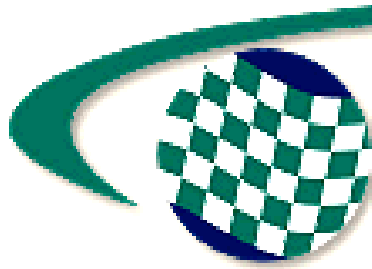


# TARGET BUSINESS ANALYSIS

 **MARTINSVILLE**



# HENRY COUNTY, VA

**JANUARY 22, 2003**

**MARKET STREET SERVICES**  
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# TABLE OF CONTENTS

**Introduction** ..... **1**

**Methodology** ..... **3**

**Existing Businesses in Martinsville-Henry County** ..... **8**

**Target Industry Sectors**

*Health Care* ..... **14**

*Plastics Product Manufacturing* ..... **18**

*Tourism* ..... **22**

*Wholesale Trade/Transportation and Warehousing* ..... **26**

*Food Processing* ..... **29**

**Conclusion** ..... **32**

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# Introduction

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## INTRODUCTION

Community leaders seeking to improve their local economy must grow familiar with the predominant business sectors in their area and how these sectors interact both inside and outside 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.”<sup>1</sup> Understanding the dynamics of area clusters enables local economic developers and elected officials to take the steps necessary to stimulate growth in these industry sectors.

Business clusters emerge because firms in the same or closely related industry sector gain competitive advantages by co-locating in the same vicinity. Close associations with like firms allow businesses to learn about new technologies or important developments within the sector, create (and often share) an effectively trained labor pool, and reduce transaction costs. By increasing the productivity of the entire cluster, these interactions also hold the potential to significantly improve the local economy.

Most clusters grow either out of one dominant business or the interrelationship of two or more successful businesses. Potential clusters also may benefit from a synergistic relationship with key institutions such as government research labs or universities. Generally, 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 these sectors operate in a dynamic global economy.

Collaboration and knowledge sharing have become vital because, in this information-based economy, *productivity* has replaced low cost inputs, such as cheap labor or land costs, as the key competitive factor for businesses. Today’s fast-paced, changing economy increases the pressure on companies to best utilize their available resources. Increased global competition and smaller profit margins have also forced businesses to be more proactive in sourcing new revenue streams and improving work processes. Clusters have been found to increase productivity because of the following factors:<sup>2</sup>

- 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.

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<sup>1</sup> *On Competition*, Dr. Michael Porter, Harvard University Business School.

<sup>2</sup> Source: Porter.

Successful clusters improve efficiency both *horizontally* (between firms) by facilitating greater communication and cooperation among cluster members, and *vertically* (with other industries) by providing individual firms the breadth, leverage and visibility of the overall cluster.

Simply being positioned in a cluster, however, does not guarantee a company's success. Often, clusters experience growth phases based on firm composition, product-cycles and level of competition that may determine the ultimate viability of the cluster regardless of its past history. Just as a rising tide may lift all boats, an ebbing tide can sink all ships.

The essential reality of today's cluster phenomenon remains, however, that the increasing prominence of cluster-based growth alters the traditional practice of economic development. While conventional recruitment methods focus on the singular needs of individual companies, cluster policies are more systemic, identifying linked businesses and promoting a *framework* in which those businesses can leverage shared resources. As an economic development strategy, cultivating relationships between similar businesses strengthens the core of a region's economy.

This report will focus on several clusters that, due to a combination of Martinsville-Henry County's existing industries, the future viability of these industries, their wages paid and training and workforce resources available, will complement the community's attempts to create wealth in the area and sustain a diverse, vibrant economy.

Martinsville-Henry County's *Target Business Analysis* is the fourth component of a six-month holistic economic development strategy effort. The process includes these six stages:

- 1. Economic and Demographic Profile**
- 2. Community Input Phase**
- 3. Competitive Assessment**
- 4. Target Business Analysis**
- 5. Community and Economic Development Strategy**
- 6. Implementation Plan**

When complete, Martinsville-Henry County's strategy, along with action steps, benchmarks, and measures to facilitate its successful implementation, will provide a roadmap for the community's sustainable future development.

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# Methodology

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## 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, Georgia. Similarly, Martinsville-Henry County could once boast of manufacturing a similar percentage of the world’s sweatshirts. While its cluster of textile firms is declining, Martinsville-Henry County is still home to a healthy cluster of furniture manufacturers.

Identifying specific target clusters requires both quantitative *and* qualitative research. *Quantitative* examination of indicators like local employment and wages compared to national averages determines the scale and impact of specific business sectors. These data are collected according to North American Industry Classification Systems (NAICS) codes from the 2001 U.S. Census Bureau’s *County Business Patterns* surveys.<sup>3</sup> NAICS classifies businesses into sectors similar to the now defunct Standard Industrial Codes system, but in categories 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>
• Forestry, Fishing, Hunting & agriculture support.....	11
• Mining.....	21
• Utilities.....	22
• Construction.....	23
• Manufacturing.....	31-33
• Wholesale Trade.....	42
• Retail Trade.....	44-45
• Transportation & Warehousing.....	48-49
• Information.....	51
• Finance & Insurance.....	52
• Real Estate & Rental & Leasing.....	53
• Professional, Scientific, & Technical Services.....	54
• Management of Companies & Enterprises.....	55
• Admin., Support, Waste Management, Remediation Services.....	56
• Educational Services.....	61
• Health Care & Social Assistance.....	62
• Arts, Entertainment, & Recreation.....	71
• Accommodation & Food Services.....	72
• Other Services (except public administration).....	81
• Auxiliaries (exc. corporate, subsidiary & regional management).....	95

<sup>3</sup> Data from *County Business Patterns* are sometimes suppressed, or only ranges of employment size are listed, if the information provided would compromise the identity of a particular employer. When this occurred in this report, the midpoint of a data range was used to provide a single employment figure.

An important quantitative term used in this report is *location quotient* (LQ). A location quotient is a ratio representing the strength of a particular local business sector in relation to the national average. It is represented formulaically as:

$$LQ = \frac{(\text{Regional Employment in Sector} / \text{Total Regional Employment})}{(\text{National Employment in Sector} / \text{Total National Employment})}$$

If a location quotient is *greater* than 1.0, the area has a larger share of employment in that sector than the nation. The higher the LQ, the more concentrated the level of local employment compared to its U.S. equivalent. LQs provide insight into a community's economic structure and its level of industrial diversity. If one or two sectors dominate local employment, slowdowns in these industries may decimate an area's economy.

Conversely, if a location quotient is *less* than 1.0, this indicates a smaller local share of employment than the nation. Just because a sector has a location quotient below 1.0 does not preclude it from being a target business cluster for the community. Similarly, an LQ over 1.0 does not automatically mean the community should aim for that sector. A number of factors, including national trends, local support services, and regional clusters, contribute to the viability of a local industry group.

Another important concept in local economic development is the *traded*, or *export* sector. A traded sector is a community's economic engine – that part of the economy that sells goods and services to customers outside the region, importing income that then circulates throughout the rest of the local economy. For example, furniture manufacturing is a traded sector in Martinsville-Henry County because these goods are sold outside the region. The “new” money entering the economy is then used to purchase local goods and services, creating new wealth in Martinsville-Henry County. Conversely, retail is considered a *non-traded* sector because those monies originate within the community and have no “multiplier effect” on other spending. Local economic developers should always strive to recruit and develop traded industries because these sectors have a greater benefit to overall community vitality.

*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, though not directly categorized under the same NAICS code. *Market Street* conducted extensive qualitative research in Martinsville-Henry County when compiling the area's *Competitive Assessment*. Twelve focus groups and 25 personal interviews were conducted over an almost two-month period. This qualitative data will also inform the community's *Target Business Analysis*.

