

Pricing Power Everywhere

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Abstract

With inflation rising to the highest levels in four decades the concept of *pricing power* has once again become top of mind for investors. Pricing power or a company's ability to raise prices and maintain profit margins amidst increasing costs or competition is one of the most important dimensions for evaluating the value of a business. Yet, a simple and robust measure for pricing power remains elusive. In this article, we propose such a measure for capturing corporate pricing power. We show that US public companies with great pricing power, as identified by this measure, have historically delivered strong and steady equity returns with lower risk and higher returns than the broad equity market benchmark index. As a novel equity factor, pricing power has outperformed the market not just during inflationary episodes, but steadily over the long run across the globe. By building a family of pricing power factor indices, we further document that this pattern is consistently repeated across major markets across the globe over the past two decades or indeed *everywhere*. When attributing the sources of this strong outperformance, we find that companies with pricing power tend to be high quality, lower risk (beta) companies that compound returns steadily over the long run. They tend to be hard-to-replace suppliers of key inputs for consumers and businesses alike. We believe that pricing power presents a uniquely desirable and new source of risk premium that prepares investors for the new macroeconomic regime ahead.

"The single most important decision in evaluating a business is pricing power. If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business." - Warren Buffett

Introduction

Pricing power is one of the most frequently mentioned concepts in the business world. Intuitively, investors love companies with pricing power because it implies that the firms have a strong ability to maintain and grow their profits. With the return of inflation to the global economy after lying dormant for over a decade, the concept of pricing power is once again top of mind for investors seeking to identify companies resilient in this new environment. Since 2002, Bloomberg data shows that "pricing power" has been regularly mentioned in the transcripts of US public company earnings calls and shareholder meetings. From 2020, mentions of "pricing power" have particularly surged alongside mentions of "inflation".

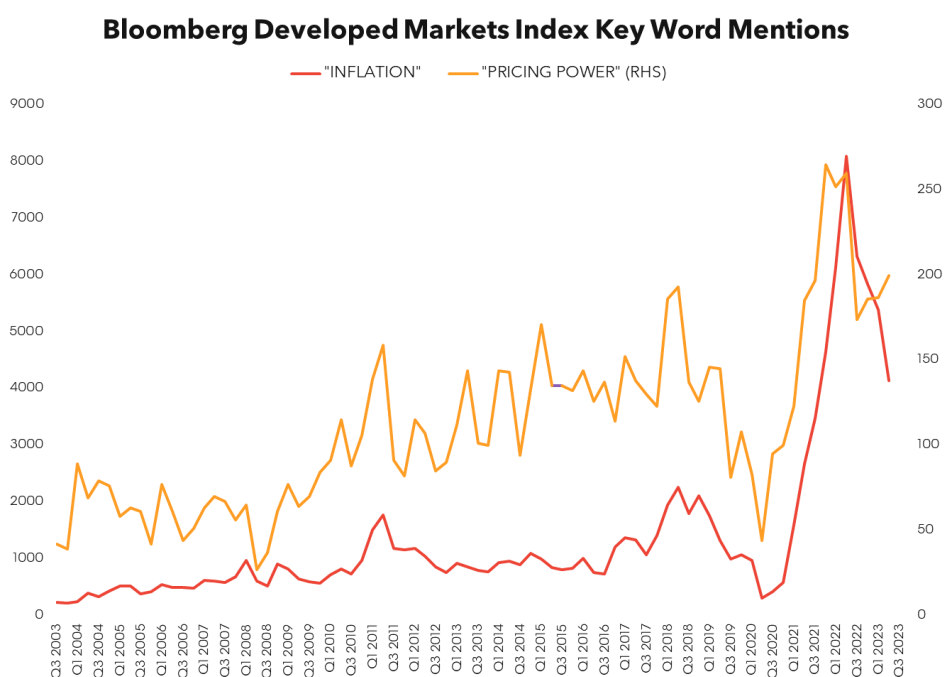


Figure 1: Mentions of keywords by companies in the Bloomberg Developed Markets Large and Mid-Cap Index (DM Index) in corporate events such as quarterly earnings calls, annual general meetings, and other investor conferences. Source: DS <GO> on Bloomberg Terminal.

Despite the frequency of these mentions, many struggle to provide a clear definition for the concept of pricing power, let alone an easy way to measure it. In this article, we present a straightforward framework to capture pricing power. We argue that the stability of gross profit margins is a simple and robust metric for identifying companies with the ability to raise prices.

Moreover, we have found that companies as identified by our measure of pricing power have significantly and consistently outperformed the broader market over the past 15 years with lower volatility and smaller maximum drawdowns. We will further show that the

outperformance of the pricing power factor extends beyond the US, but in various global markets with similar characteristics.

We analyze the nature of these so-called “pricing power companies” and why they may have outperformed over the long run. Pricing power companies tend to be less glamorous and newsworthy, but instead are quiet and stable quality “compounders”. From a style factor perspective, pricing power companies tend to have quality and low volatility characteristics. Contrary to conventional expectations, pricing power is not a factor that only performs during inflationary period. But remarkably, it is a factor that remains robust and consistent during both inflationary and non-inflationary regimes.

