12.2%	4.7%	1.1	13.0%	5.07
14	American Express	55.2%	-1	-3.4%	4.6%	15.5	14.4%	(2.78)	29	Boeing	10.3%	-11	-25.1%	6.4%	(27.0)	-0.1%	2.80
15	Dominos	45.1%	4	12.2%	4.7%	0.0	2.2%	1.57	30	Facebook	0.6%	--	0.3%	3.8%	(27.5)	24.3%	3.06
Top Half		70.8%		0.9%	5.4%	20.8	6.3%	0.75									
Bottom Half		29.2%		-2.3%	4.9%	1.3	3.7%	0.29									

n = 6,511

Data Collection: September 17th, 2024 thru September 27th, 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

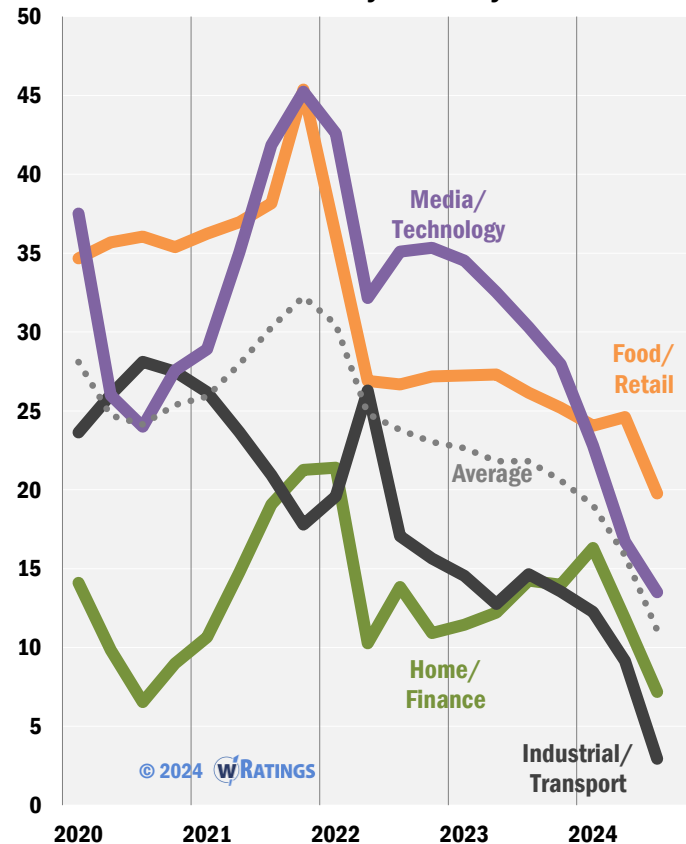
NPS® Doesn't Tell the Full Story

As Greek philosopher Heraclitus famously said: “The only constant is change.” Customer expectations are shifting rapidly across multiple customers needs this year, causing substantial volatility in the competitive strength of companies and their industries.

The strength of Home/Finance shows how important the economic environment is to consumers today, taking on a much higher priority than the pandemic-focus on Media/Tech. Yet, a small positive swing in competitive strength for Media/Tech may indicate the start of a new trend.

