

BrandLoyalties.com Special Commentary

06/13/2018: Alpha, Beta and Alternative Data -- Coming to a Theater Near You

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

If you haven't heard, the hot summer's hottest topic is heating up even further. As an example: next week there are two major industry events involving Alternative/Big Data being held on the same day in New York City. Thank goodness it is the longest day of the year, as some asset managers will be shuffling back and forth across midtown -- sortieing from an aircraft carrier hosting "BattleFin Discovery Day Intrepid" to Carnegie Hall for "Battle of the Quants." All of this as asset managers are trying to find and incorporate the latest alpha generating data sets into their investment processes.



The reason for this level of excitement is outlined in a just published paper: [*"Web Luminosity Data Applications for Alpha Generation"*](#).

If you are interested in these topics and looking for a new edge in your research "alternatives," we hope that you will consider BrandLoyalties. BrandLoyalties offers a daily data set with metrics to help identify the equities with the brand names that have the fastest growing web "luminosity." The metrics also tell you how that "luminosity" is correlated to company revenue and equity price. Over ten years of fully GDPR compliant historic data is available at no cost with a NDA.

If you would like to learn more about our unique data set, please contact me. We are available to meet in NYC next week on June 21st and 22nd. We will also be available in Boston on the 19th (and presenting at QWAFEFW that night). We are otherwise generally available for a web presentation at your convenience.

We also self-publish a number of consumer-driven Smart Beta Indices on our website ([BrandLoyalties.com](#)), several of which have notable excess performance over the current quarter.

If you would like to learn more about [BrandLoyalties](#) ' daily "Big Data" metrics, please contact:

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Additional Information on BrandLoyalties.com

The quantitative BrandLoyalties.com rankings have been published daily to institutional clients since 2012 and are available proforma for back-testing for dates as far back as 2006. While the rankings are proprietary, they are derived systematically by using compliance-friendly, totally anonymous and lexicographic based "Big Data" analysis, which gauges online consumer interest in corporate brand names relative to both prior periods and to their corporate peers.

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](#)", browse through our [Frequently Asked Questions](#) (FAQs), read the summer's latest paper "[Web Luminosity Data Applications for Alpha Generation](#)", or read [our article in the Summer 2015 "Smart Beta" issue of the Journal of Index Investing](#).

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 and rigorously investigating those companies with outstanding brand loyalty. Today, [BrandLoyalties](http://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 independent 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 twenty *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.

A corporation's "Brand Loyalty" is an academically recognized, critical, fundamental and dynamic intangible asset that is simply not available from earnings reports. It can only be measured by understanding how consumers currently view the products of the corporation.

[BrandLoyalties'](#) daily corporate metrics derive from each day's number of on-line consumer citations of the brand names owned by those corporations (i.e., each corporation's current "web luminosity"). 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 a 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'](#) 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 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](http://BrandLoyalties.com) 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.