Based on the full breadth of *Market Street's* research, it has been determined that Martinsville-Henry County should target the following industry sectors:

- 1. Health Care**
- 2. Plastics Product Manufacturing**
- 3. Tourism**
- 4. Wholesale Trade/Transportation and Warehousing**
- 5. Food Processing**

Often, the most important mistake communities make is targeting too many industry sectors for development. By focusing on the sectors with the most promise for future gain, Martinsville-Henry County officials will have a greater chance of successfully implementing their local development strategy.

The selection of these target clusters does not mean local officials should cease providing support to other sectors and companies. Nor should viable opportunities to recruit quality companies with sustainable growth potential be ignored, regardless the industry. Recruitment, business retention and small-business development are equally important components of local economic strategies.

## **Entrepreneurship and Small Business Development**

Efforts to nurture local entrepreneurs and fledgling businesspeople are also crucial components of any local economic development strategy. Including the self-employed, small businesses account for 58 percent of the private, nonfarm U.S. work force, constitute 43 percent of all domestic sales, and generate 51 percent of the nation's private Gross Domestic Product (GDP). Small businesses also contributed the largest share of the millions of new jobs created during the late 1990s.<sup>4</sup>

To focus solely on recruitment and development of target sectors – and even the growth of Martinsville-Henry County's existing large businesses – would do a disservice to the community's long-term fiscal well-being. Local residents and small businesspeople with good ideas and a desire to learn the ins-and-outs of running a successful company should be provided the support they need to get their enterprises off the ground. Some of the nation's largest businesses started out in the smallest of spaces – Dell Computer began in Michael Dell's college dorm room at the University of Texas; Apple Computer was born in Steve Jobs' garage. The seed of a multi-million-dollar company can be sown in any soil, and it is up to local economic developers and community leaders to ensure that potential job-creating businesses are given every chance to take root and grow.

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<sup>4</sup> Source: U.S. Small Business Administration.

During the qualitative component of this analysis, *Market Street* spoke with numerous Martinsville-Henry County entrepreneurs and reviewed existing small-business development resources in the area to determine the current entrepreneurial climate in the area and the support services available to individuals who want to start businesses in Martinsville-Henry County. The results of this analysis are as follows:

### **Problem Areas**

- **Absence of Services:** With the exception of Longwood University Small Business Development Center and the West Piedmont Business Development Center, no other major support services exist in the community. There is a lack of programs focusing on micro-entrepreneurs or services targeted to the minority business community, and the resources to train and/or encourage youth who might consider entrepreneurship as a career option.
- **Poor Accessibility of Services:** Existing services are difficult to access, according to small businesspeople surveyed. In addition to poor marketing, existing services suffer from unduly burdensome restrictions on participation.
- **Absence of Encouragement:** In general, small business owners appear to have a perception (fair or not) that existing service providers often discourage new business owners. Moreover, they also believe that the community's leaders regularly ignore the needs and concerns of local small companies.

While not insurmountable, these issues nevertheless hinder effective entrepreneurial and small business development in Martinsville-Henry County. Existing assets like the aforementioned business development centers, the Harvest Foundation, scenic amenities and demographic diversity in the area, have the potential to be effectively utilized as part of a wider small business development strategy. *Market Street* will present detailed programmatic and structural recommendations focused on enhancing and expanding Martinsville-Henry County's entrepreneurial and small business development infrastructure in the *Community and Economic Development Strategy* to be presented in the coming months.

### **Business Retention**

Focusing on the needs of existing businesses is another crucial component of local economic development strategies. Communities must help local companies upgrade the efficiency of their current operations, expand their customer bases, and improve relationships with other area businesses, purchasers and suppliers.

Business retention strategies are largely built on personal relationships between company officials and local developers. If local firms feel they are being ignored, it will be difficult to develop a positive, nurturing business climate to sell to outside prospects. In addition, proactive measures like the provision of high-speed telecommunications access,

maintenance of good transportation and utility infrastructure, and exceptional “customer service” every time a company deals with local government employees (including online “e-government” resources) are supportive actions that can help sustain and grow local companies.

There must be professional staff dedicated only to the retention and growth of existing firms. To ignore the possibilities and opportunities of existing firms and their contacts and suppliers is a serious mistake. At least as much effort as is committed to recruitment must be made available to service existing businesses.

A full strategy component involving business retention and expansion will be included in Martinsville-Henry County’s *Community and Economic Development Strategy* – the next phase of the area’s strategic development process.

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# Existing Businesses in Martinsville and Henry County

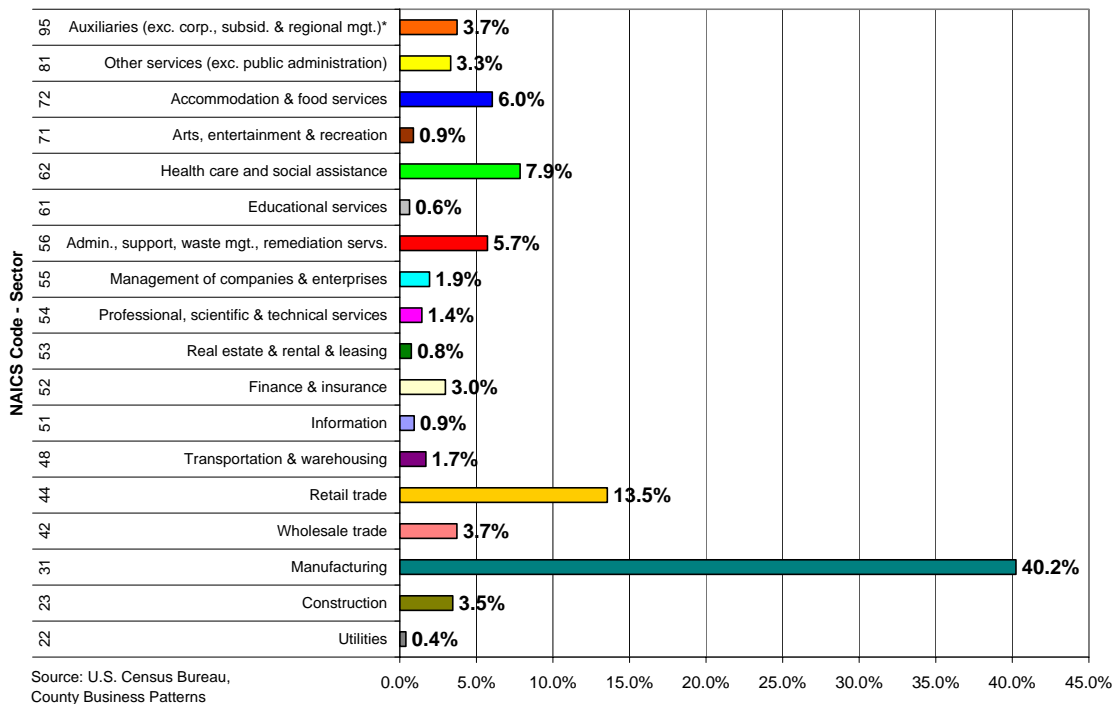
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## EXISTING BUSINESSES IN MARTINSVILLE-HENRY COUNTY

Though the area's industrial composition was analyzed in Martinsville-Henry County's *Economic and Demographic Profile*, it is helpful to review key findings as a foundation for selection of the community's target business sectors. Based on 2001 *County Business Pattern* data, the following chart details Martinsville-Henry County's employment percentages by major NAICS sector.<sup>5</sup>

**Martinsville-Henry County Employment by NAICS Sector: 2001**



\*Auxiliary establishments are classified based on the primary support function they perform. The census classifies twelve support functions: Truck transportation; Warehouse and storage; Data processing services; Legal services; Accounting, tax preparation, bookkeeping, and payroll services; Scientific research and development services; Advertising and related services; Employment services; Investigation, guard and armored car services; Services to buildings and dwellings; Repair and maintenance; Unclassified auxiliary establishments.

