Industry concentration and firms' numerosity Implication for the trade show and exhibitions industry

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Working Paper

gennaio, 2020

1. Introduction

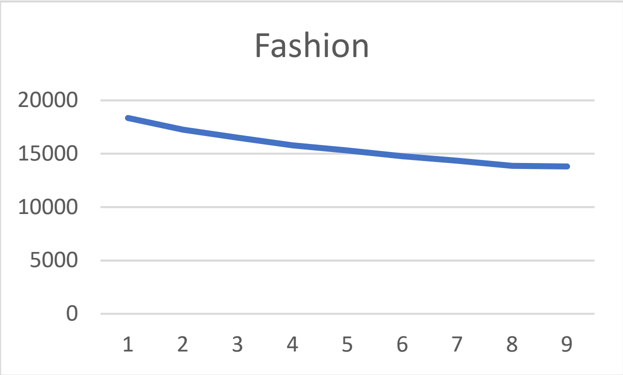
Recently, concerns have been raised about the decline in firms' numerosity and the increase of industry concentration worldwide. Ever since the Great Recession of 2007-2008, the number of firms outcosted from the market is stunning. The evidence is far more worrisome if coupled with the consolidation of many "superstar" firms who grew in both size and market power. Hence, it seems that not only industries are hollowing out, but they are also becoming less and less competitive. That North American (Autor et al., 2017) and Japanese (Honjo et al., 2014;) industries are concentrating is uncontroversial. Less clear, however, is whether European industries are following the same trend, though the available data seems to indicate that competition intensity has remained rather stable in the EU (Gutiérrez & Philippon, 2018). While both phenomena likely have a significant effect on the trade show and exhibition industry, they have not received but cursory attention from the exisiting literature.

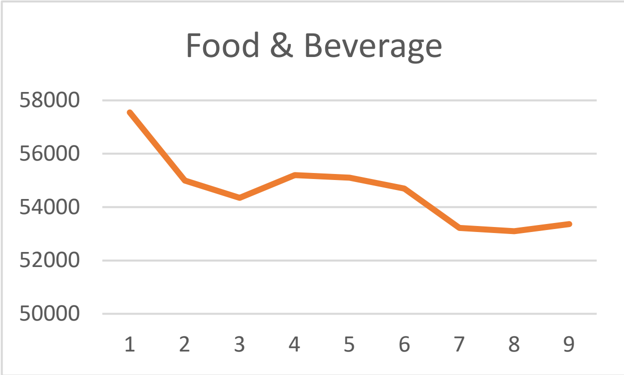
The reason why trade show researchers ought to pay attention to the decline of firms' numerosity is trivial, and relates to the fact that less firms translates in less potential exhibitors. The correlation between increasing concentration and trade shows, on the other hand, is trickier, and unfolds across multiple dimensions. The effect of large firms achieving market dominance, in fact, is not limited to the erosion of consumers' surplus, as it also signals that small and medium firms (hereafter, SMF) are being outcosted from the market. Besides the negative implications that this entails for various proxies of market dynamism such as product differentiation and innovation, the disappearing of SMF have an immediate and dual effect on the trade show and exhibition industry. The first facet of this effect is straightforward, and reinforces the concern whereby less firms translate in less exhibitors. The second facet is connected to the decrease in market competition, and relates to the idea that large firms operating in uncompetitive environments have lower incentives to market their products. In addition, it has been said that large firms attend fairs for reputational or self-celebrational reasons. As capitalizing on these effects requires massive participation from the remainder of the industry, when firms' numerosity decreases, so does the large firms' incentives to participate to these events. To sum up, our working hypothesis is simple: given that SMF are the most active in terms of trade show participation (Evers & Knight, 2008), a decline in their relative and absolute numerosity alike is detrimental for the trade show and exhibition industry.

In this paper, we provide empirical evidence on industry concentration and numerosity in Italy using Eurostat, Aida and Fiera Milano data for the decade 2007-2018. In particular, we analyze the time evolution of four industries that are particularly relevant for the Italian trade show and exhibition industry, namely, for the fashion & apparels, food & beverage, furniture and machinery industry. In line with the existing empirical literature (Gutiérrez & Philippon, 2018), we find no evidence of increasing concentration. This non-varying trend is also confirmed by the analysis of the size composition of those who have exhibited at Fiera Milano over the last years. While considering firms' numerosity in absolute terms, however, the number of Italian firms displays a clear decreasing behavior. The remainder of the paper is organized as follows. In section 2, we report our results on industry concentration and firm's numerosity. Section 3 comments and concludes.

