Furniture City in the Driver’s Seat

By: Andrew Brod


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**Article:**
What keeps an industry together in a particular region? What serves as the glue that prevents companies from drifting away to other areas? Historically, the answer was access to natural resources, proximity to markets, or the presence of cheap labor. In some industries, these are still important.

But more and more, industries remain in place without such factors. Instead, the glue takes the form of what might be called intellectual capital: a skilled workforce, research facilities, related university programs, and the presence of what author Richard Florida has called the creative class.

A recent article in *Economic Development Quarterly* sheds some light on this. The focus of the article is the economic impact of the motor-sports industry cluster near Charlotte. The authors note that the Charlotte area was the early hub of the NASCAR circuit because it minimized transportation costs to races, nearly all of which were located in the Southeast. But NASCAR now has a national fan base and there are races in such far-flung locales as California, Texas, and Michigan. And yet the Charlotte area is still the home of most NASCAR teams.

Why? Because, in the authors’ words, the Charlotte region “has developed a specialized labor pool, a well-developed supplier chain, an infrastructure in the form of race tracks and testing facilities, and a culture of stock car racing.” NASCAR teams no longer locate in Charlotte to minimize the costs of transporting gear to races, but to maximize access to specialized researchers, designers, engineers, and team members.

Consequently, of the motor-sports cluster’s statewide economic impact of $5.9 billion in 2005, nearly half was generated by racing teams and their operations. Relatively little of the overall impact derived from the spending of racing fans.

Now let us shift gears, so to speak, and consider the High Point Furniture Market. The market gained a foothold in these parts many decades ago, when furniture manufacturers headed south in search of lumber and cheap labor. Long the preeminent trade show for home furnishings, the market now faces a challenge from a well-heeled new rival in Las Vegas. Because that city is a tourist destination with few equals, it has a built-in advantage over High Point. The entertainment infrastructure in Las Vegas includes restaurants, shopping, shows, and over 140,000 hotel rooms (with more being built every year).

As a result, Las Vegas can absorb tens of thousands of market attendees with nary a burp, while High Point bulges at the seams twice a year. A survey conducted a few years ago by my office at UNCG found that the primary concern of attendees of the High Point market was the high cost of lodging.

The market authority has been responding to the Las Vegas challenge for a number of years now. It has reinvented its transportation system in High Point. It has streamlined registration. And it has done what it can about hotel rates. But it’s unreasonable to expect High Point to match Las Vegas’ entertainment infrastructure.
However, High Point has a particular strength that Las Vegas doesn’t have, and it’s related to Charlotte’s advantage in motor sports. Las Vegas may have the entertainment infra-structure, but when it comes to furniture, High Point has the intellectual infrastructure.

The area in and around High Point is the headquarters of numerous furniture companies. High Point is also home to an array of specialized companies in furniture design, advertising, photography, marketing, financing, and transportation. The major trade associations and trade publications are located in High Point. According to a recent study by High Point University, this intellectual activity contributes to the furniture industry’s $8 billion annual economic impact in the region. So far at least, Las Vegas has little to compare along these lines.

The result is that in spite of the early successes of the Las Vegas market, furniture talent continues to come to High Point. The latest example is the decision by Home Meridian, maker of Pulaski and Samuel Lawrence furniture, to locate its headquarters in High Point. According to news reports, Home Meridian selected High Point in order to be near its designers and showrooms and finishing companies. The company’s CEO called the city “the intellectual capital of the furniture business.”

The crown jewel of High Point’s intellectual capital is the market itself. There is a complex web of linkages between the market and the other components of the area’s home-furnishings cluster. The market attracts the designers and financiers, and the designers and financiers create an environment that attracts market attendees. It isn’t just heritage and tradition that keeps people coming to the High Point market.

NASCAR’s lesson for the furniture market is that it should focus on High Point’s home-furnishings strengths. Just as Charlotte retains its motor-sports cluster because of its “New Economy” advantages, High Point can solidify the position of its market by continuing to cultivate its furniture-related creative class. Of course the market can’t ignore such nuts-and-bolts considerations as lodging and transportation, but its intellectual edge is one of its best weapons as it competes against Las Vegas’ hotel-room advantage.