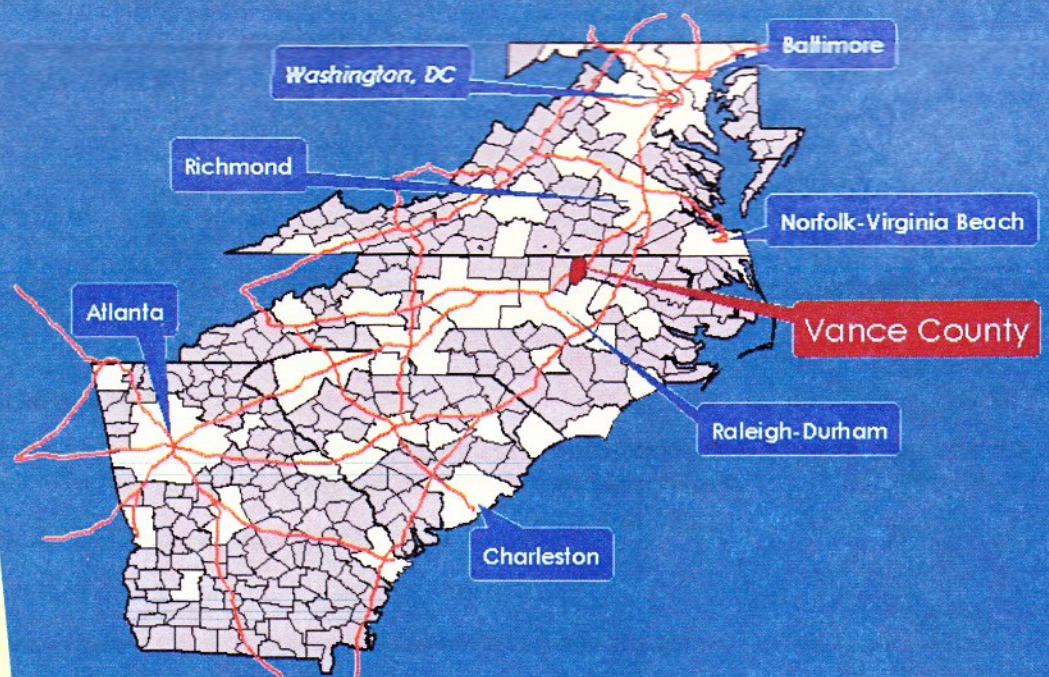


Target Business Analysis

Vance County, North Carolina



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June 26, 2003

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INTRODUCTION

Community leadership in the business sector of the region. These groups of commonalities are the same or close to each other, locating next to each other, about new technologies, labor pool, and productivity in the economy.

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VANCE COUNTY, NORTH CAROLINA

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INTRODUCTION

Community leaders seeking to improve their local economy must know the predominant business sectors in their area and how those sectors interact both within and beyond the region. These business sectors, also known as *clusters*, are "a geographically proximate group of companies and associated institutions in a particular field, linked by commonalities and complementarities."¹ Business clusters emerge because firms in the same or closely related business sector gain a collective competitive advantage by locating next to each other. A close association with like firms allows businesses to learn about new technologies or developments within the sector, to create an effectively trained labor pool, and to reduce transaction costs. This close interaction can increase the productivity of the entire cluster, which, in turn, can significantly improve the local economy.

Most clusters originate from one or two successful businesses and a synergistic relationship with key institutions such as a government research lab or a university. As a dynamic process, clustering occurs if the original firms are successful and generate demand for related products and services. Over the last decade, business cluster analysis has been increasingly used to learn about the connections between business sectors and how those sectors operate in a dynamic global economy.

In this knowledge-based economy, *productivity* has replaced low cost inputs, such as cheap labor or land costs, as the key competitive factor for businesses. Today's changing economy increases the pressure on companies to find new ways to make the best use of their resources. Increased competition and smaller profit margins have forced businesses to be more proactive in finding new ways to increase their revenue. Clusters have been found to increase productivity because of the following factors:

- Improved access to workers and suppliers;
- Access to a flow of specialized information about cluster businesses (i.e. effective business strategies, performance measures, other technical information);
- Complementary relationships that benefit cluster members;
- Access to relevant institutions and public investments; and
- Exposure to competitors that enhances motivation and performance measurement.²

In addition to improving productivity, cluster development strengthens the competitiveness of area businesses in other ways. First, the efficiencies of cluster relationships allow for possible cost savings, thereby increasing competitiveness. Second, clusters increase rates of innovation because cluster members – both institutions and businesses – are better attuned to changing market demand and competitive

¹ *On Competition*, Dr. Michael Porter.

² Dr. Michael Porter, a business strategist at the Harvard Business School.

conditions. Innovation is further supported by the rapid flow of information within a cluster, and the reduced cost of experimentation if cluster businesses collaborate on research. Finally, business clusters stimulate new business formation. Barriers to entry are reduced in a business cluster, as opposed to a stand-alone entity, because the workforce, technology, and market demand can be shared through the cluster. New start-up companies within a cluster typically have identified market niches and can also access capital more easily via financial institutions active in the cluster.

Simply being within a cluster does not guarantee success; some clusters are outperforming others with longer tradition and much richer environment in terms of suppliers, training and technological institutions and associations. Generally these clusters have reacted more quickly to industry changes.³

The cluster development approach differs considerably from traditional economic development practice. While traditional recruiting focuses on the singular needs of individual companies, cluster policies employ a systems approach by identifying linked businesses and promoting a *framework* in which those businesses can learn from each other. As an economic development strategy, cultivating the relationships between similar businesses helps to strengthen the core of a region's economy. This report will focus on several clusters which, due to a combination of Vance County's existing businesses, the future of those sectors, the wages paid, and the training and workforce available, have a better opportunity for producing wealth in the area and helping sustain a diverse, vibrant economy.

³ Cluster Competitiveness Group, S.A., www.competitiveness.com

METHODOLOGY

While business clusters are more common in metropolitan areas, they can also form in rural areas. For example, about 80 percent of the world's carpet is produced within a 65-mile radius of Dalton, in north Georgia. However, such large business clusters are not particularly common in rural areas. Consequently, selecting certain types of business for a rural community to target requires a much broader perspective than what might be used for a large metropolitan community. Rather than focusing only on specific lines of business (i.e. biotechnology or broadband telecommunications), rural leaders need to focus on businesses that require the same types of assistance and support from the surrounding community.

Identifying specific clusters to target requires both quantitative *and* qualitative research. *Quantitative* research is the initial step used in this analysis to identify the predominant business clusters in Vance County. By examining indicators like employment and wages, the scale and positive economic contributions of specific business sectors are determined. The data used to look at these factors is provided by North American Industry Classification Systems (NAICS) codes from the 2001 United States Census Bureau's County Business Patterns. NAICS classifies businesses into categories similar to the old Standard Industrial Codes, but in classifications that are more closely aligned with today's service-oriented economy. Twenty different divisions represent the broadest NAICS codes. These divisions and their corresponding NAICS codes are:

<i>Division</i>	<i>NAICS Code</i>
• Agriculture, Forestry, Fishing and Hunting.....	11
• Mining.....	21
• Utilities.....	22
• Construction.....	23
• Manufacturing.....	31-33
• Wholesale Trade	42
• Retail Trade.....	44-45
• Transportation and Warehousing	48-49
• Information	51
• Finance and Insurance.....	52
• Real Estate and Rental and Leasing.....	53
• Professional, Scientific, and Technical Services	54
• Management of Companies and Enterprises.....	55
• Administration and Support and Waste Management	56
• Educational Services.....	61
• Health Care and Social Services	62
• Arts, Entertainment, and Recreation.....	71
• Accommodation and Food Services	72
• Other Services – Except Public Administration	81
• Public Administration.....	92

Data from the County Business Patterns are sometimes suppressed or only ranges of employment size are provided if revealing the information would potentially disclose the name of a certain employer. When this situation occurred for data used in this report, the midpoint of these categories was used to provide a single employment figure.

This report uses the term *location quotient* when discussing a sector of employment and its concentration in Vance County relative to the nation. A location quotient is a ratio that represents the influence of a particular business sector in a region's economy in relation to the national average. The percent of one sector's total employment in the County is compared to the percent of that sector's employment in the entire nation.

For example, if a location quotient is greater than 1.0, the area has a larger share of employment in that sector than the nation. The sector may then be considered as a traded, or exporting, sector in the area. Traded business sectors generally serve a population outside of the region in which they are located and are considered to be the driving forces in the local economy. Conversely, if a location quotient is less than 1.0, the area has a smaller share of employment in that sector than the nation, and that sector may be considered a non-traded sector in the area. Non-traded sectors generally serve only the local population in a region and do not seek markets outside their immediate locale.

However, just because a sector may have a location quotient that is less than 1.0 does not mean it cannot be a target business cluster for the community. Similarly, a location quotient over 1.0 does not necessarily mean that is a sector that should be targeted by the community. Although traded sectors are primarily considered as potential targets for economic developers because they are assumed to have some competitive advantage over non-traded sectors in the area, to focus only on traded business sectors would be extremely shortsighted and not account for changes occurring in many lines of business.

Qualitative research is also necessary in cluster analysis because firms that support and service specific business sectors may be part of that sector's cluster, even though they are not directly categorized under the same NAICS code. For example, law firms are a common localized cluster located around the courthouses of a city or county. This small cluster is frequently supported by nearby copy and stationery shops. Unfortunately, accounting for the effect of these shops is nearly impossible because they are not classified as their own sector under the NAICS codes. Qualitative research offers additional insight into the extent of these networks and the assortment of firms contributing to a business cluster.