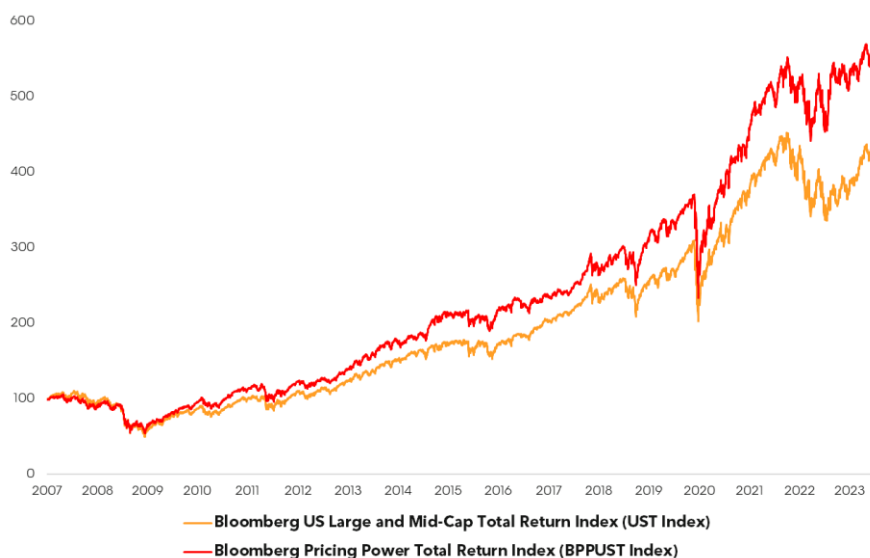


Figure 2: Performance of Bloomberg Pricing Power Index in the US Large and Mid-Cap Universe. The index, which takes 50 securities with the greatest pricing power after certain liquidity and quality screens, is equal weighted and quarterly rebalanced. Source: Bloomberg

Pricing Power Is Profit Margin Stability

We begin by describing our measure of pricing power. As mentioned previously, while the idea is frequently referenced, the concept is rarely precisely defined or empirically measured. People often casually associate pricing power with highly profitable companies or those that they perceive to have strong market power. Following such logic, one might try to screen for companies with high profit margins or even collect data on market shares or demand elasticities. In the case of the former, it turns out that pricing power is not well captured by the *level* of profit margin because high profit margins can be eroded or conceded when input costs rise. In the latter case, it would be onerous if not outright impossible to collect data on price elasticities for all public companies.

We argue that the stability of profit margins, and specifically gross profit margins, is a simple and effective metric to systematically identify companies with pricing power. Intuitively, if a

company has pricing power, then when costs increase it should be able to “pass them on” to the consumers by raising prices and thereby maintaining the same profit margin.

We focus on the Gross Profit Margin¹ (GPM) instead of the Net Profit Margin (NPM) because we believe that GPM can most accurately capture the margin variations due to input cost changes. Net Profit Margin, which is often the first measure one thinks of to capture corporate profits, can be and often is manipulated or smoothed from quarter to quarter. There are simply too many cost items with accounting treatments that are often highly discretionary.

On the other hand, GPM is simply the difference of the top line revenue and the cost of goods sold (COGS). COGS typically capture both variable physical inputs and hourly wages for temporary labor input. By being the closest line item to the top line revenue, it leaves much less room for manipulation and most directly reflect companies’ ability to pass on costs.

Specifically, we define² *pricing power* as the inverse of the standard deviations³ of trailing 5-year 12-month gross margins:

$$\text{Pricing Power} = \frac{1}{SD(\{GPM_{t-i}\}_{i=0}^4)}$$

To calculate this metric, we require that a company has at least five years of gross margin history. This requirement does, of course, have restrictive implications. We will not be able to calculate a pricing power metric for companies that are younger than five years. We believe the loss is relatively small since it is quite unlikely that a young and probably growing public company commands significant market power. We will also leave out certain financial firms, for which gross margin is not applicable. This is especially the case for banks. Generally, we do not believe bank products can really compete on the “prices” of their products.

Pricing Power Factor Offers Strong Performance In the US

Since pricing power is such a pervasive concept, there are good reasons to expect that it is already “priced in” by the market and therefore does not offer consistent outperformance. However, it turns out companies with strong pricing power as measured by our metric have historically earned consistently strong returns while simultaneously maintaining a lower risk profile. Moreover, they have demonstrated similar characteristics across different geographical markets lending credence to the long-run reliability of pricing power as an investment *factor*.

¹ We have considered alternative measures of profit margins. Instead of gross margin, one could arguably use operating margin, which subtracts operating expenses (such as wages, rents, R&D and SG&A like marketing) from gross profits. Results are broadly similar.

² We have also considered an alternative metric: the average gross margin divided by standard deviation of gross margins, $\frac{AVG(\{GPM_{t-i}\}_{i=0}^4)}{SD(\{GPM_{t-i}\}_{i=0}^4)}$, which also captures pricing power in a different vein.

