

BrandLoyalties.com Special Commentary

09/02/2014: Utilizing "Big Data" To Anticipate Quarterly Revenue Surprises

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

The term "Big Data" is loosely thrown around Wall Street these days, but for [BrandLoyalties.com](#) and many of their institutional asset managers it simply refers to an edgy analysis of the vast amounts of on-line data generated by an increasing tech-savvy populace -- all in an effort to glean some understanding of shifting consumer tendencies that could impact whole industries, market segments and/or individual equities in the near future.

The data is "big" in the sense that it comprises the billions of daily on-line product or review searches, restaurant reservations, mobile app inquiries ("Siri, where is the nearest Starbucks?"), Facebook "likes" and "dislikes" or simple tweets (#LoveMyTesla). The infrastructure, technical resources and specialized knowledge necessary to quickly make sense of such vast amounts of data is often beyond the scope and available man-power of existing in-house researchers at most asset managers. Fortunately for them, [BrandLoyalties.com](#) offers a suite of "Big Data" metrics that are updated daily -- all for typically much less than the cost of an added analyst.

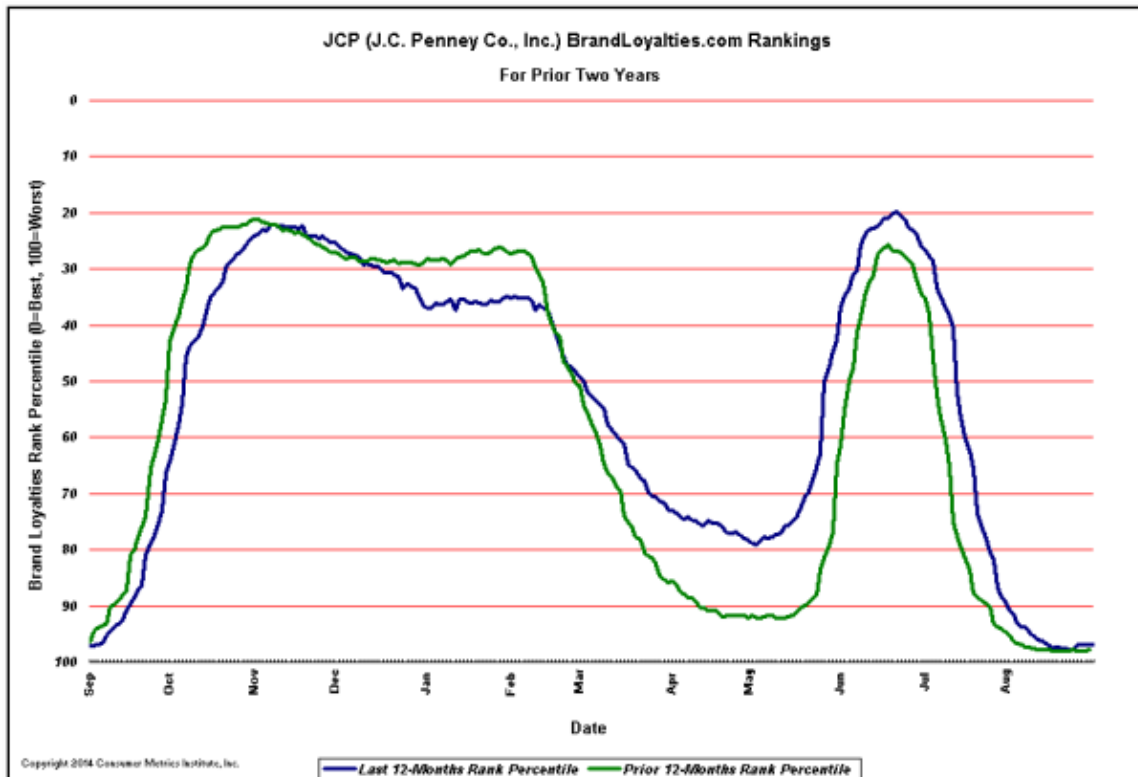
The comprehensive suite of metrics at [BrandLoyalties.com](#) includes the real-time rankings of over 500 major equities based on the constantly changing volume of on-line brand name citations, changes in the citation "share" of those equities over the trailing quarter, the historic correlation of such citation shares to reported revenues and equity price movements, the consumer's current mood concerning those brand names, investor citation rates and current opinion of those equities, and alerts for sudden changes in citation rates that may signal an unfolding or significant PR event.