Qualitative research also allows for a discussion of the *types* of jobs in a particular business sector. Community leaders must be concerned with not only the number of jobs that a new or growing sector may create, but also the types and quality of those jobs. If the local labor force does not have the educational and technical skills to work in a specific business sector, then targeting that sector for development may not benefit local residents, ultimately resulting in overall failure. Additionally, if the targeted jobs do not pay well, overall wealth in the area will suffer.

Qualitative analysis is particularly important in selecting target businesses in rural regions because these areas usually cannot sustain a large business cluster like those in California's Silicon Valley or North Carolina's Research Triangle Park. Selecting target businesses in rural communities requires expanding the traditional definition of clusters. Instead of exclusively focusing on specific types of business or industry, this report considered more general categories of businesses. This report considered how rural regions across the nation succeed and what they are doing to sustain their economic vitality. By considering various categories of businesses based on the type of development assistance they need to survive and thrive, local fiscal resources can be better allocated to serve a wider array of businesses that have legitimate chances in creating wealth for a rural community.

Qualitative and quantitative information reviewed for the *Economic, Demographic and Labor Force Analysis*, the *Business Climate Analysis*, and this *Target Business Analysis* revealed six areas that Vance County should target:

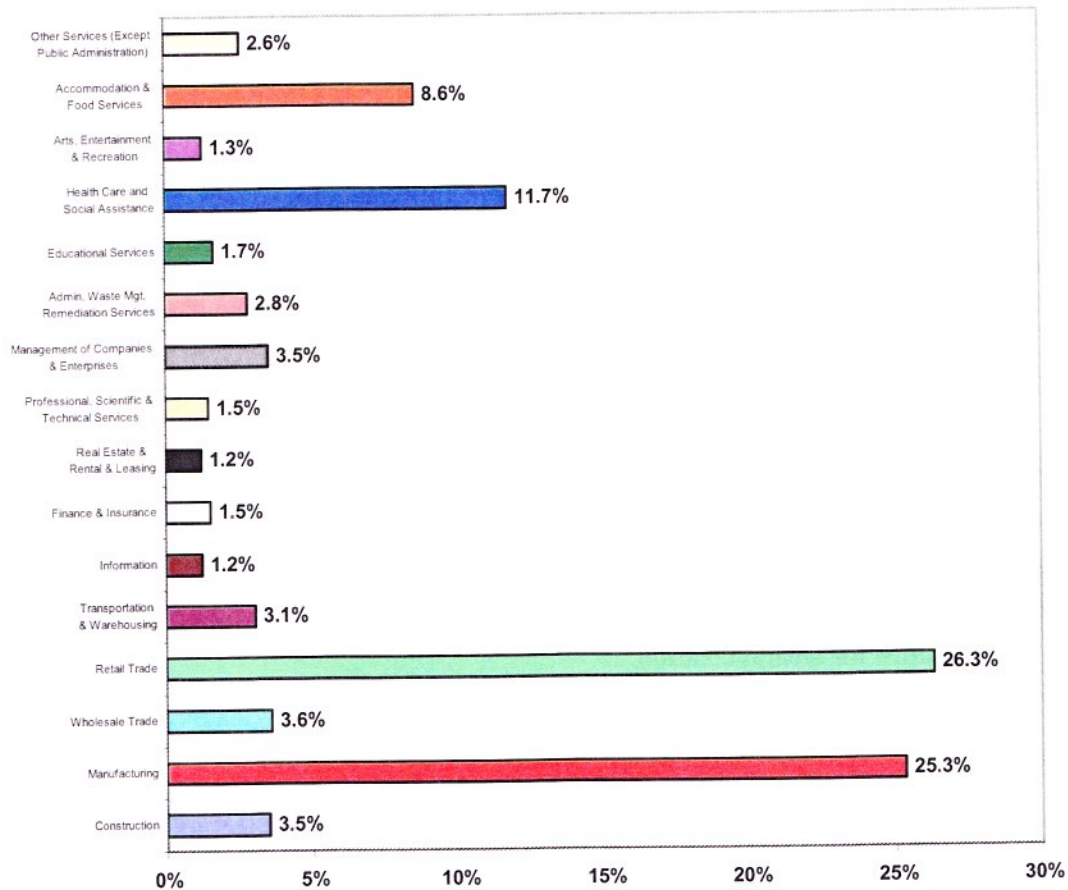
1. Health Care
2. Nonmetallic Mineral Manufacturing and Certain Food Manufacturing Sub Sectors
3. Tourism
4. Entrepreneurship and Small Business/Management of Companies and Enterprises
5. Wholesale Trade
6. Transportation and Warehousing

This does not mean that other sectors can be neglected, nor does this mean that these same businesses should be targeted 10 years from now. Existing businesses must be encouraged and given the tools needed to thrive, and community leaders must continually assess those clusters that are developing. However, in terms of business attraction and creating the types of assets that will attract certain higher-paying segments, these categories provide a roadmap utilizing Vance County's current strengths and opportunities for wealth creation.

EXISTING BUSINESSES IN VANCE COUNTY

While the area's existing business base was analyzed in the *Economic, Demographic and Labor Force Analysis*, it is helpful to review key findings and update them with new information as a foundation for discussion in this *Target Business Analysis*. Based on 2001 Census County Business Pattern information, the following chart illustrates the division of Vance County's private businesses by major NAICS sector.⁴

Vance County Employment by NAICS Sector, 2001



Source: U.S. Census Bureau

Clearly, Retail Trade and Manufacturing lead the County overwhelmingly in terms of employment: together, those two sectors constitute over half of the County's private sector employment. At 26.3% of private employment in the County, Retail Trade has overtaken Manufacturing (at 25.3%) as the leading job sector for the area.

⁴ Note: Mining (0.4%), Utilities (0.4%) and Farming (0.1%) are not included in the chart above. Additionally, Public Administration is not included in the chart or the overall employment total.

For comparison, and to demonstrate how rapidly Vance County's economy is changing, the same chart using 1998 statistics is located in the Appendix. In 1998, Vance County's manufacturing sector comprised over 33% of private sector employment, compared to 25.3% in 2001, a reduction of 7.7 percentage points in only three years. Retail Trade, on the other hand, only constituted 18% of private employment in 1998, compared to 26.3% in 2001. Transportation and Warehousing grew significantly, essentially doubling from 1.6% of County employment in 1998 to 3.1% just three years later. Wholesale Trade, while not growing as quickly, still increased from 3.2% in 1998 to 3.6% of private employment in 2001. The health care sector grew while maintaining its overall relative position.

After analysis of the major sectors by employment in the area, the focus shifts to how these sectors compare to the United States in terms of employment concentration. The following chart provides the location quotients for the major NAICS sectors for Vance County. Not unexpectedly, Manufacturing has the highest location quotient at 2.03, followed by Retail Trade at 1.83 and Management of Companies and Enterprises at 1.41.

Vance County 2001	
Industry Sector	Location Quotient
Forestry, fishing, hunting, and agriculture support	0.12
Mining	0.92
Utilities	0.68
Construction	0.62
Manufacturing	1.83
Wholesale trade	0.67
Retail trade	2.03
Transportation & warehousing	0.94
Information	0.38
Finance & insurance	0.28
Real estate & rental & leasing	0.69
Professional, scientific & technical services	0.23
Management of companies & enterprises	1.41
Admin, support, waste mgt, remediation services	0.36
Educational services	0.73
Health care and social assistance	0.93
Arts, entertainment & recreation	0.82
Accommodation & food services	0.99
Other services (except public administration)	0.55

While the broad sectors provide good information on Vance County's existing concentrations, it is helpful to further analyze certain sectors and determine location quotients for important sub sectors, as well. A closer look at the sub sectors helps to identify potential development opportunities, given the health of existing businesses and recent business development trends. Several major observations can be made based on the detailed data.

- Vance County's highest location quotient scores are in flat or declining industries. In major Manufacturing sub sectors, the sub sector Beverage and Tobacco Product Manufacturing has the highest location quotient by far at 16.36 in 2001. This is mainly attributable to Vance County's tobacco processing facilities. Apparel Manufacturing (12.66), textile mills (14.64) and textile mill products (12.62) also have significantly high location quotients.
- Those manufacturing sub sectors with positive location quotients and well-positioned local companies include nonmetallic mineral manufacturing (such as glass, stone and cement) certain high-paying food manufacturing (pet food manufacturing).
- Vance County's strong health care sector is still slightly smaller than the national average. The employment location quotient for health services is 0.93, indicating that this high paying sector still has room to grow.
- Two higher paying sectors that complement each other and other local efforts have below average and slightly below average presence in the County, respectively: Wholesale Trade (0.67) and Transportation and Warehousing (0.94).

The above location quotient analysis provides a basis to build upon the existing local strengths and clusters. However, a review of major employers is necessary to complement the analysis of the County's current economic base. While Vance County has a rich history in the textile and tobacco industries, the manufacturing job losses of the past decade combined with significantly declining tobacco production have forever changed the County's economy. The County's largest employer is now the Vance County Schools, at approximately 1,000 people. The list on the following page illustrates the major employers in the area by size and type of business or organization.⁵

⁵ The sources for this list include the North Carolina Employment Security Commission's top 10 employers by county for the 3rd quarter of 2002; the Vance County Economic Development Commission; and the Henderson Vance Chamber of Commerce. The most recent information available for each business or organization was used.

