

BrandLoyalties.com Special Commentary

05/16/2017: Using 'Big Data' to Identify Market-Movers Ahead of the Trading Rush

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

A portfolio manager can use 'Big Data' to anticipate how the revenue of a corporation is likely to change in an upcoming earnings report. Portfolio managers possessing 'Big Data' research know whether the brand names of those corporations have gained, held or lost market share over the trailing quarter. And they know all of this well in advance of the next earnings release.



'Big Data' can also be used in quantitative approaches to portfolio management. Even very simple trading strategies can produce significant returns. For example, the clients of [BrandLoyalties.com](#) often have actionable 'Big Data' signals at least one month ahead of corporate announcements -- allowing them to benefit materially from the positive earnings results. The advance notice provides these investors and their traders with plenty of time to navigate their positions without creating a large trading footprint, therefore securing better net performance after trade implementation costs.

Recently the three equities below were ranked in [BrandLoyalties](#)' top 20% among 1800+ covered equities for current quarter brand name share growth and simultaneously in the top 10% in YOY share change:

Top 20%		Recent Price		Change %		YOY Percentile (2)		Earnings Surprise	Report Date
Ticker	Date (1)	Price	Price	Change	%	Percentile	Surprise	Date	
BLL	Mar 6	\$74	\$81	9.5%	1%	Yes	May 4		
TXRH	Feb 25	\$42	\$48	16.7%	10 %	Yes	May 1		
ZG	Apr 3	\$34	\$43.50	27.9%	8%	Yes	May 4		

(1) The date when an equity's current quarter brand name share growth rises into the top 20% among all 1800+ ranked equities.

(2) YOY Change Percentile (lower percentiles are better) provides guidance on whether an equity (and its brands) may be gaining or losing popularity (proxy for online 'market share') relative to the same period in the prior year.

If you would 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 1,800 U.S. listed equities (plus another roughly 500 Asian and 200 European equities). 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 1,800 major US equities (plus another 500 Asian and 200 European 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, 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.