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The Name's the Game: Exploring the Link Between Corporate Name Changes and Firm Value

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ABSTRACT

Each year, thousands of firms across the globe change their corporate names, typically at great expense. What is the shareholder value impact of these name changes? The answer to this question, argue the authors, depends on factors influencing the benefits of the change, such as the firm's strategic intent, and factors impacting the costs of the change, such as the firm's branding strategy. Critical also is the presence of key marketing personnel, such as a chief marketing officer, in the firm as these personnel influence both the benefits and the costs of a firm's name change. The authors empirically explore their cost-benefit framework by conducting an event study on 125 publicly listed U.S. firms' name change announcements during 2004-2007. Results reveal that firms whose strategic intent is either to leverage a strong brand or to signal a future change in market strategy are rewarded more by the stock market than firms whose strategic intent is to retroactively align their name with a changed market strategy. Furthermore, abnormal stock returns surrounding name change announcements are more positive for firms that have a chief marketing officer present in their top management team and less positive for firms whose name change results in a change in their product or service brand names. These results help reconcile inconsistencies in prior research on the value of corporate name changes and raise a number of implications for researchers and practitioners.

INTRODUCTION

Over the past ten years (1999-2008), around 5,000 U.S. firms and thousands across the globe changed their corporate names (Standard & Poor's Capital IQ database). Recent well known examples include Apple Computer Inc.'s name change to Apple Inc., Citigroup Inc.'s name change to Citi Inc., Federated Department Stores Inc.'s name change to Macy's Group Inc. and Binney and Smith's name change to Crayola LLC. A firm's name change is a major strategic decision as it involves changing the firm's identity, a cornerstone of the firm's relationship with its customers (McNamara 1998). This major decision usually comes with non-trivial costs such as the marketing cost of communicating the new name – indeed, when Anderson Consulting became Accenture in 2001, it spent $175 million on such marketing activities as running super bowl commercials, rebranding 178 offices and developing 1.2 billion pieces of promotional material (Alsop 2004). Given how common corporate name changes are, in spite of their significant costs, an obvious question that arises is, "Do corporate name changes increase shareholder value?" Surprisingly, this question has intrigued the minds of very few researchers – researchers whose findings have been highly contradictory. While some researchers (e.g. Horsky and Swyngedouw 1987) have found a positive link between corporate name changes and firm value, others (e.g. Josev et al. 2004) have found a negative link, and still others (e.g. Karpoff and Rankine 1994) have found no link between corporate name changes and firm value. There is no clear empirical evidence, then, to guide senior firm executives whether a corporate name change is in their shareholders' best interest.

A key limitation of existing literature, which sheds light on the contradictory nature of its findings, is that in exploring the shareholder value impact of corporate name changes, prior researchers have overlooked a number of factors that could impact the cost or the benefit of a name change. As firms differ in factors related to the benefits[1] and costs of their name change, one expects the stock market to react differently to different firms' name change announcements. Exploring the overall impact of name changes on firm value, without taking into account factors impacting the cost and benefit of these changes, could then lead to contradictory results across different research samples. Perhaps what is more relevant then is not the question, "Do corporate name changes increase shareholder value?," a question prior researchers have debated endlessly with no seeming resolution, but rather the question, "*Under what conditions* do corporate name changes increase shareholder value?" To answer this question, we apply a cost-benefit framework, exploring one condition which may increase the benefit of a name change, one which may decrease the cost of a name change, and one which may not only increase the benefit of a name change but also decrease its cost.

On the benefit side, a key factor which may influence how much benefit a firm obtains from its name change is the firm's 'strategic intent' or motivation behind its change. Different firms change their names because of different motivations. Three common motivations[2] for changing one's firm name that we focus on in this research are (i) leveraging a strong brand in the firm's portfolio (e.g. Binney & Smith changing its name to Croyola LLC to leverage its Crayola brand), (ii) signaling a change in future market strategy (e.g. Immtech International Inc.

[1] We use the term 'benefit' to represent a positive impact of a name change on consumer-mindset variables (e.g. consumers' awareness of firms' products) or product-market variables (e.g. firms' revenues). Ultimately, the impact on consumer-mindset variables or product-market variables translate into improvement in the firm's expected cash flows i.e. acceleration of cash flows, enhancement of cash flows or stability of cash flows. For e.g. one benefit of changing the firm's name where the strategic intent is leveraging a strong brand in one's portfolio is an increased awareness of the firm name. This consumer-mindset related benefit is in turn expected to improve cash flows by increasing receptiveness of consumers and distribution channel partners to new product introductions (i.e. acceleration of cash flows) and by increasing consumers' demand of the firm's other products (i.e. enhancement of cash flows). We use the term 'cost' to represent both physical cash outlays required to implement a name change (such as expenditure required in advertising, new packaging, new logo design etc.) as well as loss of intangible firm assets (e.g. the loss in brand value when a firm name leads to a change in brand names).

[2] Some firms also change their names to give their firm a new identity after merging with or acquiring a new firm. For e.g. Bell Atlantic acquired GTE and changed its name to Verizon Communications Inc. Others change their name in order to improve their corporate reputation, especially when their existing name has developed negative consumer perceptions. For example, Philip Morris presumably changed its name to Altria to disassociate itself from the negative image of cigarettes. We do not include the first type of name change in our analysis as many of these name change announcements occur together with the M&A announcement. We do not include the second type of name change as they are relatively rare; also most firms are not forthcoming in admitting that they are changing their name for image improvement reasons, making it difficult to objectively ascertain this strategic intent. Nevertheless, these two types of strategic intents – providing the firm a new identity post M&A and improving firm image – can be studied as future extensions of our research.

changing its name to Immtech Pharmaceutics Inc., to signal its future strategy of entering the Pharmaceutics market), and (iii) retroactively aligning the name with a changed market strategy (e.g. Apple Computers Inc. changing its name to Apple Inc., to retroactively align its name with its more diversified product portfolio). As we explain later, the benefit a firm derives from changing its name depends greatly on what motivates the firm to change its name in the first place. Not accounting for the differential benefit of name changes with different strategic intent, could then lead to contradictory findings on the overall value of name changes. Our first research question aims to address this limitation: *How does the strategic intent behind a firm's name change impact the way the stock market reacts to the firm's name change announcement?*

On the cost side, a key factor that may influence the cost of a name change is the firm's branding strategy. More specifically, a change in firm name may or may not lead to a change in a firm's product or service brand names. Federated Stores Inc.'s name change to Macy's Inc. for example did not change the names of the firm's brands – Macy's and Bloomingdale's. However, since Quotesmith.com Inc. used its name to brand its services, its name change to Insure.com Inc. lead to a change in brand names -- Quotesmith to Insure. As we explain later, a firm's name change could be more costly if it results in a change in the firm's brand names. This leads us to our second research question: *Are firms rewarded less by the stock market for changing their name if their name change leads to a change in their brand names?*

Finally, a factor which may decrease the cost of a name change and also increase its benefit is the presence of key marketing personnel such as the chief marketing officer in a firm. Firms having a chief marketing officer (CMO) present in their top management team (TMT), may select names that resonate well with consumers, and execute the name change better, giving a superior return on investment (ROI) for the significant marketing costs associated with the implementation of a name change. Yet, prior research has not explored the role that marketing personnel could play in increasing the benefit and decreasing the cost of corporate name changes. Our third research question aims to overcome this limitation: *Are firms rewarded more by the stock market for changing their name if they have a CMO present in their TMT?*

We do not claim that these are the only three factors associated with the costs and benefits of name changes. Nevertheless, we focus on these three factors as prior research, published primarily in finance journals (e.g. Karpoff and Rankine 1994; Howe 1982; Cooper, Dimitrov and Rau 2001; Bosch and Hirschey 1989) has ignored the importance of marketing variables in corporate name change valuation. The few contextual variables that have been studied are limited to such variables as size, firm past financial performance and firm industry type. The variables we study, however, tap into phenomena of special interest to marketers, e.g. the impact of leveraging a strong brand, the impact of changing a brand name rather than simply a firm name, and the role of a chief marketing officer. The three variables we chose to explore therefore help highlight how marketing-related factors can add to our understanding of the value of strategic changes in general, and corporate name changes in particular. By including these three variables, we are able to study three important aspects of name changes, namely the inherent type of the change (strategic intent), the scope of the change (impact on brand names), and skills regarding management of the change (chief marketing officer presence). Together, these three variables help us provide a comprehensive and fine-tuned guidance to managers on the conditions under which a corporate name change is financially warranted.