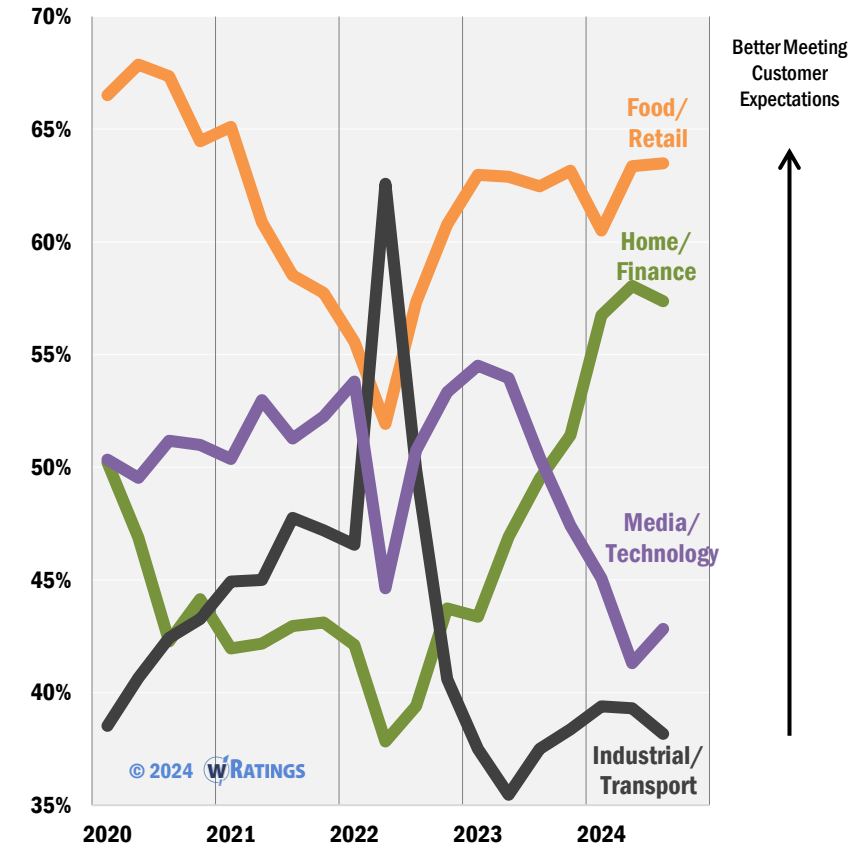
Although Net Promoter Score® continues its downward spiral across all industries, customers continue to buy from companies as evidenced by their revenue growth, We've seen this also happen with our in-depth coverage of large, enterprise companies as well.

NPS® By Industry



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

Competitive Strength By Industry



Agility and Knowledge Favors the Next Winners

How you compete matters to customers in this dynamic environment.

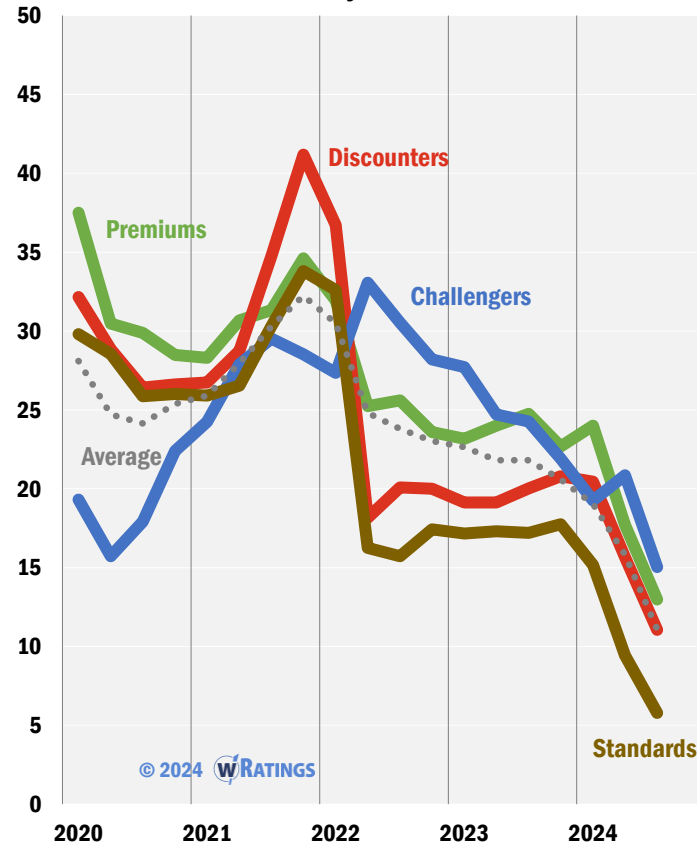
While NPS® is down again overall, customers see companies that are Challengers in their industry as gaining in competitive strength. Conventional frameworks – industry Standards, Premiums, and Discounters – are all falling out of favor as customers look for new and alternative sources of value.

Challengers are companies that seek to confront the status quo in an industry. Customers see Challengers as more useful, flexible, and trustworthy than companies in other frameworks.

Opportunity to deliver more value with customers exists regardless of a company's business framework. No framework is fully meeting the customer ideal.

