

BrandLoyalties.com Special Commentary

10/08/2013: Online Consumer Behavior Offers Pre-Guidance Insights Into ASNA and RAD Marketing Efforts

(Web page version is [here](#))

[BrandLoyalties.com](#), a unique quantitative research provider to institutional investors, uses online consumer-tracking data to generate forward looking signals based on shifting consumer brand loyalty. Earlier this year, [BrandLoyalties.com](#) generated significant insight into the prospects of Ascena Retail Group, Inc. (ASNA) and Rite-Aid Corporation (RAD). In each of those cases shifting brand loyalties (as reflected in changing on-line consumer brand name citation rates) gave a very early glimpse into how successfully their new marketing campaigns were progressing, perhaps as early as the corporations (and their insiders) were finding out themselves -- and certainly before that information became part of corporate guidance and earnings reports.

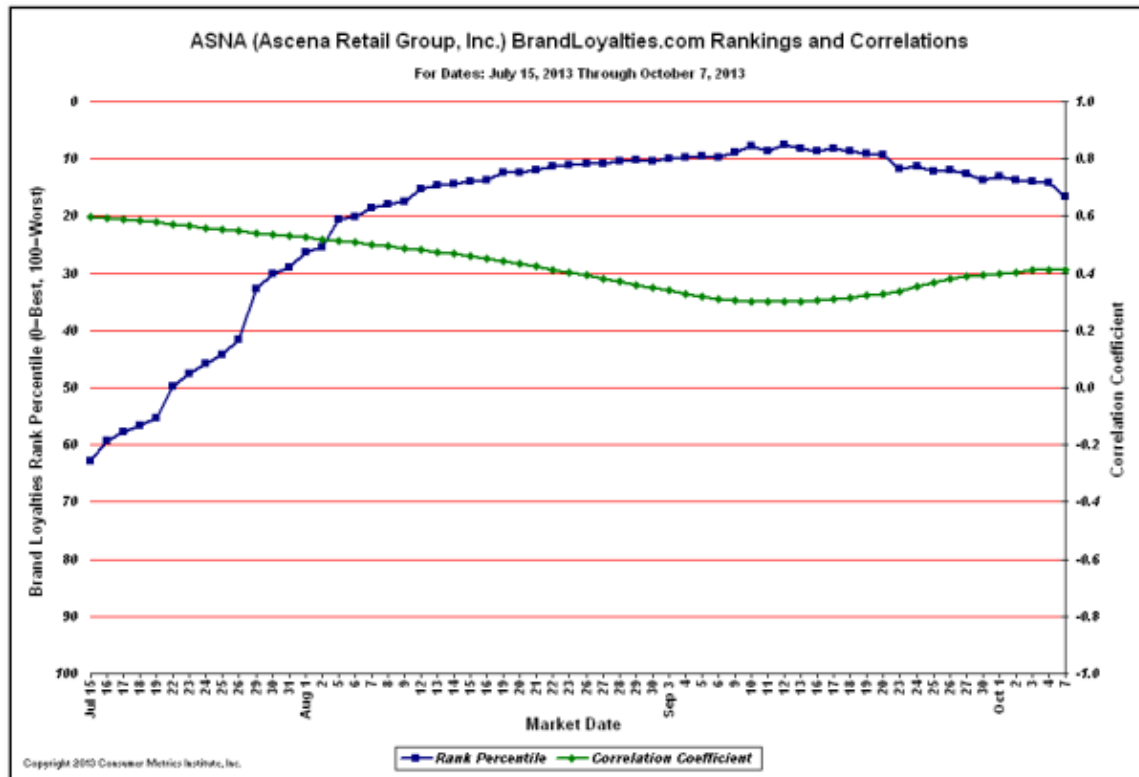
A quick look at the brand loyalty ranking charts at [BrandLoyalties.com](#) for ASNA and RAD show exactly how consumers have been responding to their corporate marketing strategies:

ASNA (Ascena Retail Group, Inc.)

ASNA is interesting because the company is embracing the web in a way that plays directly into the BrandLoyalties.com metrics. They have recently achieved impressive revenue gains from sophisticated digital marketing programs based on on-line customer interactions -- including the ability to re-target customers who have abandoned their shopping carts with tailored campaigns featuring the item that was left behind. And after a product is purchased, ASNA sends ratings and review requests -- providing the unexpected benefit that a number of customers who return to the site to write a review also buy additional products at that time, generating incremental revenue.

This kind of digital marketing drives up the on-line citation rates for the companies that fully embrace web-based and/or social media marketing strategies -- thereby increasing the strength of the linkage between on-line luminosity and corporate revenues.

