BrandLoyalties.com Special Commentary

11/17/2015: What Will Consumers be Buying During the Holidays?

(Web page version is here)

The early returns are hinting that consumers will not be big spenders during the upcoming holidays. Despite falling gasoline prices, consumers are not throwing any increased pocket change blindly at retailers -- to buy whatever happens to be available.

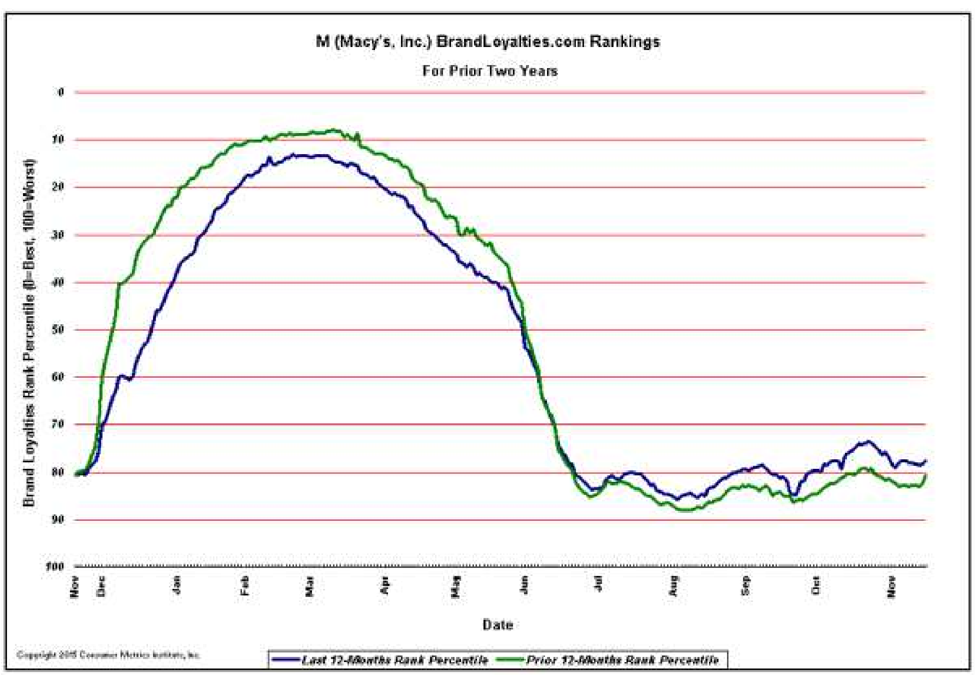
Apparently all the happy talk about positive GDP growth and the low unemployment rate have not driven Main Street consumers into a buying frenzy this year. In fact, although median real household income is improving, it is still some 2% less than it was nearly 16 years ago, in **January, 2000** . Couple that with a currently high household savings rate (and generally negative recent news) and you have all the ingredients needed for yet another underperforming holiday sales season. Get ready to hear the pundits once again blame the lousy winter weather.

But consumers will inevitably spend something -- on certain products bought at certain retailers. Although the broader consumer indexes may get hammered, select equities are likely to do well. But how can an investor anticipate which products or retailers are going to shine?

"Big Data" may already contain just that intelligence. For weeks consumers have been telling us -- by their online actions, whether directly or inadvertently -- what products and retailers they currently favor. Some "Big Data" analytics providers can pass that information on to investors.

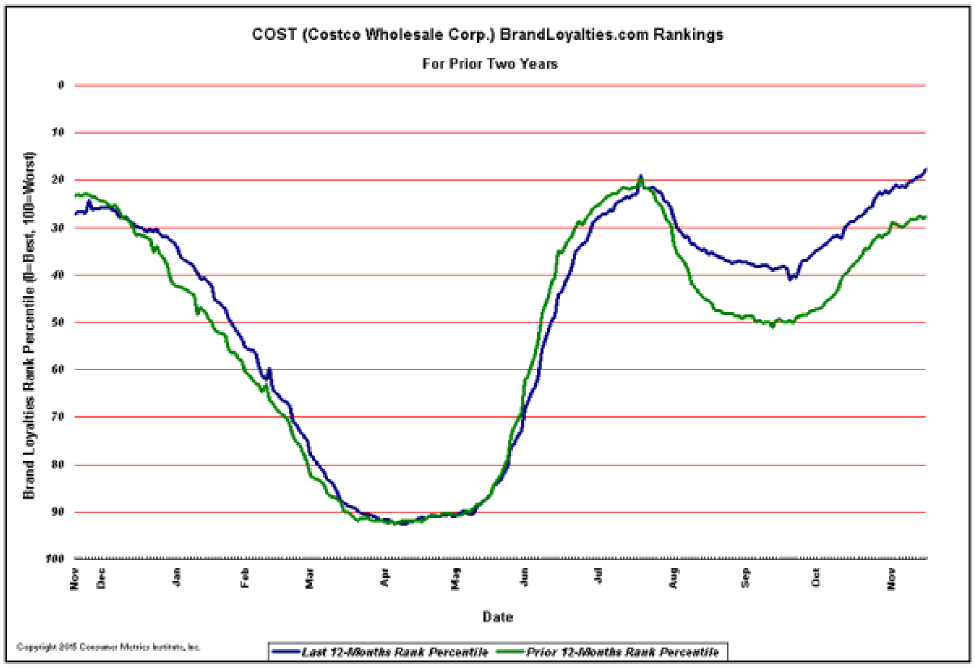
As an example, the BrandLoyalties.com metrics suite can provide active tactical portfolio managers with insights into how revenue momentum at retailers may be changing year-over-year -- and how it compares to their competitors **:**

M (Macy□s, Inc.)



