MARKETING STRATEGY AND SMALL BUSINESS OWNERS DECISIONS TO KEEP/CHANGE THEIR COMPANY NAME

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178 owners were surveyed about their decisions regarding changing their companies' names: 45 indicated such a change. Comparisons indicated those changing names were more likely to have prior marketing experiences and had added new product lines. 24 did so following a year where sales strongly surpassed projections. These respondents were more likely to have prior experience in the industry and to have added new product lines. Those changing names following lower performance were higher in prior managerial or ownership experience, older at start-up, more likely to have a business plan at start-up, and more likely to monitor relevant business environments.

INTRODUCTION

How important is a company or brand name? Khermouch and Berezra (1995) suggest a great deal of variability in how companies approach their naming strategy. Serious consideration is given to quantifying the dollar value of brand names (Lefton and Anson, 1996). Also, research has been done regarding such issues as whether or not use of a French name leads to hedonistic perceptions of the product (leClerc, et al. 1994).

Many company names survive because they offer assurance and meaning to consumers (Feldwick and Bonnal, 1995). Merger activity within the banking industry has led to the proliferation of new bank names. Furash (1995) proposes that banks seek names that (1) convey caring for their customers and (2) suggest a style of business that makes customers feel that there is a special relationship. In contrast, often the meaning that is conveyed needs to be changed, e.g., as Boston Chicken expanded its product line, it changed its name to Boston Market (Chaudhry, 1995), while Kentucky Fried Chicken became KFC in the face of increased consumer concerns about fried foods.

Which is more important, promoting the product or the name? Badenhausen (1995) suggests promotion of the brand name is more important, although Bernier (1995) limits this, indicating that such a strategy is really far more important if the company is pursuing a national market. Khermouch and Berezra (1995) point out that it may make as much sense to develop a variety of sub-brands, e.g., in cases of expansion through acquisition where the acquired company or brand has a strong following. A classic example of this is Payless Cashways, a home improvement chain which has over the years acquired approximately ten other regional chains. Payless does not change the original store names; however, it does use a common design in the logos of these subsidiaries.

The above review suggests that a great deal of thought has been given to the naming of companies and their brands. However, the common characteristic seen in all of these studies has been the focus on large companies. What about the small business owner? Here research is basically non-existent. Partially, this is a function of the assumption that small business is localized in scope. Yet, there are many small businesses that

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have national market penetration, and many more that strive to achieve this. In this research, almost 25 percent of the businesses responding added new customer segments and 15 percent subsequently marketed to new geographic segments. Approximately 30 percent of the respondents added new product lines, while almost 10 percent dropped part or all of their original product line, suggesting the need to reassess the viability of the company's name is often as important for the small business as for the major corporation. In fact, the need may be greater as the major corporation usually has some degree of "image" in the consumer's eyes and also is not likely to totally abandon its core product lines. This suggests that the large business is more likely to engage in modified name change strategy, i.e., changing the company name but keeping the brand names intact or vice versa. The experience of Nissan in changing its product name from Datsun to Nissan, a process lasting five years, serves to show us the difficulties of such transitions.

This research will focus on the impact of (1) various personal characteristics of the small business owner and (2) early start-up decisions on the decision by the owner to retain the original name of the business or change the name over time. The business owner is the dominant decision-maker in the small business, hence the focus on what s/he brings into the decision making process. Also, the viability of the first generation of decisions will impact the subsequent decisions to maintain or modify.

METHODOLOGY

Sample

A mail survey was sent to small business owners in the state of Missouri. Names of these owners were derived from two sources: (1) for the Kansas City metropolitan area, mailing lists of the Rockhurst College Small Business Development Center were used, while (2) for the rest of the state, a list provided by the State of Missouri Office of Economic Development was employed. A total of 178 (16.41 percent response rate) usable responses were received; 128 (72 percent) were from males and 50 (28 percent) were from females. The small business owners averaged 10.8 years in business, with no significant differences between males and females.