Clearly, Manufacturing is by far the largest employment sector in Martinsville-Henry County, with Retail Trade and Health Care and Social Assistance a distant second and third. Sub-sector data show that local manufacturing is dominated by apparel manufacturing and furniture manufacturing employment.

<sup>5</sup> Note: The Forestry, Fishing, Hunting, and Agriculture Support (0.1%), Mining (0.0%), and Unclassified Establishments (0.0%) sectors were omitted from this chart.

**Location Quotients, Martinsville-Henry  
County Industry Sectors: 2001**

<b>NAICS Sector</b>	<b>LQ</b>
Utilities	0.71
Construction	0.61
Manufacturing	2.90
Wholesale trade	0.70
Retail trade	1.05
Transportation & warehousing	0.52
Information	0.29
Finance & insurance	0.55
Real estate & rental & leasing	0.43
Professional, scientific & technical services	0.23
Management of companies & enterprises	0.78
Admin., support, waste mgt., remediation servs.	0.73
Educational services	0.28
Health care and social assistance	0.62
Arts, entertainment & recreation	0.57
Accommodation & food services	0.70
Other services (except public administration)	0.71
Auxiliaries (exc. corp., subsid. & regional mgt.)	4.20

Source: U.S. Census Bureau, County Business Patterns

An examination of Martinsville-Henry County employment versus sectors at the national level reveals the relative concentration of local industries. The location quotients listed in the table at the left provide additional evidence of Martinsville-Henry County's large cluster of manufacturing firms.

Along with Manufacturing, the only sectors more concentrated locally than nationally are Retail Trade and the Auxiliaries sector, which comprises a number of service sub-sectors. With LQs above 1.0 in only three NAICS categories, Martinsville-Henry County's lack of economic diversity becomes very evident.

While these broad sectors provide useful information on the overall dynamics of Martinsville-Henry County's industries, a closer look at NAICS sub-sectors will paint a clearer picture of local business clusters. Because of the community's high percentage of manufacturing employment, the following table looks at trends in Martinsville-Henry County's manufacturing sub-sectors compared to the nation.

**Martinsville-Henry County Manufacturing Sub-Sectors Employment: 1998, 2001**

<b>NAICS Code</b>	<b>Industry Code Description</b>	<b>Employment Location Quotient</b>		<b>Martinsville-Henry County employment</b>			<b>U.S. employment</b>
		<i>1998</i>	<i>2001</i>	<i>1998</i>	<i>2001</i>	<i>1998-01 change</i>	<i>1998-01 change</i>
313	Textile mills	16.2	14.4	1925	1125	-41.6%	-20.0%
315	Apparel manufacturing	24.4	17.3	5046	1926	-61.8%	-34.2%
321	Wood product mfg.	5.7	7.2	1019	1007	-1.2%	-3.9%
322	Paper mfg.	3.7	5.0	642	676	5.3%	-6.1%
323	Printing & related support activities	1.2	1.6	312	312	0.0%	-7.2%
325	Chemical mfg.	2.7	1.7	750	375	-50.0%	-3.4%
326	Plastics & rubber products mfg.	2.4	3.5	778	874	12.3%	-2.7%
327	Nonmetallic mineral product mfg.	3.3	4.1	525	540	2.9%	3.1%
332	Fabricated metal product mfg.	0.3	0.4	147	157	6.8%	-3.0%
333	Machinery mfg.	0.3	0.4	124	149	20.2%	-7.7%
337	Furniture & related product mfg.	28.5	24.6	5321	3848	-27.7%	2.5%

Source: U.S. Census Bureau, County Business Patterns

These data once again confirm the dramatic losses in textile and furniture manufacturing employment in Martinsville-Henry County and also their very high labor concentrations

compared to the U.S. However, the data also show a number of local manufacturing sub-sectors increasing in employment and concentration versus the nation. Among these are Paper Manufacturing, Plastics and Rubber Products Manufacturing, and Nonmetallic Mineral Product Manufacturing.

These and other industrial categories and sub-categories, despite potentially low LQs, nevertheless are growing in Martinsville-Henry County and may hold promise for future gains in employment.

## **Current Industry Realities**

Not all local clusters with high location quotients are viable targets for future development. The following sectors, while beneficial to the community, do not represent prime growth industries for Martinsville-Henry County. The jobs are important and local officials should fight to preserve them, but often the fate of these occupations is beyond the control of community – and even national – leadership.

### **Textile Industry**

Martinsville and Henry County were fortunate for many decades to be part of a cluster of businesses and factories focused on fabric production and apparel manufacturing. Even considering recent job losses in these industries, Martinsville-Henry County's location quotient was still 14.4 in textile mills and 17.3 in apparel manufacturing in 2001.

The decline of the community's textile industry is part of a larger trend in U.S. manufacturing. At the beginning of 2002, job levels at rural factories were 8 percent below those at the beginning of 2001.<sup>6</sup> In the first three quarters of 2002, rural manufacturers reported 405 incidences of mass layoffs and 139 plant closings. As local residents saw with the 2003 closing of Pillowtex in Henry County, these mass layoffs continue to this day. Just six years ago, the U.S. textile industry employed nearly 650,000 workers. Since that time, the industry has shed about 200,000 jobs, including 48,000 in the last year alone.<sup>7</sup>

The following table is taken from the Virginia Economic Commission's report, *Virginia Occupational Employment Projections, 2000-2010*.

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<sup>6</sup> *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.

<sup>7</sup> Source: *Atlanta Journal-Constitution*, accessed from <http://www.ajc.com/business/content/business/0104/09levis.html> on 1/9/04.

<b>DECLINING JOBS</b>		
Annual Jobs Lost	Occupation	Average Annual Salary
-1,716	Sewing Machine Operators	\$16,490
-1,557	Order Clerks	\$22,210
-1,504	Work Processors & Typists	\$27,070
-1,163	Insurance Claims & Policy Processing Clerks	\$29,960
-981	Loan Interviewers & Clerks	\$29,330
-961	Switchboard Operators	\$19,730
-763	Telephone Operators	\$34,170
-749	Computer Operators	\$29,140
-722	Textile Knitting & Weaving Machine Operators	\$22,790
-711	Textile Winding & Twisting/ Drawing Machine Operators	\$29,610

Employment in several occupations is expected to decline because of technological advances and other economic factors. Other occupations will decline because they are concentrated in declining industries.

Although turnover may create a limited number of openings, jobseekers entering a declining occupation may face increased chances of future job losses.

The unfortunate reality is that commodity producers of textiles and apparel in the U.S. will continue to shrink as an employer. China has recently become the nation's leading textiles and apparel supplier, and its 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 these jobs will not be coming back. The inexorable momentum of the global market forces redefining the textile industry means that economic development efforts at the local level will surely fail to arrest the decline in these sectors. Even a dramatic shift in national policy aimed to protect U.S. textiles will likely create few positive results. Some textile companies in New England and the South have been successful in producing high-end textile products, but these narrow gains have failed to stem the decline of the area's overall sector.

In January 2004, Levi Strauss & Co., the California outfitter whose blue jeans are a globally recognized symbol of America, closed its last two U.S. sewing plants. About 800 workers at the 26-year-old San Antonio plants lost their jobs. The company has been shifting production to overseas contractors for years to offset declining sales revenue. Only two decades ago, Levi Strauss had 63 U.S. manufacturing plants.<sup>8</sup>

These closings are evidence that even quality, well-managed companies are finding it very difficult to manufacture domestically and remain competitive. For this reason and others, *Market Street* does not believe textile and apparel manufacturing is an appropriate sector to target as a *growth* strategy. Martinsville-Henry County will be extremely fortunate to simply maintain the level of textile employment it currently has.

