Would a Stock By Any Other Ticker Smell as Sweet?

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Abstract

Some stocks have clever, eye-catching ticker symbols; for example, LUV (Southwest Airlines), MOO (United Stockyards), and GEEK (Internet America). These clever tickers might be a useful signal of the company's creativity, a memorable marker that appeals to investors, or a warning that the company feels it must resort to gimmicks to attract investors. This paper investigates the performance of stocks with clever ticker symbols during the years 1984-2004. Surprisingly, a portfolio of clever-ticker stocks would have beaten the market by a substantial and statistically significant margin, contradicting the efficient market hypothesis.

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To facilitate trading, stocks are identified by unique ticker symbols (so-called because trading used to be reported on noisy ticker tape machines). Because the original intention was to speed up the transmission of trading reports, actively traded stocks were given single-letter ticker symbols; for example, the Atchison, Topeka, and Santa Fe (A) and American Telephone and Telegraph (T).

Today, New York Stock Exchange (NYSE) stocks have 1-3 letters plus additional characters that can be used to identify the type of security; for example, Citigroup (C), General Electric (GE), and Berkshire class A (BRK.A). NASDAQ stocks have 4-5 letters with the fifth letter often used to identify the type of security; for example, Microsoft (MSFT), Intel (INTC), and Advanta class B (ADVNB).

As in these examples, ticker symbols are often abbreviations of a company's name. Sometimes a company's ticker symbol becomes so well known that the company changes its name to match its symbol: Minnesota Mining and Manufacturing Company became MMM and International Business Machines became IBM.

Companies choose their ticker symbols, though the exchanges can reject a choice that is offensive, misleading, or duplicates another company's symbol. In practice, the company's choices are almost always honored. One notable exception was Furr's/Bishop's Inc., which applied for the symbol FBI, but was rejected because this is the well-known acronym for the Federal Bureau of Investigation.

In recent years, several companies have abandoned the traditional name-abbreviation convention and chosen ticker symbols that are related to what the company does. Some are memorable for their cheeky cleverness; for example, MOO (United Stockyards) and GEEK

(Internet America). Southwest Airlines' choice of LUV as a ticker symbol was related to its efforts to brand itself as an airline "built on love." Southwest is based at Dallas' Love Field and has an open-seating policy that reportedly can lead to romance between strangers who sit next to each other. Its on-board snacks were originally called "love bites" and its drinks "love potions," and a Southwest spokesman boasted about the number of romances begun on board: "At times, we feel that we are the love brokers of the sky" (Herskovitz, 2004).

The efficient market hypothesis assumes that a stock's market price fully reflects all publicly available information and implies that investors cannot use such information to consistently beat the market. Those who beat the market are lucky, not skillful. A stock's ticker symbol is no secret and it would be surprising if a stock's performance were related to its ticker symbol. Surely, savvy investors focus on a company's cash flow, not its ticker symbol!

However, Rashes (2001) found that investors are not always savvy about ticker symbols. Two completely different firms, Massmutual Corporate Investors (which trades on the NYSE with the ticker symbol MCI) and MCI Communications (which trades on the NASDAQ with the ticker symbol MCIC), defied the efficient market hypothesis by exhibiting strong comovements in their prices, apparently because investors who wanted to invest in the telecommunications company mistakenly bought Massmutual stock.

Rashes briefly cites other examples of ticker-symbol mistakes. Transcontinental Realty Investors Inc. (TCI) was evidently confused with Tele-Communications Inc., causing significant comovements in price when there was news regarding the takeover of Tele-Communications by BellAtlantic and later AT&T. Castle Convertible Fund, a closed-end mutual fund with the ticker symbol CVF, briefly fell 32% after the Financial Times published a report of impending losses for the Czech Value Fund, which it abbreviated in the text as CVF. A 1998 Barron's article was bullish on the Morgan Stanley Asia Pacific Fund, but the ticker symbol was misprinted as APB, rather than APF. The ticker symbol APB belongs to the Barings Asia Pacific Fund, which opened up 30% the first trading day after the Barron's article appeared. More than 15% of Barings' outstanding shares were traded that day as misinformed investors and arbitrageurs bought and sold the stock.

Our research question is not whether investors are confused by ticker symbols, but whether stocks with clever ticker symbols tend to do better or worse than the overall market—in either case, a contradiction of the efficient market hypothesis. *A priori*, a clever symbol might be a useful signal of a clever company. Philip Fisher (1958) argued that investors should look beyond the balance sheets and try to identify an able company by talking to a company's employees and competitors. Similarly, legendary money manager Peter Lynch (1994) purchased one firm's stock based on the CEO's impressive display of knowledge about company details. Perhaps a clever ticker symbol is another barometer of talented management.