³ Some may also argue that the trend of profit margin could matter in addition to variations: a company that keeps growing its gross margins should be viewed as having pricing power. Indeed, we’ve examined the impact of growing margin trend and found it to be insignificant. Our theory is that growing margins typically reflect growing demand, which firms generally tend to respond to by expanding supply, which typically pushes up the marginal cost hence shrinks the gross margin, resulting in a mean reversion of gross margin.

We begin by looking at the performance of a portfolio of pricing power companies in the US. The Bloomberg Pricing Power Index (BPPUS Index) selects US Large and Mid-Capitalization companies with at least 5 years of gross profit margin data and those that have been consistently profitable for the trailing 5 years (positive net profit margin).

We proceed to keep all the stocks in the top 90th percentiles of each sector by the lowest debt to asset ratios. Finally, we pick 50 stocks with the lowest standard deviations of trailing five-year gross margins. The index is equally weighted and rebalanced quarterly. We describe the index construction in greater technical details at [Bloomberg Pricing Power Index Methodology](#).

As shown in Figure 1 and Table 1, since 2007 the Bloomberg Pricing Power index (BPPUS Index) has consistently outperformed the underlying benchmark, the Bloomberg US Large and Mid-Cap Total Return Index (UST Index) while realizing slightly lower volatility and lower drawdowns, both common measures of risk.

Generally, the pricing power factor has realized a lower than one market beta, thereby realizing a significantly positive (CAPM) alpha. As seen in Figure 2, this outperformance is pervasive and does not come from any single period. Instead, over the past 15 years the BPPUS index has outperformed the UST Index in both up and down years, by rising more in up-years and not falling as far during down-years.

	Bloomberg United States Large & Mid Cap Total Return Index	Bloomberg Pricing Power Total Return Index
Time Period	2007-03-26 - 2023-10-12	2007-03-26 - 2023-10-12
Cumulative Return	315.29%	433.31%
Annualized Return	8.99%	10.65%
Volatility	20.48%	18.96%
Downside Volatility	16.71%	15.03%
Sharpe Ratio	0.44	0.56
Dividend Yield	1.71%	1.41%
Max Drawdown	-54.86%	-49.12%
Annualized Excess Return		1.22%
Annualized Tracking Error		6.54%
Information Ratio		0.19
Up Capture Ratio		0.89
Down Capture Ratio		0.87
Correlation		0.95
Beta		0.88
Alpha		2.52%

Table 1: Performance of Bloomberg Pricing Power Index in the US Large and Mid-Cap Universe. The index, which takes 50 securities with the greatest pricing power after certain liquidity and quality screens, is equal weighted and quarterly rebalanced. Source: Bloomberg

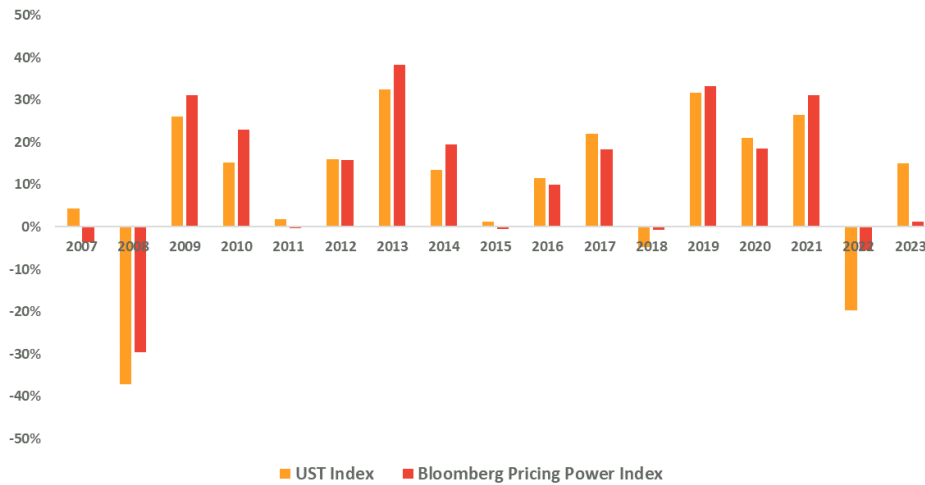


Figure 3: Annual Performances of the Bloomberg Pricing Power Index (BPPUST) versus the Bloomberg US Large and Mid-Cap Index (UST). Source: Bloomberg

Another striking factor is the performance of the pricing power index during times of great economic turmoil and macroeconomic uncertainty. As a result of the global pandemic and the ensuing monetary and fiscal stimulus, since September 2020 the US has experienced a rapid surge in inflation the likes of which hasn't been seen in 40 years. As a result, in March 2022 the Federal Reserve started raising the Fed Funds Rate, the key policy rate, at the fastest pace on record from 0.25% to 5.5% causing one of the sharpest selloffs in equities (and bonds) in over a decade. Figure 3 shows that the BPPUS index has performed resiliently during this episode and held up better than the benchmark in 2022. It also rebounded more sharply.

