

## NASCAR's Lesson to High Point

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### **Article:**

The battle of the furniture markets continues, and so far no clear leader has emerged. The upstart Las Vegas market opens its fifth installment this month, and it continues to build new showrooms. Meanwhile, the High Point market appears to be going strong in its 98th year. High Point has responded to the Las Vegas challenge by making various improvements. But what's the best way for High Point to defend its turf?

The answer to this question is suggested by a recent article in *Economic Development Quarterly*. The focus of the article is the economic impact of the motor-sports industry cluster near Charlotte, N.C. The article's 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. 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.

This is a reflection of larger developments in the American economy, which is undergoing a transformation from a manufacturing-oriented past to a service- and skill-oriented "New Economy." In this new economy, an increasing share of economic value is generated by the skilled workers whom author Richard Florida calls the "creative class."

The EDQ article finds that the motor-sports cluster's economic impact on North Carolina was \$5.9 billion in 2005. Due to Charlotte's motor-sports creative class, nearly half of that impact was generated by racing teams and their operations. Relatively little of the overall impact derived from the spending of racing fans and tourists.

Now let us shift gears, so to speak, and return to the home furnishings market in High Point. The market gained a foothold in the Southeast nearly 100 years ago, after furniture manufacturers headed there in search of lumber and cheap labor. For some time now, the High Point market has been the preeminent trade show for home furnishings. The new Las Vegas market isn't the first challenge to High Point's dominance, but it appears to be the most serious one.

Because Las Vegas 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).

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

The High Point Market Authority has been responding to the Las Vegas challenge for a number of years. It has a new transportation system and a streamlined registration process, 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 has the entertainment infrastructure, but when it comes to furniture, High Point has the intellectual infrastructure.

Numerous furniture companies have their headquarters in and around High Point. The area is also home to an array of specialized companies in furniture design, advertising, photography, marketing, financing, and transportation. Major trade associations such as National Home Furnishings Association and American Home Furnishings Alliance and trade publications (including Home Furnishings Retailer) are based in High Point. 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 go 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 made the decision in order to be near its designers and showrooms and finishing companies. The company's CEO cited the pool of experienced home furnishings talent in High Point, which he called "the intellectual capital of the furniture business."

The crown jewel of High Point's intellectual capital is the market, which is connected to the rest of the area's home furnishings cluster through a complex web of linkages.

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 keep people going to the High Point market. NASCAR's lesson for High Point is that it should focus on its 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, this is also a lesson for Las Vegas as it builds its market.)

High Point can't ignore such nuts-and-bolts considerations as lodging and transportation, but its intellectual edge may be its best weapon against Las Vegas' hotel-room advantage.