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## TRACKING THE NUMBERS

*Street Sleuth*

# Does Stock by Any Other Name Smell as Sweet?

Catchy Symbols Such as HOG Help Likes of Harley-Davidson, Yum, At Least in the Early Going

By **JENNIFER VALENTINO**  
 September 28, 2006

For at least two years, [Harley-Davidson](#) Inc.'s investor-relations folks had thought about it: Their ticker symbol, HDI, wasn't exactly evocative of the motorcycle maker's image. And there was something better available: HOG, biker-slang term for a Harley motorcycle.

Something surprising has happened since Harley-Davidson adopted the symbol in mid-August: It shares have gained nearly 16%, compared with about 4% for the Standard & Poor's 500-stock index.

It wasn't the first time a stock has risen after adopting a catchy ticker symbol. Counterintuitive as it may seem, research suggests that companies with clever symbols do better than other companies. Any suggestion of a cause-and-effect relationship may be hokum, but tickers that make investors chuckle -- think [Sotheby's](#) BID, [Advanced Medical Optics](#) Inc.'s EYE or the apt PORK of [Premium Standard Farms](#) Inc. -- also may make them richer, at least for a time.

The studies do nothing to prove that a stock's ticker symbol has any influence on its price, and a ticker symbol certainly shouldn't rank high on an investor's crib notes for stock-picking. But the research may offer some insight into investor psychology and the importance of being memorable.

In one study, published in June in the Proceedings of the National Academy of Sciences, researchers at Princeton University found that companies with pronounceable symbols do better soon after an IPO than companies with symbols that can't be said as a word.

Princeton's Adam Alter and Daniel Oppenheimer looked at nearly 800 symbols that debuted on the New York Stock Exchange and the American Stock Exchange between 1990 and 2004 and divided them according to whether their symbol was pronounceable (like [Rite Aid](#) Corp.'s RAD) or not (like [Reader's](#)

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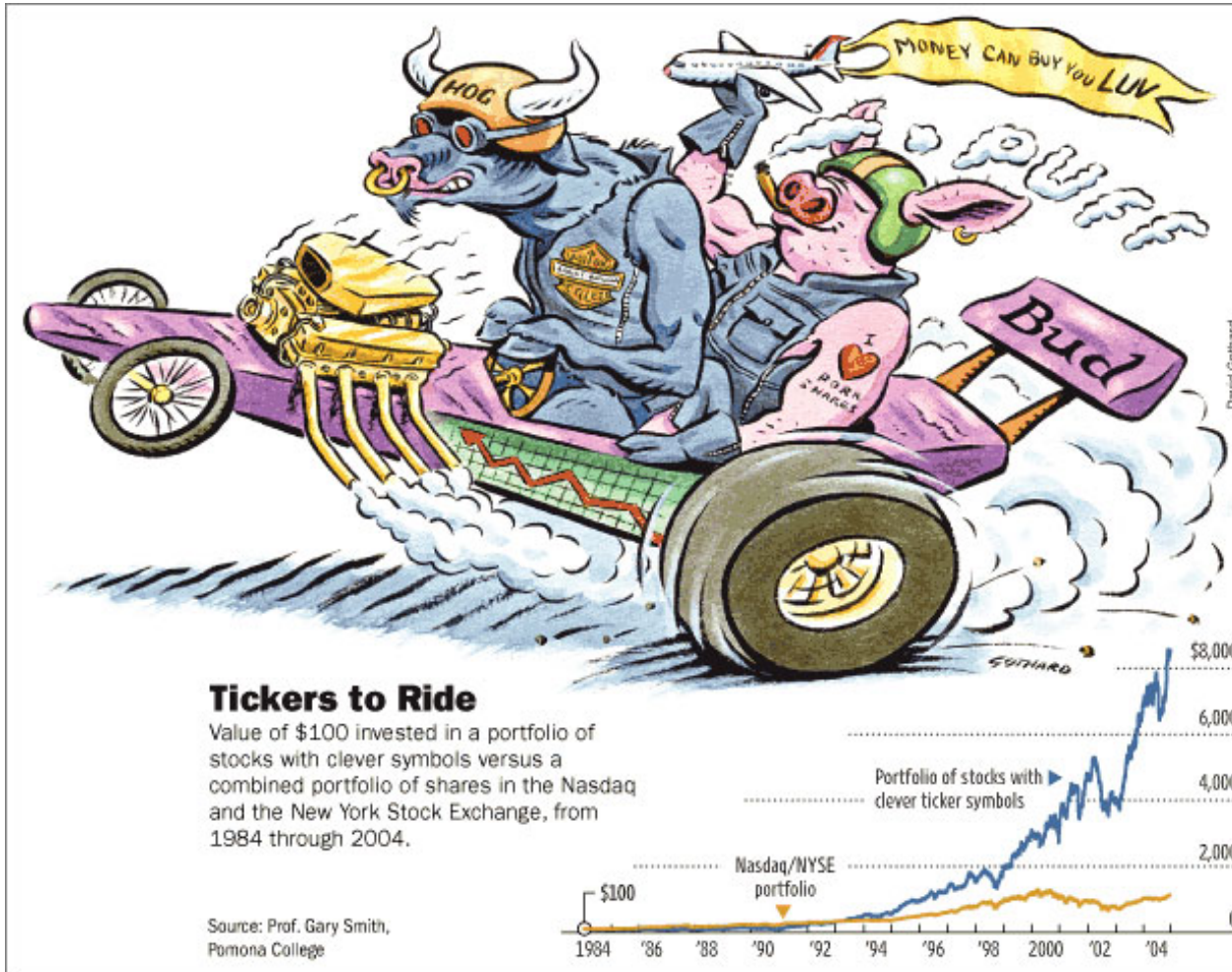