Largest Employers		
Name of Business	Product/Service	Employment
Vance County Schools	Public Education	1000
Wal-Mart Associates Inc.	Retail Trade; Distribution	500-999
Royal Home Fashions Inc.	Bedroom Ensembles	750
Maria Parham Hospital	Health Care	500 - 999
Americal Corporation	Hosiery	250
Roses Stores, Inc.	Variety Wholesalers	550
Harriet & Henderson Yarns	Yarn	150
Pacific Coast Feather Co.	Quilts & Comforters	368
Saint Gobain Containers	Glass Containers	250 - 499
Purolator Products Air Filtration	Air Filters	270
Vance County Mental Health	Health Care	346
Vance County Government	Government	300
City of Henderson	Government	250
Vance-Granville Comm. College	Education	200
Corporate Express Distribution Cntr.	Retail Office Supplies	180
Food Lion LLC	Grocery Store	100-249
The IAMS Company	Pet Food	155
Clayton Homes	Manuf. Homes	150
Custom Molders	Plastics	135
HandCrafted Homes	Modular Homes	100
M.R. Williams	Wholesale Food Prod.	100

It is not news to anyone in Vance County that the area has experienced significant changes in its economy over the past decade, and even the past year. The chart above reflects the area's rapidly changing economy. This chart is a compilation of information from several different sources, as even the most recent information currently available from the North Carolina Employment Security Commission (3rd quarter 2002) does not yet accurately reflect the losses in the last quarter of 2002 and the first quarter of this year.

While this list provides a snapshot of Vance County's largest employers, it is also important to consider and incorporate information from surrounding counties, as well, to help determine which clusters or sectors of the economy have the best chance for success and wealth creation in Vance County. The largest employers in each of the surrounding counties are as follows:

Franklin

FLEXTRONICS INTERNATIONAL USA INC	MANUFACTURING	250-499
NOVO NORDISK BIOINDUSTRIALS INC	MANUFACTURING	250-499
FRANKLIN REGIONAL MEDICAL CENTER	SERVICES	250-499

Granville

REVLON CONSUMER PRODUCTS CORP	MANUFACTURING	1,000 & OVER
C-MAC NETWORK SYSTEMS	MANUFACTURING	500 - 999
LENOX INC	MANUFACTURING	250 - 499

Person

COLLINS & AIKMAN FABRICS INC	MANUFACTURING	500 - 999
G K N AUTOMOTIVE COMPONENTS INC.	MANUFACTURING	250 - 499
CAROLINA POWER & LIGHT CO (A CORP)	TRANS., COMM.& UTIL	250 - 499
PERSON MEMORIAL HOSPITAL	SERVICES	250 - 499

Warren

WARREN HILLS NURSING CENTER	SERVICES	100 - 249
RAVENWOOD INTERNATIONAL CORP	MANUFACTURING	100 - 249
COCHRANE FURNITURE CO INC	MANUFACTURING	100 - 249

Several conclusions are apparent from the data above. First, the other counties in the Kerr/Tar Regional Council of Governments are also heavily dependent on manufacturing, particularly in the declining textiles and furniture sectors. Second, hospitals or health care related entities are one of the largest employers in all but Warren County, a factor that can be positive and negative for Vance County. Finally, the presence of only one 1,000+ person private employer in the five-county area should be a strong signal that smaller firms that tend to grow more quickly are where a majority of economic development attention should be focused. Thirty years ago, Fortune 500 companies comprised over 26% of the nation's nonagricultural workforce; today, that statistic is less than 10%, with over 12 million job losses. Medium and small companies now account for all of the net job growth in the country, and the majority of job creation is due to small businesses (under 500 as defined by the United States Small Business Administration).

A discussion of the area's existing business base and conditions would not be complete without reference to the Raleigh-Durham area and the relationship between the two economies. Vance County's close proximity to the famous Research Triangle has been a source of both hope and disappointment for the area, according to interviews with local leaders. Many believe that the huge economic engine that resides less than one hour's drive from Vance County does not often include Vance County in its benefits.

According to the June 2003 issue of *Forbes* magazine, the Research Triangle area is among the best places in the country for business and careers.⁶ The top three of the *Forbes* Best Places for Business and Careers are as follows:

⁶ www.forbes.com

1. Austin, Texas
2. Boise, Idaho
3. Raleigh-Durham, N.C.

The Triangle ranked No. 3 out of 150 large metro areas in the magazine's 2003 list of the Best Places for Business and Careers. In addition to income and job growth, this year's list uses criteria such as the cost of doing business, housing affordability, qualifications of the labor pool and attractiveness of a region based on crime rates. Vance County leaders would like to see more of the impacts and benefits of this economy travel north on Interstate 85.

A recent report entitled *Clusters of Innovation* by renowned Harvard professor and economist Dr. Michael Porter may offer issues for consideration. Dr. Porter studied the business clusters in the Raleigh-Durham area, both historical and current. The primary recommendation from his report stated that the entire area needs a new economic vision that will, among other things, *expand the prosperity to a larger geographic area, including the more rural counties surrounding the urban core.*

The Research Triangle Regional Partnership and local economic development organizations created the Research Triangle Region Future Cluster Competitiveness Task Force to address the findings from this report. The Task Force is charged with developing a new regional vision that will propel the area forward in an increasingly competitive global economy. The Task Force's plan is intended to:

- Strengthen existing clusters by improving collaboration among cluster companies and organizations involved in cluster recruitment and service;
- Diversify the economy by recruiting a wider array of clusters and focusing on opportunities at the intersection of our strongest clusters;
- Support home grown businesses in target clusters;
- Identify regional investments needed to maintain a marketing and competitive advantage over other global regions;
- ***Invigorate the economy across a broader geographic area;*** and
- Develop an organizational architecture to ensure action and regular benchmarking against the goals.⁷

The final report is due in October 2003. While rural representation is low on the various committees, a Vance County resident is a member of the overall task force, and local leaders should closely monitor the progress of this task force and its recommendations.

⁷ The Research Triangle Region North Carolina, www.researchtrianglereligion.com

Based on the data above, interviews with community leaders, and other qualitative data, six areas of focus arise. Prior to discussing recommended business sectors, it is helpful to review two of the County's largest business sectors and explain why they are not recommended as targeted business sectors.

THE TEXTILE INDUSTRY AND RETAIL TRADE

The Textile Industry

Vance County was fortunate for many decades to be part of a cluster of businesses and factories focused on furniture and fabric production. Indeed, North Carolina is known worldwide for its quality furniture and other textile products. Even considering the recent job losses in these areas, Vance County's location quotient in textile mills was still 14.64 and in textile products was 12.62 in 2001. Vance County is not alone in its job losses in the manufacturing sector. At the beginning of 2002, job levels at rural factories were 8 percent below those at the beginning of 2001.⁸ In the first three quarters of 2002, rural manufacturers reported 405 incidences of mass layoffs and 139 plant closings.

No local resident needs to be reminded of the job losses over the past several decades in that sector. Times are quickly changing and soon, that sector will largely be gone forever. China has recently become the nation's leading textiles and apparel supplier. In 2001, China produced 31% of the nation's furniture. This percentage is predicted to double in just a few years.⁹ In 2001 alone, for example, the U.S. furniture industry experienced a 9.3% drop in both sales and employment – in only one year.¹⁰ China's skilled, cheap labor force combined with its track record for profitability and the loss of trade quotas after 2004 lead to the inevitable conclusion that those jobs will not be coming back.

"We are not going to be able to compete with Mexico and China on cheap labor jobs" Governor Easley recently commented. "But capital investment will follow skilled labor, and that is why it's so important that we recognize now that new industry will be looking to those states with a skilled workforce when this economy turns around."¹¹ Education and job training for those currently employed in the textiles and apparel sectors is vitally important. "The rural economy appears to be at another turning point in its history, a point where the most innovative and entrepreneurial communities are in the best position to create new opportunities and prosperity in tomorrow's economy."¹²

⁸ *Will Rains and a National Recovery Bring Rural Prosperity?* J. Henderson and N. Novak, Center for the Study of Rural America; Federal Reserve Bank of Kansas City, 2003.

⁹ *Kiplinger Letter*, September 27, 2002.

¹⁰ *Will Rains and a National Recovery Bring Rural Prosperity?* J. Henderson and N. Novak, Center for the Study of Rural America; Federal Reserve Bank of Kansas City, 2003.

¹¹ Governor Easley at The North Carolina Rural Economic Development Center's 11th Annual Rural Partners Forum – from *Rural Routes*, Fall/Winter 2002/2003, Volume 13 Number 3.

¹² *Id.*

The effects of this downturn have been felt most sharply in the Southeast. The Southeast textile industry lost approximately 14,900 jobs during the first half of 2001, and nearly 25,000 jobs in a one-year period (2000-2001). In the second quarter of 2001 alone, the Southeast lost 8,100 textile jobs. Unfortunately, these are only the recent figures. Layoffs and plant closings have been a common part of the textile industry for many years and will continue to be for the foreseeable future.

All these figures demonstrate that Vance County, similar to other rural communities in the Carolinas, has unfortunately become an unwitting victim to the global restructuring of the textile industry. Many textile plants have moved overseas to take advantage of dramatically cheaper labor costs and reduced regulations. A multitude of international trade agreements, such as the North American Free Trade Agreement (NAFTA), allows companies to manufacture or import textiles from overseas without encountering many of the taxes, quotas, and regulations that previously existed. American companies are increasingly outsourcing their manufacturing to overseas companies who can produce their goods more efficiently. This change in companies' supply structure is made possible not only by these trade agreements, but also by the devaluation of Asian currencies. In one moment, foreign currency devaluation can reduce the relative prices of overseas goods and textile companies will naturally take advantage of the opportunity to produce or buy their goods for less money. Another major factor contributing to the decline of textile manufacturing is changing technology. Plants are becoming increasingly automated, allowing companies to produce their goods at higher volumes and with fewer workers.

All these factors indicate that several powerful market forces are dramatically altering the textile industry. The power of these market forces is such that economic development efforts at the local level will surely fail to produce noticeable positive results. Local initiatives will not be able to affect most of the decisions these companies are making in response to the market. Even a dramatic shift in national policy aimed to protect this industry will most likely create few positive gains. Some textile companies in New England have been successful in producing high-end textile products, but this is a very narrow market and the sector as a whole continues to suffer in that region of the country as well.