Another theoretical possibility is that investors recall a memorable ticker symbol when they decide which stocks to buy. For example, an investor might read an article about livestock companies, one of which is United Stockyards (MOO). Perhaps a few days, weeks, or months later, this investor decides to invest in a livestock company and remembers the symbol MOO.

On the other hand, wary investors may interpret a clever symbol as a silly marketing ploy by a company that feels it must resort to gimmicks to attract investor attention. Perhaps a clever symbol is a signal of desperation rather than intelligence.

Methods

To minimize survivor bias, the Center for Research in Security Prices (CRSP) data base was used to identify approximately 33,000 ticker symbols for past and present companies. One of the authors of this paper and a research assistant independently looked at every symbol in this data base for ticker symbols that might be considered noteworthy. Ninety-three percent of their selections coincided. The two lists were merged and the paper's authors looked at each company's line of business to gauge whether the ticker symbol was either intentionally clever or simply an abbreviation of the company's name. Examples of the former are GEEK (Internet America, an internet service provider), GRRR (Lion Country Safari, a safari park), and BOOM (Explosive Fabricators, which uses explosives to perform metallurgical bonding). Examples of the latter are BEAR (Bear Automotive Service Equipment), CARD (Cardinal Bankshares), and GLAD (Gladstone Capital). We further restricted our study to stocks that were traded sometime since 1984, because clever ticker symbols have only recently become popular.

We sent 100 current undergraduate students, recent graduates, and nonfinance faculty our culled list of 358 ticker symbols, with the company names, a brief description of the company's business, and the following instructions:

> Stocks are traded using ticker symbols. Some are simply the company's name (GM, IBM); some are recognizable abbreviations of the company's name (MSFT for Microsoft, CSCO for Cisco); and some are unpronounceable abbreviations (BZH for Beazer Homes, PXG for Phoenix Footwear Group). Some companies choose symbols that are cleverly related to the company's business; for example, a company making soccer equipment might choose GOAL; an Internet dating service might choose LOVE.
>
> From the attached list of ticker symbols, please select 25 that are the cleverest, cutest, and most memorable.

We intentionally excluded seasoned investment professionals whose choices might have been influenced by the investment performance of the companies on the list. We received 22 responses. Table 1 shows the 82 stocks that received more than two votes.

For each trading day between the beginning of 1984 to the end of 2004, we calculated the daily return for an equally weighted portfolio consisting of those clever-ticker stocks with daily returns in the CRSP data base. As time passed, some clever-ticker stocks stopped trading for a variety of reasons (including bankruptcy, merger, buyout) and other clever-ticker stocks entered the CRSP data base. The portfolio adapted to these changes with the equal weighting of those stocks currently in the portfolio. The clever-ticker portfolio began in 1984 with 17 stocks and averaged 24.3 stocks over this period, with a low of 17 and high of 33 stocks.

The comparison portfolio consisted of the stocks in the hypothetical NASDAQ/NYSE portfolio constructed by CRSP. This portfolio also has had additions and deletions over time as stocks enter and leave the index. Capital gains taxes and transaction costs were ignored for both the clever-ticker portfolio and CRSP's NASDAQ/NYSE portfolio.

A matched-pair t test was used to gauge the statistical significance of the observed daily differences between the returns on the clever-ticker portfolio and the NASDAQ/NYSE portfolio. The null hypothesis is that the expected value of the daily difference is zero: H_0: $\mu = 0$. The t-statistic is

$$t = \frac{\overline{X} - 0}{s / \sqrt{n}}$$

where $\overline{X}$ is the mean if the daily differences, s is the standard deviation of the daily differences, and n equals 5300, the number of trading days during this period. We report the two-sided p-value because, as explained earlier, we cannot *a priori* rule out the possibility that the clever-ticker portfolio will do better or worse than the market.

Results

Table 2 shows the mean and standard deviation of the daily returns for the clever-ticker portfolio and the NASDAQ/NYSE portfolio. As shown, the observed difference in average daily returns is statistically significant and very substantial.

