BrandLoyalties.com Special Commentary

02/15/2017: A Case Study in Big Data Scientists Being Worth the Money

(Web page version is here)

As you know, gleaning actionable investment intelligence from "Big Data" is a daunting task. Today, Integrity Research is publishing the final article in a three-part series addressing why the best Wall Street Data Scientists, who are tasked with this challenge, are worth millions of dollars. The three articles can be found at the following links:

(1) Why are Hedge Funds Spending Big Money on "Big Data" Scientists?

(2) Big Data: Beating the News Cycle

(3) Big Data: Updating Peter Lynch for the 21st Century

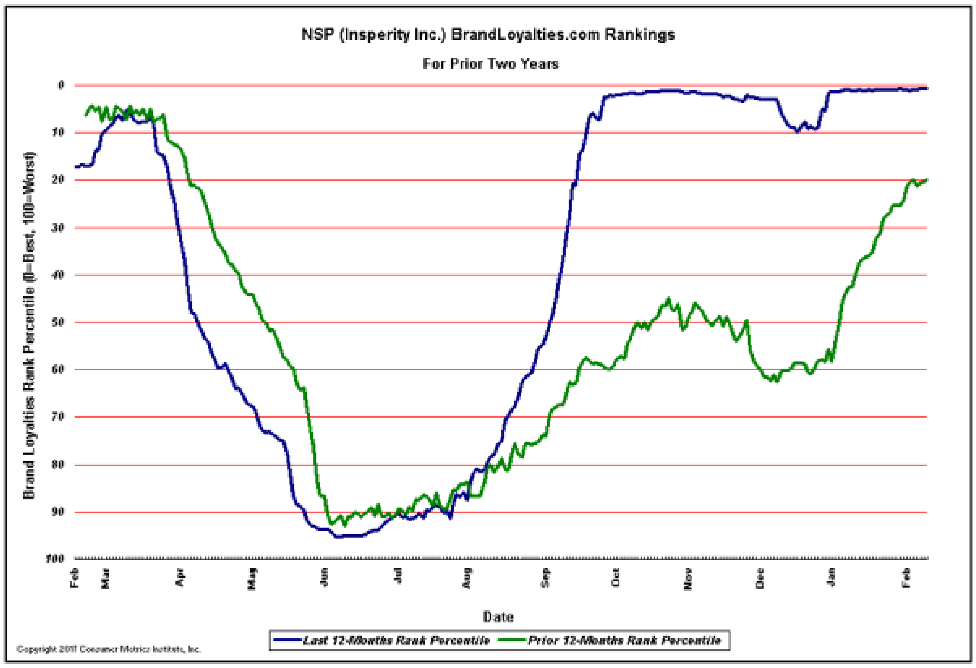
At BrandLoyalities we deliver both actionable and alpha-generating data on a daily basis to institutional clients. We employ a systematic and compliance-friendly process to identify which brand names and their equities are poised to benefit or be harmed based on trending consumer interest.

The key is to know which "Big Data" matters, which doesn't, and which deceives. It turns out that all those cat videos rarely provide brilliant investment advice, while snarky tweets can be dangerously misleading. The biggest challenge facing Data Scientists and their firms is vetting a bewildering array of "Big Data" sources to find reliable, quality, alternative research data -- all while fully understanding the critical insights, limitations and potential pitfalls within that data.

At BrandLoyalities , we have been providing such data to leading asset managers for over five years. Specifically, our focus is on collecting and mapping online consumer brand name citations (digital tracks) to the equities which own those brands, thereby providing insights on as-yet unreported revenues. And we have developed the tools to help clients understand which 'Big Data' metrics work, which don't, and which have a risk to deceive.

Using INSPERITY (NSP) as an example, below is a chart that illustrates how our forward-looking metrics anticipated their recent superior performance (the chart covers the prior two years, with the earlier 12 months in green and the latest 12 months in dark blue):

NSP (Insperity Inc.)



(Click here for best resolution)

This week Insperity Inc. (NSP) announced positive 2017 guidance while reporting that Q4 earnings were $0.58 per share ($0.04 better than the Capital IQ Consensus) and that revenues rose 12.2% year over year.

BrandLoyalties data, during the period leading up to this announcement on February 13th, ranked NSP in the top 2% of all 1,300+ U.S. equities covered by BrandLoyalties (Strong Buy). In addition, the BrandLoyalties metric which gauges market share growth (year over year for the trailing 90 days) also placed NSP in the top 2%, pointing towards a strong revenue report. NSP was up approximately 13% on Monday and another 2% yesterday.

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 presented at the Franklin Templeton AIR Summit), 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?

Savvy investors have always been interested in gauging consumer loyalties. Traditionally, consumer surveys, focus groups and even retail traffic counters have been deployed to understand whether certain stores, brands and products may be gaining or losing market share. Perhaps most famously, Peter Lynch became an investing legend while managing Fidelity's Magellan fund, by maintaining an awareness of consumer preferences. Today, BrandLoyalties.com synthesizes over one hundred million online consumer citations every day to offer investors "Big Data" metrics for over 1,300 U.S. listed equities (plus another over 350 Asian equities and European coverage coming in 2Q-2017). These leading indicators are derived systematically from online consumer activity and may provide guidance and trend information ahead of quarterly earnings reports.

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 1,300 major US equities (plus another 350 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.