## Retail Industry

Retail is considered by many economic development professionals to be a “following” industry because these jobs arrive after an employment “beachhead” has been established by other sectors. Retail will service a population's needs, but rarely be the driving force behind local prosperity. Therefore, even though retail employment now comprises over 14 percent of Martinsville-Henry County's employment base, *Market Street* does not recommend targeting retail as a cluster. As noted in the community's *Economic and Demographic Profile*, retail employment in Martinsville-Henry County pays among the

<sup>8</sup> Ibid.

lowest wages in the area and is one of the bottom five major NAICS sectors in terms of average annual wages. Even a successful economic development policy focused on growing the retail sector will likely result in overall net income losses for local residents.

Rather, retail trade should be a component of a broader marketing strategy to stimulate tourism, and extend the stays of visitors coming to the community to shop and recreate.

### **Furniture Industry**

When the national and regional tobacco economies collapsed, it was primarily the furniture industry that filled the void as the driving force behind Martinsville-Henry County's continued economic expansion. Many of the area's largest private-sector employers are still furniture manufacturing firms, and a number of affiliated manufacturers have located in Martinsville-Henry County to supply packaging and component materials to the furniture industry. There can be no denying the tremendous importance of furniture employment to the local economy.

Unfortunately, the long-term prospects for certain furniture manufacturing categories are not bright. Global competition and process automation have created tremendous cost pressures on domestic manufacturers, many of whom have slashed payrolls, outsourced labor and retooled production operations just to survive. Commodity furniture production has increasingly been forced overseas, as factories in China, Vietnam, Malaysia, and elsewhere have expanded capacity and streamlined delivery schedules for many mass-produced pieces. Niche and high-end furniture manufacturing is still a sustainable category in the U.S., but companies producing lower-cost goods are scrambling just to remain profitable.

Many in the furniture industry allege that unfair competition is the major obstacle facing domestic manufacturers. On October 31, 2003, acting as the Committee for Legal Trade, Vaughan-Bassett Furniture Company, Martinsville-Henry-County-based Hooker Furniture and Stanley Furniture, and 24 other U.S. manufacturers of bedroom furniture (along with several union locals), filed an anti-dumping petition with the U.S. Department of Commerce. The Committee claimed that furniture imported from China, a non-market economy, is being sold at less than fair value. According to the Committee, since President Bush took office three years ago about 34,700 wood furniture workers, or 28 percent of the work force, have lost their jobs. Bedroom furniture imports from China increased 121 percent from 2000 to 2002, and an additional 54 percent in the first six months of 2003.<sup>9</sup>

In the first week of 2004, the Commerce Department's International Trade Commission ruled 6-0 that surging imports of bedroom furniture from China are indeed hurting U.S.

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<sup>9</sup> Source: "Furniture makers win ruling against China imports." *Bloomberg News*, 1/11/04, accessed from <http://www.ajc.com> on 1/12/04.

producers. The ruling is the first of four hurdles the Committee must clear in their pursuit of tariffs of as much as 440 percent on \$1 billion in annual imports from China.<sup>10</sup>

Even if the Committee succeeds in assessing China with anti-dumping duties, some experts predict the levies will be a just a stopgap measure, with commodity furniture manufacturing eventually going the way of mass-produced textiles to cheaper markets in the Far East and elsewhere. In other words, lost furniture manufacturing jobs will not be coming back.

This will likely be the case even if the U.S. economy continues its current expansion, experts and economists say. They argue that a fundamentally changed global economic landscape with increasing imports and tremendous advances in automation production will stunt the growth of furniture jobs even when times get better. According to High Point University Economics Professor Mike McCully, manufacturing jobs in certain niches like high-end furniture or furnishings sensitive to quick changes in fashions may survive. But overall, the trend in furniture employment is toward more domestic job cuts.<sup>11</sup>

Gary Shoesmith, director of the Center for Economic Studies at Wake Forest University, said a more competitive U.S. dollar might help American furniture manufacturers, “But even that won't save these furniture manufacturing jobs – the ones that are close to being lost right now... The ones that have already been lost, there's no bringing those back.” When the U.S. economy rebounds, Shoesmith said, “We're going to sell tons of furniture here, we're just not going to make a lot of it.”<sup>12</sup>

Companies and economic development officials in Martinsville-Henry County must partner to devise plans to protect the community's existing furniture jobs, and effectively communicate industry needs and the supportive actions required to expand local manufacturing firms with real growth prospects. Joint ventures should also be sourced so that local companies and area development organizations can pool their resources and leverage the large Martinsville-Henry County furniture cluster for overall community gain.

Therefore, while domestic and international trends point towards a continuing contraction of U.S. furniture manufacturing, the critical importance of this sector to Martinsville and Henry County demands that action be taken to sustain the area's existing companies and jobs. But *Market Street* does not feel that furniture manufacturing should be focused on as a targeted growth sector for the community.

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<sup>10</sup> Ibid.

<sup>11</sup> Johnson, Paul B. “Even Good Times Might Not Rescue North Carolina Furniture Jobs.” *High Point Enterprise*, Oct 13, 2003, pg. 1.

<sup>12</sup> Ibid.

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# Health Care

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## HEALTH CARE

### Description and Trends

As the “baby boom” generation ages, an increasing number of individuals in this populous group will require medical services, hospital and at-home care, and will purchase trillions of dollars worth of medications, medical devices and other health related products. U.S. health care consumption rose from 7 percent of national Gross Domestic Product (GDP) to more than 14 percent in 2002. That figure is expected to reach 17 percent of GDP by the year 2011.<sup>13</sup>

Development opportunities exist in a number of health care sub-sectors. The Ambulatory Health Care Services sector (NAICS 621) includes the offices of most physicians, dentists, specialists and all other health practitioners, as well as certain health care centers and diagnostic laboratories, home health care services, ambulatory services and others. The health services sector is primed for surging growth both at the national and local levels as seniors become increasingly dependent on medical facilities for their livelihoods. It is already a powerful economic sector with a total of 11.3 million U.S. jobs. 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. Additionally, nine out of the 20 fastest-growing national occupations will be in this category. Health care services jobs also feature higher than average wages. While doctors and nurse specialists earn top salaries, the jobs available to individuals without substantial training can still provide viable, high-paying career opportunities in a relatively stable profession. Furthermore, numerous technical support occupations in health care services require only one or two years of higher education.

Hospitals (NAICS 622) accounted for the largest share of the 270,000 new jobs created in the health care industry in 2002, a number that led all other sectors. In fact, health care employment grew 2.6 percent at a time when most U.S. industries were shedding jobs. Employment in hospitals grew 2.7 percent in 2002, compared to a 1.6 percent 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.<sup>14</sup>

The Nursing and Residential Care Facilities (NAICS 623) sub-sector is also growing rapidly as the notion of “retirement homes” changes to reflect the more active, independent lifestyles of today’s seniors. A new type of professional-care facility allows residents to buy a home or condo independent of the care facility, and then transition to a professionally supervised residence when they are no longer able to care for themselves.

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<sup>13</sup> DeVol, Ross C. and Rob Koepp. “America’s Health Care Economy.” Milken Institute, August 2003, p. 2.

<sup>14</sup> U.S. Labor Market in 2002: Continued Weakness, McMenamin, Krantz & Krolik, *Monthly Labor Review Online*, February 2003, vol. 126, no. 2. Article found at [www.bls.gov/opub/mlr/2003/02/art1full.pdf](http://www.bls.gov/opub/mlr/2003/02/art1full.pdf)

Growth opportunities in the health care sector are not limited to service sub-sectors and care facilities, however. Manufacturers of medical instruments and supplies are also reaping the benefits of the dramatic growth in the U.S. health care industry. Smaller cities can stake a claim to these manufacturing niches by being proactive in their support of local operations and fully researching regional demand for these products. For example, based on the Milken Institute's Health Pole<sup>15</sup> rankings, Lynchburg, Virginia is the top U.S. metropolitan area in the medical instruments and supplies category. The Commonwealth of Virginia also ranks 4<sup>th</sup> among U.S. states for employment growth in medical instruments and supplies from 1996 to 2001.