In answering the three research questions outlined above, our research contributes in the following four ways: (1) we provide future researchers a cost-benefit framework for studying corporate name changes, highlighting that a study on the impact of name changes should incorporate factors associated with the costs and benefits of a name change, (2) we establish the importance of including a firm's strategic intent as a variable of interest while exploring the value of strategic changes in general and corporate name changes in particular, (3) we underscore that it is more costly for firms to change their names when a corporate name change results in a change in their brand names, adding to the recent literature on the link between branding strategy and firm value (e.g. Rao, Agarwal and Dahlhoff 2004; Morgan and Rego 2009), and (4) we highlight the importance of having a CMO present in the TMT for firms in general and firms considering a change in their name in particular, adding to the growing literature on the role played by marketing personnel in firms (e.g. Nath and Mahajan 2008; Verhoef and Leeflang 2009).

Our conceptual framework for which we find empirical support is highlighted in Figure 1. As shown in Figure 1, we demonstrate that firms whose strategic intent is either to leverage a strong brand, or to signal a future change in market strategy are rewarded more by the stock market than firms whose strategic intent is to retroactively align their name with a changed market strategy. Furthermore, abnormal stock returns surrounding name change announcements are more positive for firms that have a chief marketing officer present in their top management team and less positive for firms whose name change results in a change in their product or service brand names. In the next section, we revisit the existing literature on corporate name changes, elaborate on our conceptual framework and formally develop our hypotheses.

THEORY AND HYPOTHESES

The literature on the shareholder value impact of corporate name changes is both scarce and inconclusive. Some authors have found a positive, some negative and some no effect of name changes on firm value. Researchers finding no significant impact of corporate name changes on firm value include Howe (1982) who studied weekly stock returns of 121 publicly listed U.S. firms that changed their names during 1962-1980. Similarly, Karpoff and Rankine (1994) who studied 147 corporate name announcements from 1970 to 1987, found only weak positive stock price reactions that were not robust to sample selection. A modest and transitionary positive impact of corporate name change on firm value was also found by Bosch and Hirschey (1989) for their sample of 79 firms during 1979 to 1986.

Studies finding a positive link between corporate name changes and firm value include Horsky and Swyngedouw (1987), in which corporate name changes of 58 corporations during 1981-1985 were analyzed. For most of the firms in their sample, name changes were associated with improved stock returns, the greatest improvement coming from B2B firms. Likewise, Cooper, Dimitrov and Rau (2001) found that for their sample of 95 firms during 1998 to 1999, most firms that changed their names to internet-related 'dotcom' names, including firms whose business did not relate to the internet, experienced positive stock returns.

Finally, research that finds a negative link between corporate name changes and firm value includes Josev et al. (2004), in which the abnormal stock returns for 107 publicly listed Australian firms that changed their name during the period 1995-1999 were analyzed. Similarly, Karbhari and Sori (2004) found that poorly performing Malaysian firms that changed their name without simultaneously taking serious steps towards recovery experienced negative abnormal returns surrounding the announcement date.

While exploring the value of corporate name changes, prior researchers have either focused on the main effect of corporate name changes (e.g. Bosch and Hirschey 1989) or only studied a few contextual factors such as type of industry (B2B vs. B2C), durability of products (durables vs. nondurables), firms' prior performance and the radicalness of the new name (Horsky and Swyngedouw 1987). Important structural and strategic factors, particularly relevant to marketing academics and practitioners that could impact the benefit or the cost of a name change have so far been ignored. In this research, we include three such factors namely the firm's strategic intent, branding strategy and presence of a chief marketing officer in the firm's top management team. Next we elaborate on the hypothesized role played by these factors on the value of corporate name changes.

Strategic intent

Firms' strategic intent behind undertaking a certain strategic action refers to their overarching motivation or rationale behind undertaking that action (Beasley, Bradford, and Dehning 2009). This motivation is guided by the long-term market position that the firm wants to achieve (Hamel and Prahalad 1989). Recent research in accounting and management has shown that for some strategic actions, different strategic intents behind taking these actions lead to different performance implications (DiRomualdo and Gurbaxani 1998). Researchers have shown, for example, that the value of firms' information systems outsourcing announcements depends on the firms' strategic intent behind outsourcing (Beasley, Bradford and Dehning 2009). More specifically, value is created for firms outsourcing with short-term operational intent such as the motivation to save costs rather than for longer term strategic reasons such as focusing on core competencies. There is no work, to our knowledge, however, that explores the link between firms' strategic intent behind name changes and firm value. In the context of corporate name changes, an extensive content analysis of firms' press reports at the time of their name change helped us classify firms' strategic intent three broad categories namely (1) leveraging a strong brand, (2) signaling a change in future strategy, and (3) retroactively aligning name with a changed strategy (see footnote 2). Next we elaborate on the mechanisms that could link each type of strategic intent to shareholder value and explain why we expect the benefit of changing firm name may be higher for the first two types of strategic intent than the third type.

(a) Leveraging a strong brand. When Federated Stores Inc. announced on February 27, 2007, that its Board of Directors would ask shareholders to change the firm's name to Macy's Inc., Terry J. Lundgren, the CEO of Federated Store Inc. explained the firm's strategic intent behind this change:

"Today, we are a brand-driven company focused on Macy's … By aligning our corporate name with our largest brand, we will increase the visibility of the company with customers, leverage the world-famous Macy's brand name, and get more credit for our accomplishments in the marketplace" (http://www.macysinc.com/investors/shareholders/namechange.aspx)

As Mr. Lundgren's remarks reveal, firms that adopt a strong brand in their portfolio as their name, seek to improve the equity and increase the awareness of their corporate names. By making its link with its successful brand more explicit, a firm changing its name hopes to improve customer perceptions of its other brands. This also explains why many firms use the advertising tag line "From the makers of …" In such cases, firms expect to see improved customer perceptions of the firm's other brands result in increased cash flows, accelerated cash flows, and less volatile cash flows (Srivastava, Shervani and Fahey 1998).

Adopting a strong existing brand as a firm name may especially help a firm when the firm's other products have good, but unobserved quality. Here, the new firm name could help reduce information asymmetry by providing a signal of the quality of the firm's other products. This signal would be credible to the extent that if the firm's other products, with whom the strong brand now indirectly becomes associated, turned out to be of poor quality, the firm would experience the loss of a valuable intangible asset – its strong brand's equity.

Increased awareness of a firm's name can also strengthen and stabilize the firm's performance in new markets, generating receptiveness of consumers and distribution channel partners to new product introductions (Kaufman, Jayachandran and Rose 2006). Furthermore, improved visibility of the firm name may lower the firm's systematic risk by increasing the breadth of stock ownership (Grullon, Kantas and Weston 2004; Frieder and Subrahmanyam 2005).

(b) Signaling a change in future market strategy. Some firms change their names to signal that they will be changing their market strategy in the future. More specifically, a firm may intend to change important aspects of its market strategy such as its level of diversification or globalization, and feel that by changing its name ***prior*** to a change in strategy, it may ***proactively*** announce the new future strategy. Consider the case of Immtech International Inc. changing its name change to Immtech Pharmaceutics Inc., a case where the name change ***preceded*** the firm's entry into the Pharmaceutics market. The press release accompanying announcement of this name change stated:

> *This name change signifies* **the start of a new era** *for our company as we move our first oral drug candidate* (http://www.immtech.biz/documents/news_032306.pdf)

What benefit does signaling a change in future market strategy provide to firms? The answer to this question requires an understanding of signaling theory. According to signaling theory, corporate insiders are generally better informed about current workings and future prospects of a firm than are outside investors (Megginson 1997). When managers have some information that is positive, they have incentives to take actions that credibly reveal this information to the market as doing so improves shareholder value (Ambarish et al., 1987; Grinblatt and Hwang, 1989; Lee 2001). In the context of the current research, firms' insiders may have asymmetric information regarding the firms' future market strategy, and by keeping a new name that better reflects this future strategy, the firm may signal that it is serious about making a break from the past and changing its operations, product offerings, level of globalization etc. The value of such a signal is that if there is a gain associated with the new strategy, by proactively announcing this change in strategy, the financial gains can be accelerated. This is analogous to preannouncements of new product introductions, wherein inasmuch as the financial rewards to new product introductions are positive and significant (Bayus, Erickson, and Jacobson 2003; Pauwels et al. 2004), a firm could potentially accelerate these financial gains by preannouncing the new product introductions (Sorescu, Shankar and Kushwaha 2007).

(c) Retroactively aligning name with changed market strategy. Some firms may already have changed their market strategy before they change their name. For example a firm may already have extended its product line or entered a global market and ***after*** doing so come to realize that its original name no longer reflected its new product portfolio or geographical presence. In changing their name ***after*** a change in their market strategy, firms desire that their new name should reflect their current (changed) market strategy, so as not to confuse customers and other stakeholders.

