

BrandLoyalties.com Special Commentary

03/23/2015: Finding Trade-Worthy Intelligence in "Big Data"

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

Every day millions of people leave behind on-line tracks that can alert portfolio managers to forthcoming revenue surprises. The challenge is extracting the gems of trade-worthy business intelligence from the other *zettabytes* of raw data generated by the current generation of smart phone enabled and social media addicted consumers. But the payoff for overcoming the extraction challenge is significant: resourceful portfolio managers can watch daily consumer activity at the leading edge of corporate revenue streams -- capturing shifting brand loyalties before even the corporation's own "corporate insiders" fully grasp the impact that consumer decisions are having on upcoming earnings.



Why does it work? Think of it this way: imagine a vast real-world focus group that queries consumers about their brand preferences -- covering all of the brands of most of the major consumer corporations, using hundreds of millions of participants and conducting a completely new study every single day. That is exactly what "Big Data" can provide.

The fundamental new corporate metrics available in "Big Data" derive from on-line consumer citations of the brand names owned by those corporations. Year-over-year changes in brand name citation rates, the current quarter's citation growth rates, and relative citation "share" are becoming the key anticipatory metrics for upcoming corporate revenues.

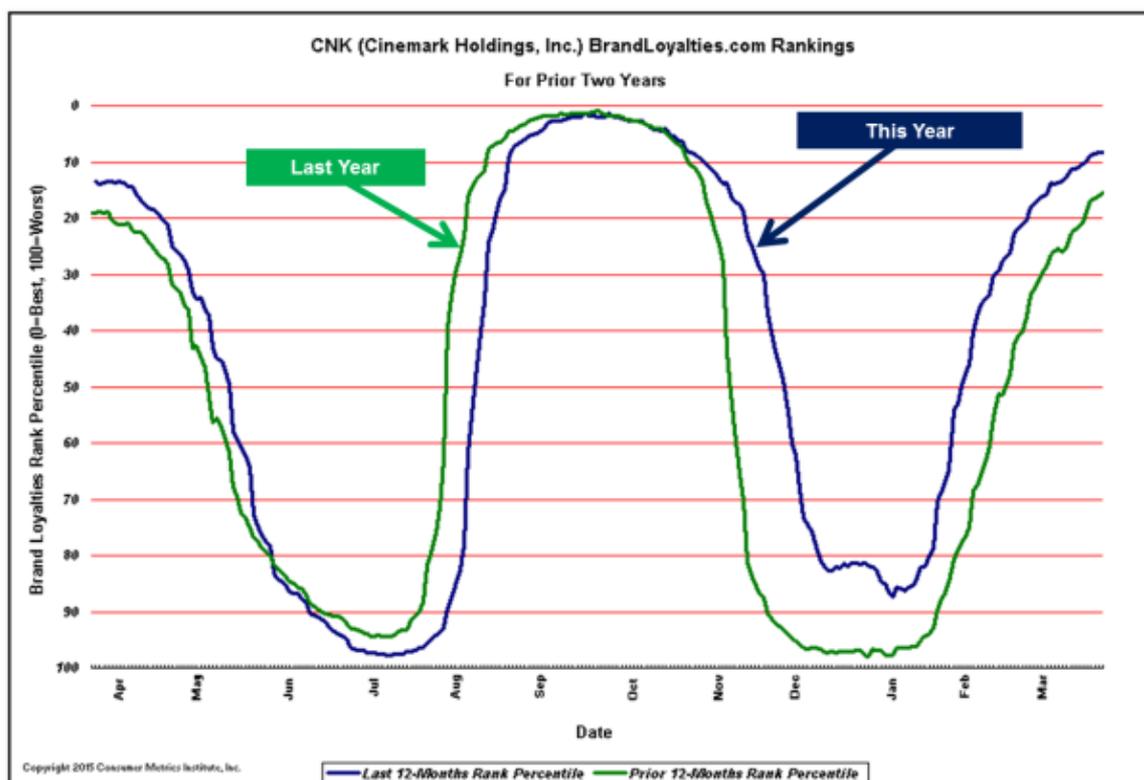
And those metrics are statistically relevant. "Roughly 40% of the Russell 3000 have strong and persistent correlations between citation share growth and revenue growth," explains [BrandLoyalties](#)'s Tony Seker. "And it is no coincidence that those very corporations are the producers and retailers of discretionary durable consumer goods -- with some corporations (such as JCP, LUV and JWN) consistently having correlations in excess of 90%."

"Big Data" is big in the sense that it comprises the billions of daily on-line product searches, coupon queries, price comparisons, posts at product review forums, store location or hours queries, auction site activity, restaurant reservations, mobile app inquiries ("Siri, where is the nearest Starbucks?"), Facebook "likes" and "unlikes" or simple tweets (#LoveMyTesla). The infrastructure, technical resources and specialized knowledge necessary to quickly make sense of such vast amounts of data (in a rapidly evolving and high maintenance on-line environment) is often beyond the scope and available man-power of existing in-house researchers at most asset managers. Yet it is these very same "Big Data" metrics that will distinguish a portfolio manager (and his or her portfolios) when used in the context of traditional fundamentals.

The comprehensive suite of metrics at [BrandLoyalties.com](#) includes the real-time rankings of over 550 major US equities (plus another 250 Asian corporations) based on the constantly changing rate 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.

As an example, the BrandLoyalties.com metrics suite can provide active tactical portfolio managers with insights into the likelihood of improving revenues :

CNK (Cinemark Holdings, Inc.)



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The above chart shows the value of YOY comparisons of the "Big Data" share of brand name citation rates. The peer-relative ranking of share growth rates for CNK (Cinemark Holdings, Inc.) are shown for the past 24 months, with the earlier year in green and the latest year in dark blue. In this particular case the YOY improvement in the "Big Data" brand name citation share growth rankings indicates that Cinemark's revenue was improving YOY during the fourth quarter -- and that improvement has been sustained deep into the first quarter.

Again, from BrandLoyalties.com's Tony Seker : "Another key aspect of our data is that our entire suite of metrics is derived exclusively from the study of the lexicons of publicly available on-line consumer 'Big Data'. As such it is intrinsically compliance friendly and completely free of insider information -- while paradoxically providing daily revenue insights that even the insiders don't yet have."

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 download our highly informative "[White Paper](#)", watch our latest 10 minute "[Big Data](#)" video (as recently presented at the Franklin Templeton AIR Summit 2015), read our article in the Summer 2015 "Smart Beta" issue of the Journal of Index Investing, reply to this e-mail or contact :

Tony H. Seker, Executive Vice President
BrandLoyalties.com

Direct: +1 201-886-0939
Email: Tony@BrandLoyalties.com
Web: www.BrandLoyalties.com

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 550 publicly traded US equities, plus another 250 Asian corporations. 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's proprietary metrics determine the trailing quarter rate of change in consumer brand citation share -- ranking the 550+ 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.