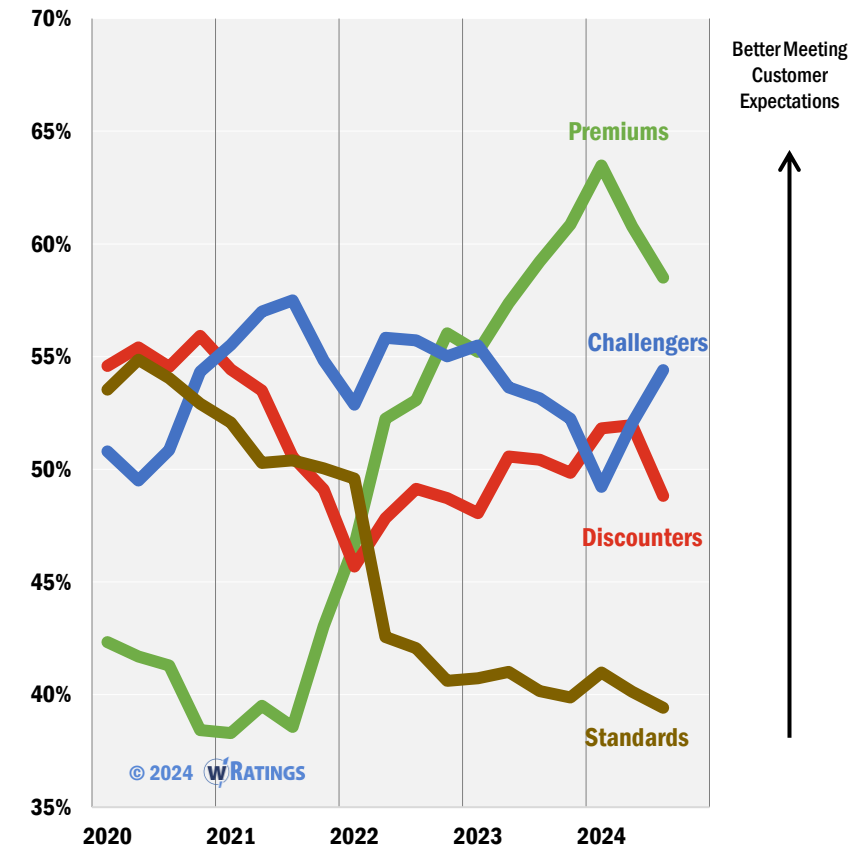
The volatility in customer expectations in this current market does favor companies with the most agility, along with the fortitude to finetune their approach with customers.

NPS® By Framework



In 2024-Q2, Chewy replaced Beyond Meat in Challengers

Competitive Strength By Framework



Value Sources of Pricing Power

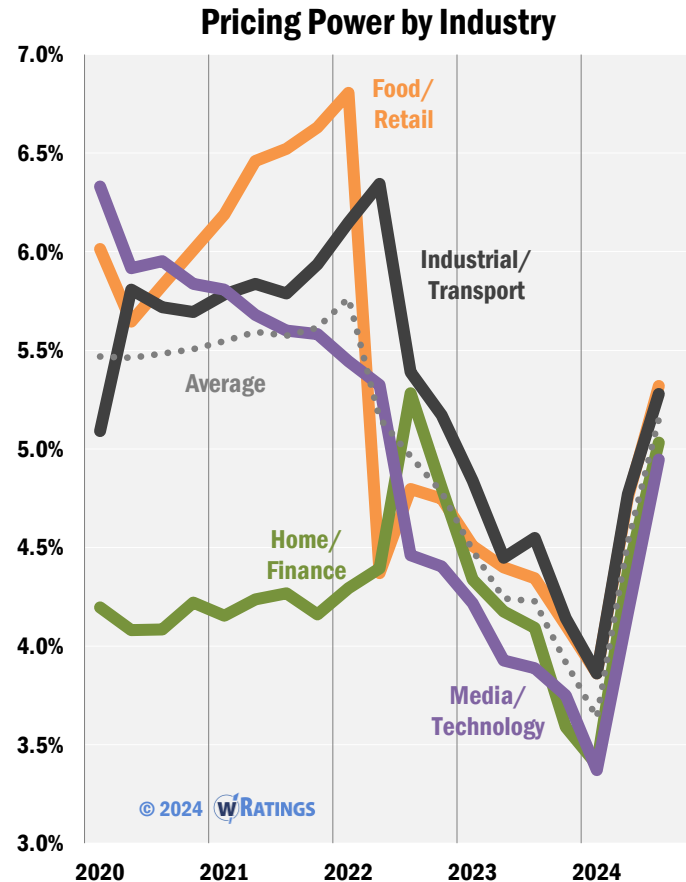
In economic terms, pricing power is the effect of the change of a firm's product price on quantity demand. In customer terms, pricing power is the willingness of a customer to pay more for a firm's product based on their expectations being met. These matter to firms in the same way: The ability to raise prices while maintaining (or increasing) sales volume.