For example when APA Optics changed its name to APA Enterprises Inc, the shift away from Optics had been taking place for a number of years before the name was finally changed to align the name with the changed market strategy. According to Dr. Anil K. Jain, President and CEO of APA Optics:

> *The new name and logo are consistent with the significant changes in APA's assets and business activities* ***over the last several years****.* (http://www.azom.com/news.asp?newsID=1888)

Similarly Apple Computer Inc.'s name change to Apple Inc. was motivated by the desire to retroactively align the name with a changed product portfolio, which now included non-computer products such as iPhone and iPod.

What benefit does retroactively aligning the firm's name with a changed strategy provide to the firm and how does this benefit compare versus the benefit of the other two strategic intents? From the efficient market hypothesis, when a firm's name change ***follows*** a change in market strategy, it provides no unexpected news regarding the firm's strategy and therefore has no signaling value. For example, if a firm increased its product diversification without changing its name, investors tracking the firm's increased diversification would conclude that the firm has become more diversified. In this case, when the firm ***later*** changes its name to reflect the increased product diversification, the name change would not provide any unexpected news to investors. One possible benefit of retroactively aligning the name with a changed market strategy, nevertheless, is a decrease in customers' misconceptions about the nature of the firm's business. This decrease in customers' misconceptions may in turn translate into improved sales. For example, prior to Apple Computer Inc. changing its name to Apple Inc., the firm may not be have been in the consideration set of some customers planning to purchase non-computer electronic products. The new name Apple Inc. may then have helped Apple be part of these consumers' consideration set, and consequently helped increase Apple's sales. However, two factors still limit the benefit a firm gets from retroactively aligning the name with its strategy: (i) a significant portion of customers may already be aware of the firm's new products after being exposed to these products in the market place or after being exposed to the advertisements of these new products, and (ii) by keeping a name which shows a broadening of one's product portfolio or geographical scope, the firm may no longer reflect its core business or core geographical scope. The firm may then exit some customers' consideration set when it comes to choosing a product or service related to the core business or geographical scope.

All in all, then, there are clear benefits of changing the firm name when the strategic intent is either to leverage a strong brand or to signal a change in future strategy. On the contrary, the benefits of changing the firm name when the strategic intent is retroactively aligning the name with a changed strategy are unclear and seemingly limited. This leads us to hypothesize:

> **H_1**: *Firms that change their name to leverage a strong brand in their portfolio and those changing their name to signal a change in future market strategy experience higher abnormal stock returns on announcing their name change relative to firms that change their name to retroactively align their name with a changed market strategy.*

Branding strategy

The type of branding strategy a firm has – more specifically whether a new firm name leads to a change in brand names -- is expected to have a significant impact on the cost of corporate name changes.

Firms exhibit three types of branding strategies: corporate branding, house of brands, or mixed branding (Laforet and Saunders 1994; Rao, Agarwal and Dahlhoff 2004). A firm such as Dell Inc. that exhibits a corporate branding strategy uses its corporate name in all or most of the firm's product and service brands. A firm such as P&G that exhibits a house-of-brands strategy does not use its corporate name in any of its products or services but instead uses individual brand names (P&G for example has individual brands such as Tide, Pringles and Crest). Firms exhibiting a mixed branding strategy, such as Gap Inc. have some products branded with their corporate name while other products have unique brand names (Gap Inc. for example has brands such as Banana Republic and Old Navy besides the Gap brand).

When a firm exhibits a house of brands strategy, the firm's name change does not lead to a change in the firm's brand names. Federated Stores Inc.'s name change to Macy's Inc. for example did not change the names of the firm's brands – Macy's and Bloomingdale's – as the name Federated Stores Inc. was not used to brand the firm's stores or its product and service offerings.

On the other hand, when a firm exhibits a corporate branding or mixed branding strategy, the firm's name change may or may not lead to a change in its brand names depending on the nature of the new name. Typically, a change in firm name will not lead to a change in brand names if the new firm name keeps the portion of the old firm name associated with the brand name intact. For example, when Citigroup Inc. changed its name to Citi Inc. or Apple Computers Inc. changed its name to Apple Inc., inspite of the firms' corporate branding strategy, the corporate brands Citi and Apple respectively remained intact. On the contrary, when Quotesmith.com Inc. changed its name change to Insure.com Inc. it essentially changed its brand name Quotesmith to Insure since Quotesmith was being used to brand the firm's service of providing insurance quotes and the new name was very different from the original name. Similarly, Union Financial Bank's change to Provident Community bank led to a change in brand names – Union Financial to Provident.

Firm name changes may be more costly when the name change leads to a change in brand names. This is because a change in brand name essentially means the death of the old brand and with this a loss in brand value. Researchers have shown that brands are valuable intangible firm assets because they are able to increase cash flows, accelerate cash flows and decrease cash flow volatility (e.g. Srivastava, Shervani and Fahey 1998; Aaker and Jacobson 1994) . The impact of brands on firms' cash flows is based on, among other things, improving marketing efficiency, helping secure distribution, insulating a product from competition, facilitating growth into other product categories and increasing customer loyalty (Hoeffler and Keller 2003). Brands have been shown to be valuable to firms because they allow firms to command a revenue premium for their products versus unbranded products (Ailawadi, Lehmann and Neslin 2003) and can be bought or sold in the marketplace such as during a M&A activity, typically at non-trivial prices (Bahadir, Bharadwaj and Srivastava 2008). A brand name is the key brand element that identifies a brand and differentiates one brand from another (Keller 2003). Hence, changing a brand name means starting a new brand and losing the value associated with the old brand. When a firm name does not lead to a change in brand name, this loss in brand value is avoided. Furthermore, the costs needed to create customer awareness and to establish an equity of the new brand (e.g. via advertising, new packaging, new logo design etc.) are avoided if a corporate name change keeps the brand names intact. This leads us to hypothesize:

> ***H_2**: Firms, whose name change leads to a change in their brand names, have lower abnormal returns associated with announcing their name change, relative to firms whose name change does not lead to a change in their brand names.*

Chief Marketing Officer Presence

The presence of a chief marketing officer (CMO) in a firm's top management team (TMT) is expected to influence both the cost and benefit of the firm's name change. In order, to understand why this is so, one needs to understand the role played by the CMO. The CMO is one of the most critical marketing personnel in a firm. This is because the CMO typically acts as the customers' voice in the top management team (Kerin 2005), provides consumer insights (Gilliatt and Cuming 1986; Kerin 2005), helps the firm adopt the marketing concept (Crosby and Johnson 2005; Webster, Malter, and Ganesan 2003), and not only possesses but also inculcates in the firm critical marketing skills related to marketing communications, marketing information, market planning and marketing implementation (Vorhies and Morgan 2005; Piercy 1986; Hopkins and Bailey 1984). Not all firms have CMOs however, and those that do are expected to be rewarded more by the stock market for changing their names for the following reasons:

On the benefit side, a CMO may help in choosing a new name that has more positive consumer associations and in designing the new name's elements (e.g. logo, slogan, package design etc.) well. Choosing a new name is not a straightforward decision. On the contrary, different names have different images, connotations, phonetic symbolism, and associations (Yorkston and Menon 2004; Zhang and Schmitt 2001). Keller (2003) proposes memorability, meaningfulness, aesthetic appeal, transferability and adaptability as broad criteria useful for choosing brand names. To understand how a proposed name fares on Keller's (2003) criteria, however, firms need to have their hands on the pulse of the consumer. Similarly, a corporate name change, regardless of the type of strategic intent behind the change, typically involves designing the name's related brand elements – logo, slogan, symbols, package design etc. Developing these related brand elements again requires strong skills in understanding consumers. Henderson and Cote (1998), for example, proposed elaboration, naturalness and harmony as criteria useful for designing brand logos while Orth and Malkewitz (2008) also laid down criteria for choosing effective package designs. To assess how the new corporate name's logo and package design perform on these criteria, firms need to possess sound skills in understanding consumers and conducting marketing research. Investors should therefore expect firms having CMOs in their TMTs to be better in choosing their new corporate name and in developing its related brand elements. Having a CMO present in a firm's TMT is expected to give investors more confidence that the firm's new name would be perceived well by consumers and would go on to perform well on consumer-mindset measures such as brand impressions, attitudes and associations. With positive consumer mind-set measures associated with superior firm performance (Aaker and Jacobson 2001; Mizik and Jacobson 2008), investors may reward firms for changing their names more when these firms have a CMO present in their TMT.

On the cost side, a CMO may help decrease the costs required in communicating the new name to the firm's stakeholders --- customers, suppliers, channel members and investors. Communicating a new name typically requires a number of marketing activities such as developing and running advertisements, developing new stationery, printing point of purchase material, and redesigning staff uniforms. The costs of these marketing activities typically add up to thousands if not millions of dollars. Given that CMOs bring with them skills related to marketing communication and marketing implementation, firms having a CMO present in their TMT would be expected to spend marketing dollars more efficiently in achieving the same level of awareness of the new name. In other words, firms having a CMO would be expected to have a greater return on investment (ROI) for the marketing expenditure related to communicating the name change. This in turn may lead investors to expect greater future cash flows at the time of the firm's name change announcement.

