12/03/13: Black Friday and Cyber Monday Winners and Losers?
Choosing among DDS, JCP, JWN, PLCE, TGT and TJX

(Web page version is here)

At the end of September the daily BrandLoyalties.com charts for Dillard's, Inc. (DDS), J.C. Penney Co., Inc. (JCP), The Children's Place Retail Stores, Inc. (PLCE), Target Corp. (TGT), and The TJX Cos., Inc. (TJX) looked like the following:
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But by December 2nd two of them had clearly won the attention of consumers, changing the above charts drastically. BrandLoyalties.com universe of tracked equities. This kind of movement for the brand names of an equity has typically occurred just weeks before those corporations issue favorable guidance and/or good earnings reports. In fact, historically, holding a portfolio of only the top 10% ranked equities in the BrandLoyalties.com universe of tracked equities has typically produced more than a 30% cumulative annualized alpha.

Perhaps equally important is the fact that consumer loyalty to the brand names of three of the equities shown above plunged during October and November -- with one of those equities dropping as far as the bottom 5% of the BrandLoyalties.com rankings. Understanding which retailers are having trouble retaining the loyalty of their customers has proven to be a highly successful risk mitigation strategy during the softer spans of a market cycle.

Would you like to see which of the above were the Black Friday and Cyber Monday winners and losers? Or would you like to know how the marketing strategies of your favorite equity are playing out in "real time"? Just reply to this e-mail for updated charts or to request a quick demo presentation or trial.

How Does BrandLoyalties.com Track and Rank Brand Loyalties?

BrandLoyalties.com is a unique quantitative research provider to institutional investors that uses online consumer-tracking data to generate forward looking signals based on shifting consumer brand loyalty. 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 "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 the corporation).

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 winners and losers. Customers may also choose to opt-in for daily email alerts which highlight the equities exhibiting the most significant trends. With regard to consumer brand loyalty, users may also mitigate risk in existing portfolios by monitoring or avoiding stocks which display fading consumer 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 37.4% as compared to the S&P 500's 5.1%. (Results from roughly 1,730 one-year Monte Carlo portfolio simulations covering January 3, 2006 through December 2, 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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