Comparison Groups

(1) *Did the business owner change the name of the business?* Forty five (25.2 percent) of the respondents indicated that they did, while 133 (74.8 percent) indicated that the original company name was still being used. In those cases where the name was changed, the company had been in business a mean of 7.1 years at the time of the name change.

(2) *Company's sales performance in the year prior to the name change.* A key research question is whether different circumstances would trigger the same action. In this context, it is worthwhile to compare those cases where the name change occurred following an upswing in sales performance versus those where sales had been stagnant or decreasing. Of the respondents who reported changing their companies' names, six did so following declining sales, 13 following stagnant sales, and 24 after increasing sales (there were two missing cases). For purposes of comparison, those with declining or stagnant sales were combined into one group with a total n = 19.

Dependent Variables

The following variables were used. They can be classified as either (a) personal attributes or past background of the business owner, i.e., do different "types" of persons make different marketing decisions, (b) initial decisions and outcomes, i.e., to what extent does first year activity and performance differ, and (c) later marketing decisions, i.e., what types of long term adjustments did the business owner make?

(A) Personal characteristics and past background

(1) *Prior managerial/ownership experience.* Respondents indicated the number of years

of prior managerial/ownership experience. They were classified as "no experience" if the answer was 0 or "yes" if the answer was greater than 0. The tables of results will show the proportion of "yes" respondents.

(2) *Prior marketing/sales experience*. Respondents were asked to indicate the number of years of prior marketing/sales experience. They were classified "no experience" if they responded 0, and "yes" if they responded greater than 0. The tables of results show the proportion of "yes" respondents.

(3) *Prior experience in this industry*. Respondents were asked to indicate the number of years of prior experience in their industry. They were classified "no experience" if they responded 0, and "yes" if they responded greater than 0. The table of results show the proportion of "yes" respondents.

(4) *Age when they started the business.* Individuals of different ages may vary in terms of attitudes regarding desirable size of business, choice of products, changing products, and other issues of relevance. Also, it would be noteworthy if comparison groups did show marked differences in age.

(5) *Attained a college education.* Respondents were classified as "yes" if they had earned a college degree and "no" if they had not. Results shown in the tables indicate the proportion of respondents who had earned a college degree.

(6) *High monitoring of the business' marketing environment.* Psychologists have long contended that individuals have markedly different predispositions towards monitoring environmental cues (Snyder 1982, 1987). A growing body of business related research (c.f. Adams and Hunt, 1996) is emerging. Since such monitoring behavior is an ongoing part of the individual's behavioral profile, we would expect it to be a relevant issue during all phases of the business' evolution, i.e., decision to go into business, start-up phase, and subsequent operations. This variable was operationalized by asking respondents to indicate the degree to which they monitored both their customers and competitors. Responses were coded 1= never, 2 = infrequently, or 3 = regularly. A combined score of 5 or 6 was classified as a "high monitor" while a score of 2-4 was classified as a "low monitor." Results shown in the tables indicate the proportion of respondents who were classified as high monitors.

(B) Activities and decisions made during the start-up phase of the business

(1) *Prepared a business plan prior to starting the business.* Respondents were classified as "no" or "yes." In the tables of results, the proportion of "yes" respondents were indicated.

(2) *Did the respondent initially have partners?* The decision to start a business with one or more partners reflects the desire to enhance the business' resource base, which could potentially open up options regarding strategy choices. Respondents were classified as "no" or "yes" and the results shown reflect the proportion of "yes" respondents.

(3) *High start-up capital.* Small businesses are notorious for initial undercapitalization. The median respondent in this study had an initial start-up capital of $8000. Therefore, "high" start-up capital was operationalized as any amount over $10,000. Results shown in the tables indicate the proportion of respondents in the "high" group.

(4) *Initial marketing budget as percent of first year's projected sales.* This reflects the owner's initial commitment to marketing; it also allows us to avoid the fallacy of associating higher absolute expenditures with higher commitment.