In light of these arguments, we hypothesize:

> ***H_3**: Firms having a chief marketing officer in their top management team experience more positive abnormal stock returns on announcing their name change, relative to firms that do not have a chief marketing officer in their top management team.*

METHODOLOGY

We used an event study to calculate the cumulative abnormal returns (CAR) for firms surrounding their name change announcements. These abnormal returns were calculated over a time period centered on the day each firm first announced its intention to change its name. To understand the main effect of name change, without accounting for a number of control factors, we conducted a univariate analysis. We did this to revisit the question whether corporate name changes increase firm value, and to explore if the answer to this question depends on characteristics of the sample. We first split our sample according to differences in strategic intents behind the name change (leveraging brand, signaling new strategy or retroactively aligning name with changed strategy), differences in branding strategy (whether the firm name change led to a brand name change) and differences in CMO presence (whether the firm had a CMO present in the TMT). We then analyzed the cumulative average abnormal return (CAAR) separately for each sub-sample to explore whether for each sub-sample these CAARs were significantly different from zero (or in other words there was a significant main effect of name change for each particular sub-sample). Next, to formally test how the three focal variables – strategic intent, brand name change and CMO presence – impact the value of corporate name changes, we conducted a multivariate analysis. We cross-sectionally analyzed the association between a firm's cumulative returns surrounding a name change announcement, our three focal independent variables and a number of control variables.

Event Studies

The event study methodology which has been developed in finance literature is used to capture a firm's abnormal stock return surrounding some event, such as its name change announcement, after adjusting for general stock movements and systematic risk of the firm. This methodology has been used by marketing researchers to study the financial impact of brand extensions, celebrity endorsements, new channel additions, new product introductions, marketing alliances among others (e.g. Gielens et al. 2008, Agarwal and Kamakura 1995; Chaney, Devinney, and Winer 1991; Lane and Jacobson 1995; Swaminathan and Moorman 2009). The event study methodology assumes that a firm's stock price reflects investors' expectations of the discounted value of all future cash flows expected to accrue to the firm (Rappaport 1987). At any particular time, a firm's stock price accurately reflects all available information related to the performance of the firm. As new information becomes public, investors immediately update their expectations about the firm's future cash flows. Hence if the new information is expected to increase the discounted value of the future cash flows, the firm's stock price increases. Here, the continuously compounded daily return in the stock price between day *t-1* and day *t* will be given by

(1) $$R_{it} = \ln\left(\frac{P_{i,t}}{P_{i,t-1}}\right)$$

where $P_{i,t}$ is the closing stock price of the firm *i* at the end of trading day *t* and R_{it} reflects the market's expectations of the long-term financial impact of all relevant information that became available between *t-1* and *t*. The observed stock return R_{it} on the event day (i.e. the day the firm made the announcement about its intention to change its name) is compared with $E(R_{it})$, the return expected if the event had not taken place. In line with Brown and Warner's (1985) approach, and the approach used in recent marketing literature (e.g. Gielens et al. 2008, Swaminathan and Moorman 2009), we use the market model to obtain estimates of the firm's expected returns. According to this model the expected stock return $E(R_{it})$ for firm i on day t can be expressed as a linear function of the returns on a benchmark portfolio of market assets:

(2) $$E(R_{it}) = \hat{\alpha}_i + \hat{\beta}_i R_{mt}$$

In equation (2), $\hat{\alpha}_i$ and $\hat{\beta}_i$ are the ordinary least square estimates obtained from regressing R_{it} on R_{mt} over an estimation period preceding the event. In our setting, the estimation sample covers 301 to 46 trading days before each firm's name change announcement[3]. The difference between the observed actual return and the estimated expected return, e_{it} is a measure of abnormal return (AR) for firm i at day t:

(3) $$e_{it} = R_{it} - E(R_{it}) = R_{it} - (\hat{\alpha}_i + \hat{\beta}_i R_{mt})$$

[3] As a robustness check we used other estimation periods such as 350 to 50 trading days before the event. Our results remained robust to these alternative estimation periods.

The abnormal return (AR) is the unexpected change in stock price, which is then attributed to the event that took place at time t. Because of market efficiency, the abnormal return, e_{it}, provides an unbiased estimate of the future earnings generated by the event and is a random variable with mean equal to zero (Fama 1970). To allow for information leakage before the event day and for the possibility that not all information is disseminated completely on the event day (McWilliams and Siegel 1997, Gielens et al. 2008), we aggregate the abnormal returns for a firm over the event period [-t_1, t_2] into a cumulative abnormal return (CAR) to draw inferences on the expected impact on firm name changes.

$$(4) \qquad CAR_i\,[-t_1,t_2] = \sum_{t=-t1}^{t2} e_{it}\,,$$

where t = 0 on the day of the name change announcement. Because we conducted the event study across different events, we average this CAR into a cumulative average cumulative abnormal return (CAAR):

$$(5) \qquad CAAR_i\,[-t_1,t_2] = \sum_{i=1}^{N} CAR_i\,[-t_1,t_2]/N$$

In equation (5), N is the number of name change announcements in each sub-sample (e.g. the sub-sample of name changes where the strategic intent was leveraging a strong brand). To test if the CAARs for our sub-samples were significantly different from zero we considered two tests. We first considered the Patell Z test (Patell 1976).This is a parametric test, which estimates a separate standard error for each security-event and assumes cross-sectional independence. We also considered the Generalized sign Z test, which is a nonparametric test controlling for the asymmetry of positive and negative abnormal returns during the estimation period (Cowan 1992). Since CAARs depend on the event window chosen, we considered different windows such as [0], [-1 to +0], [-1 to 1], [-2 to 2] and [-5 to +5] windows and found that our main conclusions remain robust to window sizes (for a similar procedure see Geyskens et al. 2002; Agarwal and Kamakura 1995 and for further details on event study see Srinivasan and Bharadwaj 2004).

Impact of focal variables

While the main effect of name change announcements on shareholder value can be found via calculating the CAARs and analyzing the sign and significance of these CAARs, testing how our variables of interest increase or decrease cumulative abnormal returns (CARs) requires a cross-sectional analysis. We regressed CARs on the type of strategic intent, brand name change and CMO presence, our key independent variables, while controlling for a number of firm-specific variables discussed later.

(6) $CAR_i\,[-t_1,t_2] = b_0 + b_1*(\text{leveraging brand})_i + b_2*(\text{signaling future strategy})_i + b_3*(\text{brand change})_i + b_4*(\text{CMO presence})_i + b_{5\text{-}9}*(\text{control variables})_i$

In equation (6), 'leveraging brand' is a dummy variable taking the value of 1 when the strategic intent was leveraging a strong brand in one's portfolio while 'signaling future strategy' is a dummy variable taking the value 1 when the strategic intent was signaling a change in future strategy (i.e. when the firm changed its name *prior* to initiating a change in strategy). When both 'leveraging brand' and 'signaling future strategy' are 0, the firm's strategic intent is retroactively aligning its name with its changed strategy. 'Brand change' is a dummy variable taking the value of 1 when a firm's name change leads to a change in its brand names, 'CMO presence' is a dummy variable taking the value of 1 for firms that have a CMO present in their TMT; the remaining variables are control variables that were included because Horsky and Swyngedouw (1987) had hypothesized that these variables may moderate the impact of firm name changes on firm value. Note that the *base firm* in this model is a firm with the following characteristics (i) its strategic intent is retroactively aligning its name with its market strategy, (ii) its name change does not lead to a change in a brand name, and (iii) it does not have a CMO present in its TMT. In equation (6), b_0-b_9 are regression coefficients to be estimated. The coefficient b_0 represents the CAAR of a *base firm* with the characteristics highlighted above. The coefficient b_1 and b_2 represent the additional CAR that a firm whose strategic intent is leveraging a brand and a firm whose strategic intent is signaling a change in future strategy, respectively, has relative to a firm whose strategic intent is retroactively aligning its name with its changed strategy. The coefficient b_3 represents the additional CAR that a firm, whose name change leads to a change in its brand names, has relative to a firm whose name change does not impact its brand names. Finally the coefficient b_4 represents the additional CAR that a firm that has a CMO in its TMT has relative to a firm that does not have a CMO. Next we explain the control variables:

Control variables

We controlled for major name changes as such changes being more visible may increase abnormal stock returns more (Horsky and Swyngedouw 1987). A name change is considered 'major' if the new name is radically different from the original name (e.g. SBC's name change to AT&T would be classified as a major change but Apple Computer Inc.'s name change to Apple Inc. would be classified as a minor change). We used 'Major' as a dummy variable taking the value of 1 if the name change was major.

