

BrandLoyalties.com Special Commentary

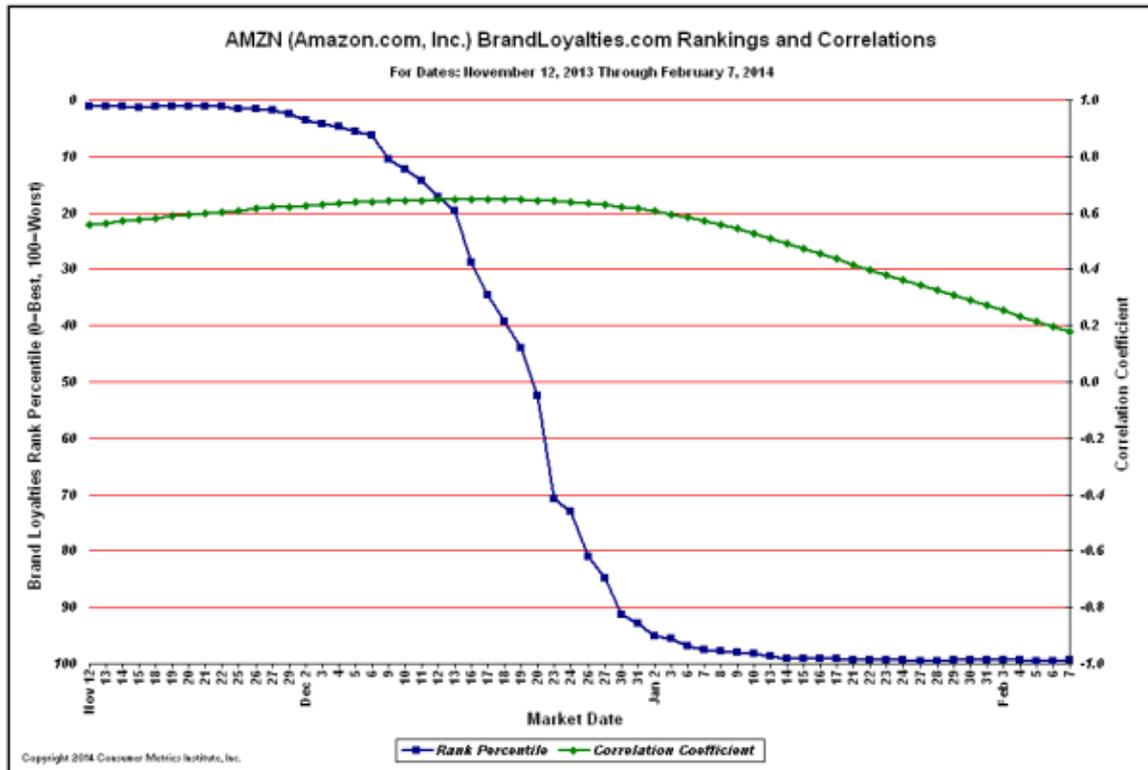
02/10/2014: Can Real-Time Brand Loyalty Measurements Signal Both Upside Opportunities and Downside Warnings?

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

Today's challenging volatility in the equity markets has research teams scrambling for new data sources that can provide both upside opportunities and downside risk mitigation. One such data source may be the daily charts at [BrandLoyalties.com](#), which provides real-time rankings of consumer loyalty to the brand names of over 500 major equities (as measured by changing brand name citation rates in both on-line shopping and in social media).

The [BrandLoyalties.com](#) research can provide portfolio managers with pre-guidance and pre-earnings report insights into the constantly shifting loyalties of consumers. And their seasonally neutral "peer relative" ranking methodologies creates clear signals from short term citation share gains and losses by significantly amplifying the visibility of such shifts in their charts. A classic recent example of both an upside opportunity and a downside risk avoidance signal (in a single chart) was provided by Amazon.com:

AMZN (Amazon.com, Inc.)



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According to [BrandLoyalties](#)'s Tony Seker: "This single chart shows how our methodology can extract clear signals from the constantly changing rates of on-line brand name citations. In the case of Amazon, we had a 'buy' signal in place from October 1st, 2013 to December 16th, 2013 -- during which time AMZN's price appreciated by over 21%. But just as significantly, the relative citation rates for Amazon.com plunged shortly after that, generating a 'sell' signal on December 26th. Our clients were able to use that information to lock in the earlier gains and avoid the subsequent 11% drop in AMZN's price." Tony noted that in general the changes in consumer citation rates give his clients up to a 10-week "heads up" warning on substantial equity pricing movements in either direction.

[BrandLoyalties.com](#) considers any equity in the top 20% of its rankings to be a "buy" opportunity, while any in the top 10% are regarded as having a "strong buy" recommendation. Similarly, rankings in the bottom 20% are considered "sell" signals, while rankings in the lowest 10% are clear "strong sell" warnings. Those kinds of upper or lower extreme rankings for the brand names of an equity often occur just weeks before those corporations issue changing guidance or surprising earnings reports.