Local officials can assist the area's health care industry by supporting service providers' efforts 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 another significant responsibility for local developers. Opportunities for expansion into medical manufacturing should also be pursued.

- NAICS definition:
  - 621 Ambulatory healthcare services
  - 622 Hospitals
  - 623 Nursing and residential care facilities
- Total U.S. employment is 7,111,414
- There are 498,938 establishments.
- The national average annual pay is \$34,807.
- Location Factors:
  - ✓ Close proximity to existing hospitals and health care facilities.
  - ✓ Available, affordable, and appropriately skilled labor force.

## Existing Businesses

Rural communities are becoming an increasingly viable retirement option for many seniors who covet the small-town atmosphere, natural amenities, low-cost housing, recreational opportunities and cultural opportunities many small towns offer. A number of Southeastern and Sun Belt communities – especially college towns – have seen a surge of retirees moving into town.

Martinsville-Henry County, with its very capable regional hospital (Memorial Hospital), natural beauty, temperate weather, low-cost and quality housing stock, and existing retirement homes like King's Grant Retirement Community and Blue Ridge Village, is

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<sup>15</sup> An index depicting the health care industry concentration in a given geographic location, and its level of importance for that area compared to the nation as a whole. These location quotient-derived figures are essentially measures of spatial density and diversity of health care sectors in metro economies when placed in a national context. (Source: DeVol and Koepp, p. 4)

also a destination for many retirees, as respondents often told *Market Street* during focus groups and interviews.

Despite these assets, as the following chart shows, employment in certain health care sectors experienced similar declines as other local Martinsville-Henry County industries, though certainly not as severe.

**Martinsville-Henry County Health Care Sub-Sectors Employment: 1998, 2001**

NAICS Code	Industry Code Description	Employment Location Quotient		Martinsville-Henry County employment			U.S. employment
		1998	2001	1998	2001	1998-01 change	1998-01 change
621	Ambulatory health care services	0.50	0.56	691	671	-2.9%	5.7%
622	Hospitals*	0.48	0.58	750	750	0.0%	1.5%
623	Nursing & residential care facilities	0.83	0.65	647	437	-32.5%	6.4%

\*Because there is only one hospital in Martinsville-Henry County, the midpoint of the employment range of 499-999 employees has been used.

Source: U.S. Census Bureau, County Business Patterns

Although percentages declined, Ambulatory Health Care Services and Hospitals employment in Martinsville-Henry County actually grew more concentrated compared to the nation over the period between 1998 and 2001 as reflected in rising location quotients.

Local weekly wages in the health care sector for Martinsville (\$599) and Henry County (\$465) workers were nearly at the Commonwealth average (\$626) for these occupations, one of the few industries where this occurred in the first quarter of 2003.

## Workforce Requirements and Assets

With only 45 percent of health care employment in professional occupations, the majority of the sector's jobs do not require advanced degrees. Furthermore, the health care service occupations are the positions expected to experience the largest growth by 2010. Local resources like community colleges can often provide the principal means to educate and prepare a region's health care workforce.

In Martinsville-Henry County, Patrick Henry Community College offers associate's degrees in Business Technology – Medical Office Specialization, and Health Technology in Nursing. Career Studies Certificates are offered in Allied Health Preparation; Medical Transcription; Nurse Aide Training; Pharmacy Technician; and Wellness.

As the table to the right indicates, enrollment in PHCC's nursing degree program had been declining from 1998-99 to 2001-02 before ratcheting up again in 2002-03. Awarding of associate's degrees has remained relatively consistent over the period.

**Nursing Program, Patrick Henry Community College: 1998-99 to 2002-03**

Year	Total enrollment	FTES	Awards
1998-99	210	119	23
1999-00	236	134	19
2000-01	202	114	16
2001-02	97	63	20
2002-03	116	91	n/a
Period Change	-44.8%	-23.5%	-13.0%

\*Full-Time-Equivalent Student

Source: Virginia Community College System

Recently, the Harvest Foundation – a non-profit organization created to invest in programs and initiatives to improve local health, education, and welfare – awarded a grant to the Patrick Henry Community College Educational Foundation of \$466,850 over three years. The grant will help consolidate existing allied health career programs, launch additional programs to augment career opportunities for students, and improve health care for the overall community.

Another workforce training resource is the Martinsville campus of the for-profit National College of Business and Technology, which offers health care diplomas in Medical Billing and Coding; Medical Secretarial; Medical Transcription and Pharmacy Technician. The college offers associate's degrees in Medical Assisting.

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# Plastics Product Manufacturing

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## PLASTICS PRODUCT MANUFACTURING

### Description and Trends

Far from what many assume this industry to be – baubles, bouncing balls, Tupperware and tires – Plastics and Rubber Products Manufacturing (NAICS 326) is actually a very diverse sector that includes packaging films and sheeting, pipe fittings, polystyrene foam, urethanes, and floor coverings. While Rubber Product Manufacturing (NAICS 3262) is a viable sub-sector, *Market Street* recommends that Martinsville-Henry County target Plastics Product Manufacturing (NAICS 3261) for future growth.

While many domestic manufacturing workers have seen their jobs shipped overseas in the past three years, the plastics industry has remained solidly on U.S. soil. *Business Facilities* magazine wrote, “If you think plastics products are mainly made overseas today thanks to cheaper labor, think again: the U.S. is the world’s largest producer of manufactured plastics products.”<sup>16</sup> U.S. plastics companies increased employment by nearly 74 percent from 1982 to 2001, until a global recession caused slowdowns in many industries. According to *Business Facilities*, “The trend is still overwhelmingly positive in the long term for plastics manufacturers. What’s amazing is that this employment growth has been accompanied by steady gains in efficiency in each plastics facility.”<sup>17</sup>

U.S. plastics shipments peaked at \$142.2 billion in 2000 before declining slightly in 2001, but the 2001 level of industry shipments was still 3.7 times 1982’s figure. The *Society of the Plastics Industry* – a trade group – calculated that the plastics manufacturing industry grew 3.7 percent per year from 1980 to 2001, with employment, real shipments, and real value-added all growing faster than U.S. manufacturing as a whole over the period.

Because plastics manufacturing facilities tend to be manageable in size and less dependent on regional linkages (unlike auto plants), smaller communities are often in the running for the location of these companies. While competition is therefore great, communities with the right mix of assets stand a strong chance of enhancing a current plastics cluster, or establishing a foothold in the industry.

As the following table relates, Virginia is one of the most competitive places in the world for plastics employment.

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<sup>16</sup> Khan, Karim. “Tomorrow’s Plastics Locations.” *Business Facilities*, August 2003, p. 24-25.

<sup>17</sup> Ibid.

**20 Hottest Plastics Locations: 2003**

1	Texas	11	Georgia
2	Ohio	11	New Jersey
3	Tennessee	13	<b>Virginia</b>
4	North Carolina	14	Mississippi
5	Alabama	14	Oklahoma
6	Mexico	16	Illinois
6	Pennsylvania	16	Missouri
8	South Carolina	18	Minnesota
9	Arizona	19	India
9	Louisiana	19	Kentucky

Source: *Business Facilities*, August 2003

*Business Facilities* magazine based their rankings on a survey of consultants, real estate professionals, and location selection experts who were asked to name today's hottest opportunities in plastics.

South Carolina, the 8<sup>th</sup> location on the list, recently announced the successful recruitment of plastics firm Sterilite Corporation to the small town of Clinton (population 8,129). Sterilite – the largest independent producer of plastic products for

the home – will invest \$65 million in a new manufacturing and distribution center in Clinton. The facility is expected to one day employ 600 workers.<sup>18</sup>

For communities like Martinsville-Henry County with a current presence in the plastics sector, local officials must not only work with existing businesses to stimulate expansion, but focus on the area strengths that make the community a good location choice for plastics manufacturers. These strengths must then be aggressively marketed to both the plastics industry, and site consultation professionals.