(5) *Started with innovative product line.* The first major marketing choice of the business owner is whether s/he will offer an initial product line/mix that is the same as is commonly offered in the marketplace or whether the mix will represent a distinctive

alternative. Respondents were given four options regarding how they would describe their initial product line: well-established, significant variation, recently developed, or totally new. Respondents who chose well-established were classified as "traditional," while respondents who chose any of the other three were classified as "innovative". Results shown in the tables indicate the proportion of "innovative" respondents.

(6) *Sought marketing assistance during the first year of operation.* Respondents were given six possible choices reflecting hiring marketing/sales specialists as employees, partaking in educational opportunities to enhance their own marketing knowledge, or utilizing free or for fee outside consultants. A "yes" response to any one of the six resulted in the respondent being classified as a "yes." Results in the tables indicate the proportion of "yes" respondents.

(7) *Number of initial customer segments marketed to.* Respondents were given a choice of eight possible customer segments (general public, government, industrial/business, professional users, hobbyists/recreation, ethnically identified customers, gender identified customers , and other). Respondents were asked to indicate for each segment if they never targeted this segment, no longer targeted this segment, targeted this segment less today than initially, targeted this segment the same as they did initially, targeted this segment more today than initially, or targeted this segment today but not initially. A response of no longer, far less, same or more indicated that the segment was one that the business had initially targeted. This variable was the sum of the total number of segments initially targeted .

(8) *Number of initial geographic segments marketed to.* The identical approach was taken for geographic scope, except here there were five geographic segments (local, extended local, regional, national, and international) that the respondents were asked to consider.

(9) *First year's sales versus projections.* Respondents were asked to indicate if their first year sales were (-1) more than 20 percent below their projections, (0) within +/- 20 percent of their projections, or (1) More than 20 percent higher than their projections. The results shown for this variable is the group mean, which is indicative of whether the group as a whole had more owners who fell significantly short of their projections versus significantly surpassed their projections, i.e., a negative group mean, or vice versa, i.e., a positive group mean.

(C) Subsequent changes in marketing strategy

(1) *Subsequently added distinctively new products/services to their product line/mix.* This was considered independently of whether or not they abandoned their original product line. Results shown in the table indicate the proportion of respondents who did add such products.

(2) *Subsequently dropped the original product line/mix.* The extremeness of this decision makes it worthy of consideration. The results in the table indicate the proportion of respondents who did abandon their original product lines.

(3) *Added new customer (geographic) segments.* If the respondent answered "targeted now but not originally" to one or more of the eight customer segments or to one or more of the five geographic segments, s/he was classified "yes" on that particular variable. The results shown in the tables indicate the proportion of "yes" respondents.

(4) *Added government.* Government is a special case as most government purchases are determined by specified bidding processes; therefore, the traditional approaches to product promotion are often not applicable in dealing with government. Results shown in the tables indicate the proportion of respondents who indicated "targeted now but not originally."

(5) *Dropped customer (geographic) categories.* If the respondent indicated "no longer" for one or more of the eight customer segments or to one of the five geographic segments, s/he was classified as "yes" on that particular variable. The results shown in the tables indicate the proportion of "yes" respondents.

(6) *Number of changes in customer (geographic) segments.* While adding or dropping a customer segment are the most extreme changes, increasing or decreasing emphasis of an original customer or geographic segment also reflects a shift in marketing strategy. This variable was operationalized as the number of customer geographic segments where the respondent indicated either "no longer," "far less," "more,", or "targeted now but not originally."

(7) *Overall customer (geographic) expansion.* This is the net result of "targeted now but not originally," + "more" - "far less" - "no longer." This variable measures the overall expansion or contraction of the business' marketing thrusts regarding customer (geographic) segments.

(8) *Non-government expansion of customer segments.* Overall customer expansion of the other seven customer segments.

