03/13/2014: Real-Time Brand Loyalty Measurements Provide Pre-Guidance Insights Into Year-Over-Year Revenue Changes

(Web page version is here)

BrandLoyalties.com tracks in "real-time" how on-line citation rates for the brand names of over 700 publicly traded equities have been changing over the trailing 90 days (and by request for the brand names of privately held companies). Each equity's citation rate growth metrics are then ranked among all of the equities in the BrandLoyalties.com "universe" of web-luminous companies -- a peer-relative share ranking that removes any distortions caused by the overall growth of on-line commerce while simultaneously dramatically accentuating the "citation share" winners and losers.

This ranking of citation growth rates often reveals a "citation share" seasonality -- i.e., some companies will predictably gain citation share (and market revenue share) at certain times of the year. This seasonality can be best visualized by charting the rankings over a full year (in the chart below for AMZN -- Amazon.com, Inc.):

![AMZN (Amazon.com, Inc.) BrandLoyalties.com Rankings](chart_url)

(Click here for best resolution)

What is critical to a portfolio manager is how this year's rankings compare to the same period in the prior year. For that reason BrandLoyalties.com shows both the rankings for the trailing 12
months (the blue line, where the current equity-specific seasonality can be seen) and the rankings for months 13-24 back (the green line, where divergences or shifts from the blue line indicate changes in citation seasonality -- signaling possible upside or downside revenue surprises).

According to BrandLoyalties's Tony Seker: "In the AMZN chart our clients saw that seasonal online consumer brand citation rates shifted significantly from year to year -- by up to 45 days -- signalling the likelihood of a deferred consumer holiday shopping pattern at AMZN. Our clients had this information in advance of the whipsaw price movements of AMZN. We had a 'buy' signal in place from mid October through mid December -- during which time AMZN's price appreciated by over 27%. But just as significantly, the relative citation rates for Amazon.com plunged shortly after that, generating a 'sell' signal in late December. Our clients were able to use that information to lock in the earlier gains and avoid the subsequent drop in AMZN's price."

Other examples of changes in the year-over-year "citation share" seasonality can be seen the the charts below:

**HAR** (Harman International Industries Inc.) -- where a significant positive third quarter divergence can be seen:

![HAR Chart](image)

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

**SSI** (Stage Stores, Inc.) -- which shows a consistent year-over-year upward shift in rankings:
UHAL (Amerco) -- that also demonstrates third and fourth quarter strength relative to the prior year:
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 37.2% as compared to the S&P 500's 5.6%. (Results from roughly 1,780 one-year Monte Carlo portfolio simulations covering January 3, 2006 through March 12, 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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