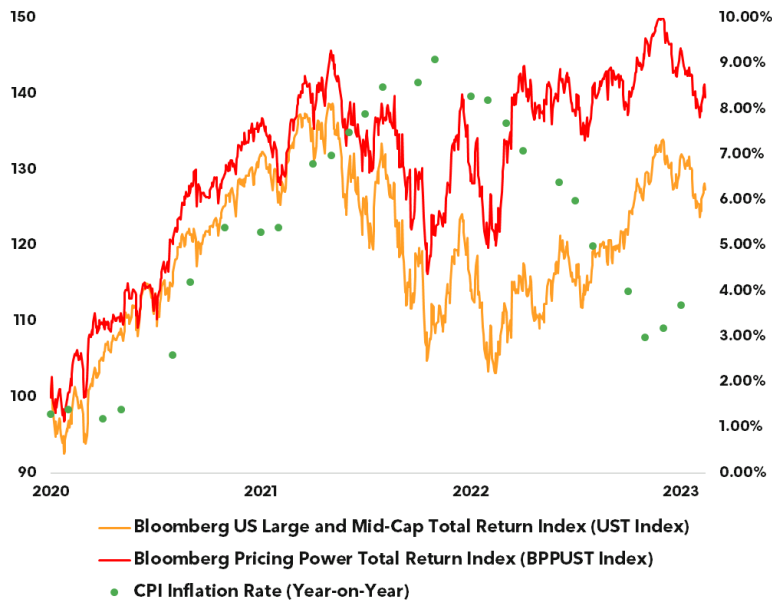


Figure 4: Performance of the Bloomberg Pricing Power Index (BPPUST Index) versus the Bloomberg US Large and Mid-Cap Index (UST Index) during the inflationary episode since Sep 2020. Source: Bloomberg

One way to interpret the relative performance of the Bloomberg Pricing Power index during this episode is that in the first half, where inflation rate is rising, all firms experienced an increase in demand hence revenue from consumer aflush with cash. In the second half of the episode, starting in 2022 the Fed begins to raise interest rates and inflation begins to fall, production costs have risen while consumer demand begins to slow or weaken, and companies with pricing power are able to raise prices and maintain profit margins while those without pricing power see their profit margins fall along with their earnings hence the sharper drop in stock prices.

Pricing Power Offers Strong Performance Across Global Markets

If the pricing power factor only performed well in the US from 2007 to 2023, it may have been a fluke and hence less persuasive. We reinforce our finding by assessing the performance of the pricing power factor in other global equity markets over a longer historical sample period. From 2003 to the present, we find that the pricing power factor has exhibited similar characteristics across different geographical regions.

We assess the performance of the pricing power factor across global markets by constructing separate pricing power indices in a set of representative large economic blocs. Specifically, we consider four regions that are covered by Bloomberg equity benchmark indices:

1. Bloomberg US Large and Mid-Cap Index or US Index,
2. Bloomberg European Developed Markets Large and Mid-Cap Index or EDM Index,
3. Bloomberg APAC Developed Markets Large and Mid-Cap Index or APACD Index,
4. Bloomberg Emerging Markets ex-China Large and Mid-Cap Index or EMXCN Index.

We choose these four regions so that there are reasonably large pools of securities, with a similar number of liquid equities to select from. (Nevertheless, APACD and EMXCN indices have fewer securities than the US and EDM indices, especially in the earlier half of the sample.)

In terms of methodology, we follow the same steps as the BPPUS Index <GO>. To allow the maximum consistency and comparability, we modify the index selection rules slightly. Instead of requiring a minimum of \$10 million of 90-day average daily trading volume (ADTV), we require a minimum of \$2 million of 90-day ADTV and a minimum of \$500 million total market cap. Further, instead of always picking the 50 stocks with the greatest pricing power, we select the top two quintiles of eligible companies with highest pricing power. The pricing power indices are still equal-weighted⁴.

In Table 2, we tabulate the performances of the pricing power indices across these four market regions. The results display a striking level of consistency and similarity. In all four regions, over the last 20 years from 2003 to 2023, each regional pricing power index significantly outperformed its respective underlying benchmark indices, with lower realized volatility, lower maximum drawdowns, and higher Sharpe ratios.

⁴ We have used this index selection (top 2 quintiles plus equal weighting) for simplicity and consistency. We choose the top 2 quintiles so that we have adequate number of securities across all regions. The number of securities in each index has increase over time from 50 to 100. We have also looked at market cap weighting, which yield similar qualitative findings.

The outperformance of pricing power companies is especially significant in European Developed and Emerging Markets, earning over 2% and 2.86% of annualized excess returns. Adjusted for the fact that pricing power stocks have lower market beta, the average annual excess returns are even higher. In both regions, pricing power indices have realized US level average annual returns and go against the narrative that the Rest of the World has uniformly underperformed the US over the past decade. In APAC Developed Markets, pricing power has realized the lowest outperformance. This is consistent with the existing literature that has documented generally weak historical performance of risk premia factors in Japan.