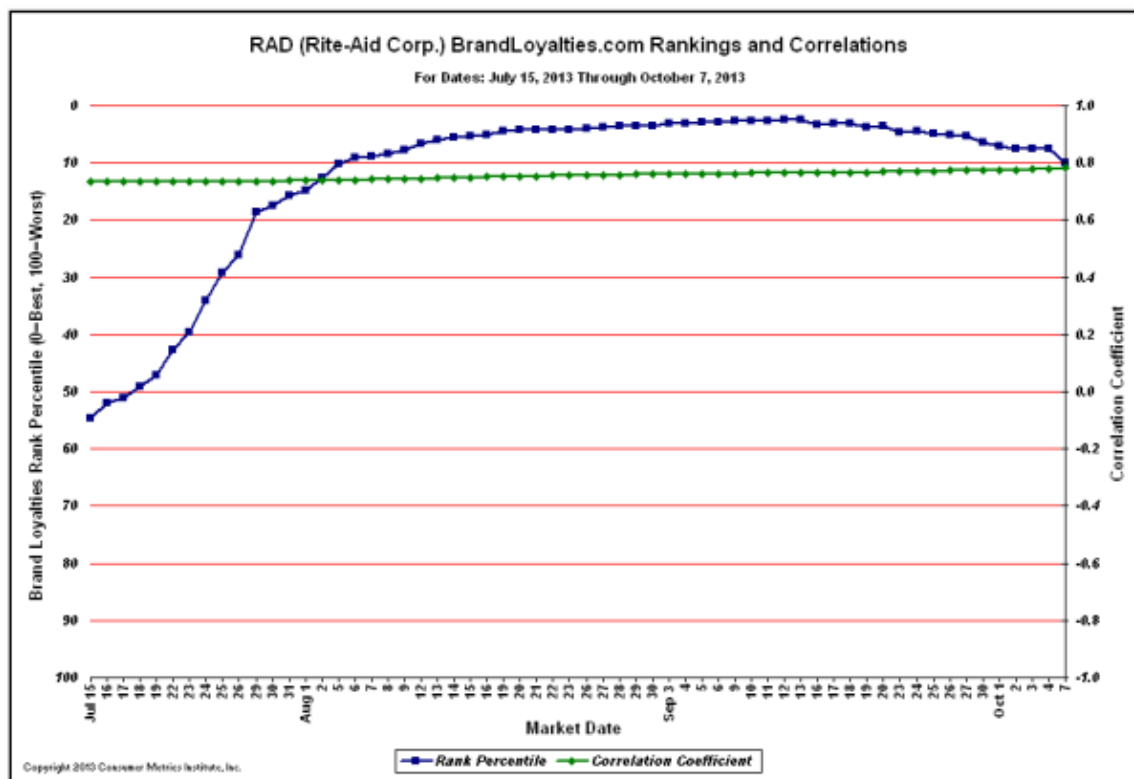
In the following charts the blue line shows the ranking of the recent changes in ASNA's brand name citation rates (higher in chart is better, percentile rankings left scale), and the green line shows the correlation coefficient of those rankings to subsequent equity price movements (higher shows better correlation, right scale):



(Click [here](#) for best resolution)

RAD (Rite-Aid Corporation)

RAD, on the other hand, is interesting simply because consumers have responded very positively to its loyalty program and the "brick-and-mortar" renovations that have expanded clinical-pharmacy services and health and wellness product offerings. And the buzz created on-line has translated well into positive guidance and earnings reports -- enough to cause a 70% equity price appreciation while RAD was in the top 10% of the BrandLoyalties.com ranked universe:



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Would you like to see how the marketing strategies of your favorite equity are playing out in "real time"? Check out the [BrandLoyalties.com](#) coverage list ([here](#)) and drop **Tony Seker** a line by replying to this e-mail to request a quick demo presentation or trial subscription.

How Does [BrandLoyalties.com](#) Track and Rank Brand Loyalties?

They track over 100 million daily online consumer choices and identify which equities are likely to be impacted (positively or negatively) by changing consumer sentiment in those brands. The key criteria for coverage include a significant online presence for the brand names of those equities (called the brand name's web "luminosity") and a reasonably strong link between on-line brand name citations and consequential revenue for the corporation (referred to as the "signal relevance" for that corporation's brand names).

[BrandLoyalties.com](#) uses a proprietary algorithm to determine the velocity of change in consumer brand loyalty ranking the 500+ stocks on this measure from top to bottom each day. Signals derived from this analysis are generated well before earnings announcements and generally before guidance are provided. Each equity exhibits a unique lag time between when a signal is generated from the online data and subsequent price movement in the stock. The 'best fit' lag times are also provided to clients for each security in order to help optimize their buy or sell decisions.

The firm provides institutional subscribers with their unique proprietary metrics. This data helps

investors easily identify those stocks exhibiting the characteristics of winners or losers. Clients may also choose to opt-in for daily email alerts which highlight the equities exhibiting the most significant trends. While investors are naturally interested in identifying equities with growing brand loyalty, users may also mitigate risk in existing portfolios by monitoring or avoiding stocks which display fading customer loyalty.

How Have BrandLoyalties.com Signals Performed?

A simple long-only "proof-of-concept" portfolio consisting solely of the top 10% of these 500+ ranked stocks would have produced an average annual ROI since January 2006 in excess of 37% as compared to the S&P 500's 4.9%. (Results from over 1,700 one-year Monte Carlo portfolio simulations covering January 2006 through September 2013, each portfolio blindly chosen on only brand loyalty rankings, then equally-weighted and reallocated when composition of the top 10% changes.)

It is highly likely that actual BrandLoyalties.com clients have experienced even greater alpha when they overlaid their own internal fundamental or quantitative research on top of the simple brand loyalty metrics used in the proof-of-concept portfolios.

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