2. Results

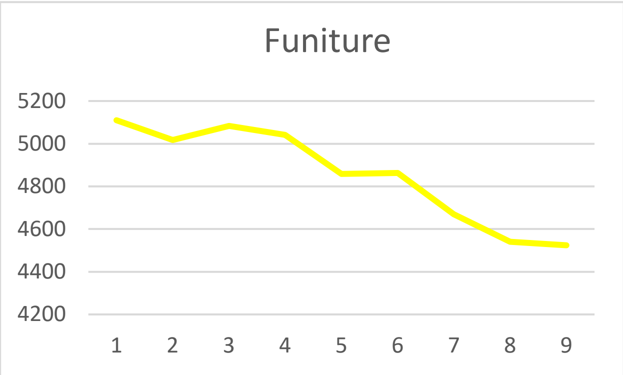
In this section, we investigate the possibility that firms' numerosity has evolved over time, in order to check whether the industries analyzed have expanded or rather shirked. To do so, we use Eurostat data on firms' numerosity for the period 2008-2016. The importance of this analysis for the trade show and exhibition industries is straightforward, as less firms translate in less potetial exhibitors. As reported in fig. 1, we find that the overall number of active firms have significantly declined in all four industries analyzed.

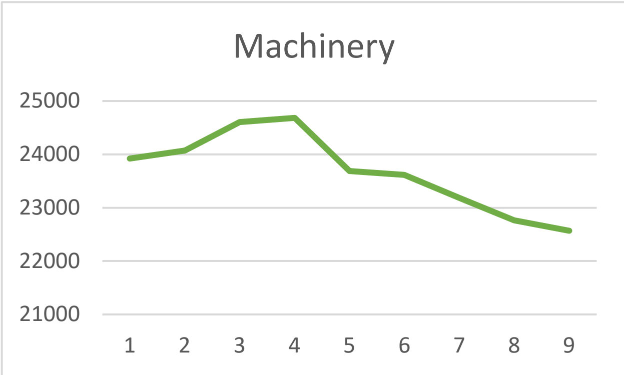




Relative change from 2008 to 2016: −24,76%

Relative change from 2008 to 2016: −7,28%





Relative change from 2008 to 2016: −11,47%

Relative change from 2008 to 2016: −5,67%

Fig.1: Firms' numerosity in the fashion, food & beverage, furniture and machinery industries in Italy over the period 2008-2017. The years of observation are reported on the *y* axis, where the following convention has been adopted: 1=2008, 2=2009 … 9=2016.

To verify whether this trend has been further reinforced by an increase in industry concentration, we first take the ratio between the number of enterprises of a given size and the total number of firms active in the industry in a given year. This allow us to check whether the shares of medium-large and large firms have grown with respect to that of the smaller players in the industry. As shown in fig. 2, all historical trends have remained rather steady over time, therefore suggesting no sign of industry concentration in Italy[1]. This is consistent with the size composition of the Fiera Milano's exhibitors over the last years[2], which is shown in fig. 3.

[1] Of course, this entails that the peculiar composition of each industry has also remained unvaried if compared to the other sectors analyzed. For instance, the machinery industry was more concentrated that the remaining three sectors in 2008 and so it is in 2016.
[2] For reasons of data availability, we do so for a slightly different period of time (2010-2019).

Fig. 2: Ratio between the *n* of firms with *m* employees and the total population of firms in the fashion, food & beverage, furniture and machinery industry over the period 2008-2016. The years of observation are reported on the *y* axis, where the following convention has been adopted: 1=2008, 2=2009 … 9=2016.

Finally, we validate this preliminary evidence on the state of industry concentration in Italy by using Aida data on production shares. For reasons of data availability, we do so for a slightly different period of time (2009-2017). Our results are shown in fig. 3. As all reported trends display a non-varying behavior, we can conclude that no sign of decreasing competition is threatening the dynamism of the Italiam economy, with positive implications for the the trade show and exhibition industry.