We controlled for the firm being a Business-to-Business (B2B) vs. a Business-to-Consumer (B2C) firm. We used 'B2B' as a dummy variable that took the value of 1 if the firm primarily sold to industrial customers. We included this variable because to the extent that the cost of communicating the name change to industrial customers may be lower, B2B firms may experience higher abnormal returns on changing their name.

We controlled for firms' being financial institutions as customers' trust may be more crucial to financial institutions relative to other type of firms (Horsky and Swyngedouw 1987). We included 'financial institution' as a dummy variable which took the value of 1 for firms with SIC code 60-64, i.e. banks, investment houses and insurance companies.

We controlled for firms' presence in the durable goods category as a corporate name may be more influential in driving sales of durable goods (Sethuraman and Tellis 1991; Horsky and Swyngedouw 1987). We included 'durables' as a dummy variable that took the value of 1 if the firms' product portfolio included durable goods.

Finally, we controlled for firms' prior performance because a poorly performing firm may be more likely to improve its performance after changing its name. In line with Horsky and Swyngedouw (1987), we measured prior performance by firms' cumulative abnormal returns in the trading period (-190,-43) i.e. their performance relative to the market in the 21 week pre-event period.

DATA

Sample

We included name changes that took place within a four-year period (2004-2007) rather than within a single year to ensure that our results do not reflect peculiarities of a particular year. By ending our sample in 2007 we avoided the turbulent stock market period beginning in 2008. We used the following process to develop our sample. First, we used Standard & Poor's Capital IQ database to identify all firm name change events for U.S. firms in 2004-2007. We identified 3,659 such firm name changes. Second, as we required data on the firms' stock performance and a number of firm-specific measures, we narrowed our search to name changes of U.S. public firms listed on the NYSE, AMEX or NASDAQ stock exchanges. This narrowed our sample to

316 name changes. We noted the day the firm first made public its intention to change its name via the Capital IQ database and verified that this day was correct through a number of sources such as firms' annual reports, press releases, and Dow Jones' Factiva. Furthermore, similar to previous studies, we checked for confounding events using Dow Jones Factiva. Any name change announcement which coincided with other major announcements such as dividends payout, changes of chief executive officer, and mergers and acquisitions, within ten days of the name change were excluded from the sample (e.g. Geyskens, Gielens, and Dekimpe, 2002). Additionally, as our research focused on three types of strategic intent, we further narrowed to those firms whose strategic intent was one of the three strategic intent we were interested in i.e. leveraging a strong brand, signaling a change in future market strategy, and retroactively aligning the name with a changed market strategy. After applying these filters, we reached our final sample of 125 name change announcements, where 125 firms announced changing their names once during the 4 years of observation. Our sample size compares favorably with previous research on firm name changes (e.g. Horsky and Swyngedouw,1987, had a sample size of 58 name changes and Cooper, Dimitrov and Rau, 2001, had a sample of 95 name changes).

Data Sources

Independent variable: Strategic intent. An undergraduate research assistant and one of the researchers independently analyzed firms' press releases accompanying their name change announcements to code for the firms' strategic intent. Strategic intent for the selected sample of firms fell in one of the three categories – leveraging a brand, signaling a change in market strategy, and retroactively aligning the name with a changed market strategy. If the firm's strategic intent was judged to be leveraging a strong brand, then 'leveraging brand' was coded as 1, and the same procedure was used for the other two strategic intents. Table 1 gives examples from our sample of name changes that belonged to each of the three types of strategic intents. The raters agreed on 116 out of the 125 strategic intents (92.8% agreement). After discussion, the cases of disagreement were resolved.

[Insert Table 1 about here]

Independent variable: Change in brand name. A graduate research assistant and one of the researchers independently analyzed a firm's branding strategy and coded whether a change in firm name led to a change in at least one product or service brand name. Firms that had a house of brands strategy (according to Rao, Agarwal, and Dahlhoff's 2004 definition) were coded as 0 as were firms where the branding strategy was corporate branding or mixed branding, but where the new name kept the brand name intact. Firms whose names were used as brand names, and for whom the new name led to a change in brand name were coded as 1. Four sources of information – competitive media reports, Hoover database, company websites and 10-K's, were used to analyze a firm's brands and to code whether a change in firm name led to a change in brand name. The degree of agreement between the two coders was 87.2%. After discussion, the cases of disagreement were reconciled.

Independent variable: chief marketing officer presence. We used firms' annual reports to identify the presence or absence of a CMO in their TMT, coding CMO presence as 1 and CMO absence as 0. The executive officers mentioned in firms' annual reports were considered to be members of the firms' TMT. We used an approach similar to that found in other papers studying CMO presence (e.g., Nath and Mahajan 2008) to code CMO presence. A firm was considered to have a CMO in its TMT if it had an executive officer with the term "marketing" in his or her title. The actual titles besides CMO included vice president marketing, senior vice president marketing, and executive vice president marketing. We encountered a few cases in which the title included the terms “branding” or “corporate communications.” For these cases, we classified them as CMO if the description of the role given in the 10-Ks indicated that the concerned executive officer was primarily responsible for marketing. For example, as long as the description of corporate communications did not imply that the person was only responsible for public relations, a Vice president corporate communications qualified as a CMO. Nevertheless, we conducted a robustness check without Vice president corporate communications included in the CMO category, and our overall conclusions remained the same.

Control variables. We coded a name change as ‘major’ if the new name was judged as radically different from the original. A name change was considered radical when the new name did not include a recognizable portion of the old name. We analyzed the firms’ annual reports and 10-Ks, and looked at their 4-digit primary SIC codes to classify them as B2B or B2C. A firm was coded as B2B if it mainly sold to industrial customers. Similarly we noted the firms’ 2-digit SIC codes to ascertain if the firm was a financial institution. Firms with 2-digit SIC codes 60-64 were classified as financial institutions. We analyzed firms’ annual reports, websites, 10-Ks and Hoovers database to code whether the firm had durable products in their portfolio. Those firms that did were coded 1 for durable. ‘Prior Performance’ of each firm was measured as the firm’s cumulative abnormal returns in their trading period (-190,-43). This represents the firm’s performance relative to the market in the 21 week pre-event period.

RESULTS

Table 2 presents information on daily average abnormal returns (AARs) for the 125 corporate name changes in our sample for a window of ten trading days around the day of the event.

[Insert Table 2 about here]

The mean of the abnormal stock return at the day of the event though positive is only marginally significant according to the parametric Patell Z test, and non-significant according to the non-parametric Generalized Z test. Moreover, 9 of the 11 mean daily abnormal stocks are non-significant according to their Patell Z scores, and 10 of the 11 mean daily abnormal stock returns are non-significant according to the Generalized Z scores. The mean of the abnormal returns is negative and significant at day -1, according to the Patell Z test, suggesting the possibility of information leakage. However, to the extent that the mean abnormal returns are non-significant in the days preceding -1 (i.e. days -5 to -4) and the Generalized Z score for mean abnormal returns is non-significant for day -1, we do not find strong support for this leakage conclusion. Hence, on the whole, we conclude that for our entire sample, the average abnormal stock returns associated with corporate name changes is not statistically different from zero. This result of the overall effect of corporate name changes is therefore in line with Howe (1982), Karpoff and Rankine (1994), and Bosch and Hirschey (1989), who found that corporate name changes either do not impact firm value or (in the case of Bosh and Hirschey 1989) have a positive but transitionary impact on firm value.

To test whether the main effect of corporate name changes is different for different sub-samples, we split our sample according to differences in the three focal variables (for example we split the sample according to whether the firm had a CMO in its TMT or not). We then analyzed the CAAR for different event windows for the various sub-samples. Results of this analysis are shown in Table 3.

[Insert Table 3 about here]

As shown in Table 3, CAAR was positive and significant for the sub-sample where the strategic intent was leveraging a strong brand, the result being generally robust to different event windows as well as to our choice of parametric or non-parametric test, i.e. Patell Z or Generalized Z score. CAAR was also positive and significant for the sub-sample where the strategic intent was signaling a change in future market strategy, but CAAR was negative and significant for the sub-sample where the strategic intent was retroactively aligning name with changed market strategy. As Table 3 also shows, average abnormal return on day [0] was positive and significant when the name change did not lead to a change in brand names but was negative and significant when the name change did lead to a change in brand names. Furthermore, CAAR was positive and significant (in most windows) when the sample consisted of firms where a CMO was present in the TMT but was negative and significant (in most windows) when the sample consisted of firms where a CMO was absent.

There are two main takeaways from Table 3: (1) without controlling for other factors, there are significant differences in the way the stock market reacts to different firms based on their level of the three focal factors – strategic intent, branding strategy and CMO presence, and (2) our choice of sub-samples (with subsamples based on differences in our focal variables), dictates whether the main effect of corporate name change will be positive or negative. Thus, the contradictory results of the main effect of corporate name change on firm value found by prior researchers could simply be a manifestation of differences in samples.