Market Street does not believe textile manufacturing is an appropriate sector to target as a *growth* strategy. Vance County will be extremely fortunate to simply maintain, or even lose just a small portion of, its local textile manufacturing industry.

Retail Trade

The percentage of private sector employment in the Retail Trade sector in Vance County has risen sharply in three years, from approximately 18% in 1998 to over 26% in 2001. Although at \$17,708 average annual wage, the sector's annual average wages are close to those at the national level, Retail Trade is in the bottom five of the major NAICS sectors in terms of average annual wage. An economic development policy that pursues Retail Trade solely for the jobs will result in a higher percentage of residents employed in that sector, which will result in a lower overall income level for the area.

Retail trade, rather, should be used as part of the area's overall strategy to bring people to the area. Several persons interviewed commented on how many out of state (namely, Virginia) license plates they see on the weekends at many of the popular retail outlets. Rather than focusing on retail trade for the jobs, retail trade must be used as part of the area's overall marketing strategy to bring people into the area and make them stop longer than just to shop. As a part of the County's comprehensive tourism strategy, what else can the area offer people who may drive an hour or more to shop?

RECOMMENDED TARGET BUSINESS SECTORS

HEALTH CARE AND SOCIAL SERVICES

Description and Trends

The Health Care and Social Assistance Sector (NAICS 62) consists of two distinct elements. The first is the Health Care Services sector, comprised of professionals, businesses and organizations that serve patients in hospitals, outpatient clinics, nursing homes and other facilities. This also includes health maintenance organizations (HMOs), laboratories, and mental health facilities. Hospitals constitute less than two percent of all health services establishments, but they employ nearly 40 percent of all individuals in this sector.¹³ The second element is Social Assistance, which includes vocational rehabilitation services, child day care services, and youth and family services. The recommendation is to target the Health Care Services portion.

The Health Care Services sector has grown rapidly in recent years. It is a powerful economic sector with a total of 11.3 million jobs. This growth is expected to continue into the future as the baby-boom generation enters retirement age and our society increasingly demands quality health care. The U.S. Bureau of Labor Statistics predicts that employment in Health Care Services will grow by 25.5% from 2000 to 2010, compared to 16.5% growth in jobs overall. Nine out of the 20 occupations expected to grow at the highest rates will be in Health Care Services. Because firms in Health Care Services have demonstrated an ability to be innovative and develop new technologies that improve their products and services and make life better for people, people are willing to pay for those services and products.

According to the U.S. Bureau of Labor Statistics, the health care industry hired more workers nationally (270,000) than any other sector in 2002, and employment in that sector grew 2.6% at a time when many sectors shed significant percentages of employees. Hospitals accounted for the largest share of the growth. Employment in hospitals grew 2.7% in 2002, compared to a 1.6% average annual growth from 1996 to 2001. The overall weakening of the labor market likely helped the sector ease some of its acute worker shortages.¹⁴

As a cluster, Health Care Services tends to pay much better than the average wage overall. Clearly, doctors and nurse specialists earn higher salaries than the average health care worker, but the jobs available to individuals without substantial training can provide viable opportunities for those individuals to develop a career in a relatively stable profession. Furthermore, numerous technical support occupations in the Health Care

¹³ U.S. Bureau of Labor Statistics.

¹⁴ U.S. Labor Market in 2002: Continued Weakness, McMenamin, Krantz & Krolik, *Monthly Labor Review Online*, February 2003, vol. 126, no. 2. Article may be found at www.bls.gov/opub/mlr/2003/02/art1full.pdf

Services sector require only one or two years of higher education while offering very competitive wages.

Local development officials can assist this cluster by supporting efforts of health care service providers to secure state approval and funding for expansions. This assistance can also include lobbying in concert with local health care providers and suppliers on issues critical to the operations of these facilities. Assistance with workforce retention and training is one significant area where additional support is needed to maintain the growth of the cluster.

Business Location Characteristics

- Existing high quality, health-specific training and educational assets.
- Educated and motivated workers with the ability to perform multiple tasks.
- Workers with a willingness to help and care for patients, work weekends, holiday and night shifts, and who are able to calmly handle a demanding work environment.
- Access to the latest medical technologies.
- Access to major markets.
- Recognition of the existence of special services.

Existing Businesses & Assets in the Vance County Area

In the third quarter of 2002, the most recent figures available, the health care sector employed 1,631 people in Vance County. Of that figure, 574 were employed in physicians' offices and outpatient and mental health clinics, 430 were employed in nursing home and residential care facilities, and approximately 627¹⁵ were employed by the area's hospital. For the quarter, the health care sector paid \$12, 282,539 in wages, which totals \$49,130,156 annually in wage contribution to Vance County's economy. This does not include other related businesses that service the health care sector, such as medical suppliers, wholesalers, and distributors of medical supplies and equipment. Average annual wages for the health care sector in Vance County in 2001 were \$30,123, significantly higher than the countywide annual average wage of \$22,116.

¹⁵ This number was suppressed at the county level due to the presence of only one employer but was reached by subtracting other sub sectors from the total sector employment. A complete breakdown of the healthcare sub sectors in Vance County is located in the Appendix.

Doctors Affiliated with Maria Parham Hospital By Specialty - 2003	Number of MDs (excludes RNs, CNPs)
Allergy & Immunology	1
Anesthesiology	8
Cardiology	1
Dermatology	1
Ear, Nose & Throat	1
Emergency Medicine	9
Endocrinology	1
Family Medicine	19
Gastroenterology	2
Infectious Disease	1
Internal Medicine	5
Neurology	1
OB/GYN	9
Oncology	1
Ophthalmology	2
Orthopedics	19
Pathology	1
Pediatrics	6
Physiatry	2
Podiatry	2
Psychiatry	2
Pulmonology/Sleep Medicine	1
Psychology	2
Radiology	1
Surgery	4
Plastic/Reconstructive Surgery	1
Urology	2
	105
Source: www.mphosp.org	

The Health Care Services sector is an established engine of the local economy in Vance County and requires existing business support from the local government and economic development organizations. Maria Parham Hospital (MPH) is the foundation of this cluster. MPH provides comprehensive health care services to the Vance County and surrounding areas by serving a regional market, therefore providing a mechanism to serve as the anchor to sustain significant economic growth. MPH serves a four county area in North Carolina (Vance, Warren, Franklin and Granville), as well as areas in southern Virginia.

The chart above illustrates the physicians affiliated with MPH by specialty. According to its website, MPH admits approximately 4,700 patients and records close to 93,000 outpatient visits to seven different ambulatory care service areas. Maria Parham Hospital provides general medicine and general surgery along with two specialty areas: the

Women and Infants Center and the Center for Rehabilitation. The hospital's outpatient health program includes specialties not common in a rural setting: Spectrum Rehabilitation, Cardiopulmonary Rehabilitation, Audiology Services, Sleep Lab, Diabetes Education, and Business Health Services. Per its website, Maria Parham Hospital also provides diagnostic and screening services through a fully-accredited medical laboratory, a state-of-the art Radiology department and Cardiovascular Lab, a Pulmonary Function Lab, and an Endoscopy Suite. Specialized mobile services include MRI, Lithotripsy, and Cardiac Catheterization. This level of specialization is rare for a rural hospital and makes MPH even more important to the area's economy. Aside from all of the physicians' offices and clinics employing the doctors listed in the chart, other local facilities that contribute to the health care sector include Vance County Mental Health and the Vance County Health Department.

Focusing on healthcare as a target business cluster is consistent with local policies and priorities, as well. A stronger focus on regional, multi-county hospitals and facilities was recommended by the North Carolina Rural Prosperity Task Force in its 1999 report,¹⁶ and Governor Easley recently stated that he would oppose any efforts that reduced access to healthcare in rural areas.¹⁷

Encouraging the expansion of medical suppliers or equipment manufacturers in Vance County is a secondary element of the cluster strategy referenced in the introduction. Suppliers may offer a range of products and services from basic facility supplies to more sophisticated diagnostic equipment. Medical wholesalers are an attractive segment because they are a relatively high paying industry and can have strong export levels. The North Carolina Council on Entrepreneurial Development, along with the North Carolina Healthcare Information and Communications Alliance, Inc. (NCHICA), and the North Carolina Technological Development Authority (NCTDA) recently organized a Healthcare Technology Forum. The Healthcare Technology Forum targets entrepreneurs involved with technology-based healthcare ventures. The mission of HTF is to provide a venue for exchange of ideas, sharing of knowledge and a support system for entrepreneurs and emerging companies in healthcare technology. This forum is held quarterly from 5:30 to 7:30 p.m. in Research Triangle Park.¹⁸

Vance-Granville Community College is well positioned to help further this cluster. It currently offers associate degrees in nursing, information systems, science, medical laboratory tech, practical nursing, phlebotomy and nursing assistant. Health Education is one of four major categories of learning focus at Vance-Granville Community College, including programs (degrees, diplomas and certificates) in Associate Degree Nursing (Integrated), Human Services Technology, Human Services Technology/Mental Health, Human Services Technology/Substance Abuse, Medical Assisting, Practical Nursing, and Radiography. Vance-Granville Community College also has the community standing

¹⁶ www.taskforce.state.nc.us

¹⁷ *Rural Routes*, Fall/Winter 2002/2003, Volume 13 number 3.

¹⁸ North Carolina Council for Entrepreneurial Development, www.cednc.org.

and reputation as one of the best community colleges in the state to undertake and develop additional courses as needed.

Local leaders may want to consider furthering their regional approach to healthcare. A regional healthcare forum or coalition could help reduce some of the competitive strife between neighboring counties (as reported recently in *The Daily Dispatch*) and help develop the entire cluster in the Vance County area.

