

Harvard Business Review

BRIEFINGS FROM THE EDITORS



Corporate Identity

What's in a Name?

Changing a corporate name can cost millions of dollars, confuse consumers, and even plunge a previously well-known company into anonymity. Despite those risks, companies still change their names when those names no longer effectively represent the company and its products. A 1993 study of name changes made by 566 companies uncovered two major trends: shortening long names and dropping product references in names.

Associate Professor Chiranjeev Kohli of California State University at Fullerton and intellectual property lawyer Thomas Hemnes studied all name changes made by companies on the New York Stock Exchange between 1960 and 1991. The most common change was shortening a name: 510 names were shortened significantly, while only 92 were lengthened. "Long names are cumbersome and eventually will be shortened and distorted by consumers in ways the company cannot control," Kohli explains. "The key is to shorten the name in such a manner that the equity in the earlier name is retained." Kohli cites the switch from American Information Technologies to Ameritech as one such successful transition.

The other common change involved dropping product descriptions: 490 companies dropped or broadened the product descriptions in their names, while only 52 added them. "When companies expand or diversify their businesses, names, including precise product descriptions, may limit their image," Hemnes explains. "Associations with particular products can also sit poorly with the financial markets/ For instance, financial and consumer markets associated U.S. Steel Corporation solely with its unprofitable steel divisions. However, changing its name to USX enabled the company to announce its diversification into other fields.

The researchers noted one type of name change that was not success-

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ful: the addition of an overused adjective such as *general*, *national*, or *American*. Sixty-two companies in the study added such words, while 95 deleted them. "Corporations are often tempted to adopt such words with the objective of looking bigger," Kohli explains. These words, however, are so commonplace that they detract from a company's individuality and, in the end, can confuse customers. "Look at any tele-

phone directory," Kohli says. "The Pacific Bell White Pages of Orange County, California, for example, has about 100 *general*, 300 *national*, and 800 *American* companies."

Perhaps among those companies are several more candidates for a name change.

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| 94-3253 | National Sea | |
| 23-2300 | National Serv | |
| 1-8740 | National Airways | |
| 1-9029 | National | |
| -9727 | National | |
| 1-4823 | National | |
| | American Fed | 200 |
| | American Fed | 392 |
| | American Fe | 385 |
| | American Fil | 176 |
| | American Fir | 14 |
| | American Fir | 70 |
| | General Cin | |
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