- NAICS definition:  
3261 Plastics Product Manufacturing
- Total U.S. employment is 644,699.
- There are 12,774 establishments.
- The national average annual pay is \$35,545.
- Location factors:
  - ✓ Less dependent on regional linkages than other industries.
  - ✓ Will tend to locate near customer base or proximity to distribution nodes.
  - ✓ Large buildings and rail sitings, often.
  - ✓ Workforce training resources.

## Existing Businesses

As noted in the table on Page 9 of this document, the Plastics and Rubber Products Manufacturing sub-sector is a large and growing component of Martinsville-Henry County's industrial base. The category saw its location quotient increase from 2.4 to 3.5 from 1998 to 2001, and its total local employment rise by 12 percent. The sub-sector's overall job gain in these years led the entire Martinsville-Henry County manufacturing sector. Data also show that these are high-paying jobs for the community. In the first

<sup>18</sup> Source: *Business Facilities*, accessed from [http://www.facilitycity.com/busfac/bf\\_03\\_12\\_exclusive3.asp](http://www.facilitycity.com/busfac/bf_03_12_exclusive3.asp) on 1/9/04.

quarter of 2003, the average weekly wage for employees in the plastics and rubber products sub-sector was \$824, nearly \$70 higher than the Virginia average. This was the *only* manufacturing sub-sector in which local wages topped the Commonwealth, and one of the few overall employment categories where employees in Martinsville-Henry County earned more than their counterparts in Virginia.

The largest company in this sub-sector – CPFilms, a solar control, safety window film and precision-coated film manufacturer – has a payroll of 520 employees in Martinsville-Henry County. Recently, CPFilm’s parent company, Solutia Inc., filed for bankruptcy, but the action is not expected to affect CPFilm’s local operations. Ken Vickers, president of CPFilms, told the *Martinsville Bulletin* that no jobs are being cut and employees will continue to work full schedules. He added, “They will be paid as usual, their benefits will be the same, their health coverage will be the same. They will be doing the same jobs with the same gradings and we will continue with our overall investment plan.” Despite Solutia’s financial troubles, Vickers said CPFilms has been profitable for the past 10 years and is very important to the parent company’s overall cash flow.<sup>19</sup>

Other local firms in the cluster include<sup>20</sup>:

- *Commonwealth Laminating* – Wash/slit polyester film operation (30 employees).
- *MARC Workshop* – Plastic eating utensils, packaging and collating (48 employees).
- *Tri-State Foam Products, Inc.* – Styrofoam manufacturing (60 employees).

Based on Martinsville-Henry County’s high LQs in this sub-sector, the notable local growth of plastics product manufacturing employment in recent years, and national prospects for this sub-sector, *Market Street* feels the community has a potentially lucrative competitive advantage in this category.

## Workforce Requirements and Assets

With improved efficiency comes the need for a workforce trained in the latest industry technologies. Indeed, a skilled workforce is one of the prime necessities for a plastics manufacturer scouting a new location. However, most plastics jobs do not necessarily require a four-year college degree. The required training can either be provided in-house by local companies or at a community college or technical school. In Martinsville-Henry County, there are no specific training curricula targeted to the plastics manufacturing industry, nor are there classes in injection molding, or other plastics-related skills. The following are Patrick Henry Community College programs with general applications to the plastics manufacturing industry.

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<sup>19</sup> Source: *Martinsville Bulletin*, 12/18/03, accessed 1/2/04 from <http://www.martinsvillebulletin.com/Archive/2003/Dec%20'03/d121803.htm>

<sup>20</sup> Source: [www.henrycountycommerce.com](http://www.henrycountycommerce.com), accessed 1/2/04

*Associate's Degrees:*

- General Engineering Technologies.
- Industrial Electronics Technology.

*Career Studies Certificates:*

- Industrial Controls.
- Industrial Maintenance Electronics.

For comparison, other communities have shown that providing companies with plastics-specific workforce training helps in the recruitment of these firms. In the South Atlanta, Georgia metropolitan area, for example, county economic development officials point to a new plastics technology facility at Griffin Technical College as a crucial asset in further developing the area's existing plastics cluster. The 70,000-square foot plastics technology center will include a 5,000-square-foot laboratory. Students will be able to earn certificates, diplomas and degrees in all facets of plastics-making. As the *Atlanta-Journal Constitution* noted, "Plastics manufacturing is appealing for several reasons. It's considered clean, meaning no smokestacks and little wasted material. It's not a big water consumer. It's resilient in a down economy. And it pays... well."<sup>21</sup>

By coordinating specific workforce training with its existing plastics-manufacturing companies and potentially creating industry-specific programs and facilities at Patrick Henry Community College, officials in Martinsville-Henry County can ensure that their local plastics cluster is a vital future contributor to local employment and wage growth.

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<sup>21</sup> Duffy, Kevin. "Molding a future in plastics." *Atlanta Journal-Constitution*, 8/25/2003, p. E1-E4.

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# Tourism

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## TOURISM

### Description and Trends

For many communities hard hit by the decline of certain manufacturing sectors, the tourism industry has been a way to leverage local recreational and cultural assets to help stimulate job growth in an otherwise lagging economy. Tourists and the dollars they spend in a community can bolster area tax receipts, bring business to local stores and restaurants, and lead to the development of amenities that benefit existing residents' quality of life as well. Making a locality attractive for tourists has the corresponding effect of augmenting the area's appeal for relocating businesses and workers. After all, every visitor to an area is also a potential resident, business owner or marketing tool advertising the community's strengths to friends, relatives and co-workers.

With most state budgets facing significant shortfalls, funding for tourism-related marketing and infrastructure projects has been cut, forcing a greater burden on local governments and regions to stimulate tourism development. However, communities with built-in assets like the Martinsville Speedway and its two annual NASCAR events have the luxury of a guaranteed source of visitors – a captive audience to be leveraged for the area's overall marketing efforts.

While many tourism-related occupations are relatively low paying, they nevertheless offer vocational and employment choices for localities with lower educational attainment levels. By potentially drawing frustrated jobseekers back into the labor force, these positions increase local incomes, ease the burden on social service agencies and give formerly displaced workers a much-needed boost of confidence and self-esteem. These jobs also provide reliable summer work for local teenagers, hold the potential to support an area's immigrant and bilingual communities, and can often serve as entry points for future advancement in tourism-related companies.

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

- NAICS definition:
  - 71 Arts, Entertainment and Recreation
  - 72 Accommodation and Food Services
- Total U.S. employment is 11,734,618.
- There are 660,153 establishments.
- The national average annual pay is \$26,159 for NAICS 71, and \$13,946 for NAICS 72, although jobs in the latter sector are often part-time, which lowers the cumulative annual wage.
- Location factors:
  - ✓ Unique or interesting natural and/or man-made attractions.
  - ✓ Quality hotel, restaurant, entertainment, cultural and recreational facilities.
  - ✓ An available, customer-oriented labor force.
  - ✓ Worker training in specialty areas.

### Existing Businesses

Despite the presence of numerous area tourism amenities like the Martinsville Speedway, Piedmont Arts Center, Virginia Museum of Natural History, Fairy Stone State Park, Philpott Lake, and others, tourism-related employment in Martinsville-Henry County is less concentrated than the U.S. The following graph relates the change in the area's tourism employment from 1998 to 2001. Location quotients in both Martinsville-Henry County tourism-related NAICS sectors increased during the period, while employment rose in the Arts, Entertainment and Recreation sector, but fell in the Accommodation and Food Services category.