SELECT MANUFACTURING SUB SECTORS NONMETALLIC MINERAL PRODUCT MANUFACTURING AND CERTAIN FOOD MANUFACTURING SUB SECTORS

Description and Trends

The Manufacturing Sector (NAICS 31-33) includes the production of a broad range of durable and non-durable goods. While manufacturing as a whole is a strong segment of Vance County's economy, focusing on particular types of manufacturing can help the county build wealth and clusters with similar products and needs. Conversely, other mature sectors with seemingly high location quotients must not become new targeted areas for the area. The chart below illustrates the location quotients and numbers of employees for the major three digit NAICS manufacturing sectors in Vance County.

NAICS Subsector	Type of Manufacturing	Number of Employees	Location Quotient
311	Food mfg	291	1.48
312	Beverage & tobacco product mfg	250-499	16.36
313	Textile mills	606	14.64
314	Textile product mills	342	12.62
315	Apparel manufacturing	500-999	12.66
321	Wood product mfg	187	2.50
323	Printing & related support activities	117	1.11
326	Plastics & rubber products mfg	100-249	1.30
327	Nonmetallic mineral product mfg	250-499	5.33
333	Machinery mfg	449	2.51
337	Furniture & related product mfg	100-249	2.11
339	Miscellaneous mfg	20-99	0.52

Food Manufacturing, which includes pet food, is designated by NAICS Code 311. Although Food Manufacturing is not typically a high-wage sector, it has one of the highest manufacturing wages in Vance County at \$30,584 and has a location quotient of 1.48. Animal food manufacturing, specifically, a more detailed NAICS code, has a 37.55 employment location quotient and an annual average wage of \$31,367. 238 of the 291 Vance County employees are in animal food manufacturing with its high wages and community friendly posture.

It will be important for community leaders to carefully distinguish between desirable and non-desirable companies in the Food Manufacturing sector. As a whole, the Food Manufacturing industry is becoming increasingly automated, thereby reducing the demand for employees. The U.S. Bureau of Labor Statistics forecasts little or no employment growth in this sector primarily because of these improved production

techniques. Also, employees in meatpacking and processing plants have high incidences of injuries and illness. These incidences can result in unforeseen costs for companies. Many food production plants also generate nuisances for the surrounding community, such as noise and waste and wastewater disposal. Community groups often incite strong opposition because of these nuisances and thus increase the difficulty of constructing and operating these plants. Vance County is fortunate to have a concentration in the animal foods production area, with its high wages and relatively uncontroversial plant operations. Retention of this type of company should be a priority for Vance County leaders.

Nonmetallic mineral product manufacturing (which includes glass and glass products and cement and concrete products) has a similarly high location quotient at 5.33. Although wages were suppressed in the County Business Patterns data, information from the North Carolina Employment Security Commission tells us that this sub sector is well above average in salary and employs between 250 and 499 people in Vance County. The related Cement and Concrete Product Manufacturing sub sector of Nonmetallic Mineral Manufacturing had average annual wages of \$32,333 in 2001 and employed 72 of the 250 to 499 people.¹⁹

Business Location Characteristics

- Access to quality, timely transportation.
- Skilled, dedicated workforce.
- High productivity to compete with low labor and land costs in foreign countries.

Existing Businesses & Assets in the Vance County Area

Vance County already has several high-paying employers in both sectors. Iams Company and two additional grain and milling manufacturers in the Food Manufacturing sub sector, and Saint-Gobain and three cement and cement products manufacturing companies in the Nonmetallic Mineral Manufacturing sub sector. The area is well positioned to transport goods quickly and efficiently.

¹⁹ These wage numbers differ from those used in the Manufacturing sub sector analysis in the *Economic, Demographic and Labor Force Analysis*, as those were designated by SIC Code and include different combinations of industries.

TOURISM

Description and Trends

Stimulating tourism as a cluster can be a viable way to encourage and support other business sectors as part of the area's overall economic development strategy. The Travel Industry Association of America estimates that travel and tourism expenditures in the United States totaled over \$560 billion in 2000. After the September 11, 2001 terrorist attacks, tourism declined in the United States and worldwide. While tourism continues to suffer in the wake of warnings and threats of new terrorist attacks, such concern may ultimately favor local travel, as people chose the relative safety of United States soil to pursue their vacation plans.

With most state budgets facing significant shortfalls, state tourism budgets have been slashed, leaving more work for local governments and consortiums of areas. According to the Travel Industry Association of America, the 2002-2003 Survey of U.S. State and Territory Travel and Tourism Budgets revealed an 8.3% decrease in projected funds to promote tourism this year. Domestic advertising alone is projected to be down 16.2%. Across the border from North Carolina, Virginia finished in the top 10 states in tourism budgets with a \$15 million projected budget.

Tourism not only brings people and money to the area, which stays in the local economy, it therefore supports many of the area's retail and service businesses. Locations that are successful tourist destinations can also serve as marketing tools towards other prospective businesses. The quality of life factors discussed in the Business Climate Analysis that are so important to knowledge-based businesses, additional recreational and cultural opportunities will help sell the area as a place where people want to be. While many of the jobs in the tourism industry are relatively low paying, they offer vocational and employment choices for areas with lower educational attainment levels. A low-paying job will contribute more to an area's overall per capita income than those individuals choosing to stay out of the workforce.

Tourism is not defined by its own NAICS code, but is instead a compilation of several sectors involving hotels and lodging, arts and recreation, and eating and drinking establishments. To most accurately estimate the area's tourism employment, two sectors were reviewed – Arts, Entertainment and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72). Although all establishments in these two sectors are not devoted to tourism, they all contribute to and benefit from the sector.

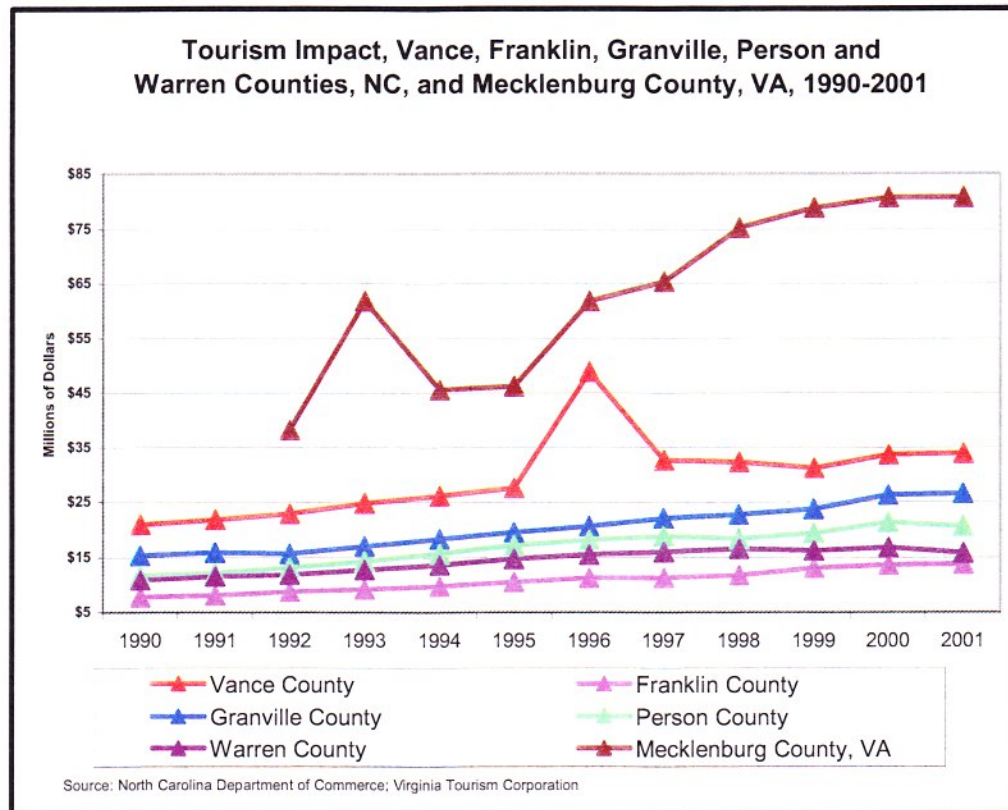
Business Location Characteristics

- An area with unique, interesting and intriguing natural and/or man-made attractions.
- Ample hotels, restaurants, entertainment and recreational facilities.
- A customer-oriented, abundant labor force.

- An attractive quality of life.
- Worker training in specialty areas.

Existing Businesses & Assets in the Vance County Area

Based on the definition of the NAICS sectors comprising tourism, the tourism sector employed 1,521 people in 2001. The average annual salary in the Arts, Entertainment and Recreation sector was \$13,975, compared to only \$9,639 in Accommodation and Food Services. These low average salaries partially reflect the relatively high amount of part-time employment in these sectors. However, with Vance County's very low labor force participation rate, part-time employment might offer viable options for those now out of the workforce to re-enter it, raising the overall per capita income of the County.



The North Carolina Department of Commerce measures the approximate annual tourism impact by county. As the following graph illustrates, tourism impact has risen only slightly each year in Vance County and its surrounding North Carolina counties, with the exception of 1996.²⁰

Vance County has taken bold and positive steps with the planned creation of the Embassy Center in downtown Henderson. Not only will this provide additional cultural and recreational options for the area residents, but it has the potential to draw outside visitors and perhaps keep some out of state shoppers in the area for more than just shopping. This must continue to be part of Vance County's overall tourism strategy.