Figures 1 and 2 compare the performance of the clever-ticker portfolio and the

NASDAQ/NYSE portfolio, with the value of each portfolio normalized to equal 1 on the first trading day. The clever-ticker portfolio lagged behind slightly until 1993, and then spurted ahead over the next decade. Overall, the value of clever-ticker portfolio increased to 85.84 (a 23.6% annual compounded return), while the NASDAQ/NYSE portfolio increased to 11.34 (a 12.3% annual compounded return).

This superior performance was not due to the extraordinary performance of a small number of stocks. Overall, 51 of the 82 clever-ticker stocks beat the NASDAQ/NYSE index. If a clever ticker stock were equally likely to do better or worse than the index, the binomial distribution tells us that there is only a 0.0176 probability that as many as 51 of 82 stocks would beat the market (a two-sided p-value of 0.035). Two clever-ticker stocks beat the market for the entire period: LUV and OIL (both with average daily returns of 0.008); one did worse: LENS (0.0002 average daily return). Twelve clever-ticker stocks essentially went bust by losing more than 95% of their initial value; 8 clever-ticker stocks did very well in part because of mergers.

Interestingly, those stocks that received the most votes—the most clearly clever—did better than the marginally clever. Of the 38 stocks that received three or more votes, 26 (68.4%) beat the market (two-sided $p = 0.034$); of the 44 stocks that received only two votes, 25 (56.8%) beat the market (two-sided $p = 0.451$). The average daily return was 0.001030 for the 38 stocks that received more than two votes, and 0.000874 for the 44 stocks that received two votes.

Risk is one possible explanation for the observed difference in returns, but it is hard to imagine a degree of riskiness that would explain an 11% annual risk premium (the difference between the 23.6% and 12.3% annual returns). The beta for the clever-ticker portfolio relative to the NASDAQ/NYSE is only 0.62, indicating that clever-ticker stocks actually have considerable potential to reduce systematic risk.

Conclusion

Over the past twenty years, a substantial number of companies have chosen clever ticker symbols for their stocks. On average, these stocks have outperformed the market by a substantial and statistically significant margin. We do not know why these stocks have done so well. Perhaps a clever ticker symbol has been a useful barometer of the managers' ability—ability that revealed itself over time as the company repeatedly exceeded investors' expectations. Or perhaps a clever ticker matters because it is memorable and has a subtle, but persistent, influence on investors who buy the stock and on those who are considering a merger or acquisition. If the former explanation is correct, then the choice of a clever ticker symbol does not guarantee a stock's success; if ineptly managed companies begin choosing clever ticker symbols, the signal will become noise. If the latter explanation is correct, then perhaps companies can use a memorable ticker symbol to attract attention.

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Table 1 Tickers with More than Two Votes (votes in parentheses)

GEEK (13)	Internet America	internet service provider
MOO (12)	United Stockyards	livestock company
BEER (9)	Big Rock Brewery	brewery
DNA (9)	Genentech	gene research
QPON (9)	Seven Oaks International	retail-coupon processor
SPUD (9)	1 Potato 2	quick-service potatoes restaurant
ACES (8)	American Vantage Cos	leisure activities, including casino gaming
OUCH (8)	Occupational-Urgent Care	health-care network
GRRR (7)	Lion Country Safari	safari park
WOOF (7)	VCA Antech	veterinary services
BUD (6)	Anheuser Busch	makes Budwesier beer
CASH (6)	Comdata Network	ATM networks
CASH (5)	First Midwest Financial	banking
JACK (6)	Golden Bear Golf	golf (Jack Nicklaus nicknamed Golden Bear)
JAVA (6)	Mr. Coffee	coffee-making machines
UEAT (6)	Restaurant Hotline Systems	restaurant reviews
ZAPS (6)	Cooper Lifesciences	laser and ultrasonic medical devices
BABY (5)	Fertility and Genetics Resh	fertility research
BABY (5)	Natus Medical	medical products for babies
BEEP (5)	Roadrunner Enterprises	trucking company
BOOM (5)	Explosive Fabricators	explosives to perform metallurgical bonding
KDNY (5)	Home Intensive Care	dialysis services
MPH (5)	Championship Auto Racing Team	car racing team
ODDS (5)	Sport of Kings	casino
PUFF (5)	Grand Havana Enterprises	private membership cigar clubs
SLOT (5)	Anchor Gaming	gaming machines, operations, and systems
VINO (5)	Wine Inc	wine
WHOA (5)	American Equine Product	horse-related products
BID (4)	Sotheby's Holdings	auctions
BLMP (4)	Airship International, Ltd	blimps