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Digest Association Inc.'s RDA). They found investing \$1,000 in the pronounceable stocks at the start of their first day of trading would have made you \$85.35 more in that day than investing in unpronounceable ones.

A separate study suggests even longer-lasting effects. Pomona College finance Professor Gary Smith asked participants to rate ticker symbols according to "cleverness." From 1984 to 2004, a portfolio of stocks people considered the cleverest returned 23.6% compounded annually, compared with 12.3% for a hypothetical index of all NYSE and Nasdaq Stock Market stocks. The clever stocks included such well-known stocks as [Anheuser Busch Cos. \(BUD\)](#) and [Southwest Airlines Co. \(LUV\)](#), along with companies eventually delisted or acquired, such as Grand Havana Enterprises Inc. (PUFF) and Lion Country Safari (GRRR).



"A couple of these symbols crossed my path, and I thought 'Why do people do this? Just to be cute?' I really didn't know how this was going to turn out," said Prof. Smith, who wrote a paper on the study with two students and is submitting his findings to journals for review. Of course, not all of the companies with cute



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symbols did well. [Concord Camera Corp. \(LENS\)](#) did worse than the index for the period of the Pomona study.

Usually, ticker symbols are simply an abbreviation of the company name. Originally, they weren't even developed by companies, but by telegraph operators who were trying to save time as they transmitted data. One-letter tickers like C, the ticker symbol for [Citigroup Inc.](#), have long been considered the most valuable.

"It was a lot like what we do today with email and text messaging," said Shawn Connors, whose Stock Ticker Company makes historical replicas of ticker machines. "They had to come up with shortcuts for saying things."

Today, new companies submit their ticker-symbol preferences to an exchange for approval, and their requests are usually granted as long as the requested ticker isn't already taken.

Sometimes, when more-obvious choices are gone, a company is forced to come up with something less conventional -- and more clever. [Town Sports International Holdings Inc. \(CLUB\)](#), a fitness-club company that went public on June 2, chose a descriptive symbol only after learning that TSII was in use.

"We thought it would be good for people to have something they could easily remember," said Robert Giardina, the company's chief executive.

Some companies are more deliberate in aligning their ticker symbol with their brand. [Yum Brands Inc.](#), which runs restaurant chains including KFC, Pizza Hut and Long John Silver's, actually changed its name in 2002 in part to reflect its ticker symbol, YUM. The company, formerly known as Tricon Global Restaurants Inc., is trying to attract individual investors by advertising its name and ticker symbol at events such as the Kentucky Derby.