While downtown Henderson holds promise for the future of tourism in the area, Kerr Lake has been the driving force behind most of Vance County's tourism efforts to date. Vance County tourism is synonymous with Kerr Lake, and the Lake is featured prominently on the area's local tourism website – www.kerrlake-nc.com. In the short term, Vance County has promoted Kerr Lake in an extremely positive manner, highlighting the Lake's excellent fishing with numerous fishing tournaments – all evident on the website's 2003 calendar of events. With over 800 miles of shoreline and covering almost 50,000 acres, Kerr Lake extends into Vance, Granville and Warren counties in North Carolina, and Halifax, Mecklenburg and Charlotte counties in Virginia.

Vance County's tourism growth related to Kerr Lake is likely fairly limited without addressing the Lake levels, which will require aggressive intervention by the area's federal elected officials. A brief overview of the Lake's background and the water level issues is helpful to understanding the challenges these issues present. The Army Corps. of Engineers built the Lake in the 1950s, and the 2,785 ft. John H. Kerr dam is located in Mecklenburg County, Virginia, approximately 179 miles above the mouth of the Roanoke River. The Army Corps. of Engineers either owns Kerr Lake or has a flood easement over the parts it does not own, up to the 320 ft. (mean sea level) mark, which is the maximum flood point and the end of the "buffer zone" between the water and the 320 mark. This contrasts with Lake Gaston, which is owned by a power company; adjacent landowners have fee ownership to the waterline of Lake Gaston. This also contrasts with Lake Burton in northern Georgia, also owned by a power company; adjacent landowners have a 99-year lease instead of fee simple ownership. The North Carolina and Virginia state parks departments both operate parks and campgrounds around Kerr Lake, and the Army Corps. also operates several campgrounds on the Lake.

The differences in the maximum flood stage at a particular Army Corps. lake have to do with (1) ownership, (2) dam design, and (3) the original purpose for which the lake was created. Lake Gaston, owned by a power company, had power generation as its main purpose when it was formed. It has a 5 ft. maximum flood stage, which means that is about how much the water fluctuates, usually less. Kerr Lake, on the other hand, has a 20

²⁰ It should be noted that neither the North Carolina Department of Commerce nor the Virginia Tourism Corporation provided a complete list of the elements included in each state's annual calculation of tourism impact, and one state may include additional items in the calculation. Therefore, Mecklenburg County's much higher tourism impact should be considered in that light.

ft. maximum flood stage, and the water has fluctuated almost that much in the past two years. The 20 ft. measurement is essentially a rule of design based on the size of the dam upstream - anything over 20 ft. would exceed the spillway gates at the dam.

Most of the other Army Corps lakes in the Southeast have water levels that vary 5-10 ft., depending on the size of the dam and the flood control needs of the area. According to Army Corps. officials who deal with Kerr Lake, flood control is the main purpose for which Kerr Lake was created (the others being power generation, navigation, recreation and water supply). Therefore, something else would need to be created to deal with the flooding for the water levels to stabilize in Kerr Lake. This might be an addition to the current dam or another dam - both significant undertakings that would likely require congressional authorization to the Army Corps. Conversely, while the Army Corps. did not discuss this option, it may be worthwhile for local officials to work together with state and federal elected officials, and possibly with local leaders of the other five counties affected, to try to lower the extent to which the water level varies on Kerr Lake.

Kerr Lake has a Shoreline Management Plan, adopted in 1995 after comment and changes by a citizens' advisory group (which included the Kerr/Tar Regional Council of Governments along with mostly Virginia-based groups). The Plan's 1995 adoption date may help explain part of the spike in tourism spending in Vance County in 1996, although the Shoreline Management Plan does not discuss water levels at the Lake. The Plan allocates 31% of the shoreline for limited development, 38% for public recreation, and 31% for protected shoreline:

1. Limited Development Shoreline – (31%) – certain land-based facilities and activities are permitted provided all conditions in the Plan are met. All areas not designated as public recreation, prohibited access, or protected lakeshore areas are included in the Limited Development allocation.
2. Public Recreation Shoreline – (38%) – all areas set aside for public recreational use, including existing parks, recreational trails, wildlife management areas, and other areas reserved for future recreational development. Private facilities currently part of these designations were grand fathered and permitted on an annual basis, but modifications and new permits are not allowed.
3. Protected Shoreline – (31%) – protected shorelines for the purpose of maintaining or restoring aesthetic quality, protecting and preserving natural and cultural amenities.
4. Prohibited Access Shoreline - (less than 1% of total shoreline) – access denied due to safety concerns for visitors. Shorelines next to lands used for industrial and reservoir operations are included in this designation.

Of the 31% of Kerr Lake's shoreline designated for limited development, more than 4000 permits are outstanding on the Lake, a figure that Army Corps. officials estimated to be nearly at the halfway point in terms of private development capacity on the Lake.

The purposes for which each of the Army Corps. lakes was authorized is codified in federal law - recreation on Kerr Lake, for example, was added by PL 78-534, and water supply by PL 85-500. Vance County's tourism growth related to Kerr Lake is likely fairly limited without addressing the Lake levels, which will require aggressive intervention by the area's federal elected officials. However, in the short-term, it may be possible that golf courses, a hotel, and other amenities not directly linked to the Lake's water levels could thrive if developers and others are educated about the variance in and timing of water level changes. The following questions should be considered by local leaders:

1. How can the water levels on Kerr Lake be stabilized, even partially, to help encourage development in an environmentally friendly manner, recognizing that this Lake also serves as the area's drinking water source? Resolution of this question will require the intervention of state and federal elected officials, working with Vance County leaders, to contact and establish a dialogue with the Army Corps. of Engineers. Although the budget is reduced this year, the firm hired by the City of Henderson to help obtain federal grants for the City may be able to play a role in this effort.
2. Does a coalition of all six affected counties (those six with shoreline along the Lake) make sense to help advocate for change with federal elected officials? This may not be something Vance County is able to or desires to accomplish on its own. If the affected counties can establish a way to work together, results may be able to be obtained more quickly.
3. What type of support currently exists at the state level in both North Carolina and Virginia, and what type of support is necessary to move forward?
4. In the short-term, can increased education and public knowledge about the fluctuations in the Lake's water levels or any other efforts help attract development to the area in the form of a golf course, hotel, etc.?

In the long-term, real economic development from Kerr Lake depends largely on controlling the level of the water on a reasonably consistent basis. A broad coalition of local leaders and officials must aggressively work with elected officials at the state and federal levels to achieve this end goal. Golf courses, hotels, and high-end housing will not locate on Kerr Lake until this issue is resolved.

SMALL BUSINESS AND ENTREPRENEURSHIP/ MANAGEMENT OF COMPANIES AND ENTERPRISES

Description and Trends

According to the Center for the Study of Rural America of the Federal Reserve Bank of Kansas City, approximately two-thirds of all jobs and almost all rural establishments are comprised of small businesses. Where before rural areas could rely on their low land costs and low labor costs to compete with urban centers, foreign countries are now replacing rural areas as the low cost alternative for land and labor, even with shipping costs. "Foreign competitors are eroding the competitive edge of factories and farms, alike. To regain their competitive advantage, rural firms, farmers and communities will need a renewed commitment to entrepreneurship and technological innovation."²¹ Entrepreneurship and Small Business Development must be core areas of economic development for rural areas in general, and Vance County in particular.

While Management of Companies and Enterprises (NAICS sector 55), clearly encompasses a different type of activity than small business and entrepreneurship, in the broadest sense and in relation to a small or rural community, they are likely not completely mutually exclusive. Therefore, while this section will concentrate on the importance of entrepreneurship and small business for rural areas, it will briefly address Management of Companies and Enterprises because of the numbers of employees and high wages.

Management of Companies and Enterprises includes, in Vance County, the sub sector corporate, subsidiary and regional management offices. This sub sector had 8 establishments and employed approximately 545 people in 2001 in Vance County. It may include the employees at Sprint's Regional Headquarters, and some of the employees at Roses. The Management of Companies and Enterprises sector comprises (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision-making role of the company or enterprise.

The average annual wage for this sector was the highest of all two-digit NAICS code sectors in Vance County, at \$32,859. This was over \$10,000 higher than the Vance County 2001 average annual wage of \$22,116. However, the overall percentage of the County's employment in this area has decreased from 4.6% in 1998 to 3.5% in 2001, a significant drop.

²¹ *Will Rains and a National Recovery Bring Rural Prosperity?* J. Henderson and N. Novak, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, 2003.

In North Carolina, the Rural Center estimates that businesses with fewer than 100 employees create more than two out of three new jobs. In North Carolina's 85 rural counties, more than 70% of all companies have *less than 10* employees.²²

According to the Federal Reserve Bank of Kansas City's Center for the Study of Rural America, the common thread that runs through entrepreneurship is *innovation*: innovation creates something new or unusual that initiates change in the competitiveness of the market, mainly through new firm formations. The innovation created by the entrepreneur's creativity allows new ways of doing business, new services and new products to enter the market to improve the quality of life and add value to the economy.²³

Business Location Characteristics

Industry and geography play important roles in how prevalent and how vibrant small business is in a community. Industry mix affects entrepreneurship, with most small businesses in the retail trade, services and construction. In rural areas, small businesses also develop around natural resources and nonfarm agricultural enterprises.²⁴ Areas that have sufficient industry in those areas are more likely to have a higher percentage of entrepreneurs. Furthermore, those rural and small communities that are able to overcome their remote locations and lack of connectivity with larger urban centers are those where entrepreneurs tend to flourish.

These firms require:

- Risk-taking individuals with new and marketable ideas.
- An environment where high rates of failure are acceptable.
- Access to capital, technology, and support networks.
- A willingness to innovate continuously.
- A tendency to reinvest in the local community.

Existing Businesses & Assets in the Vance County Area

As noted in the *Economic, Demographic and Labor Force Analysis*, Vance County had a relatively high percentage of its working population that owned or managed a nonfarm proprietorship in 2000 (11.4%), and at wages above the state average for nonfarm proprietors.