According to [BrandLoyalties](#)'s Tony Seker : "By using BrandLoyalties's 'Big Data,' a portfolio manager can anticipate how the revenue of a corporation is likely to change in an upcoming earnings report. They know whether the brand names of those corporations have gained, held or lost citation share over the trailing quarter -- and how similar changes have impacted revenues and equity price movements in the past. They also know what consumers and their fellow investors really think about the corporation -- all well in advance of the next earnings release or guidance announcement. Having all of this data available in conjunction with a portfolio manager's existing knowledge of the company, the company's advertising spend and the industry as a whole, positions those managers and their portfolios for even greater success."

A classic example of a corporation whose revenues correlate tightly with brand citation share is J.C. Penney Co., Inc. (JCP). The [BrandLoyalties.com](#) "peer relative" ranking methodology creates clear signals of quarterly citation share gains and losses by significantly amplifying the visibility of such shifts in their charts. JCP is no exception :

JCP (J.C. Penney Co., Inc.)





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

Among [BrandLoyalties.com's](#) suite of metrics derived from analysis of "Big Data" is the above chart that shows JCP brand loyalty rankings for both the trailing 12 months (the blue line in the above chart, where the current equity-specific citation share seasonality can be seen) and 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).

Again, from [BrandLoyalties](#) 's Tony Seker : "The JCP chart is a good example of how 'Big Data' can give us a 'high definition' day-by-day view of the seasonal changes in citation share that have impacted past revenue reports -- and how we can anticipate whether those same types of changes over the trailing 90 days are likely to impact the next report. In JCP's case the highly revenue-correlated citation share was following a familiar seasonal pattern, but with the summer and 'back to school' promotional periods tracking significantly above the levels seen last year. Those changes were evident to our clients starting in April, but they became public information only on August 14th -- when JCP announced that same store sales had increased 6.0%." Tony noted that in general the changes in consumer citation rates give [BrandLoyalties.com](#) clients up to a 10-week "heads up" warning on substantial revenue surprises in either direction.

If you would you like to know more about [BrandLoyalties.com](#) or how the marketing strategies of your favorite consumer-oriented equity are playing out in "real time", please reply to this e-mail or contact :

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How Does BrandLoyalties.com Track and Rank Brand Loyalties?

BrandLoyalties.com is a unique quantitative research provider to "best-practices" institutional investors that uses online consumer behavior to generate forward looking daily signals based on shifting consumer loyalty to (and opinion of) the brands of over 500 publicly traded equities. They track over 100 million daily online consumer choices and identify which equities are likely to be impacted (positively or negatively) by changing consumer opinions of those brands. The key criteria for coverage include a significant online presence for the brand names of those equities (called the equity'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 is 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 -- a lag time that is dependent on equity-specific details such as fiscal reporting calendars and the length, complexity and inertia of the corporation's product distribution channels. BrandLoyalties.com provides 'best fit' lag times to clients for each security to help portfolio managers optimize the timing of their transactions.

The suite of metrics also includes changes in year-over-year citation share over the trailing quarter and the historic correlation of such citation rates to reported revenues and equity price movements. Consumer opinions are also captured for the brand names, as are investor interest in (and opinion of) those very same equities. Additionally, alerts are provided for sudden changes in citation rates that may signal unfolding or significant PR windfalls and/or nightmares.

Clients may also choose to opt-in for daily email alerts which highlight the equities exhibiting the most significant changes. While data aware investors are naturally interested in identifying equities with growing real-time brand loyalty, clients may also mitigate risk in existing portfolios by monitoring or avoiding stocks which display fading customer loyalty, rapidly changing opinions or major PR events.

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