**Martinsville-Henry County Tourism Employment: 1998, 2001**

NAICS Code	Industry Code Description	Employment Location Quotient		Martinsville-Henry County employment			U.S. employment
		1998	2001	1998	2001	1998-01 change	1998-01 change
		71	Arts, entertainment & recreation	0.40	0.57	194	256
72	Accommodation & food services	0.62	0.70	1800	1756	-2.4%	5.3%

Source: U.S. Census Bureau, County Business Patterns

Even with this increase in local employment concentration, the tourism sectors still comprise less than 10 percent of total area establishments.<sup>22</sup> This data is supplemented by the following graph, which shows that the Martinsville-Henry County area significantly trailed adjacent communities and the famously tourist-friendly city of Williamsburg by wide margins in tourism wages and local financial impact from traveler spending in the year 2000.

<sup>22</sup> As noted in Martinsville-Henry County's *Economic and Demographic Profile*.

**Economic Impact of Travel, Martinsville-Henry County, Comparison Localities: 2000**

<i>Locality</i>	<i>Traveler Spending</i>	<i>Travel Payroll</i> <sup>1</sup>	<i>Tax Receipts</i> <sup>2</sup>	
			<i>State</i>	<i>Local</i>
<b>Martinsville-Henry County</b>	\$46,839,552	\$11,149,462	\$2,511,122	\$1,036,474
<b>Danville-Pittsylvania County</b>	\$79,826,638	\$16,247,911	\$4,502,541	\$3,383,683
<b>Roanoke city</b>	\$244,574,661	\$77,476,665	\$12,119,764	\$7,624,860
<b>Williamsburg city</b>	\$371,808,459	\$101,632,466	\$18,682,834	\$11,693,512

<sup>1</sup>Represents the direct wages, salaries, and tips corresponding to those employed directly as a result of travel.

<sup>2</sup>Represent estimates of direct travel-related state and local taxes generated within the locality.

Source: Virginia Tourism Corporation

Even though Martinsville-Henry County’s overall travel payroll trails the areas listed above, its average weekly wage in travel-related sectors is comparable to Virginia’s rate. The exception is in the Arts, Entertainment and Recreation sector in Henry County, where workers average a stratospheric \$1,406 per week in earnings, compared to \$153 for Martinsville and \$370 for Virginia.<sup>23</sup> This discrepancy can likely be attributed to the presence of the Martinsville Speedway in Henry.

With Martinsville-Henry County’s many tourism-friendly resources, the community would seem ripe to more effectively market itself to stimulate increased local visitation. Providing tourists with a quality experience when they arrive will likely entail a renewed effort to coordinate and package local entertainment, cultural and recreational offerings and work with local entrepreneurs and national/regional chains to augment the retail and dining options in Martinsville and Henry County.

Successfully growing the community’s tourism sector will also provide ancillary benefits for existing Martinsville-Henry County residents who feel the area’s lack of high-end entertainment and dining options is a detriment to local quality of life. Restaurants, coffee houses, antique stores, clothing shops and other tourist-serving retail establishments will provide year-round amenities for Martinsville and Henry County’s full-time population. With its natural beauty, recreational and cultural amenities, access to mountains, rivers and lakes, and proximity to major metropolitan areas and large airports, Martinsville-Henry County has an extremely viable claim to stake in the burgeoning tourism sector.

## **Workforce Requirements and Assets**

Targeting tourism-related businesses for development in Martinsville-Henry County allows local officials to effectively diversify the area economy and provide job opportunities for qualified residents that may lack the skills or knowledge base for higher paying employment.

<sup>23</sup> Source: Virginia Employment Commission, first quarter 2003 data.

Most businesses in the tourism sector require a workforce that is available, low-cost and trainable. With Martinsville-Henry County's recent history of high unemployment, there are thousands of local workers looking for jobs in the region. Many focus group participants and interviewees told *Market Street* that the available labor force was hard working, eager to be trained and very competent. While others commented that a percentage of the workforce was less motivated, had difficulty passing a drug test, and was often lacking in the so-called "soft skills" of customer service and business etiquette, most agreed that a renewed presence of jobs in Martinsville-Henry County would be the catalyst to reinvigorate the area's workforce.

While there are no local training programs specific to the hospitality industry, Patrick Henry Community College features a number of general business and customer service certificates applicable to tourism-related fields.

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# Wholesale Trade/ Transportation & Warehousing

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## WHOLESALE TRADE/TRANSPORTATION AND WAREHOUSING

### Description and Trends

While Transportation and Warehousing and Wholesale Trade are independent sectors in the NAICS system, in many ways they are functionally linked in practice.

Wholesale Trade, classified under NAICS sector 42, includes companies that normally operate from a warehouse or office and sell merchandise to other businesses. These companies' facilities rarely display merchandise and generally do not solicit walk-in traffic. This sector comprises two main types of wholesalers: merchant wholesalers that sell goods on their own accounts, and business-to-business electronic markets, agents, and brokers that arrange sales and purchases for others, usually for a commission or fee.<sup>24</sup>

The Transportation and Warehousing sector (NAICS 48-49) includes industries providing transportation of passengers and cargo, warehousing and storage of goods, scenic and sightseeing transportation, and support activities related to modes of transportation; the sector is also referred to as *distribution* or *logistics*. Technological advances are revolutionizing operational processes in the logistics sector, with computerization and wireless technology redefining the practice of goods distribution. Current technology allows businesses to track where individual vehicles are located via satellite, and use refrigerated units to provide computerized feedback on specific operational times and temperatures. Advanced in-house technology and hand-held wireless devices in the field also greatly streamline inventory-maintenance operations.

According to the U.S. Bureau of Transportation Statistics' 2001 annual report, demand for transportation-related goods and services represented over 10 percent of the U.S. economy in the year 2000, supporting nearly one in eight U.S. jobs. Purchases of transportation-related goods and services comprised nearly 11 percent of the Gross Domestic Product (GDP) in 2000, or \$1,054 billion. Only housing, health care, and food accounted for greater shares of GDP in 2000.<sup>25</sup>

Taken together, the target sectors of Wholesale Trade and Transportation and Warehousing will allow Martinsville-Henry County to leverage its locational advantages, transportation infrastructure and available workforce to stimulate local economic development.

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<sup>24</sup> Source: U.S. Census Bureau, 2002 NAICS definitions, [www.census.gov](http://www.census.gov).

<sup>25</sup> Source: U.S. Bureau of Transportation Statistics, *2001 Annual Report on Transportation Statistics*, accessed from [http://www.bts.gov/publications/transportation\\_statistics\\_annual\\_report/2001/html/chapter\\_07.html](http://www.bts.gov/publications/transportation_statistics_annual_report/2001/html/chapter_07.html), on 1/6/04.

- NAICS definition:
  - 41 Wholesale Trade
  - 48-49 Transportation and Warehousing
- Total U.S. employment is 9,523,032.
- There are 802,131 establishments.
- The national average annual pay is \$49,241 for Wholesale Trade, and \$36,823 for Transportation and Warehousing.
- Location factors:
  - ✓ Access to major highways and other modes of reliable transportation.
  - ✓ Good connectivity between facilities and transportation portals.
  - ✓ High-speed communications infrastructure.
  - ✓ Large supply of low-cost land and low-rent buildings for warehousing operations.
  - ✓ Skilled, reliable workforce trained in high-tech logistics and/or workforce training partners for these components.

## Existing Businesses

With its centrality along the Roanoke-to-Greensboro corridor, proximity to a number of other large metros, and quality transportation infrastructure, Martinsville-Henry County has compelling site advantages for wholesale and distribution firms. If the proposed Interstate-73 design through Henry County is constructed as planned, the community will lay claim to an even more dynamic local climate for the Wholesale Trade and Transportation and Warehousing industries.

Among the existing companies engaged in wholesaling, transportation and warehousing in the community, the largest of these include:<sup>26</sup>

- *C.S.I. Services, Inc.* – Machine parts and metal fabrication distribution (76 employees).
- *Diversified Distribution, Inc.* – Contract distribution (200 employees).
- *New Roads, Inc.* – Packaging and distribution for catalog orders (440 employees).
- *NV Warehouse Company, Inc.* – Distribution center (200 employees).
- *Professional Distribution* – Contract distribution, order fulfillment (103 employees).
- *Sara Lee Casualwear* – Distribution, warehousing and packaging (350 employees).