Pricing power in dynamic markets like today often moves in sync, regardless of industry or business framework. But differences at the company level almost always exist, leaving both winners and losers in customer pricing power. Additional differences also do exist when looking at the customer need level.

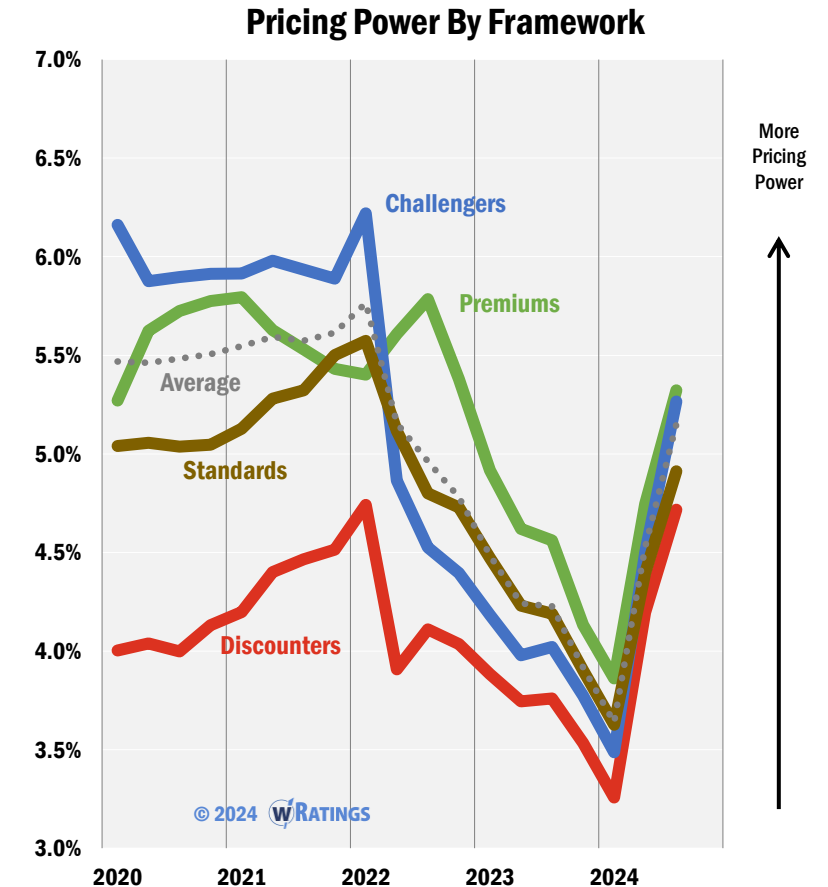
Just one year ago, much parity existed in pricing power by customer need. Whether high or low in importance, customers were willing to pay more across a variety of value sources.

But today, a near perfect inverse relationship exists between customer importance and pricing power.

Companies that excel in lower importance areas such as relationships, talent/ competence, and knowledge-sharing are finding ways to generate more pricing power and, ultimately, more sales.