For each firm in our sample, we also calculated the dollar abnormal return using the approach of Moeller, Schlingemann and Stulz (2004) and Malatesta (1983). According to this approach, dollar abnormal return for each firm is calculated as percentage abnormal return times the firm's equity capitalization cumulated over the event window. Results are shown in Table 4.

[Insert Table 4 about here]

We found that on average, firms that changed their names in order to leverage a strong brand in their portfolio showed an abnormal growth in their shareholder wealth by $34 million on the day of the event. In contrast, firms that changed their names in order to signal a change in future strategy gained $12.2 million on the day of the event. However, when firms retroactively changed their names to align them with their changed strategy, they on average lost $6.7 million on the event day. Similarly, firms whose name change led to a change in their branding name had an average dollar abnormal return on the day of the event of -$13.0 million, which was $47.4 million lower than the average dollar return of firms whose name change did not lead to a change in their brand name. Firms that had a CMO in their TMT also had a higher dollar abnormal return on the day of the event, at $22.6 million, versus only $1.1 million for firms that did not have a CMO[4].

To formally test our hypothesis, we conducted a cross-sectional multivariate regression analysis using each firm's abnormal return as the dependent variable and using strategic intent, brand name change, and CMO presence (along with controls) as the independent variables. Although we share results of our regression models using abnormal return at day 0 as the dependent variable, our results remained on the whole robust to the choice of event window.

Table 5 presents descriptive statistics and correlations for all measures in our regression models, pooled over the period of observation. All of the pair-wise correlations were less than the benchmark of .50. For all models discussed, the variance inflation factors were much less than the benchmark of 10. Furthermore, all the condition indices associated with the eigenvalues were

[4] The average dollar abnormal return values on the day of the event, presented above, do not include Apple Computer Inc.'s name to Apple Inc. Apple having a market capitalization of $73.5 billion is a clear outlier in terms of size versus the rest of the firms, which had an average market capitalization of $1.0 billion. Apple's strategic intent was to retroactively align its name with its changed strategy; its name change kept the Apple brand name intact and Apple had a CMO at the time it announced its name change. If we include Apple, the average dollar abnormal return for firms whose strategic intent was retroactively aligning their name with their changed strategy increases to $105.2 million, the average abnormal return for firms whose name change does not lead to a brand name change increases to $131.2 million and the average abnormal return for firms that have a CMO increases to $126.3 million.

much smaller than the benchmark of 30. All these tests suggested that there were no significant multicollinearity problems (Kennedy 2003). Table 6 summarizes the results of our cross-sectional regression analysis with abnormal return at day 0 serving as the dependent variable.

[Insert Table 5 about here]

[Insert Table 6 about here]

As Table 6 shows, we found coefficients of all focal independent variables significant and in the expected direction. The coefficient of leveraging brand and signaling future strategy were both 0.018 and significant (p value < .05). This supports $\mathbf{H_1}$, showing that firms whose strategic intent is leveraging a strong brand, or signaling a future strategy, have higher abnormal returns associated with changing their names versus firms whose strategic intent is retroactively aligning their name with a changed strategy. The coefficient of branding change was -.029 (p value < .001). This supports $\mathbf{H_2}$, showing that firms whose name change leads to a change in their brand names have lower abnormal returns associated with changing their name versus firms whose name change keeps the brand names intact. The coefficient of CMO presence was .015 (p value < .05) thus supporting $\mathbf{H_3}$, i.e. firms that have a CMO present in their TMT have higher abnormal returns associated with their name change announcements versus firms that do not have a CMO present in their TMT. Among the control variables, we found that name changes that were major i.e. where the new name was radically different from the original name, and name changes of B2B firms were associated with more positive abnormal returns. Our results broadly support Horsky and Swyngedouw (1987)'s findings that B2B firms have higher abnormal returns associated with their name changes than B2C firms, while firms' type of products (durable vs.

non-durable) and prior performance do not differentially impact stock market response to corporate name changes[5].

DISCUSSION AND IMPLICATIONS

In this article, we examined the effect of corporate name changes on firm performance. We developed a cost-benefit framework to show that the impact of a corporate name change on firm value depends on factors related to the costs and benefits of the change. We argued that while a firm's strategic intent or motivation for changing its name impacts the benefits of the change, whether the name change leads to a change in brand names impacts the costs of the change. Furthermore, the presence of key marketing personnel such as a CMO in the firm impacts both the costs and the benefits of a firm's name change. We used shareholder value as our measure of firm performance. This measure has been recognized as an important metric for evaluating the effect of marketing actions (Lehmann 2004), in that it is forward looking, taking into account future expected cash flows.

Our findings provide broad support for our conceptual model and shed some light on how if we ignore important variables related to the costs and benefits of a name change it is possible to get positive, negative or no association of name change on firm value. More specifically, we found that firms whose strategic intent was either to leverage a strong brand or to signal a future change in market strategy were rewarded more by the stock market than firms whose strategic intent was to retroactively align their name with a changed market strategy. Furthermore, abnormal stock returns surrounding name change announcements were more positive for firms that had a chief marketing officer present in their top management team and less positive for firms whose name

[5] Horsky and Swyngedouw (1987) found a negative coefficient of prior performance when they regressed abnormal return on their independent variables. However, the reported t-value of this coefficient was 1.46, which with 40 degrees of freedom, had a two tailed p-value of 0.17. Horsky and Swyngedouw (1987) classified this coefficient as significant. However, had they used a more stringent cut-off p value of 0.05, as used by us, they would have classified this coefficient as non-significant. Hence our conclusion that prior performance does not differentially impact the value of corporate name changes is broadly in line with Horsky and Swyngedouw (1987)'s results.

change resulted in a change in their product or service brand names. Our results raise a number of implications for theory and research, which we highlight next.

Implications for Theory

Our research has the following implications for marketing scholars:

We highlight the importance of including strategic intent in studies analyzing the impact of marketing actions. While the types of motivations we included in this study are specific to the case of corporate name changes, nevertheless firms will have other strategic intents for taking other strategic actions. It is possible that even for these other strategic actions, the firms' motivations behind taking these actions matter to the stock market.

We highlight the importance of studying the timing of a firm's announcement, not just the announcement itself. Firms that announced their new name before changing their strategy were rewarded more for their name change relative to firms that announced their name change retroactively. This is because for the former group of firms the name acted as a signal and allowed the financial benefits associated with the new strategy to be captured earlier. For the latter group, however, the name change did not have a signal value, and other benefits of changing their name e.g. decreasing customer misconceptions were limited. In highlighting the importance of studying the timing of an announcement, we add to the scant literature on announcement timing such as Sorescu, Shankar and Kushwaha's (2007) work on the financial impact of pre-announcing new products.

We answer the call of recent scholars (e.g. Srivastava, Shervani, and Fahey 1998) to study the financial impact of marketing assets. The marketing assets we focus on are firms' brands and firms' marketing personnel. By showing that firms whose name change leads to a change in brand names, we add to the literature on the value of brands (e.g. Ailawadi, Lehmann and Neslin

2003; Bahadir, Bharadwaj and Srivastava 2008). Furthermore, by showing that firms that have a chief marketing officer in their TMT are rewarded more for their name change, we add to recent literature that demonstrates how marketing personnel contribute to firm performance (e.g. Verhoef and Leeflang 2009). We do this by highlighting the unexplored role of a CMO in a common and costly strategic decision taken by firms – the decision to change the firm's name.

Implications for Practitioners

Our research has a number of implications for practitioners:

We demonstrate that changing one's firm name to adopt a strong brand in the firm's portfolio helps improve shareholder value. This suggests that firms should closely monitor the health of their various brands and consider adopting one of these brands as their firm name. We conjecture, however, that not all brands may be suitable candidates for adoption as firm names. To the extent that we found the abnormal returns for firms whose strategic intent was leveraging a brand to be positive and significant, we can infer that most firms adopted suitable brands as their names. An analysis of these leveraged brands seems to suggest that brands that are suitable candidates for adoption as firm names have the following characteristics: (i) these brands have a stronger awareness amongst consumers than the existing firm names, and (ii) these brands account for the majority of firms' sales. The first characteristic may help ensure that firms gain more from the adoption of the new brand than they lose from their existing corporate names' equity. The second characteristic may help ensure that the new name does not confuse the customers of the firm's other brands, and constrain the growth of these other brands. For example, with consumers being more aware of the Macy's brand than the name 'Federated Stores', and with 90% of the firm's sales coming from the firm's 800-store Macy's chain, the firm's adoption of the Macy's brand as its name made sense. Not surprisingly, this name change was associated with an abnormal stock return of 2.01% on the day of the event and 4.52% in the [-1 to +1] window.