"It's easy for people to remember and puts a smile on their face," said Virginia Ferguson, a Yum spokeswoman. With a share price of \$53.01, the stock is up about 230% from its 1997 debut price of \$16, adjusted for splits, and has risen 68% since the name change to Yum Brands.

The idea that clever or pronounceable ticker symbols might better stick in investors' memories is an important component of both recent studies. Neither report proves causality, but one possible explanation for the results is that people prefer to work with information they can easily process.

When faced with complicated information -- say, stock listings -- people have a tendency to rely on mental shortcuts to simplify things. This leads them to develop "naive theories," said Princeton's Mr. Alter, a graduate student who did his research with Prof. Oppenheimer under a grant from the National Science Foundation to study how people react to differences in "fluency," or the ease with which information is processed.

Mr. Alter explained that people are more likely to believe that fluent information is true and that they have seen it before. For example, test subjects consistently rate the phrase "woes unite foes" as more true than "woes unite enemies," because the rhyme in the first phrase makes it easier to comprehend.

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#### COMPANIES

Dow Jones, Reuters

##### [Harley-Davidson Inc. \(HDI\)](#)

PRICE	56.32
CHANGE	-0.58
	8/14

##### [Sotheby's \(BID\)](#)

PRICE	32.00
CHANGE	0.44
	4:02p.m.

##### [Premium Standard Farms Inc. \(PORK\)](#)

PRICE	19.38
CHANGE	0.13
	4:00p.m.

##### [Rite Aid Corp. \(RAD\)](#)

PRICE	4.59
CHANGE	-0.03
	4:06p.m.

##### [Reader's Digest Association Inc. \(RDA\)](#)

PRICE	13.13
CHANGE	0.22
	4:01p.m.

##### [Anheuser-Busch Cos. Inc. \(BUD\)](#)

PRICE	47.41
CHANGE	-0.46
	4:01p.m.

\* At Market Close

"It is possible that [people] are initially more attracted to fluently named stocks, that they pay particular attention to those stocks, or even that they favor those stocks because they have developed an association between easily processed names and success," he said.

Prof. Smith suggests another possibility: that clever ticker symbols could indicate something about a company's management or marketing team that turns out to be important to the stock's performance.

"Maybe it's a weird marker. Maybe it doesn't show up in the balance sheets and profits and losses when the companies start out," he said.

Prof. Smith said he believes the results raise doubts about the efficient-market hypothesis, the theory that stock prices reflect all known information and that it isn't possible to consistently beat the market without inside knowledge. A stock's ticker symbol is public information, so, under the hypothesis, differences in symbols shouldn't be tied to share performance.

Michael Cooper, an associate professor of finance at the David Eccles School of Business at the University of Utah, who has studied investor behavior, said that both papers were "intriguing," but that he would need to see further study before accepting the results.

"It doesn't mean there isn't some truth to them," Mr. Cooper said. But he said both studies need to more carefully control for fundamental differences among the companies studied to determine whether ticker symbol alone accounts for differences in performance. A stock with a hard-to-pronounce ticker might just happen to underperform a cleverly tickered stock simply because it is poorly managed.

And he thought the Princeton paper in particular could have a problem with "survivorship bias" because it dealt only with stocks for which activity was recorded a year after their entry into the market, possibly excluding poorly performing stocks that were delisted or otherwise disappeared before the year was up.

The researchers themselves say it probably wouldn't behoove investors to make decisions based on their studies. The effects in the Princeton study were statistically significant only for the first day of trading in a company's stock. And both studies were backward-looking, so there is no guarantee they could predict future results. Town Sports' stock, for example, has fallen as low as \$10.74 from its opening price of \$13, despite its catchy symbol.

"We certainly don't recommend that people make trading decisions based on our findings," Mr. Alter said. "Rather, our findings suggest that economic models should take psychological factors ... into account if they are designed to faithfully capture how the markets operate in practice."

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