In Figure 3, we show that the outperformances of the global pricing power indices are distributed relatively evenly across time. For legibility, we only plot the annual excess returns of each regional pricing power index relative to their respective benchmarks. A bar that is above the dotted line means that a pricing power index has outperformed the benchmark in that year. Except for a couple big drawdowns in EMXCN and APACD markets, most of the bars lie above the dotted line, which demonstrates the consistency of the factor. Pricing power has performed particularly consistently in Europe.

	Bloomberg US Total Return Index	US Pricing Power Top 2 Quintile EW Index	Bloomberg EDM Total Return Index	EDM Pricing Power Top 2 Quintile EW Index	Bloomberg APAC Total Return Index	APACD Pricing Power Top 2 Quintile EW Index	Bloomberg EMXCN Total Return Index	EMXCN Pricing Power Top 2 Quintile EW Index
Cumulative Return	560.47%	846.78%	290.01%	522.40%	270.48%	323.52%	433.00%	972.74%
Annualized Return	9.76%	11.73%	6.79%	9.23%	6.46%	7.14%	7.36%	10.59%
Volatility	19.08%	17.86%	20.93%	19.47%	18.15%	17.73%	18.10%	16.35%
Downside Volatility	15.55%	14.16%	16.26%	14.53%	13.45%	12.77%	14.83%	13.15%
Sharpe Ratio	0.51	0.66	0.32	0.47	0.36	0.40	0.41	0.65
Dividend Yield	1.63%	1.38%	2.55%	2.19%	2.02%	1.71%	1.78%	2.15%
Max Drawdown	-54.86%	-44.36%	-62.62%	-59.41%	-54.31%	-41.42%	-66.52%	-58.80%
Annualized Excess Return		1.56%		1.98%		0.56%		2.70%
Annualized Tracking Error		5.01%		7.22%		7.83%		8.97%
Information Ratio		0.31		0.27		0.07		0.30
Up Capture Ratio		0.94		0.91		0.90		0.80
Down Capture Ratio		0.91		0.89		0.88		0.76
Correlation		0.97		0.94		0.90		0.87
Beta		90.35%		87.33%		88.37%		78.51%
Alpha		2.63%		3.07%		1.48%		4.54%

Table 2: Performances of Pricing Power indices across the globe from 2003-06-30 to 2023-10-12. The Pricing Power index in each region selects securities in the top two quintiles with the greatest pricing power after certain liquidity and quality screens, is then equal weighted and rebalanced quarterly. US: Bloomberg US Large and Mid-Cap Index; EDM: Bloomberg Europe Developed Markets Large and Mid-Cap Index; APACD: Bloomberg Asia-Pacific Developed Markets Large and Mid-Cap Index; EMXCN: Bloomberg Emerging Markets ex-China Large and Mid-Cap Index. Source: Bloomberg

Over the past two decades, pricing power indices have generally performed well together across the globe, only showing divergences starting in 2016. US and European pricing power

indices have shown the most persistent benchmark outperformances while APACD and EM ex-China have shown more volatile outperformances. Figure 3 also clearly demonstrates that pricing power is not “just an inflation story”. Pricing power indices have performed and indeed outperformed strongly over the past 20 years, in both low inflation and high inflation regimes.

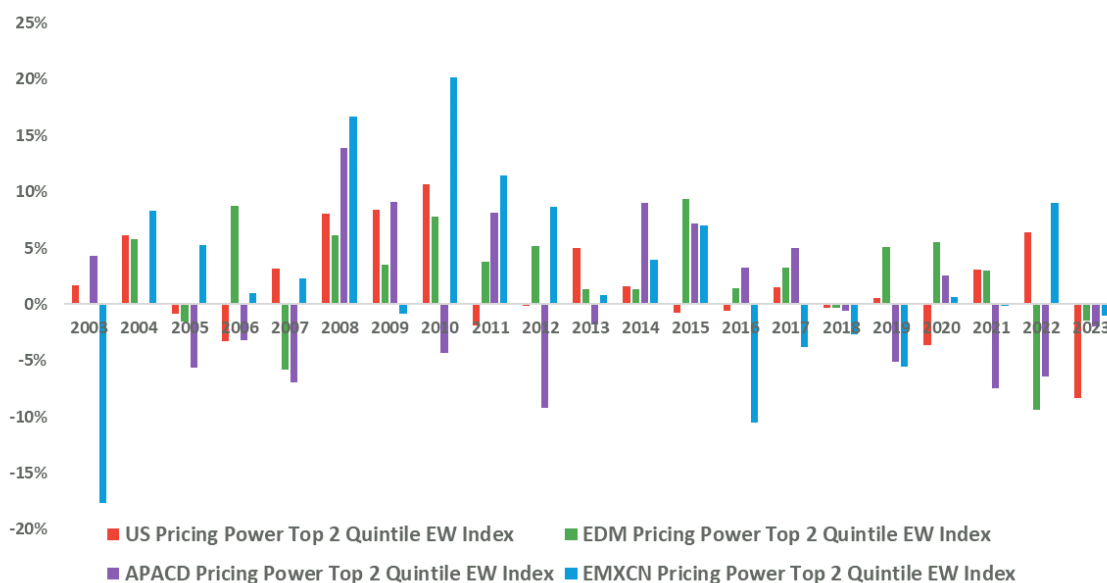


Figure 5: Annual Performances of the Bloomberg Pricing Power Index in four global regions in excess of their respective regional Bloomberg market indices. Source: Bloomberg

