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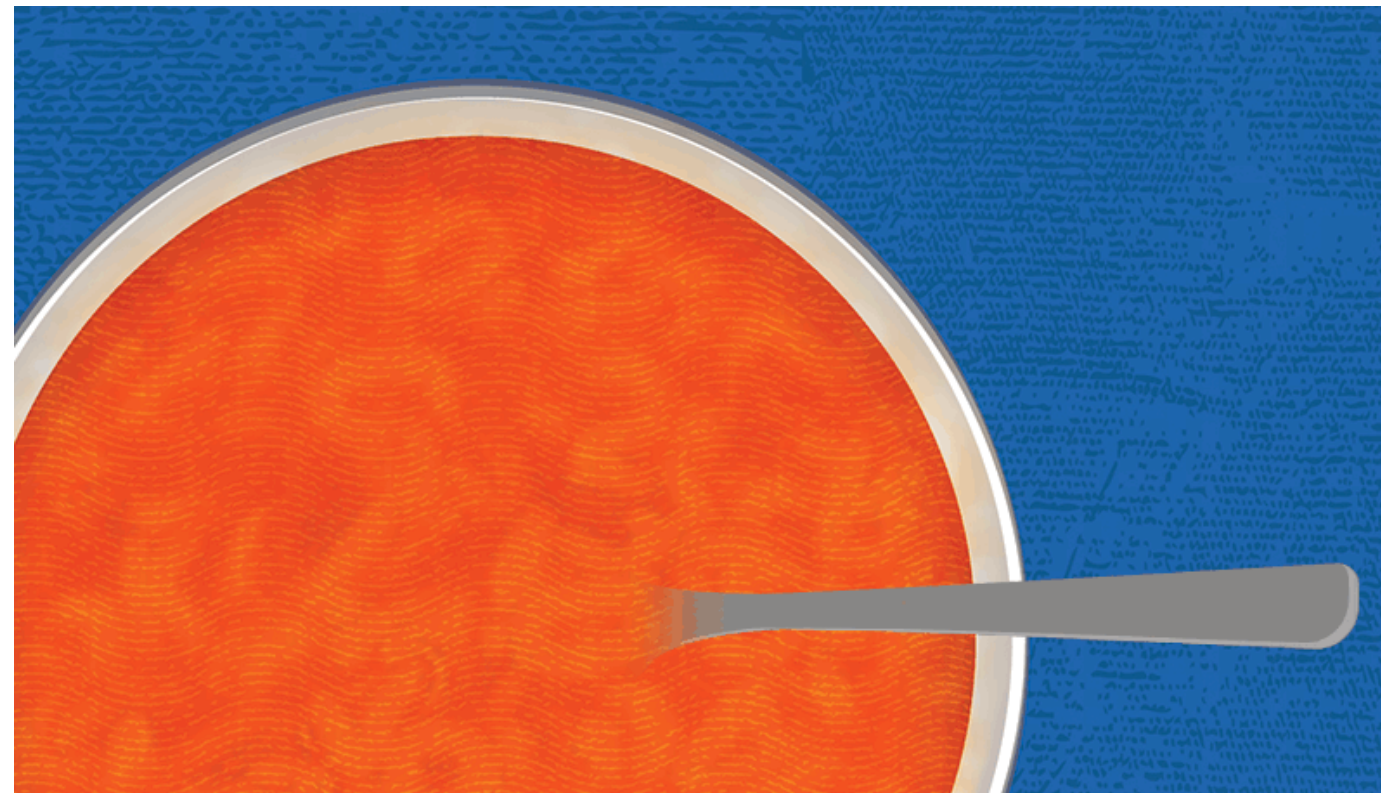
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## The Right Ticker Symbol Can Mean Bigger Stock Returns

Some ticker symbols are easily recognizable while others look more like alphabet soup. New research says the right combination of letters can boost a company's stock.

*By Steve Brooks*



Between 2005 and 2008, 480 U.S. companies changed their ticker symbols, the three-to-five letter monikers that identify them in stock tables. When McCombs

Marketing Professor **Raji Srinivasan** looked at the changes, she noticed something striking: a 63 percent jump in the number of congruent symbols — ones that were similar to a firm's name. The reason, remarked a couple of their CEOs, was to increase their visibility to investors and, they hoped, increase the value of their stock.

Could something as innocuous as a ticker symbol lift a company's shares? It made sense to Srinivasan, who studies the connections between marketing and finance.

“A company's stock is thought of largely as a financial problem, but there are marketing considerations as well. “Think of your firm's investors as customers. They are buying your stock.” — Raji Srinivasan

A recognizable ticker symbol, she suspected, might catch investors' eyes by raising their processing fluency — how easily they process information about a stimulus. “It might be something that makes the stock seem more familiar to me,” she says. “I feel safer, and I feel more interested in buying it.”

Extra investor attention wouldn't help a firm that was floundering, reasoned Srinivasan, but it might aid one that offered other attractions, such as financial strength.

To find out, she and **Nita Umashankar** of Georgia State University looked at 181 publicly-traded retailers from 1994 to 2006. Seventy-eight had congruent symbols, like TGT for Target, while the rest did not, like JWN for Nordstrom.

**How do you place a value on an intangible asset like a ticker symbol?**

Actually, Wall Street does put a number on intangible assets, Srinivasan says. Economists compute it by comparing a firm's market value — roughly, its stock price times its number of outstanding shares — to the book value of its assets. The bigger the ratio, the higher the intangible value that investors see in the company.

For each retailer and for each year, the researchers calculated those intangible values. They also measured variables that might interact with ticker symbols to affect those values, from size to how much it spends on advertising.

By itself, they found, a congruent ticker symbol did not raise a firm's intangible value. But it did raise the values of firms that had other things going for them: strong financial performance, advertising dollars, or number of stores.

“What the ticker symbol allows you to do is leverage the brand equity or the superior performance you already have.” — Raji Srinivasan

The presence or absence of a congruent ticker symbol also proved to be a powerful forecasting tool. A model that included it was 40 percent more accurate at predicting a company's market value than a model that did not.

### **Building Brand Equity**

If you have a familiar ticker symbol, it gives investors another reason to look your way, says Srinivasan. “The symbol increases the chance that they'll take a look at your stock. Then you can highlight your performance.”

On the other hand, if a firm doesn't have a recognizable symbol, it should be a no-brainer to create one. She's surprised that 75 percent of companies that

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changed symbols from 2005 to 2008 still ended up with alphabet soup.

“As a corporate brand represents your equity with customers, a congruent ticker symbol represents your equity with investors,” she says. “You need to have a good brand. Advertising, distribution, and performance all contribute to your brand value. If you already have those, then you might want to take a look at your ticker symbol.”

### The Study

*“There’s Something in a Name: Value Relevance of Congruent Ticker Symbols” is published in Customer Needs and Solutions.*

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