The Vegas Threat: High Point’s Furniture Market May Benefit from Competition

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Article:
This Thursday marks the official opening of the Spring 2005 edition of the International Home Furnishings Market in High Point. This is news to no one in High Point, as the downtown has been bustling for some time now as exhibitors put the finishing touches on their showrooms and fill them with furniture and accessories. Soon the rest of us will feel the effects of the market, for example as restaurants get more crowded.

For years the IHFM has been the place for retailers to see new product lines and schmooze with manufacturers (and increasingly, importers). But this will be the last market before the new World Market Center in Las Vegas holds its inaugural furniture market in July, and it’s fair to say that folks around here are nervous. I’ve been asked a number of times whether the market will “move to Las Vegas.” The short and emphatic answer is no. But will the Las Vegas market have any effect on High Point? Almost certainly.

But before we talk about the challenger, let’s take a look at the champion. The High Point market has been around since 1909, when area manufacturers capitalized on the growth of the industry in North Carolina by establishing the Southern Furniture Market. The market moved to its current twice-yearly schedule in the early 1980s and took its current name in 1989.

The IHFM now boasts 11.5 million square feet of showroom space, spread among nearly 190 buildings. The total square footage is more than three times the size of the next largest furniture market in the world. The market attracts nearly 75,000 people twice a year, including nearly 3,000 exhibitors.

High Point’s “market share” is impressive. A few years ago, UNCG’s Office of Business and Economic Research (OBER) conducted a series of surveys called “Mood to Market” in which furniture retailers were asked about their business outlook and their attitudes regarding the High Point market. The survey indicated that over 70 percent of the retail buying power in North America is represented at the High Point market, and for the larger April market the figure is roughly 80 percent. With the economy strengthening since those surveys were conducted, the market share could well be higher now.

The market isn’t important just to the furniture industry; it’s also important to the Triad. In another study, OBER calculated the economic impact of the High Point market, and found that it injects more than $1 billion annually into the regional economy. The size of that impact was surprising to some, because the economic impacts of such big events as the Super Bowl tend to be only a third to a half as large. But it made sense given a distinctive feature of the High Point market: two-thirds of its overall economic impact takes place when the market isn’t open.

Roughly two-thirds of the showroom space in High Point is either owned outright by exhibitors or is categorized as “permanent rental” space. Exhibitors with temporary rental space can redecorate for each market, but exhibitors with permanent rental space can exert great control over their showrooms, often including reconstruction and redesign. This extensive between-market activity supports a fleet of contractors and designers. In the same way that many retailers depend on December sales, many businesses in and around High Point depend on between-market work.
The size of the IHFM’s economic impact is why many people fear the new Las Vegas market. Part of the fear derives from Las Vegas’ fundamental glitziness, it’s what-happens-in-Vegas-stays-in-Vegas coolness. Some of it may derive from many Southerners’ basic insecurity about their own region.

But the biggest reason for concern involves hard facts. There are few cities in the world that can match Las Vegas’ entertainment and convention infrastructure, for example the sheer number of hotel rooms within a few square miles. There are approximately 140,000 hotel rooms in Las Vegas, with more planned for the future. As a result, Las Vegas hosts some of the largest conventions in the world, and the city absorbs them all with nary a burp. (Or maybe it’s always burping, but no one notices.)

In contrast, every market in High Point stretches the city to its limits. Hotels bulge at the seams, hotel rates rise dramatically, and many attendees rent single-family homes to avoid the hotel scene altogether. Though the oft-cited figure of only 1, 100 hotel rooms in the city of High Point is misleading (there are many more in nearby areas), the IHFM’s hotel capacity falls far short of Las Vegas’.

To many buyers and exhibitors, renting homes is a quaint and attractive aspect of coming to High Point each year. But according to the Mood to Market surveys, the hotel squeeze is buyers’ primary concern. When asked what most needs to be changed about the High Point market, a majority of retailers pointed to the cost and availability of lodging.

In contrast, very few respondents pointed to better transportation in and around High Point, better transportation to High Point, or better entertainment options. In fact, the second most frequent response was that nothing needs to be changed, that the High Point market is fine as is.

If these survey results are accurate, then the scope of the Las Vegas challenge is clear. It’s less about the glitz of Las Vegas than about the cost of High Point. Judy Mendenhall, president of the International Home Furnishings Market Authority, likes to say that furniture people don’t go to market to be entertained, they go to do business. According to the Mood to Market surveys, she’s right. But the business orientation of market attendees is also at the core of the Las Vegas challenge.

The people behind the Las Vegas market obviously know what High Point’s Achilles’ heel is. In January they announced a program whereby market attendees could benefit from low hotel rates in Las Vegas, starting at a mere $52 per night. Of course it remains to be seen how long they’ll sustain that program, but it’s a savvy and aggressive move.

What should we watch for in the years to come? One important signal will be what happens with the San Francisco furniture market, which is currently the primary Western regional market. Will Las Vegas replace San Francisco? It will also be interesting to pay attention to the October market in High Point, which is slightly smaller than the April market. The April market is in a better position to retain attendees because it takes place right when retailers are lining up merchandise for the fall buying season.

Another signal will be the mix of exhibitors and merchandise in Las Vegas. The largest showroom there will be about 30,000 square feet, whereas many in High Point exceed 100,000 square feet. In addition, only a small proportion of showrooms in Las Vegas will be permanent rentals. Furniture is a style business and hence the ability of exhibitors to fashion just the right settings in which to display their merchandise is extremely valuable. Las Vegas may end up specializing in mid-range merchandise, while high-end lines will continue to dominate in High Point. Also, because of its location, Las Vegas may end up specializing in Asian-made furniture.

Whatever impact the new Las Vegas market has on High Point will be gradual. The projected build-out in Las Vegas is 12 million square feet of showroom space, which would surpass High Point if the latter doesn’t grow.
as well. But for the July market in Las Vegas, fewer than two million square feet will be available. Nothing serious will happen to High Point as a result of two million square feet of furniture showrooms in Las Vegas.

The most likely outcome is that Las Vegas and High Point will coexist as important furniture markets. Maybe High Point will shrink a little, and maybe not. Maybe Las Vegas will become as big as its investors hope, and maybe not. But the bottom line is that no market around here is “moving to Las Vegas.” Even if the High Point market is a bit smaller in the future, the new competition will strengthen it and improve cost and quality. And that’s not such a bad outcome for the Triad economy.