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



In 2024-Q2, Chewy replaced Beyond Meat in Challengers

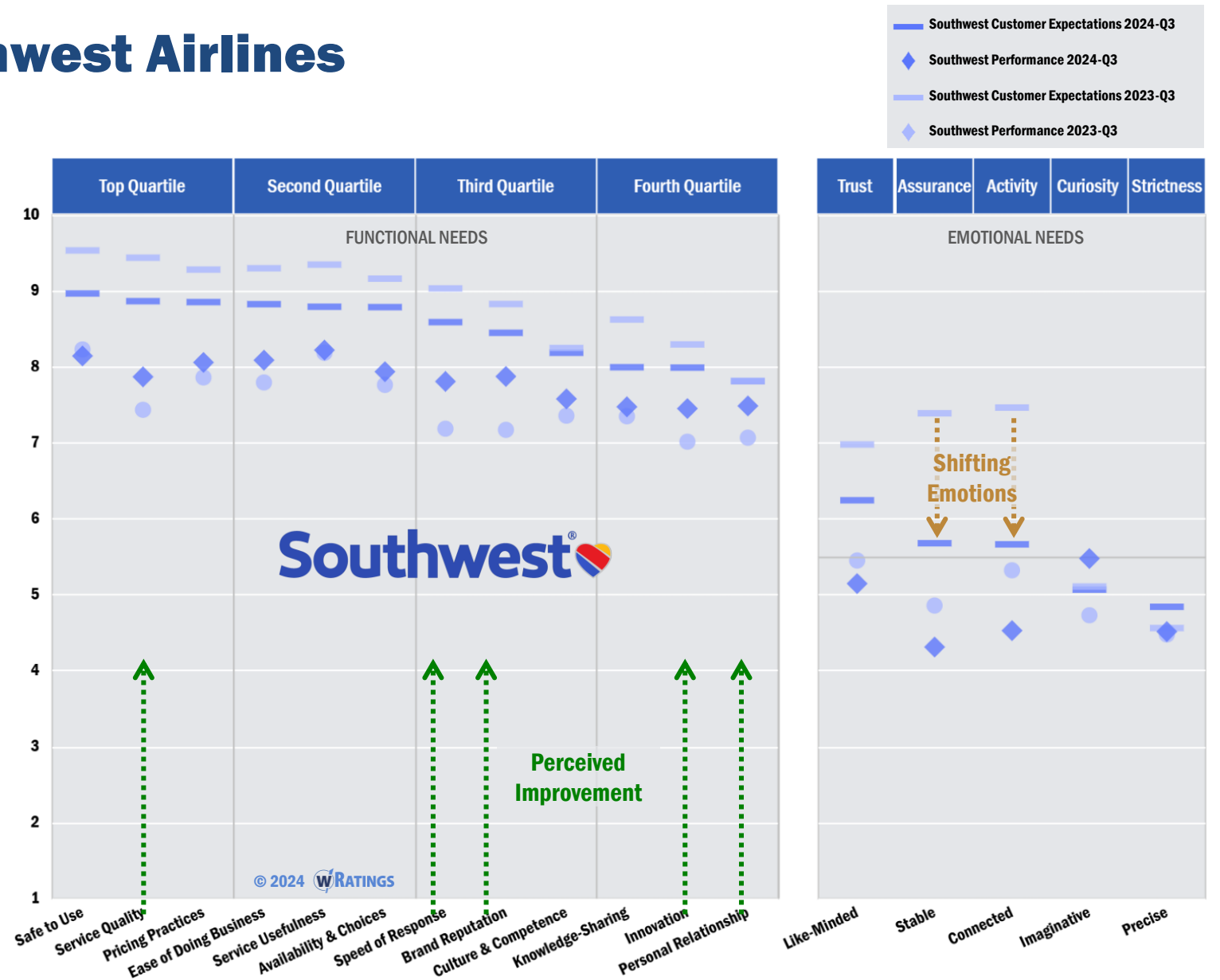
The Resurgence of Southwest Airlines

The proxy war with Elliott Investments is over, and customers already view the planned changes at Southwest as highly favorable.

All the fuss about the switch to assigned seats at booking and selling premium seats with extra legroom appears to be nonsense. **Southwest closed the expectation gaps across several key customer areas**, most notably Service Quality, Speed of Response, Brand Reputation, Innovation, and Personal Relationship. Of course, the fact that expectations are lower for all airlines made those gap closings more reasonable and obtainable.

What's left to do? First, Southwest must execute on the new promises, and do so with consistency. Next, the airline needs to understand that emotional needs – those much valued parts of its “customer experience” – are shifting in a few areas faster than the functional needs.

This leads to the most critical part of the Southwest resurgence: They must retrain their customers to the new “ideal” experience being provided. This is where most turnarounds fail, as companies underestimate the energy required to fully implement the changes.