Taken together, we can comfortably say that the outperformance of pricing power as a factor over the last 20 years has been robust, consistent, and unlikely to be the result of a sample selection fluke. This brings us to an even more interesting question: what explains the outperformance of the pricing power factor? We seek to address this question in the next section.

To understand the sources of the pricing power index outperformance, we will leverage both quantitative and qualitative analyses of pricing power index holdings. From a quantitative angle, we will apply a *factor-based attribution* of the excess returns of pricing power indices to help us understand the sources of its returns in terms of known factors with risk premia. We follow the factor-based return attribution with a qualitative look at the types of names that are held in a pricing power index. Between these two types of analyses, we hope to paint a clearer picture on why we think that companies with pricing power may have outperformed over the long run.

Pricing Power Stocks Are High Quality, High Growth and Low Beta

We start with the factor-based return attribution of pricing power index excess returns. Factor-based attribution helps us understand the sources of (relative) performance of a strategy by decomposing returns of a strategy (or in this case excess returns relative to a benchmark) into the returns of its exposures to various style factors and industries. To conduct this exercise, we

leverage Bloomberg’s market-leading 3rd Generation factor risk model Multi-Asset Class (MAC3) model.

We start by looking at the style factor exposures of pricing power indices in the four different geographical regions. Specifically, we look at “active factor exposures” or the factor exposures of the weight differences of each regional pricing power index and its parent selection universe (Table 3). Overall, the four different regional pricing power indices have similar factor exposure profiles: smaller in size, lower market beta, high quality (high profitability, low leverage), higher growth and lower value. (It is worth noting here that MAC3 factors are always ordered from highest factor exposure values to the lowest, e.g., size is ordered from the biggest to the smallest companies.)

The factor exposure patterns of the regional pricing power indices are highly consistent. The negative size exposures of course reflect the equal weight construction of the indices. By selecting profitable companies with low standard deviations in their gross margins, we expect that they would be profitable and have lower volatility (due to lower volatility of fundamentals).

Descriptors	US Pricing Power	EDM Pricing Power	APACD Pricing Power	EMXCN Pricing Power
Beta	-0.15	-0.23	-0.30	-0.38
Dividend Yield	-0.20	-0.41	-0.33	0.09
Earnings Yield	-0.13	-0.38	-0.31	-0.28
Growth	0.11	0.19	0.13	0.31
Leverage	-0.20	-0.47	-0.58	-0.30
Liquidity	0.08	0.03	0.03	-0.10
Long Reversal	-0.02	0.09	0.08	0.10
Mid-Cap	0.31	0.29	0.05	0.10
Momentum	0.02	0.05	-0.01	0.00
Profitability	0.15	0.22	0.07	0.14
Residual Vol	-0.07	-0.03	-0.02	0.10
Size	-0.80	-0.72	-0.66	-0.51
Valuation	-0.16	-0.31	-0.14	-0.21
Variability	0.02	0.14	0.13	0.31

Table 3: Average active factor exposures from 2007-Jul to 2023-Sep. Active factor exposure is the weighted average exposure of an index to a given factor relative to the underlying benchmark. The 14 listed equity factors come from Bloomberg’s latest third generation Multi-Asset Class risk model (MAC3), from which we obtain individual stock’s factor exposures. “Active weight” is the difference between the weight of a given security and its weight in the selection benchmark universe. Source: Bloomberg

There are some other elements that are particularly noteworthy: pricing power companies do not have lower idiosyncratic volatility. Instead, their lower volatility comes from having lower

market beta. Another fact worth emphasizing is that pricing power companies are not value companies, instead they tend to command higher valuation as “quality compounders”.

Pricing power indices have an interesting mix of style factors: quality, growth (hence not cheap or low in value) and lower beta. The risk created by the relatively higher valuation in a valuation compression environment is compensated by the lower market beta exposure, as evidenced in the 2022 stock market sell-off (Fig. 3). On the other hand, the low market beta is offset by the modestly higher growth.

In fact, these factor exposures of pricing power indices mirror the modern investment style of Warren Buffett. A 2018 AQR Capital paper⁵ finds that systematic exposures to quality and low beta factors explain most of Berkshire Hathaway’s outperformance over the S&P 500 over the long run. Contrary to his reputation as a pure value investor, Buffett’s investment style in recent years has moved away⁶ from “cigar butt” investments towards quality and low beta. Apple is a good example of this.