BUNZ (4)	Schlotzky's	deli restaurant chain
CHIC (4)	Charotte Russe Holding	teeny-bopper clothing
FUN (4)	Cedar Fair L P	amusement parks
HIFI (4)	Cambridge Soundworks	sound systems
NUTS (4)	Nutrition World	vitamins and supplements
RUBB (4)	Great American Backrub Store	stress relief products
SIZL (4)	Galveston Steakhouse Corp	steakhouse restaurants
TINY (4)	Harris & Harris Group	venture capital in tiny technology
BOOK (3)	Village Green Bookstore	bookstore
BREW (3)	Rock Bottom Restaurants	brewery and restaurant chain
BTU (3)	Peabody Energy Corp	coal
BTU (3)	Pyro Energy Corp	energy
BYTE (3)	Compucom Systems	computers
CAKE (3)	Charlotte Charles	specialty foods and food-gift packages
CAKE (3)	Cheescake Factory	restaurant and dessert chain
CHAI (3)	Life Medical Sciences	medical products
COW (3)	United Stockyards	cattle stockyards
DICE (3)	Crown Casino Corp	gambling
DIET (3)	American Health Companies	helps people with dieting
EYE (3)	VISX	eyecare and eyewear
EYE (3)	Benson Eyecare Group	eyecare and eyewear
EYE (3)	Coopervision	eyecare and eyewear
EYE (3)	Sterling Optical Corp	eyecare and eyewear
FUNN (3)	Mountasia Entertainment Intl	entertainment company
FUNN (3)	Pizza Entertainment Centers	pizza and entertainment
GAIT (3)	Langen Biomechanics Group	orthotics products company
GAME (3)	Casino America	casinos
GRIN (3)	Grand Toys International	toy manufacturer
GRR (3)	Asia Tigers Fund	closed-end investment company
HOPE (3)	Allied Nursing Care	provides end-of-life care
IDEA (3)	Innovasive Devices	devices for sports medicine surgery

IQ (3)	Ideon Group	intellectual property
JAIL (3)	Adtec Detention Systems	detention and security related equipment
JOB (3)	General Employment Entrepreneurs	employment
LENS (3)	Concord Camera Corporation	cameras
LENS (3)	Jones Optical Co	glasses and contact lens retailer
LUCK (3)	Lady Luck Gaming Corp	casinos
LUV (3)	Southwest Airlines	low-fare airline
OIL (3)	Triton Energy Corp	oil and gas company
PNUT (3)	Jimbo's Jumbos	raw, roasted, salted and Cajun peanuts
POPS (3)	National Beverage Corp	beverages
PORK (3)	Sooner State Farms	hog raising
RAYS (3)	Sunglass Hut International	sells sunglasses
ROCK (3)	Gibraltar Industries	metal processing (Rock of Gibraltor)
ROOM (3)	Hospitality Worldwide Services	renovation package for hospitality industry
ROOM (3)	Hotel Reservations Network	online hotel room bookings
SNIFF (3)	American Sensors	smoke alarms
TUTR (3)	Plato Learning	computer and Web-based instruction
TUX (3)	After 6	formal-wear company
YUM (3)	Tricon Global Restaurants	quick-service restaurants
YUMY (3)	Tofruzen	food products
ZYME (3)	Synthetech	organic synthesis technologies

Table 2 Daily Returns, 1984-2004

Clever-Ticker Portfolio		NASDAQ/NYSE Portfolio		Difference			
Mean	Standard Deviation	Mean	Standard Deviation	Mean	Standard Deviation	t-value	Two-Sided p-value
0.000925	0.013027	0.000508	0.009918	0.000417	0.012069	2.517	0.0119

