

Measuring “Mood to Market” of Furniture Retailers

by Andrew Brod

Greensboro News and Record, March 30, 2003

The spring edition of the International Home Furnishings Market opens on Thursday in High Point. As it does twice every year, the opening marks both a beginning and an end. It ends weeks of speculation in the furniture industry, as well as in cafes and offices throughout High Point and Greensboro, about whether the upcoming Market will be good, bad, or neutral.

Many observers resort to informal Market indicators, asking caterers and hoteliers whether their bookings are higher or lower than normal, or passing on stories about friends who rent out their homes to Market attendees. Others look at the big picture and examine economy- and industry-wide indicators, such as housing starts and durable-goods purchases. All of these approaches have their place, but until recently no one ever asked the retailers what they think. After all, retailers are the “consumers” at Market.

All that changed last October, when High Point-based accounting firm Dixon Odom commissioned the inaugural “Mood to Market” survey of furniture retailers. For the first time, the mood of retailers in the weeks leading up to Market could be assessed and measured.

To ensure the reliability of the survey, Dixon Odom brought in the Office of Business and Economic Research at UNCG’s Bryan School of Business and Economics. OBER designed the survey, selected a random sample of retailers, conducted telephone surveys, and analyzed the data. As OBER Director, I managed the project and performed the statistical analysis.

Last October the Mood to Market survey asked retailers an array of supporting questions about their current and future business outlook, the role of imports in their merchandise mix, and their opinions about the High Point Market. The main question, however, was to assess the respondents’ mood as the time for Market neared. How optimistic were they that Market could serve their business needs? Furniture retailers who planned to attend the October Market reported that on a 10-point scale (with 10 indicating the greatest optimism), their mood leading in to Market was 6.6.

Based on that figure and the other survey results, I characterized the mood as cautiously optimistic, which was a bit more optimism than many other Market observers could muster at the time. But on the day after the opening, newspaper articles, including one in the News & Record, indicated that Market had started off better than expected. You can read more about the October 2002 Mood to Market survey (or M2M, as I call it) at www.mood2market.com.

After Tuesday, you’ll be able to go to the same website to see the results of the April 2003 M2M survey. On Tuesday morning at 9:30, Dixon Odom officials and I will

announce the latest M2M results in a news conference at the String and Splinter Club in downtown High Point.

How does M2M work? The first step of any survey is to define the survey population from which the random sample is selected. The survey population for M2M is Chain Store Guide's data base of North American furniture retailers. We restrict ourselves to furniture retailing companies with annual sales of \$2 million or more, and that serves as our working definition of the retail furniture industry.

An interesting feature of the project is that we use a "sales-weighted" random sample that gives greater weight to larger retailers. Unlike a government election in which each person gets one vote, the furniture industry (like all industries) counts votes according to dollars spent. Big retailers get more "votes" than small ones. Consequently, M2M is set up so big retailers have a greater chance to be included in the weighted random sample. But randomness ensures that we also take the pulse of small retailers.

According to Chain Store Guide, there are 3,250 furniture retailers in the industry as we've defined it. More than three-quarters of them, or about 2,500 companies, sell less than \$10 million of furniture each year. Those small retailers account for less than 20% of industry sales. At the other end of the size spectrum, 88 companies have annual sales of over \$100 million. Those companies represent less than 3% of all furniture retailers in North America, but they account for over half of all retail sales. This skewed distribution is what makes weighting by sales so important.

The April 2003 M2M survey contacted nearly 300 retailers and obtained completed surveys from 224 of them. Three-quarters of those merchants, or 168 companies, plan to attend this week's Market. Those companies represent only about 5% of our survey population, but they account for about a quarter of all industry sales.

We also asked questions of the 56 retail companies that have no plans to send people to Market, and altogether, the 224 retailers in our sample account for nearly a third of all industry sales. That's the kind of leverage that weighting by sales can provide.

We contacted survey respondents first by letter and then by telephone. We also provided them with an on-line option: instead of taking the survey with us by phone, they could take it at their own convenience by going to the mood2market.com website. It's important to note, however, that our approach differs from most on-line surveys, which cannot ensure random sampling or control the identity of survey-takers.

So what did we find? Well, I can't divulge all the results just yet, but I can say that we obtained an interesting snapshot of the retail furniture industry. Retailers were undoubtedly factoring the likelihood of war in Iraq into their assessments, but only a few of those who won't be in High Point reported that the reason for their non-attendance is uncertainty about war and terrorism.

The most commonly reported reason for not attending Market was the business environment. When the economy improves, we're likely to see those retailers back in High Point.

We also found a continuation of some of the strongest results from October. Imports are making inroads on almost every retail sales floor. And in spite of the weak economy, retailers are mostly settled into their current product price points, having neither traded down to lower-priced merchandise nor traded up to higher-priced merchandise during the last year.

We also found once again that Market attendees are a nose-to-the-grindstone bunch, with very few of them reporting a desire to improve the High Point Market by improving its social and entertainment opportunities. To no one's surprise, the biggest concern along those lines is once again the logistics of transportation and lodging.

But what about the Mood to Market of all those retailers? April is the bigger of the two markets, providing merchandise for the summer and fall selling season, so shouldn't retailers be more optimistic than they were last October? Or have fears about war hampered that optimism? Tune in on Tuesday to get the answers.

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