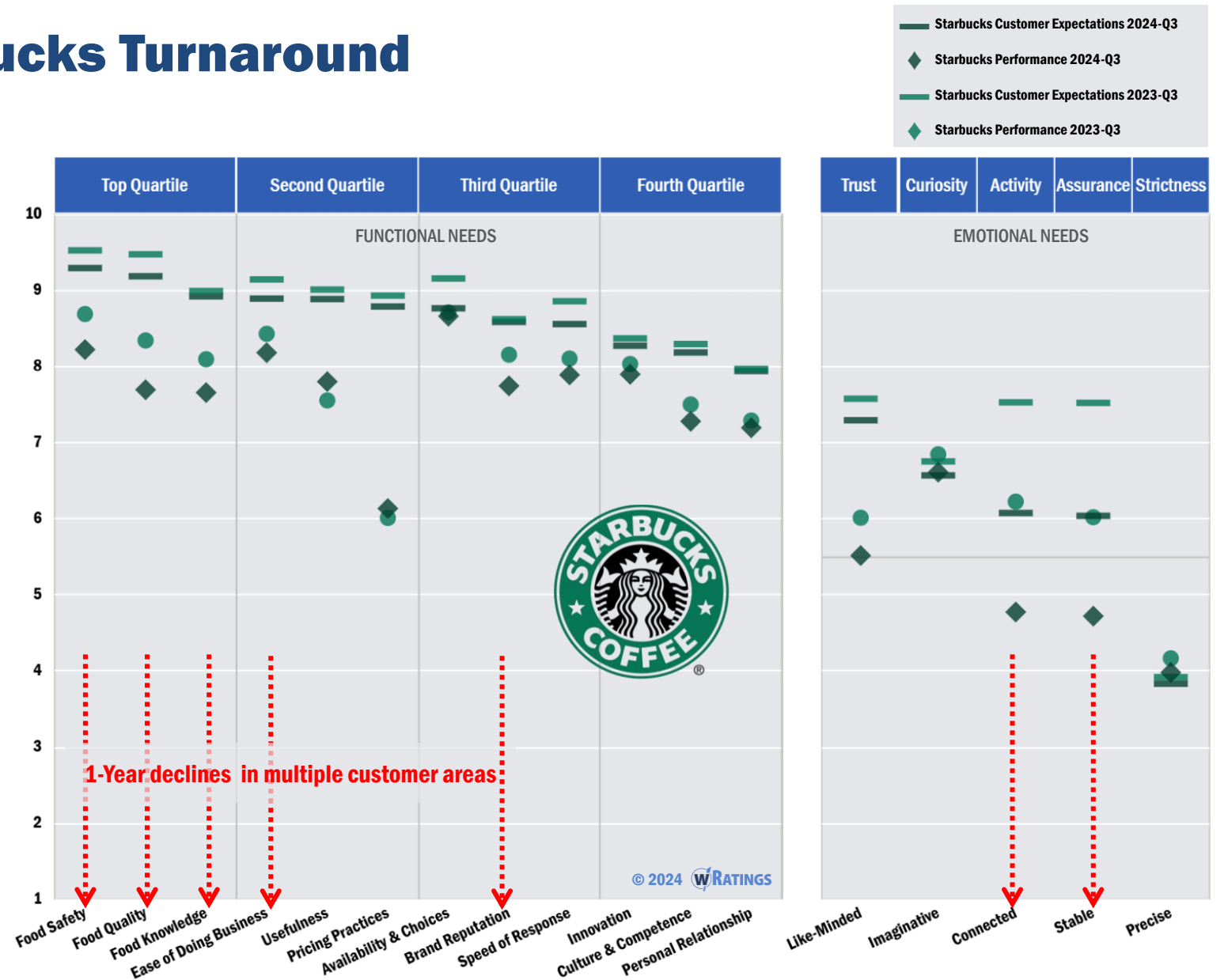
Areas of Need for Starbucks Turnaround

The largest specialty coffee chain in the world needs an overhaul. New CEO Brian Niccol promises to improve a lot of things such as menu simplification, mobile order refinement, store reformatting, and shifting its focus back to coffee.

Will these improvements work? Over the past year, customers believe Starbucks' performance has declined in its food safety, quality, and knowledge and has become more difficult to do business. All these areas just happen to be the top four in importance to customers. **So any shift in focus back to coffee and simplification appears to be spot on for a successful turnaround.**

The Starbucks' brand has taken a hit with customers. Reputation improvement typically takes time and requires consistency in not only what they do (functional needs) but how they make customers feel when they do it (emotional needs).

Similar to companies in a variety of industries, customers today desire a more detached yet involved experience. These concepts are not easy to design and/or execute. But they do favor more drive-thru, delivery, and mobile order sales from Starbucks, which they already generate 70%+ of all sales.



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, predictive analytics, and benchmarking databases. 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



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CEOs & Executive Teams



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Historical Milestones



Moneyball for Sales Growth



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