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CORPORATE NAMES: SEPARATING THE MEN FROM THE BOYS

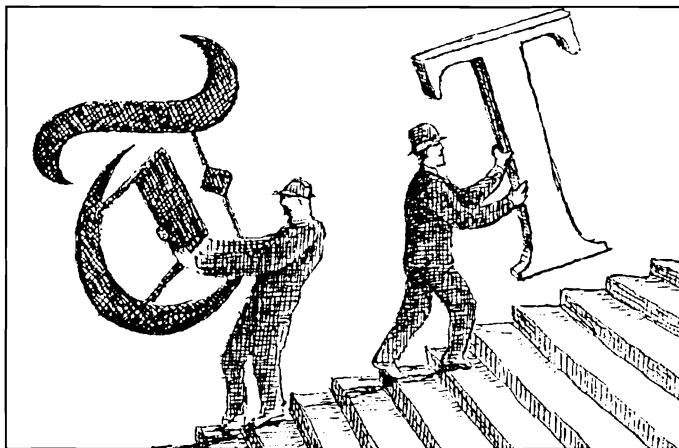
**No, no, Univar didn't become Thortec.
It was URS. Or was it VWR?**

This year, as in any given year, about one out of 50 large U.S. companies will change its name. When the corporate name change is announced, self-appointed critics can be expected to bemoan the disappearance of the old, established name, raise hands in horror at the supposed cost of introducing the new one, or complain if the new name "doesn't tell you what the company does."

Is such criticism warranted? Business literature provides little guidance. The naming of companies is indeed one of the smokier of major business decisions, infrequently studied by researchers or taught in our business schools. It may be refreshing,

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therefore, to see some concrete data. Starting in 1960, the New York Stock Exchange has been keeping records of corporate name changes. Through 1989, it recorded



849 name changes among its common stock listings. I have been able to classify 804 of these name changes into 15 categories based on type of naming decision.

By analyzing these 15 kinds of

name change and their frequency, I've come up with a number of observations. First, the data show no discernible stampede to new names. In the average year approximately 2 percent of NYSE-listed companies changed names. The range was from 1 percent in 1963 and 1975 to 4.6 percent in 1968, one of the go-go years. But for each decade, the average rounds out to 2 percent.

Almost two thirds of name changes involve significantly shortening the corporate name. This is not surprising, as companies starting out usually choose a descriptive name, which in the short term saves communications dollars, but tends to be too wordy and, as companies expand and diversify, in the longer term is limiting.

Names of more than five syllables are likely to be truncated. The name change often begins informally, usually as a nickname of some sort. The nickname may be an acronym like Nabisco, initials like GE, or just the distinguishing, non-descriptive part of the name like St. Regis or Corning. The legal name change will come later to merely

formalize the nickname.

Historically, the most common corporate name change was the lopping off an unnecessary—and probably obsolete—descriptive word, such as “Chemicals,” “Glass,” “Paper,” or “Manufacturing.” But the frequency of this kind of change has dropped from 36 percent in the 1960s to 19 percent in the 1980s, mostly because of the shrinking pool of corporations still saddled with descriptive names.

Today the most popular type of change, accounting for 27 percent of recent changes, is to a newly coined name. Such names are likely to be products of identity consultants, a new breed of professionals virtually unknown three decades ago. Recent examples include Navistar, Primerica, and UNISYS.

Such newly coined names tend to create controversy when first announced, but most are clearly improvements, both strategically and functionally, over more traditional naming solutions. For International Harvester, adopting the name “Navistar” was clearly better than other alternatives. The old name had actually been sold along with the farm equipment business, and renaming the survivor “International Truck,” which pretty well described it, would have been an insufficient break with the past and comparatively lacking in inspirational value—not to mention too long, too limiting, and not distinctive enough.

For Primerica it was easier and cheaper to establish a new name than to change the meaning of its old, established name, “American Can.” Imagine the cost of teaching us that “American Can” means financial services. The name-maker’s ultimate compliment: After acquiring Primerica, Commercial Credit actually changed its own name to Primerica.

When Sperry and Burroughs merged, the move to name the new company “UNISYS” was strategic.

History suggests that the “Time Warner” name has a limited shelf life.

Mike Blumenthal, the CEO, knew that retention of the old names in any form would have guaranteed the perpetuation of two warring cultures; the shock value of a new name, in contrast, would help unite them.

Blumenthal’s strategy seems to be the exception, however. It appears that deal-makers and investment bankers often assign a low priority to name considerations when structuring mergers or acquisitions; their knee-jerk solution is to slap the two names together, and the debate turns to which name comes first.

Although accounting for 6 percent of name changes, this is seldom a wise—or a lasting—naming strategy. Not only does it contribute to the problem of competing cultures, it almost guarantees a name that will be shortened informally, and later formally. Of the 47 companies since 1960 that have patched together two names, 44 have subsequently subtracted one. Examples of such verbal divestiture include Eaton (Yale & Towne), Rorer (Amchem), (Foremost) McKesson, Baxter (Travenol), and (Morton) Thiokol. History thus suggests that while “Time Warner” currently seems to make eminent sense, one of the two (usually but not always the second) has a limited shelf life.

Initials remain surprisingly popular although there are already far too many of them. In the ’80s alone, NYSE-listed companies have dubbed themselves NUI, ARX, CRSS, GTE, MDU, HRE, LVI, USX, BRE, K-H, and TJX. Few are household words.

Without exception, the initials we do recognize are of companies that have multimillion-dollar ad cam-

paigns, year after year. For firms that don’t have huge ad budgets, it is sheer arrogance to believe that their companies’ initials are as meaningful to outsiders as they may be within the corporate walls. To business’s credit, a growing minority of “initialed” companies are switching back to more distinctive designators. VWR, for instance, became Univar, UMC became Unidyamics, LLC became Valhi, and URS became Thortec.

Other potentially effective naming strategies include the use of acronyms, brands, and personal names. As names such as Tandy, Sara Lee, and Whitman demonstrate, people’s names are often superior to description-based names, if only because they are already names and have the advantage of easy familiarity.

Overall the thrust of the past 30 years of name changing among NYSE-listed companies is toward names that deliver greater communications impact although perhaps less communications content. Amateur name-makers usually demand description—“say what it is.” Identity consultants, on the other hand, believe distinctiveness, brevity, phonetic clarity, linguistic safety (from unintended meanings), and legal availability are indispensable. Content strength is nice, but, if necessary, expendable. They realize that the purpose of a name, after all, is to designate; designation is not to be confused with description.

A good name will enable a corporation to “hang” a lot of information and imagery in the public’s mind. Sara Lee is a good peg; Consolidated Foods was not. International Truck (six syllables) versus Navistar? No contest. UNISYS is a comparatively sturdy peg; United Information Systems, from which it was derived (or heaven forbid, UIS) is atrocious. Fortunately, the trend in naming, at least among larger companies, is toward stronger pegs. ■