

# BrandLoyalties.com Special Commentary

## 04/01/2014: How much are advance trading signals worth?

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

On **March 31st** specialty retailer BIG LOTS INC (**BIG**: NYSE) was raised to a BUY from HOLD by a major brokerage house. On that day BIG closed at \$37.87 per share, up 1.80% on the day.

Two months earlier, on **January 30th**, [BrandLoyalties.com](#)'s metrics indicated massive trend of online consumer interest in the brand names associated with BIG, triggering a STRONG BUY well in advance of earnings. The timing empowered [BrandLoyalties.com](#) clients to capture the most significant price appreciation during this period when BIG reported 4th quarter 2014 earnings of USD \$1.45 per share on March 7th. This beat the consensus of USD \$1.40 by USD \$0.05 of the 14 analysts covering this company. On that day BIG opened at \$27.07 per share. By close on March 31st, [BrandLoyalties.com](#)'s clients had already locked in **BIG** gains of some 28.52%.

While this illustration covers a short investment period, it is one of many examples where [BrandLoyalties.com](#) continues to provide early guidance on consumer loyalty by strictly employing quantitative web-based indicators. In fact, a proforma portfolio of investing in only Strong Buys since 2006 would have returned over 37% per year v. 5.6% for the SP 500. If you are interested in learning more about [BrandLoyalties.com](#), subscription options for our daily data, or would just like a courtesy assessment of your favorite consumer-oriented equity, please contact me.

Sincerely,

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## **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 37.1% 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 31, 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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