Factors	US Pricing Power	EDM Pricing Power	APACD Pricing Power	EMXCN Pricing Power
Communications	-0.08	-0.04	-0.03	-0.02
Cons Discretionary	0.10	0.09	0.07	0.11
Cons Staples	0.09	0.08	0.10	0.15
Energy	-0.07	-0.09	-0.01	-0.09
Financials	-0.14	-0.22	-0.18	-0.20
Health Care	0.04	-0.02	0.00	0.01
Industrials	0.11	0.11	0.10	0.06
Materials	0.02	0.02	-0.03	-0.07
Real Estate	-0.02	-0.01	-0.03	0.00
Technology	-0.07	0.01	-0.02	-0.02
Utilities	-0.03	-0.03	-0.02	-0.01

Table 4: Average active industry exposures from 2007-Jul to 2023-Sep. The 11 industries correspond to the 11 BICS level 1 sectors. The industry factor exposures are “beta” or intensities of each stock’s exposure to a given sector. They come from Bloomberg’s latest third generation Multi-Asset Class risk model (MAC3). Source: Bloomberg

From an industry exposure perspective, pricing power companies have had consistently high exposures to industrials, consumer staples, and consumer discretionary sectors. It should be unsurprising that we find many companies with pricing power in these sectors as they tend to be suppliers of hard-to-substitute input to firms and consumers. These customers tend to accommodate the cost increases for these suppliers’ products while cutting down on

⁵ Frazzini et al, Buffett’s Alpha, Financial Analysts Journal, 2018, 74 (4): 35-55, write that Buffett’s “alpha becomes insignificant when controlling for exposures to Betting-Against-Beta and Quality-Minus-Junk factors”.

⁶ Lowenstein, Buffett, *The Making of An American Capitalist*, Random House, 2008

expenditures in other categories. The low exposures to financials reflect that the many financial firms, such as banks, do not have well-defined gross margins.

To understand the sources of the outperformances, we can decompose the cumulative total returns of the regional pricing power indices into returns that are attributable to different style factors and industry exposures.

From 2007 through 2023, all regional pricing power indices have outperformed their respective benchmark indices. In each case, a significant amount of the returns is attributable to the sum of style factors and the sum of industry exposures. However, we also note that there is a sizable and persistent quantity of returns that is not attributable to either style factors or industry exposures. This suggests that perhaps pricing power captures additional sources of alpha that have not been fully captured by traditional factors.

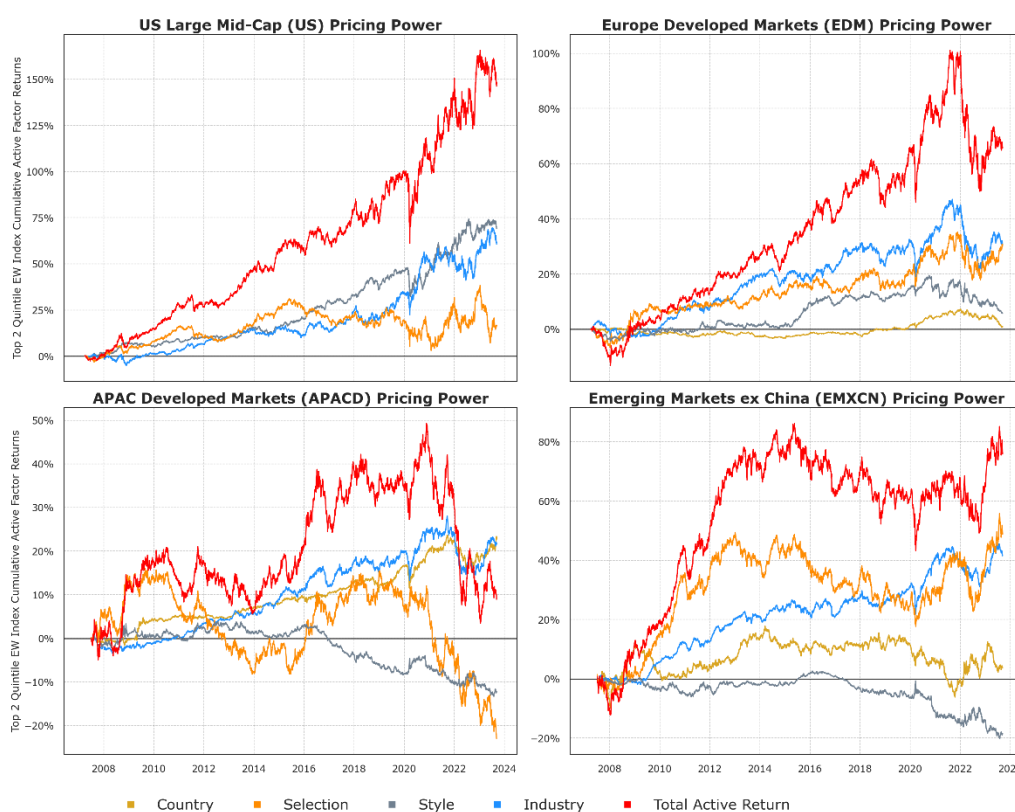


Figure 6: Cumulative factor-based attributions of total excess returns of pricing power indices from Jul 2007 to Sep 2023. The total active return in each panel is the cumulative outperformance of a pricing power index relative to its respective benchmark index. The factor returns are obtained from multiplying factor exposures of the indices with factor returns in the Bloomberg MAC3 Risk Model. The remaining unexplained returns are attributed to “Selection” or Security Selection. At any given moment, the sums of country return, style factor return, industry return and selection return sum up to the total cumulative active return. (red). Source: Bloomberg