Our results suggest that firms should be proactive in changing their name to signal their change in strategy. To the extent that we found positive abnormal returns for name changes where the name change preceded the change in strategy, it seems that there is a positive value associated with firms' intended market strategy. This value is captured faster by signaling it via the name change. Furthermore, if strategy-name alignment benefits a firm, it seems to benefit it more from a signaling point of view rather than an inherent value of the harmony between the name and the firm's strategy. Hence if firms have already initiated a change in strategy, they should not expect the stock market to reward them for later aligning their name with their strategy.

Our results speak in favor of having a seat for marketing in firms' boardroom. With firms continuing to change their strategy, and with the health of individual brands in firms' portfolios changing every year, corporate name changes are becoming very common. In the U.S. alone, around 5,000 firms changed their names between the years 1999-2008. (Standard & Poor's Capital IQ database). In such a scenario, the CMO plays an important role in that he or she helps spend the millions of dollars required in communicating the new name more efficiently. The CMO also helps in choosing an appropriate new corporate name and in developing its related brand elements. As a CMO of a firm not only possesses strong marketing skills, but also helps develop these skills in the firm's personnel, our results suggest that having strong marketing skills within the firm does help, especially in the context of corporate name changes.

Our results suggest that the value of changing the firm name is lower for firms whose name change leads to a change in brand names. For these firms, a new brand name leads to a loss in the old brand name's value. Furthermore, such firms have to incur more costs in creating awareness of the new brand (e.g. via advertising, new packaging, new logo etc.) Thus firms whose name change leads to a change in brand names, should be more careful and only change their firm name if other factors work to their advantage (e.g. if they have a CMO in their TMT).

Limitations and Future Research

Though our research has important theoretical and practical implications, it is certainly not without its limitations. These limitations also create opportunities for future research.

Firstly, due to data availability constraints, we limited ourselves to studying name changes of U.S. public firms listed on the major U.S. stock exchanges. These firms are not truly representative of firms in the world economy. A few well known examples of non-U.S. firms changing their names include GoldStar Company Limited's name change to LG Electronics Inc., Datsun Motor Co. Ltd's name change to Nissan Motor Co., Ltd. and Tokyo Tsushin Kogyo K.K.'s name change to Sony Corporation. It is important to explore if our results hold for international firms, for private firms and those not listed on the major U.S. stock exchanges.

Secondly, our sample only comprised of firms changing their names once during the observation period (2004-2007). We did not have firms undergoing multiple name changes during these 4 years; for some firms, even though they changed their names only once in the observation period, they may have changed their name in an earlier period as well. This leads to the questions, "How does a firm's name change impact its firm value when it has a history of recurrent name changes? Do investors consider recurrent name changes as a sign of inconsistency in a firm's strategy, penalizing firms that change their names frequently?"

Thirdly, the three types of strategic intent we included in this research -- leveraging brand, signaling a change in future strategy, and retroactively aligning name with changed strategy -- are common motivations we encountered in the years of observation. We do not suggest that these are the only strategic intents behind name changes and it would help to explore if other strategic intents play any role in the value of corporate name changes (see footnote 2). One such intent, not included in our framework is changing the firm name to disassociate the firm with a negative image and to improve the firm's reputation. For example, Blackwater Worldwide, a private military firm, became embroiled in a number of controversies such as its employees shooting and killing 17 Iraqis in Nisour Square, Baghdad, 14 'without cause' according to an FBI investigation. This motivated the change in firm name to Xe Worldwide in February 2009.[6] One challenge in studying such name changes would be that most firms would not be forthcoming in admitting that their motivation is to improve their reputation. Nevertheless, using expert opinions to classify strategic intents, we can investigate if changing the firm name for improving firm reputation pays off. It would also be insightful to analyze if the impact of these name changes is different for firms that only change their name and firms that combine their name change with a change in management or strategy.

Fourthly, an interesting type of name change is the name change where a family firm either includes the family's name as part of the firm name or removes the family's name from its firm name. Family firms constitute about 90 percent of U.S. firms in general (Colli 2003) where a family firm is defined as a firm in which a founder or a member of his or her family by either blood or marriage is an officer, director, or blockholder, either individually or as a group (Anderson and Reeb 2003). For family firms, whether to include the name of the family as part of the firm name (e.g. Dell Inc.) or not (e.g. Gap Inc.) is a strategic decision which may influence

[6] Similarly, Phillip Morris Company distanced itself from its increasingly controversial tobacco products by reemerging as Altria, while discount airliner ValuJet -- which saw its reputation disintegrate after the crash of one of its planes in 1996 -- flies today as AirTran Airways. Recently, when Countrywide brand became synonymous with risky lending practices helping fuel the US housing crisis, Bank of America dropped the name Countrywide from its mortgage operations renaming the business Bank of America Home Loans. AIG's name change to AIU was also brought about when AIG's reputation plummeted following its Federal Reserve bailout and reports of lavish post-bailout expenditures. In the words of Edward Liddy, the CEO of AIG, "I think the AIG name is so thoroughly wounded and disgraced that we're probably going to have to change it" (http://www.huffingtonpost.com/2009/03/18/aigs-solution-change-its_n_176601.html)

the firm’s image among customers. Further research could shed light on the question: How does the stock market react when a family firm includes or drops the family name from its firm name? An example of a family firm dropping its family name from the firm name is Poore Brothers, named after founders Day Poore and Dan Poore, renaming itself to Inventure Group while an example of a family firm including its family name in the firm name is that of United Auto Group Inc. renaming itself to Penske Automotive Group, after founder and Chairman Roger Penske.

Finally, we limited our research to studying three factors (strategic intent, branding strategy and CMO presence) that all seemed to be linked to the impact of corporate name changes. The choice of these factors was dictated by the fact that these were variables prior research had not considered in the context of corporate name changes, and also because they were highly relevant for marketing theorists and practitioners. However, we certainly do not suggest that these are the only factors that could impact the way the stock market reacts to corporate name changes. On the contrary, we encourage researchers to explore other structural, managerial, strategic, cultural, and process-related factors that could impact the value of changing firm names. One interesting variable to include in future research could be the strength of a firm’s internal communication. One can conjecture that to the extent that a firm’s employees are the firm’s ambassadors, their participation and buy-in in the naming process is critical. A name change which does not involve employees could leave them disillusioned and confused, possibly hurting firm performance. Do firms that invest more time, money and effort in communicating to its employees the reasons for and implications of their name change, derive more benefit from their name change? Only by exploring such questions will we be in a position to comprehensively answer the question, “When and how should firms play the naming game?”

FIGURE 1

A Framework for exploring the impact of corporate name changes on the shareholder value