(9) *Percentage of current workforce with marketing/sales as primary duty.* Respondents reported a specific percentage.

RESULTS

Responses were received from 178 small business owners in Missouri. Of these, 45 indicated that they had changed their company names, while 133 indicated that they had not. These two groups were almost identical in terms of how long they have been in business (10.84 years for the yes group and 10.79 years for the no group). When asked what factors were important in their original naming of the company, respondents gave the following responses:

TABLE 1
Factors Deemed Important in the Initial Decision Regarding Naming the Company

Factor	Proportion of firms not changing name	Proportion of firms changing name
Family-based name	.34	.40
Described product	.48	.40
Indicated location of business	.05	.06
Potential marketing advantage	.12	.11
Other reasons cited	.21	.26

These results suggest fairly similar bases for the original company name for both those who changed the name and those who kept it.

Those respondents who changed their company's name were asked how long they had been in business when they decided to change their company's name. Thirteen indicated that they did so within the first year of operation, 16 made the change within the 2-5 year range, eight during the 6-10 year period, and in eight cases, the change was made after the company had been in operation for over 10 years. The mean was 7.1 years, while the median was four years.

These respondents were asked what factors led to the decision to change their company's name versus the 133 who did not. The only personal attribute that was significantly different was that more owners who changed their company's name had prior marketing experience before starting this business (.72 versus .51, $p<.05$). In terms of marketing strategies and behaviors, those owners who changed their company's name were almost twice as likely to have subsequently added distinctively new product lines to their product mix (.36 versus .22, $p<.10$), and none reported dropping any of their original customer segments that they marketed to (versus seven percent of those owners who did not change their company's name., $p<.05$).

TABLE 2
T-Test comparison of small business owners who changed their company's name versus small business owners who did not

Dependent variables	Did not change	Changed
A) Personal Characteristics and Past Backgrounds		
Proportion males	.70	.75
Prior managerial/ownership experience	.65	.69
Prior marketing/sales experience	.51	.72**
Prior experience in this industry	.66	.68
Age when started business	38.2	36.9
College education	.65	.68
High monitors of the business marketing environment	.62	.66
B) Activities and decisions made during the start-up phase		
Initially had partners	.40	.36
High start-up capital	.48	.40
Initial marketing budget as percent of first year's sales	7.3	5.8
Started with innovative product line	.30	.23
Sought marketing assistance during first year of operation	.64	.50
Number of initial customer segments marketed to	3.63	3.23
Number of initial geographic segments marketed to	2.76	2.84
First year's sales versus projections	.04	-.03
C) Subsequent changes in marketing strategy		
Subsequently added distinctively new product line	.22	.36*
Subsequently dropped original product line	.09	.11
Added new customer segments	.27	.23
Added new geographic segments	.16	.11
Added government	.06	.06
Dropped customer segments	.07**	0
Dropped geographic segments	.01	.02
Number of changes in customer segments	1.71	1.44
Number of changes in geographic segments	1.29	1.54
Overall customer expansion	1.01	.88
Overall geographic expansion	1.02	1.20
Percentage of current workforce with marketing/sales as primary duty	26.7	30.6

*p<.10
**p<.05

TABLE 3

T-Test comparisons of business owners who changed their company names when the company was highly successful versus those changing their company names when the company was less successful.