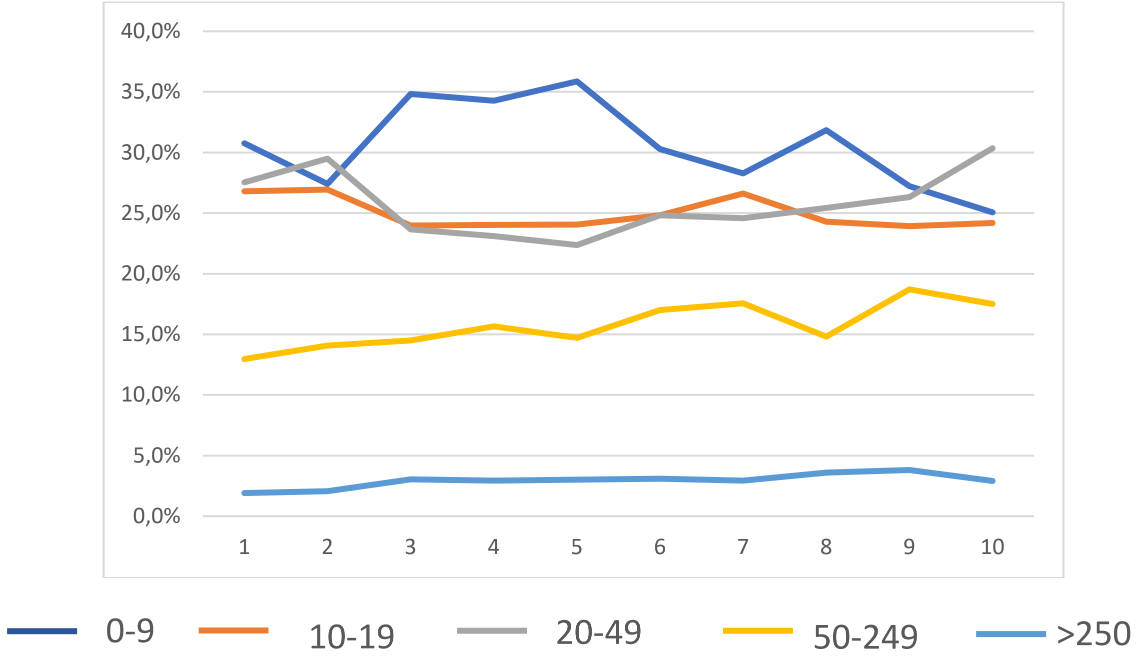


Fig.3: Size composition of Fiera Milano's exhibitors over the period 2010-2019. The employment classes are reported on the *x* axis. The years of observation are reported on the *y* axis, where the following convention has been adopted: 1=2010, 2=2011 … 9=2019.

3. Conclusions

In this note, we have empirically assessed the state of industry concentration and firms' numerosity in four of the core sectors of the trade show and exhibition industry in Italy, namely, in the fashion, food & beverage, furniture and machinery industry. In line with the existing empirical literature on industry concentration in Europe (Gutiérrez & Philippon, 2018), we find no sign of industry concentration in Italy. However, we also find that the overall number of firms in all four industries analyzed have tendentially declined. As less firms translate in less potential exhibitors, this has negative implications for the trade show and exhibition industry. Hence, our results suggest that trade show organizers should find ways to increase the attractiveness of their events. As a preliminary suggestion, consider the following: given that small-medium firms are the most active in terms of trade show participation (Evers & Knight, 2008), organizers should find ways to provide small-medium firms with learning opportunities to boost their competitiveness.

Fig.4: Production volumes (% of the whole industry) of the largest Italian firms in the fashion, food & beverage, furniture and machinery industries. The years of observation are reported on the *y* axis, where the following convention has been adopted: 1=2009, 2=2010 … 9=2017.

Reinforcing the two-way synergy between trade shows and small-medium firms, in fact, may yields a win-win situation for both firms and organizers: by gaining competitiveness, SMF remain on the market, and presumably, maintain their trade show participation rates, with positive implications for profitability. Incidentally, this is in line with the idea that both organizers and researchers should pay greater attention to the mode of organizing trade shows, instead of focusing almost exclusively on the visiting and exhibiting modes (Gopalakrishna and Lilien, 2012).

References

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