



THE GROWING ROLE OF ALTERNATIVE DATA IN RETAIL & CONSUMER (R&C) INVESTING

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- ▶ 2005 – 2008: Retail & consumer (R&C) consulting with Oliver Wyman
- ▶ 2008 – 2012: R&C and TMT private equity at Bain Capital and Fidelity Equity Partners
- ▶ 2012 – 2014: Harvard Business School
- ▶ 2014 – 2017: R&C analyst at Atika Capital Management
- ▶ May 2017 – Present: Founder and Portfolio Manager at Chimera Capital Management
 - Data-driven retail & consumer hedge fund

Long-term “value” investing in R&C has become more challenging

- ▶ Traditional barriers to entry have eroded
 - Real estate
 - Scale
 - Brand
- ▶ R&C has become more chaotic and less predictable
 - Shorter product and brand lifecycles
 - Rapid and unpredictable changes in fortunes
 - Few reliable compounders that you can invest in for the long haul
- ▶ Decreasing predictability forcing investors to infer value from shorter term trends
 - Top line growth accelerating / decelerating
 - Margins growing / shrinking
 - Brand preference strengthening / weakening

Consequently short term trends have gained in importance

- ▶ Consumer trends are increasingly trackable via Big Data
 - Proliferation of sensors, mobile devices, and the Internet of Things increasing trackability of physical world
 - As eCommerce grows, so does trackability
 - Consumers sharing ever more real-time information via social media
- ▶ **Triangulation** across multiple independent sources is the key to success with alternative data
 - Even the best sources are occasionally wrong on signal direction or magnitude
 - Leading users of alternative data use multiple independent sources to track multiple relevant metrics and verify signals

Alternative data tracks sales, margins, brand preference in real time

► What's happening with top line?

- Credit/debit card panels
- Mobile phone location tracking
- Clickstream / online engagement
- eCommerce receipt panels
- “Webscraping”
- Social media engagement
- Satellite imaging
- App utilization & monetization
- Google search data
- Import/export data
- Building permits
- Etc.

► What's happening with margins?

- SKU-level eCommerce price, sale, & depth of discount
- Promotion tracking across website, traditional media, emails, tweets, etc.
- Media spend on traditional and digital media
- Etc.

► Why are these things happening?

- Social media consumer sentiment
- Blog aggregation
- Professional / consumer review aggregation
- Etc.

Example: Shorting Limited Brands (LB)



Top line weak

Sharp discounting increase

Why is this happening?

- Credit/debit data
- Mobile consumer traffic
- eCommerce clickstream
- eCommerce receipt
- Social media engagement
- TV ratings

- % skus on sale
- Depth of discount
- Promotional velocity across email, website, social, etc.

- Tweets and other social media
- Fashion blogs

How alternative data can help various strategies

- ▶ Long-term fundamental / value
 - Develop more granular fundamental views
 - Avoid some short-term blow-ups
- ▶ Quant
 - Opportunity to create new strategies as alternative data matures
- ▶ Macro
 - Better real-time insight on the consumer, still ~70% of GDP