Dependent variables	When less successful	When more successful
A) Personal Characteristics and Past Backgrounds		
Prior managerial/ownership experience	.94****	.47
Prior marketing/sales experience	.77	.69
Prior experience in this industry	.47	.81**
Age when started business	42.9***	31.4
College education	.63	.70
High monitors of the business marketing environment	.84**	.50
B) Activities and decisions made during the start-up phase		
Prepared a business plan prior to start-up	.58**	.18
Initially had partners	.33	.50
High start-up capital	.41	.37
Initial marketing budget as percent of first year's sales	4.15	5.45
Started with innovative product line	.15	.33
Sought marketing assistance during first year of operation	.50	.43
Number of initial customer segments marketed to	3.11	3.47
Number of initial geographic segments marketed to	2.89	2.73
First year's sales versus projections	-.18	.15
C) Subsequent changes in marketing strategy		
Subsequently added distinctively new product line	.21	.47*
Subsequently dropped original product line	.10	.08
Added new customer segments	.22	.17
Added new geographic segments	.10	.13
Added government	.11	.04
Dropped customer segments	0	0
Dropped geographic segments	.05	.00
Number of changes in customer segments	1.33	1.60
Number of changes in geographic segments	1.52	1.56
Overall customer expansion	.55	1.17
Overall geographic expansion	1.00	1.34
Percentage of current workforce with marketing/sales as primary duty	28.7	28.9

*p<.10 ***p<.01
**p<.05 ****p<.001

While it is often assumed that changing a company's name is a decision associated with poor company performance, of the 45 respondents who indicated they had changed their company's name, 24 indicated that they had done so following a year in which they had surpassed their sales projections by **at least** 20 percent, versus 13 who were within 20 percent of their projections, and only 6 who were more than 20 percent below their projections (2 respondents did not provide this information). Given this, these 43 respondents were collapsed into 2 groups: the 24 who reported surpassing their projections by at least 20 percent and the other 19. Table 2 shows t-test comparisons of these two groups.

The respondents who changed their company's name following less successful performance tended to be older when they started their businesses (42.9 versus 31.4 for the more successful group, $p<.01$), more likely to have had prior managerial experience before beginning their business (.94 versus .47, $p<.01$), but far less likely to have had prior experience in the industry in which their business competes (.47 versus .81 for the highly successful group, $p<.05$). The less successful group were more likely to have prepared a business plan prior to starting their business (.58 versus .18, $p<.05$) and high monitors of their relevant marketing environments (.84 versus .50, $p<.05$). Also, not shown in the table, they were more likely to have made the name change within the first three years of operations (9 of 19 versus 5 of 24 in the more successful group, chi-square = 3.34, $p<.10$). These results suggest that many of these individuals followed a strategy based on being sensitive to problems early on and making reasonably rapid adjustments. Thirty eight percent of this group indicated that a (the) reason for changing their company's name was that it did not help to attract customers (26 percent of the highly successful group gave this as a reason).

As seen above, those respondents who changed their company's name following a highly successful year were younger, less experienced as managers and more experienced within their industry. They also tended to be less likely to monitor their relevant business environments and, at least initially less likely to have engaged in a systematic planning process. However, they (1) tended to be more aggressive in terms of adding new product lines (.47 versus .21, $p<.10$) and (2) at least at the time of the name change, were riding a wave of success. This profile suggests that these individuals were more likely to ride their experience rather than take a systematic approach towards decision-making.

CONCLUSION

Results from a sample of 178 small business owners in Missouri indicated that a fairly large proportion (about 25 percent) changed their company's name, with almost two-thirds of these changes occurring in the first five years of operation. The reasons for these changes were highly varied, with change of owners, change of product, and the owner's perception that the original name did not help attract customers being cited by over one-fourth of the respondents.

In the aggregate, respondents who changed their company's names were more likely to (1) have a prior marketing background and (2) have expanded their company's product line. However, when those respondents who changed their company's name were broken down into those who did so following a period of highly successful sales versus those who did so when sales were less successful, we found two common yet distinctly different patterns: (1) the "rational reactor" who in the face of poor performance perceives that the company's name is not helping attract customers and therefore changes the name, and (2) the "we are on a roll and why not change the name?" pattern where experience is given greater weight than data. While this may sound somewhat overblown, when we consider that this latter group had 82 percent of its members go into business without business plans and 50 percent of its members indicate that they rarely or never monitor either their customers and competitors (2 of 24 in this group indicated that they never monitored both their customers and their competitors), these statistics do give cause for reflection.

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