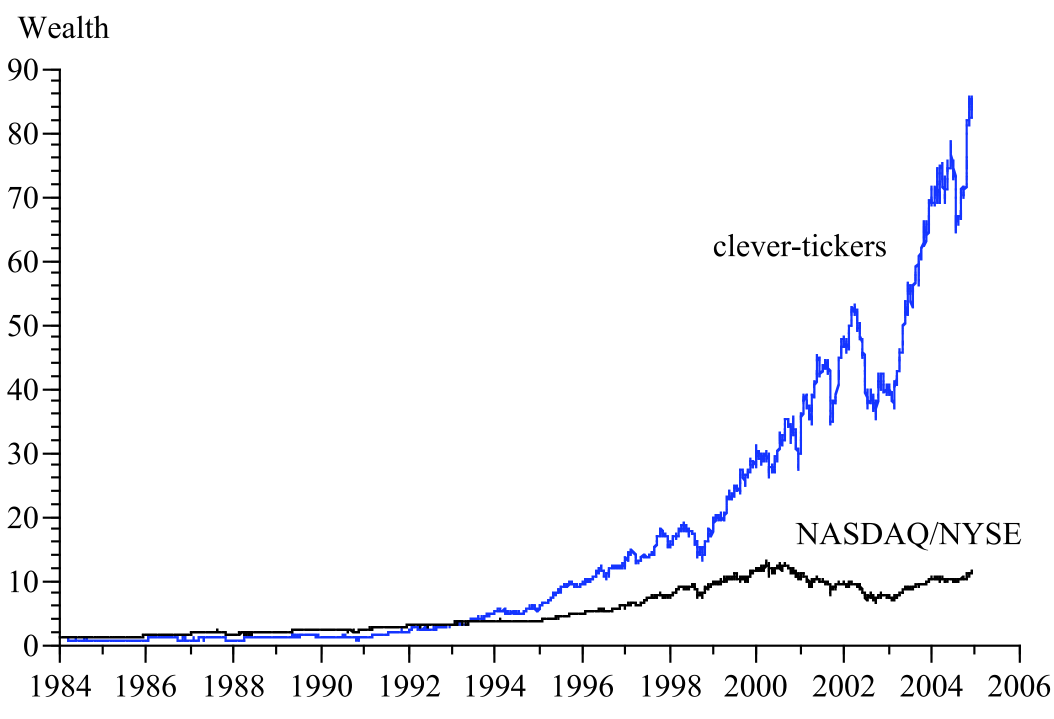

Figure 1 Clever-Ticker Portfolio and NASDAQ/NYSE Portfolio

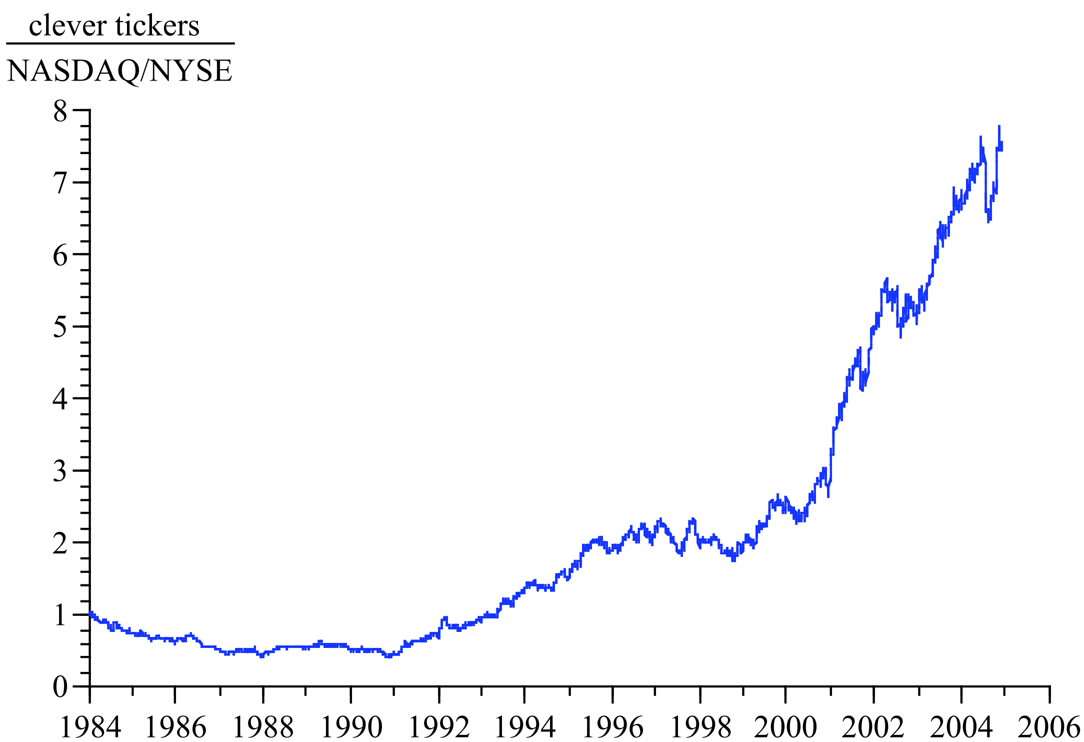

Figure 2 Clever-Ticker Portfolio Relative to NASDAQ/NYSE Portfolio