Pricing Power Companies Are “Quiet Quality Compounds”

The quantitative analyses through the equity factor lens already make a clear suggestion for the profile of companies that are often held in a pricing power index. We want to now take a more qualitative look at the companies that are most consistently featured in a pricing power

index. In Table 5, we list the top 20 companies that have been most frequently featured in the regional pricing power indices. Pricing power companies are not glamorous names that regularly occupy news headlines such as Tesla, Amazon or even Apple. Instead, they tend to be companies that are often niche suppliers that have strong and steady earnings, cash flows and very stable profit margins as they can pass on costs increases.

In the US, we notice that pricing power companies tend to come from consumer staples or specialized industrial suppliers. Good examples include Costco, Pepsi, Eaton or Autozone. In Table 4, we show the top 20 most frequently appeared companies in each pricing power index. We see that a similar pattern persists across all four geographical regions. In Europe, we see similar patterns, but we also see luxury companies such as LVMH or L'Oréal regularly featured, which are Europe's "quality growth companies". It's interesting to note that our pricing power signal can pick up such regional specialty automatically. In each case, the reasons for their pricing power are often self-evident.

	US Pricing Power	EDM Pricing Power	APACD Pricing Power	EMXCN Pricing Power
1	3M Co	ABB Ltd	Dai Nippon Printing Co Ltd	Advantech Co Ltd
2	Accenture PLC	Adecco Group AG	Daito Trust Construction Co Lt	Astra International Tbk PT
3	Amphenol Corp	Colruyt Group N.V	Daiwa House Industry Co Ltd	Asustek Computer Inc
4	Archer-Daniels-Midland Co	DSV A/S	Fast Retailing Co Ltd	BIM Biresik Magazalar AS
5	AutoZone Inc	Henkel AG & Co KGaA	Kirin Holdings Co Ltd	Coway Co Ltd
6	Automatic Data Processing Inc	Industria de Diseno Textil SA	MEIJI Holdings Co Ltd	Eclat Textile Co Ltd
7	Church & Dwight Co Inc	Jeronimo Martins SGPS SA	MISUMI Group Inc	Giant Manufacturing Co Ltd
8	Colgate-Palmolive Co	Kingfisher PLC	NH Foods Ltd	Hyundai Engineering & Construction
9	Costco Wholesale Corp	Koninklijke Ahold Delhaize NV	Oracle Corp Japan	Hyundai Glovis Co Ltd
10	Dollar General Corp	L'Oreal SA	Otsuka Corp	Hyundai Mobis Co Ltd
11	Dover Corp	LVMH Moet Hennessy Louis Vuitton	Rinnai Corp	Jarir Marketing Co
12	Eaton Corp PLC	Legrand SA	Sekisui House Ltd	Lojas Renner SA
13	Home Depot Inc/The	Novozymes A/S	Sumitomo Electric Industries L	President Chain Store Corp
14	Lowe's Cos Inc	Randstad NV	TOPPAN Holdings Inc	Shoptite Holdings Ltd
15	PepsiCo Inc	Redeia Corp SA	Techtronic Industries Co Ltd	Teco Electric and Machinery Co
16	Stryker Corp	SAP SE	Toray Industries Inc	Ultrapar Participacoes SA
17	Sysco Corp	Sage Group PLC/The	Toyo Suisan Kaisha Ltd	Uni-President Enterprises Corp
18	Tractor Supply Co	Schneider Electric SE	Woolworths Group Ltd	Unilever Indonesia Tbk PT
19	UnitedHealth Group Inc	Skanska AB	Yakult Honsha Co Ltd	Wal-Mart de Mexico SAB de CV
20	Waters Corp	Wolters Kluwer NV	Yamazaki Baking Co Ltd	Wipro Ltd

Table 5: Top 20 companies that are most frequently featured in the regional pricing power index over the past 10 years from 2013 -2023, alphabetically ordered. Source: Bloomberg

Conclusion

In this article, we introduce a simple new way to capture “pricing power” as a concept systematically and show that pricing power has provided a strong and consistent source of equity returns over the long run across multiple geographical markets across the globe. Hence, we have titled the article “pricing power everywhere” to highlight the fact that not only is pricing power an important thematic concept everywhere but it has also been a strong source of smart beta risk premium. We believe that pricing power as a concept will only become even more relevant as we enter the new macroeconomic regime in which structural inflation makes a return. Investors everywhere can benefit from having some exposure to pricing power as a thematic factor in their portfolios.

- Invesco Ltd has launched the Invesco Pricing Power ETF based on the BPPUS Index under the ticker [POWA](#).

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