Other recent "upside" opportunities signaled by changing brand loyalties include:

Symbol	Equity Name	Signal Duration	Equity Price Appreciation
RRGB	RED ROBIN GOURMET BURGERS, INC.	08/13/2013 to 11/21/2013	42.99%
JOSB	JOS. A. BANK CLOTHIERS, INC.	08/08/2013 to 01/10/2014	37.99%
KORS	MICHAEL KORS HOLDINGS LIMITED	06/12/2013 to 12/16/2013	35.80%
PZZA	PAPA JOHN'S INT'L, INC.	09/05/2013 to 12/18/2013	28.41%
HOG	HARLEY-DAVIDSON, INC.	07/09/2013 to 11/21/2013	24.15%
GOOG	GOOGLE INC.	08/05/2013 to 12/31/2013	23.84%
HAR	HARMAN INTERNATIONAL INDUSTRIES INC.	12/27/2013 to 02/07/2014	23.48%
DENN	DENNY'S CORPORATION	08/01/2013 to 11/20/2013	22.77%
ADSK	AUTODESK, INC.	11/06/2013 to 01/13/2014	22.73%
VFC	VF CORP.	08/05/2013 to 12/20/2013	22.19%
HIBB	HIBBETT SPORTS, INC.		21.96%

		10/15/2013 to 12/31/2013	
AMZN	AMAZON.COM, INC.	10/01/2013 to 12/16/2013	21.19%
DAVE	FAMOUS DAVE'S OF AMERICA, INC.	10/10/2013 to 12/09/2013	20.56%
GTIM	GOOD TIMES RESTAURANTS INC.	11/08/2013 to 01/31/2014	19.37%
ORLY	O REILLY AUTOMOTIVE, INC.	11/21/2013 to 02/07/2014	19.27%
ETFC	E*TRADE FINANCIAL CORPORATION	09/16/2013 to 01/03/2014	18.92%
AGN	ALLERGAN, INC.	11/15/2013 to 01/13/2014	18.74%
DG	DOLLAR GENERAL CORP.	03/21/2013 to 11/25/2013	17.43%
CROX	CROCS, INC.	12/16/2013 to 02/07/2014	17.32%
VSI	VITAMIN SHOPPE, INC.	10/24/2013 to 12/31/2013	17.09%

Similarly, recent "downside" warnings provided by on-line consumer citation rates include:

Symbol	Equity Name	Signal Duration	Equity Price Slide
HGG	HHGREGG, INC.	11/29/2013 to 02/07/2014	-47.65%
WTSL	THE WET SEAL, INC.	10/02/2013 to 12/12/2013	-39.24%
RSH	RADIOSHACK CORP.	10/14/2013 to 01/15/2014	-33.64%
BODY	BODY CENTRAL CORP.	10/21/2013 to 01/06/2014	-26.23%
SHLD	SEARS HOLDINGS CORP.	01/03/2014 to 02/07/2014	-23.04%
GME	GAMESTOP CORP.	01/08/2014 to 02/06/2014	-22.05%
KKD	KRISPY KREME DOUGHNUTS	10/16/2013 to 12/16/2013	-20.51%
MAT	MATTEL INC.	12/02/2013 to 02/05/2014	-20.39%
GMAN	GORDMANS STORES, INC.	11/01/2013 to 12/24/2013	-20.20%

OWW	ORBITZ WORLDWIDE, INC.	10/29/2013 to 01/06/2014	-19.68%
BBBY	BED BATH & BEYOND, INC.	12/26/2013 to 02/06/2014	-19.53%
LB	L BRANDS, INC.	11/15/2013 to 02/07/2014	-15.59%
AEO	AMERICAN EAGLE OUTFITTERS, INC.	12/02/2013 to 02/07/2014	-14.18%
STMP	STAMPS.COM INC.	10/01/2013 to 01/15/2014	-13.05%
LULU	LULULEMON ATHLETICA, INC.	10/07/2013 to 11/18/2013	-11.90%
TUES	TUESDAY MORNING CORP.	09/23/2013 to 02/03/2014	-11.10%
AMZN	AMAZON.COM, INC.	12/26/2013 to 02/07/2014	-10.71%
CAKE	THE CHEESECAKE FACTORY	12/24/2013 to 02/04/2014	-10.48%
DSW	DSW INC.	11/18/2013 to 12/19/2013	-10.22%

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** to request a quick demo presentation or trial subscription to the BrandLoyalties.com research services.

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 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 of 37.3% as compared to the S&P 500's 5.4%. (Results from roughly 1,760 one-year Monte Carlo portfolio simulations covering January 3, 2006 through February 7, 2014, each portfolio blindly chosen on only brand loyalty rankings, then equally-weighted and reallocated when composition of the top 10% changes.)

BrandLoyalties.com also notes that "unfolding PR nightmares, M&A activities, investor scrutiny or other extenuating circumstances can lead to false positives if they generate a sufficient 'buzz' on-line." For that reason no real-world portfolio should be blindly chosen in the manner used for the proof-of-concept portfolios -- making it 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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