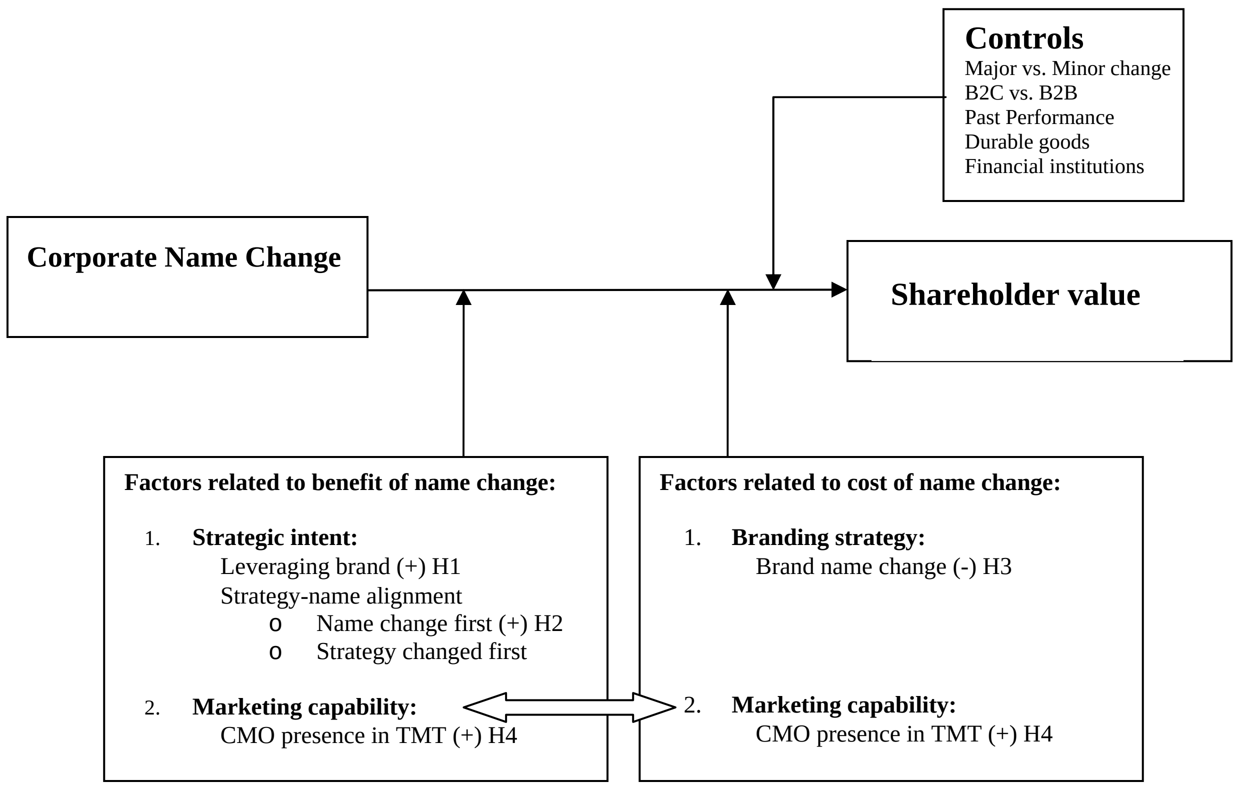

TABLE 1

Examples of name changes in our sample with different strategic intent

Strategic intent	Old Name	New Name	Content Analysis
Leveraging brand	Federated Stores Inc.	Macy’s Inc.	*“Today, we are a brand-driven company …By aligning our corporate name with our largest brand, we will increase the visibility of the company with customers, leverage the world-famous Macy's brand name”*
	Abrams Industries Inc.	Servidyne Inc.	*“Adopting our new name enables us to create a singular brand, which we believe will allow us to build market awareness and differentiation more aggressively than could be achieved with our former name”*
	Drexler Technology Corporation	LaserCard Corporation	*“We believe that leveraging the highly recognized brand image of our secure, biometric-based LaserCard optical memory cards will serve us well in the market”*
Signaling future strategy (name changed first)	Immtech International	Immtech Pharmaceutics	*“This name change signifies the start of a new era for our company as we move our first oral drug candidate”*
	Teton Petroleum	Teton Energy	*“The name change will encompass the company's new focus on natural gas in the Rocky Mountain region....”*
Retroactively aligning name with strategy (strategy changed first)	APA Optics	APA Enterprises	*"The new name and logo are consistent with the significant changes in APA's assets and business activities over the last several years …. The name change eliminates the word "Optics" from the Company's name and replaces its lens logo. The addition of the word "Enterprises" reflects the broader company activities due to its different product lines.”*
	Gibraltar Steel Corp.	Gibraltar Industries Inc.	*“In the nearly 11 years since our initial public offering, we have strategically repositioned Gibraltar, dramatically changing its size, scope, product offering, and geographic coverage”*

TABLE 2				
Mean Daily Abnormal return for complete sample				
Day	**Mean Abnormal Return**	**Patell Z**	**Generalized Z**	**% Positive**
-5	-.25%	-.637	-.848	43
-4	-.25%	-.404	.407	49
-3	-.04%	.185	.586	50
-2	-.23%	-.818	.853	50
-1	-.57%	-2.030*	-1.027	42
0	.78%	1.545†	.673	50
1	-.09%	.701	.228	48
2	.18%	.753	.944	51
3	-.13%	.219	1.840*	55
4	.03%	.082	-.489	45
5	-.27%	-.193	-.310	46

Notes: N = 125. $AR_{i,t}$ measures the abnormal return on a specific day t for firm i. We report the mean AR_t which is the abnormal return averaged across all firms on day t. We report the results for ten days surrounding the announcement date on day 0. % Positive represents the percentage of the 125 abnormal returns that were positive for each day. The symbols † and * denote statistical significance at the 0.10 and 0.05 levels, respectively, using a 1-tail test.

TABLE 3					
Cumulative Average Abnormal returns for complete sample and sample split according to different factors					
	Event Period	**CAAR**	**Patell Z**	**Generalized Z**	**% Positive**
Total [N = 125]	(0)	0.78%	1.545$	0.673	50
	(-1,0)	0.20%	-0.353	0.765	50
	(-1,+1)	0.11%	0.118	0.407	49
	(-2,+2)	0.06%	0.065	0.048	47
	(-5,+5)	-0.91%	-0.182	0.407	49
Sample split according to strategic intent					
Leveraging brand [N =42]	(0)	2.39%	3.144***	1.774*	61
	(-1,0)	2.24%	2.156*	2.844**	69
	(-1,+1)	1.86%	1.761*	2.844**	69
	(-2,+2)	2.98%	2.395**	2.225*	64
	(-5,+5)	0.43%	0.967	1.607†	60
Signaling future strategy [N=28]	(0)	2.12%	3.308***	2.614**	71
	(-1,0)	1.16%	1.373*	1.478*	61
	(-1,+1)	1.86%	2.130*	1.857*	64
	(-2,+2)	0.95%	1.44 †	1.099	57
	(-5,+5)	2.38%	2.043*	1.478†	61
Retroactively aligning name with changed strategy [N=55]	(0)	-1.09%	-2.731**	-2.386**	31
	(-1,0)	-1.83%	-3.371***	-2.386**	31
	(-1,+1)	-2.11%	-2.869*	-3.197***	25
	(-2,+2)	-2.61%	-2.999**	-2.656**	30
	(-5,+5)	-3.61%	-2.573**	-1.846*	35
Sample split according to branding strategy					
Brand name change [N = 59]	(0)	-0.57%	-1.902*	-2.399**	31
	(-1,0)	-0.78%	-1.504$	-0.674	42
	(-1,+1)	-0.85%	-0.633	-0.935	41
	(-2,+2)	-0.80%	-0.272	0.370	49
	(-5,+5)	-2.09%	-0.801	1.674	58
No Brand name change [N=66]	(0)	1.99%	3.867***	3.210***	67
	(-1,0)	1.08%	0.973	1.707*	58
	(-1,+1)	0.87%	0.675	1.457	56
	(-2,+2)	0.73%	0.240	-0.296	45
	(-5,+5)	0.24%	0.242	-1.047	41
Sample split according to CMO presence					
CMO present [N=62]	(0)	1.59%	2.478**	1.459†	56
	(-1,0)	1.25%	1.305†	1.459†	56
	(-1,+1)	1.60%	1.908*	1.204	55
	(-2,+2)	1.93%	1.795*	1.204	55
	(-5,+5)	0.44%	0.928	1.459†	56
CMO absent [N=63]	(0)	-0.03%	-0.304	-0.508	43
	(-1,0)	-0.83%	-1.805*	-0.370	44
	(-1,+1)	-1.35%	-1.736*	-0.622	43
	(-2,+2)	-1.77%	-1.689*	-1.127	40
	(-5,+5)	-2.25%	-1.177	-0.875	41

The symbols †,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a 1-tail test.

TABLE 4	
Average Dollar abnormal return on the day of event	
	Average dollar abnormal return
Strategic intent:	
Leveraging brand	$34.0 million
Signaling future strategy	$12.2 million
Retroactively aligning name with strategy	- $6.7 million
Branding Strategy:	
Brand name change	-$13.0 million
No brand name change	$34.8 million
CMO Presence:	
CMO present in TMT	$22.6 million
CMO absent in TMT	$1.1 million

TABLE 5

Descriptive Statistics and Correlation Coefficients

	Mean	SD	1	2	3	4	5	6	7	8	9	10
Abnormal return (0)	.010	.038										
Leveraging brand	.336	.465	.254**									
Signaling strategy	.224	.397	.147*	-.348**								
CMO Presence	.496	.500	.198**	.266**	-.100							
Brand change	.472	.499	-.308**	-.011	-.115*	.010						
Major name change	.500	.500	.261**	.240**	.099	-.058	.236**					
B2B	.636	.481	.032	-.112	-.067	.040	.046	-.037				
Financial institution	.159	.366	.057	.024	.026	-.173	-.016	-.071	-.403**			
Durable	.227	.419	.443	.030	-.018	.125	-.051	-.114	.222*	-.236*		
Past Performance	-.052	.311	-.135*	-.143**	-.030	.011	.151	-.130**	.213	-.035	.023	

*p < .1
**p < .05

Note: Table shows correlation between measures pooled across 125 name changes.

TABLE 6

Result of OLS Regression with abnormal return on day 0 as dependent variable

Variables	Coefficients (t-values)
Independent variables:	
Leveraging brand	.018(2.35)*
Signaling future strategy	.018(2.27)*
Branding Change	-.029(4.45)***
CMO Presence	.015(2.37)*
Controls:	
Major name change	.022(3.24)**
B2B	.012(1.75) †
Financial institution	.011(1.26)
Durables	-.006(.83)
Past Performance	-.006(.62)
Intercept	-.015(1.80) †
Fit statistics:	
$N^{\#}$	125
Adjusted R^2	27.7%
Overall F-test	$F(9,115)=6.33$***
MSE	.033

The symbols †,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a 2-tail test.

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