

BrandLoyalties.com Special Commentary

06/28/2015: Practical "Big Data"

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

In the largest and timeliest "focus group" ever assembled, each and every day hundreds of millions of people disclose exactly what products they like and which they avoid. They do so mostly unconsciously, by leaving behind on-line digital clues that define their preferences as consumers. The challenge is extracting these brand loyalty declarations from the eight *zettabytes* of on-line cat videos and other digital debris. But when done right, resourceful portfolio managers can deduce the level of consumer activity at the leading edge of corporate revenue streams -- capturing shifting brand loyalties before even "corporate insiders" fully grasp how their own customers are behaving.



The fundamental new corporate metrics available from "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.

These new fundamentals are currently being used by major hedge funds and institutional investors. And "Big Data" has recently become the summer's hot topic in the [Journal of Index Investing](#). The reason is simple: roughly 40% of the Russell 3000 have strong and persistent correlations between citation share growth and revenue growth.

"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). "Unfortunately, the infrastructure, technical resources and specialized knowledge necessary to quickly make sense of such vast amounts of data is often beyond the scope of existing in-house researchers at most asset managers," explains [BrandLoyalties.com](#)'s Tony Seker. "Yet it is these very same metrics that are now providing a key edge to major hedge funds and institutional portfolio managers."

The comprehensive suite of metrics at Tony's

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 how revenues momentum may be shifting year-over-year into different quarters :

SIG (Signet Jewelers, Ltd.)

(Click [here](#) if image is not visible)

The above chart shows the value of YOY comparisons of the "Big Data" share growth of brand name citation rates. The peer-relative ranking of share growth rates for SIG (Signet Jewelers, Ltd.) 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 year-over-year consumer citation share growth that lagged in the 1st fiscal quarter shifted strongly into the 2nd fiscal quarter (contrary to soft corporate guidance). And portfolio managers should note that historically SIG's "Big Data" brand name citation share growth rankings have correlated well with revenue.

Again, from BrandLoyalties 's Tony Seker : "Another key aspect of our data is that our entire suite of metrics is derived exclusively from 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 :

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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 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.

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