²² *Saying "Yes" to Small Business*, November 2001, Number 9, North Carolina Rural Center for Economic Development.

²³ *Building the Rural Economy with High-Growth Entrepreneurship*, J. Henderson, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, 2002.

²⁴ *Id.*

Vance County has undertaken significant work in this area already. The County, through the Chamber of Commerce, was recently one of five communities competitively selected by the North Carolina Rural Center for Economic Development's Community Education for Enterprise Development (CEED) program. Participation in that program gave Vance County a head start on many of the important issues to small businesses and entrepreneurs. As a result of that program, Vance County instituted the following initiatives or produced the following products to enhance small business development and entrepreneurship in Vance County:

- A Small Business Resource Guide, providing information on everything needed to start and grow a business in Vance County;
- Increased marketing for the Small Business Round Tables;
- Increased overall marketing for Henderson and Vance County, including partnerships with the Vance County Economic Development Corporation, a new brochure and internet and CD Rom information on the community; and
- Creation of a Small Business Week annually in Henderson.

These and other initiatives highlight possibly the most important thing to come from all of the work involved in the CEED project – increasing the visibility and importance of small businesses in the area. Unfortunately, the area's closest Small Business and Technology Development Center (SBTDC) and chapter of the Service Corp. of Retired Executives (SCORE) are both in Raleigh. However, area small businesses should try to take advantage of those resources to the greatest extent possible. Operated by the University of North Carolina, SMTDCs around the state provide counseling and technical assistance to the business community. Additionally, SCORE provides free counseling by experienced, retired executives who dealt with many of the common business startup, financing, marketing and growth questions so common to small businesses.

WHOLESALE TRADE

Description and Trends

The Wholesale Trade sector, classified under NAICS sector 42, includes companies engaged in wholesaling merchandise, generally without changing the merchandise, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing.

Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office. These warehouses and offices are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic. Wholesalers do not normally use advertising directed to the general public. Customers are generally reached initially via telephone, in-person marketing, or by specialized advertising that may include Internet and other electronic means. Follow-up orders are either vendor-initiated or client-initiated, generally based on previous sales, and typically exhibit strong ties between sellers and buyers. In fact, transactions are often conducted between wholesalers and clients that have long-standing business relationships.

This sector comprises two main types of wholesalers: merchant wholesalers that sell goods on their own account and business to business electronic markets, agents, and brokers that arrange sales and purchases for others generally for a commission or fee.²⁵

Business Location Characteristics

- Access to Interstate highways and other modes of reliable transportation.
- High-speed infrastructure to easily communicate with customers.
- Lower cost land for high square footage warehouses.
- Ease of access to and from warehouse site.
- Co-location of transportation firms in the area.

Existing Businesses & Assets in the Vance County Area

According to the North Carolina Biotechnology Center,²⁶ North Carolina is within one day's drive of over half of the nation's population. Downtown Henderson is 220.7 miles (a four hour, 17 minute drive) from the nation's capitol, and 418.9 miles (a 6 hour, 26 minute drive) from downtown Atlanta. Located on Interstate 85 with numerous exits,

²⁵ United States Census Bureau, 2002 NAICS definitions, www.census.gov

²⁶ www.ncbiotech.org

Vance County has what many other communities its size and much larger do not. As will be discussed in the next section, the location of several local and long distance, general and special trucking firms offers choice and competition. With the increase of third party logistics, this is a growing sector in the years ahead.

The Wholesale Trade sector in Vance County is not a clearly traded, or exported sector, as the following location quotients demonstrate.

NAICS Subsector	Industry	Number of Employees	Location Quotient
42	Wholesale trade	555	0.67
421	Wholesale trade, durable goods	265	0.54
422	Wholesale trade, nondurable goods	290	0.86

Within the Wholesale Trade sector, which employed 555 people in 2001, slightly more were employed in the nondurable goods sub sector (290) than the durable goods sub sector (265). The durable goods sub sector in Vance County includes enterprises engaged in motor vehicle parts supply (new and used), office and stationary equipment, metal services supplies, electrical supplies and construction equipment, other electronic parts and equipment, warm air heating and air conditioning, and recyclable material. The nondurable goods sub sector in Vance County includes drug and druggists' sundries, grocery and related projects, dairy products, farm product raw material, confectionary, petroleum products, tobacco and tobacco products and beer and ale, all wholesale.

At \$27,814, the wages are over \$5,000 above the County average annual wage, and the sector as a whole grew the most rapidly during the 1990s, rising from 3.2% of the area's jobs in 1998 to 3.6% of the County's jobs just three years later, at a time when other sectors were shrinking. Although it still comprises less than 5% of Vance County's overall jobs, the 31 firms in the area combined with the high average annual wage and its close relationship with Transportation and Warehousing, the sector is one local leaders should pay attention to as a complement to the area's exceedingly high retail trade concentrations.

TRANSPORTATION AND WAREHOUSING

Description and Trends

Transportation and Warehousing is one of the major NAICS sector and is classified under NAICS 48. The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline.²⁷

This sector is also referred to as distribution or logistics. All definitions embody the efficient and increasingly technology-driven transportation of goods throughout the country and the world. Technological advances in the transportation and logistics industry have made it easier for companies to monitor the locations of their goods from point A to their end point. Current technology allows businesses to use satellites to track where individual vehicles are located; refrigerated units are computerized to provide feedback on the specific times and temperatures of operation, providing additional information to businesses and consumers.

Transportation is a vital component of the U.S. economy. As an important part of the country's gross domestic product, transportation employs million of people and consumes a large amount of the economy's goods and services. According to the U.S. Bureau of Transportation Statistics's most recent annual report, demand for transportation-related goods and services represents about 11 percent of the U.S. economy and supports one in eight jobs.²⁸ Businesses conduct transportation-related operations either in-house or on a for-hire basis, with the for-hire sector leading the industry. For example, in 1996, the for-hire sector contributed over \$236 billion to the nation's economy, while in-house transportation contributed approximately \$142 billion.²⁹

Business Location Characteristics

- Access to Interstate highways and other modes of reliable transportation.
- High-speed infrastructure to easily communicate with customers.
- Reliable, efficient workforce well trained in the technical aspects of today's logistics market.
- Adequate land for warehousing operations.

²⁷ United States Census Bureau, 2002 NAICS definitions, www.census.gov

²⁸ United States Bureau of Transportation Statistics, 2000 Annual Report on Transportation Statistics, available at www.bts.gov

²⁹ Id.

- Good local roads from warehouses to interstates and rail spurs.

Existing Businesses & Assets in the Vance County Area

With 471 employees, Transportation and Warehousing constituted approximately 3.1% of employment in Vance County in 2001. Average annual wages, at \$31,653, were nearly \$10,000 higher than the County's average wage. This sector has clearly grown since 2001 with the welcome arrival of Wal-Mart and its distribution activities in Vance County.

In Vance County, the majority (32) of the County's 36 existing Transportation and Warehousing businesses are in the truck transportation sub sector (NAICS 484). This sector includes establishments in general freight trucking, both long distance and local, specialized freight trucking, both long distance and local, and moving companies. Two companies are in the transit and ground passenger transportation industry, including a charter bus entity and a special needs entity. One company each is in the transportation support (towing) and warehousing and storage sectors.

Rather than pursue this sector individually, it is the perfect complement to Wholesale Trade. Both sectors combined employ more people in Vance County than the Vance County Schools. The community's location on an interstate highway that is a major connector on the nation's eastern seaboard, its proximity to other interstate highways connecting major cities nearby, the high wages paid by this sector and its nearly 1.0 location quotient, Transportation and Warehousing should be a natural part of Vance County's overall economic development strategy.

BUSINESS RETENTION

Traditional economic development strategies tend to focus on attracting new businesses to an area rather than nurturing and developing existing firms. Given today's tumultuous economic climate and estimates that 70 to 80 percent of net new jobs are created each year by existing businesses, targeting the area's existing business is an important part of an overall economic development strategy.

While this is not a "target" or "cluster" such as those discussed earlier in this analysis, existing business is highlighted due to its importance in a comprehensive economic development strategy. Business retention strategies are built on personal relationships, relationships that must be initiated by local economic development professionals. Existing businesses reflect the tone of the area's business climate – if firms are unhappy or feel ignored, it is difficult to develop a positive, nurturing business climate. Call programs and relationships with existing businesses must be institutionalized while preserving confidentiality requirements of local companies to fully develop a vital existing business program.

Existing business strategies cannot focus solely on keeping established businesses from leaving. Indeed, the strategy must include much more than personal relationships; within most companies, profit and bottom line drive decision-making. Therefore, it behooves communities to make sure companies have the tools they need to become more competitive and productive in the global economy. Communities must help businesses increase the efficiency of their current operations, expand their customer base, and improve relationships with other companies such as purchasers and suppliers. Buyer/supplier match programs, often assisted at the state level, can help businesses reach new customers, as can increased technology and access to high-speed telecommunications infrastructure.

While certain issues will be out of the control of local economic developers, those that are within a community's control must be top-notch. This includes high-speed telecommunications access and sufficient infrastructure, reliable access to a major international airport, and exceptional customer service every time the company deals with local government. Efficient e-government (or "24/7 government") service, where businesses can take care of everything relating to local government online, must be one of Vance County's and the City of Henderson's primary business retention goals. Competitor communities already offer these services, and businesses expect transactions with local government to be as painless as possible. As several local leaders noted in interviews with *Market Street*, every company should get the "Wal-Mart" treatment when they call a City or County office for assistance.

CONCLUSION

Adapting this target, or cluster, analysis into practice requires a new approach toward economic development. Policies and programs intended to facilitate the development of the County's clusters must aim to expand upon its current advantages and trends. By utilizing existing business and educational resources, Vance County can better understand how successful companies operate and how those successes can help support the development of an entire business cluster.