(Click here for best resolution)

COST (Costco Wholesale Corp.)

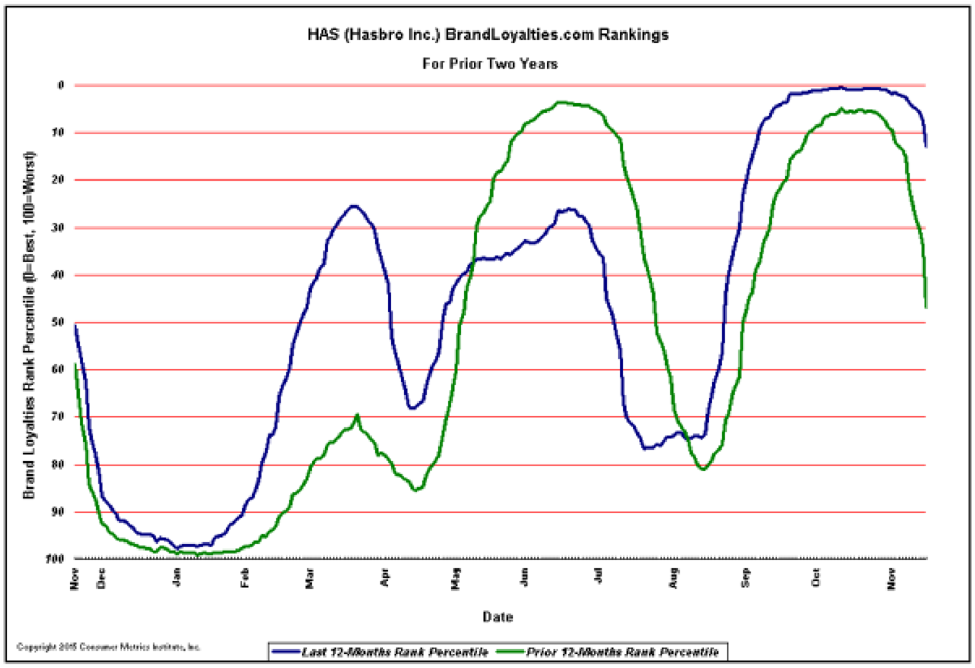


(Click here for best resolution)

The above charts show YOY comparisons of the "Big Data" brand name citation share growth for two retailers. The peer-relative ranking of brand name citation share growth rates for M (Macy□s, Inc.) and COST (Costco Wholesale Corp.) 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 consumer citation share growth rate for discounter COST has been improving significantly year-over-year since late summer, while the relatively upscale merchandiser M has slipped into yet another seasonal funk.

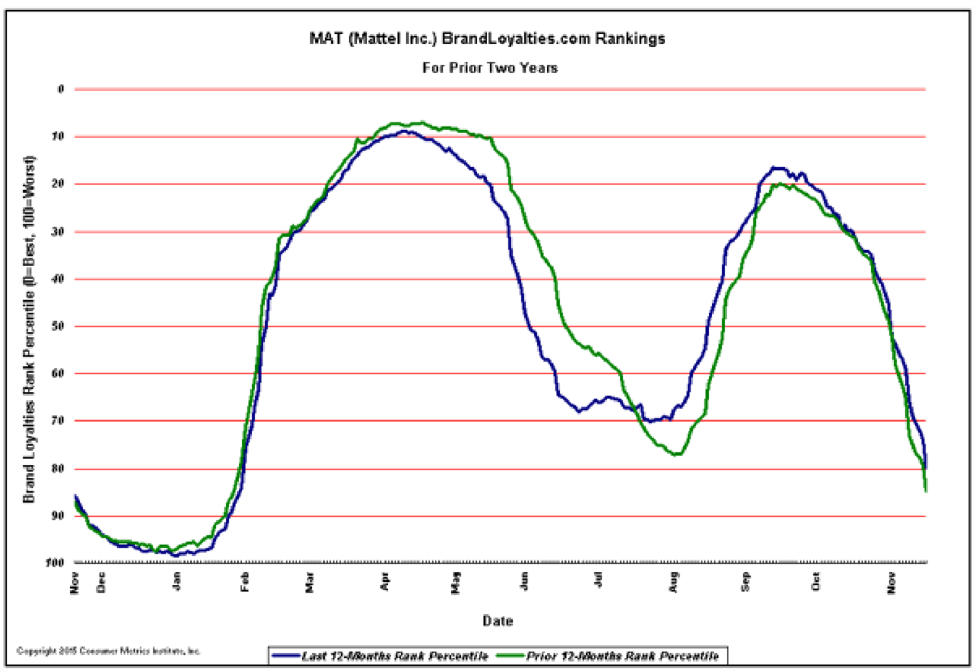
And "Big Data" is not just about retailers. Information on consumer "loyalty" to product manufacturers can also be found there:

HAS (Hasbro Inc.)



(Click here for best resolution)

MAT (Mattel Inc.)



(Click here for best resolution)

In this case it is HAS (Hasbro Inc.) that is showing a significant improvement in year-over-year consumer citation share growth, while MAT is not currently reflecting the same consumer dynamics.

According to BrandLoyalties 's Tony Seker **:** "A 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 **:**

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?

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. We see it as our job to provide those metrics in a simple and practical form."

The comprehensive suite of metrics at Tony's BrandLoyalties.com includes the real-time rankings of over 550 major US equities (plus another 330 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.

Signals derived from BrandLoyalties.com's proprietary metrics can be 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.

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.