By developing robust and cooperative relationships with companies in these clusters, Vance County officials will learn what local companies need to become more competitive in the regional, national, and global marketplaces. Does a company need additional employee training? What type of training does it need? Is the region's infrastructure adequate for access to current or new markets? Are local regulations too constrictive on business operations? How can the connections between suppliers, producers, and customers be improved so each party has a better understanding of the others' needs? Does the region provide a high quality of life for a company's employees? These are just a few of the questions that a successful cluster strategy will answer.

A cluster strategy cannot be general. It must focus on the specific business sector or it will fail to appropriately address that sector's unique characteristics and needs. This understanding will help provide the foundational knowledge to proceed with specific programs oriented towards the needs of the County's target clusters.

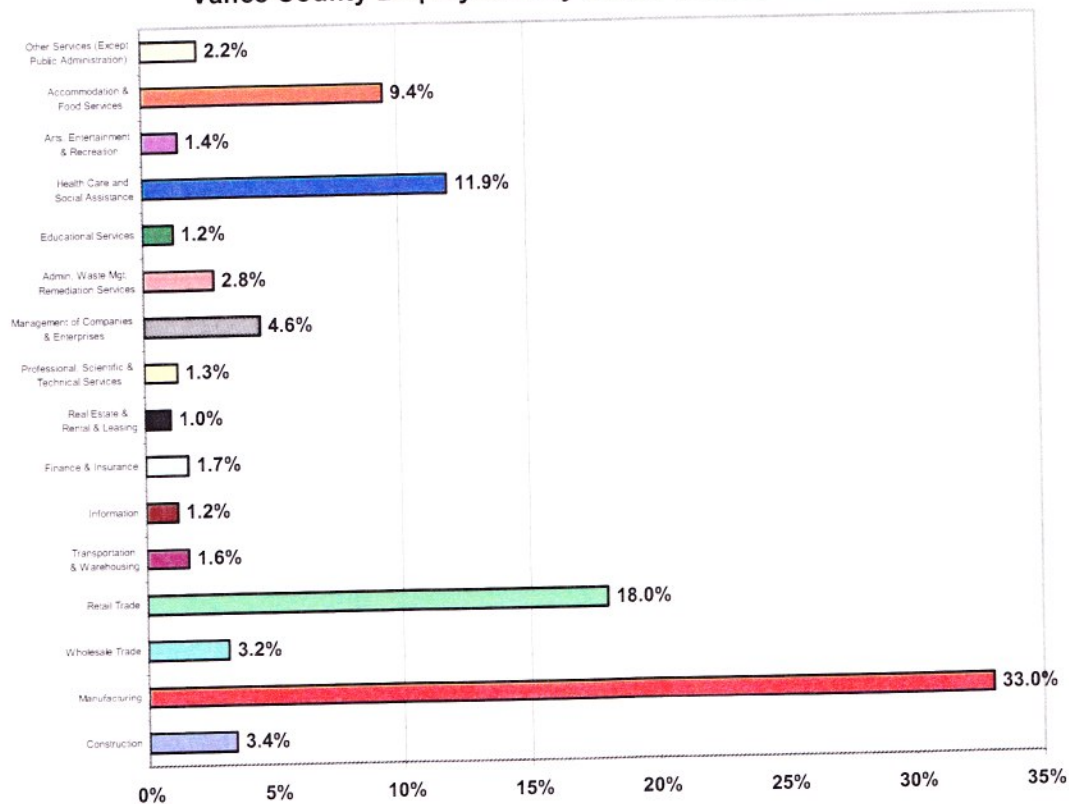
A significant part of Vance County's efforts to develop specific programs targeting local businesses' needs must include aggressively pursuing outside assistance - namely, funding. Assistance is available from a variety of sources for rural communities, communities in North Carolina that were formerly substantial tobacco producers or processors, communities with depressed economies, and communities that have experienced significant layoffs and plant closures, to name a few. Not only are numerous resources available, but Vance County is fortunate to have both (1) its local state legislators on key committees, and (2) several local residents who are well placed in state politics and economic development. The community must make exceptional efforts to seek and obtain economic development assistance, and it cannot be shy about asking. Only through a combination of these efforts will successful business clusters develop and thrive in Vance County.

APPENDIX

Vance County 2001 Industry Sector	Number of Employees	% of Employment	Location Quotient
Total Employment	15,434		
Forestry, fishing, hunting, and agriculture support	3	0.0%	0.12
Mining	20-99	0.4%	0.92
Utilities	20-99	0.4%	0.68
Construction	540	3.5%	0.62
Manufacturing	3908	25.3%	1.83
Wholesale trade	555	3.6%	0.67
Retail trade	4,061	26.3%	2.03
Transportation & warehousing	472	3.1%	0.94
Information	191	1.2%	0.38
Finance & insurance	235	1.5%	0.28
Real estate & rental & leasing	186	1.2%	0.69
Professional, scientific & technical services	224	1.5%	0.23
Management of companies & enterprises	545	3.5%	1.41
Admin, support, waste mgt, remediation services	435	2.8%	0.36
Educational services	256	1.7%	0.73
Health care and social assistance	1,810	11.7%	0.93
Arts, entertainment & recreation	197	1.3%	0.82
Accommodation & food services	1,324	8.6%	0.99
Other services (except public administration)	398	2.6%	0.55
Source: U.S. Census Bureau, County Business Patterns, 2001			

2001 Annual Average Wage by Sector	Vance County 2001 Annual Average Wage	United States 2001 Annual Average Wage
Total	\$22,116	\$34,669
Forestry, fishing, hunting, and agriculture support	not available	\$26,117
Mining	not available	\$51,516
Utilities	not available	\$64,085
Construction	\$20,220	\$38,079
Manufacturing	\$25,480	\$38,726
Wholesale trade	\$27,814	\$44,919
Retail trade	\$17,708	\$21,138
Transportation & warehousing	\$31,653	\$34,529
Information	\$28,921	\$55,164
Finance & insurance	\$30,557	\$59,786
Real estate & rental & leasing	\$20,608	\$31,787
Professional, scientific & technical services	\$25,955	\$52,317
Management of companies & enterprises	\$32,859	\$74,021
Admin, support, waste mgt, remediation services	\$17,945	\$24,430
Educational services	\$16,738	\$25,684
Health care and social assistance	\$28,386	\$32,041
Arts, entertainment & recreation	\$13,975	\$25,912
Accommodation & food services	\$9,639	\$12,901
Other services (except public administration)	\$14,839	\$21,454
Source: U.S. Census Bureau		

Vance County Employment by NAICS Sector, 1998



Source: U.S. Census Bureau

Industry	No of Units	Avg Empl for Qtr	Annual Average Wage
Health Care and Social Assistance	98	2,183	\$26,534
Ambulatory Health Care Services	58	574	\$37,791
Offices of Physicians	28	199	
Offices of Dentists	10	69	
Offices of Other Health Practitioners	9	51	
Offices of Chiropractors	*	*	
Offices of Optometrists	4	39	
Offices of Mental Health Practitioners	*	*	
Offices of Specialty Therapists	*	*	
Offices of All Other Health Practitioner	*	*	
Offices of Misc Health Practitioners	*	*	
Outpatient Care Centers	7	144	
Outpatient Mental Health Centers	5	106	
Other Outpatient Care Centers	*	*	
HMO Medical Centers	*	*	
Kidney Dialysis Centers	*	*	
Home Health Care Services	4	111	
Hospitals	*	627**	\$30,092
General Medical and Surgical Hospitals	*	*	
Nursing and Residential Care Facilities	11	430	\$19,932
Nursing Care Facilities	4	232	
Residential Mental Retardation Facility	*	*	
Residential Mental Retardation Facility	*	*	
Residential Mental & Substance Abuse Care	3	59	
Community Care Facility for the Elderly	*	*	
Continuing Care Retirement Communities	*	*	
Homes for the Elderly	*	*	
Social Assistance	28	552	\$15,929
Individual and Family Services	6	59	
Child and Youth Services	*	*	
Other Individual and Family Services	*	*	
Emergency and Other Relief Services	*	*	
Community Housing Services	*	*	
Temporary Shelters	*	*	
Vocational Rehabilitation Services	5	322	
Vocational Rehabilitation Services	5	322	
Child Day Care Services	15	151	
** Estimated			
Source: U.S. Census Bureau			

* Information suppressed for confidentiality reasons

High and low paying jobs in 2001

This information was in a recent article written by staff members at the U. S. Bureau of Labor Statistics and is provided for background and reference only.

"The highest paying major groups of occupations in 2001 were the management occupations group and the legal occupations group. Wage and salary workers in management occupations had a mean hourly wage of \$34.04, while those in legal occupations had an average wage of \$33.19. The next highest paid groups were computer and mathematical (\$29.02), architecture and engineering (\$27.08), and business and financial operations (\$24.32).

The occupational groups with the lowest average wages in 2001 were the food preparation and serving related occupations, farming, fishing, and forestry occupations, building and grounds cleaning and maintenance occupations, and personal care and service occupations. Three of these four groups had average wages of less than \$10.00 per hour. Food preparation and serving jobs averaged \$8.04 per hour. Farming, fishing, and forestry workers earned \$9.44 per hour and those in building and grounds cleaning and maintenance averaged \$9.80. Personal care and service jobs paid \$10.10 per hour. In each of these four groups except for building and grounds cleaning and maintenance, more than half of all workers earned less than \$8.50 per hour."³⁰

³⁰ Labor Month in Review, January 2003, Vol. 126, no. 1, *Monthly Labor Review Online*, may be found at www.bls.gov/opub/mlr/2002/01/lmir.htm#3