However, as the following table shows, Wholesale Trade and Transportation and Warehousing employment in Martinsville-Henry County decreased noticeably from 1998 to 2001. Even so, the local concentration of sector employment relative to the nation actually increased slightly over the period. In other words, these categories held their own locally when compared to larger job losses in various Martinsville-Henry County manufacturing sectors.

<sup>26</sup> Source: <http://www.henrycountycommerce.com/community.html>, accessed 1/6/04.

**Martinsville-Henry County, Wholesale Trade, Transportation & Warehousing Employment:  
1998, 2001**

NAICS Code	Industry Code Description	Employment Location Quotient		Martinsville-Henry County employment			U.S. employment
		1998	2001	1998	2001	1998-01 change	1998-01 change
42	Wholesale Trade	0.32	0.33	589	508	-13.8%	4.4%
48-49	Transportation & Warehousing	0.51	0.52	550	496	-9.8%	8.3%

Source: U.S. Census Bureau, County Business Patterns, U.S. Bureau of Labor Statistics

Though the sectors have lost jobs recently, Wholesale Trade and Transportation and Warehousing still comprised 5.6 percent of all Martinsville-Henry County employment in the first quarter of 2003. These jobs also pay significantly more than the local average wage. In fact, for the first quarter of 2003, Wholesale Trade (\$721 per week) was the second highest paying sector in Martinsville. In Henry County, Wholesale Trade (\$654 per week) and Transportation and Warehousing (\$537 per week) were the first and third highest paying sectors, respectively.

The combination of Martinsville-Henry County's competitive position in these categories and the high wages paid to these sectors' employees makes Wholesale Trade and Transportation and Warehousing compelling target industries for local economic development officials. They are also domestic industries with no threat of job loss to overseas nations.

### Workforce Requirements and Assets

Because these are broad, diverse sectors, the required employee skills-sets in these categories are also varied. They range from order packers and shippers, to long-haul truck drivers and sophisticated logistics and supply-chain-management specialists. As such, the knowledge base and training infrastructure required to prepare a workforce for employment in wholesale trade and distribution is also quite fluid, and partially contingent on the composition of the community's existing cluster.

The distribution and warehousing firms currently located in Martinsville-Henry County provide the area with a core group of trained, experienced workers in these sectors. However, there are no local training institutions that feature programs designed for these industries. As of the 2003-04 academic year, Patrick Henry Community College has no specific logistics or distribution-focused curricula. The school does offer associate's degrees in E-commerce Management, International Business, Database Management and Networking that may have wholesaling and logistics applications. PHCC also has certificate programs in E-commerce Management, International Business, and other general business categories.

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# Food Processing

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## FOOD PROCESSING

### Description and Trends

Food Manufacturing (NAICS 311) is a very broad category that includes a number of manufacturing, milling, refining and processing sub-sectors. For the purposes of this report, the sub-sectors focused on include Animal Food Manufacturing (NAICS 3111), Fruit and Vegetable Preserving and Specialty Food Manufacturing (NAICS 3114), including the sub-sector Dried and Dehydrated Food Manufacturing, Animal Processing (NAICS 3116), and Other Food Manufacturing (NAICS 3119), which includes the Snack Food Manufacturing sub-sector. Local economic developers should concentrate on the high-end niches in these categories so that Martinsville-Henry County residents will be offered well-paying, higher skill jobs without the threat of repetitive-stress injuries and workplace hazards characteristic of certain food processing employment.

Though job growth in food processing will vary by occupation, it will be concentrated among food processing workers – the largest employment category in the industry. Because many of the sorting, cutting, and chopping tasks performed by processing workers have proven difficult to automate, employment among handworkers will rise along with the growing demand for food products. Production workers will also benefit as food processing increasingly shifts from retail establishments to independent facilities.<sup>27</sup>

Although automation has had little effect on most handworkers, it is having a broader impact on numerous other occupations in the industry. New technologies have been applied to tasks as varied as packaging, inspection, and inventory control. As a result, employment has fallen among some machine operators, but has risen for industrial machinery mechanics who repair and maintain the new equipment. Computers also are being widely implemented throughout the industry, reducing employment levels of some mid-level managers and administrative support workers, but increasing the demand for workers with excellent technical skills. Overall, the combination of growing export markets and shifting domestic consumption will help employment among food processing production workers rise slightly over the next decade, and will lead to significant changes throughout the food processing industry.<sup>28</sup>

Food processing facilities typically use a large volume of water to process food products and clean plant equipment, yielding large amounts of wastewater that must be treated. As a result, food processing plants generally require storage ponds or tanks for wastewater treatment. Martinsville-Henry County's ample supply of locally available water makes it a viable location for firms in this industry.

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<sup>27</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics, accessed from <http://www.bls.gov/oco/cg/cgs011.htm> on 1/8/04.

<sup>28</sup> Ibid.

- NAICS definition:
  - 3111 Animal Food Manufacturing
  - 3114 Fruit and Vegetable Preserving and Specialty Food Manufacturing
  - 3116 Animal Processing
  - 3119 Other Food Manufacturing
- Total U.S. employment is 878,433.
- There are 11,265 establishments.
- The national average annual pay is \$41,818 for Animal Food Manuf., \$32,913 for Fruit and Vegetable Preserving and Specialty Food Manuf., \$26,551 for Animal Processing, and \$41,257 for Other Food Manuf.
- Location factors:
  - ✓ Available, low-cost workforce; high education attainment not a requirement for most production occupations.
  - ✓ Large supply of affordable water.
  - ✓ Access to effective distribution infrastructure.
  - ✓ Large supply of low-cost land and low-rent buildings.
  - ✓ Well-developed utilities infrastructure, and low monthly rates.

## Existing Businesses

The most recent national data from the U.S. Census Bureau and U.S. Bureau of Labor Statistics do not list any private employment in food manufacturing for Martinsville or Henry County. However, these data do not reflect the successful recruitment of snack-foods manufacturer Knauss Foods to Henry County in 2002. Knauss invested \$5.7 million in a new 100,000 square foot processing facility and announced plans to hire 110 local employees. Knauss manufactures the Bull and Hannah's brands of meat snacks.

Local economic development officials in Martinsville-Henry County have been targeting food processing companies for recruitment due to the area's local advantages for these types of facilities. Among the Martinsville-Henry County factors considered strong draws for food processing firms are:<sup>29</sup>

- Inexpensive and quality water.
- Inexpensive power/utilities.
- Low-cost labor.
- A ready supply of graded lots ready for construction of food processing facilities.
  - Because of USDA restrictions on food processing, a relocating company would likely need to build a new facility in order to be in compliance.

Importantly, with the community's recent history of jobs being lost to overseas destinations, food processing is largely projected to remain in the U.S.

<sup>29</sup> Source: Henry County Office of Commerce.

As was noted, Martinsville-Henry County development officials should aspire as much as possible to the higher-end niches of food processing employment with their more competitive wages and fewer on-the-job safety hazards. For example, workers for animal-food manufacturer Iams Company in Vance County, North Carolina earn more than the county average, while the company has become a model citizen, contributing to area causes and becoming active in local economic development.

## Workforce Requirements and Assets

Production workers account for nearly 50 percent of all food-processing jobs, most of which require little formal education or training. In fact, many occupations can be learned in a few days. As such, graduation from high school is preferred but not always required for food processing employment. In general, new hires start as helpers to experienced workers and learn skills on the job. Even though basic operational knowledge of most machines is learned quickly, employees generally need several years of experience to keep the equipment running smoothly, efficiently, and safely.

Some food processing workers need specialized training and education. Inspectors and quality control workers, for example, are often trained food-safety specialists, and may need a certificate to secure employment. Occupations that are research-focused, such as food technologists and scientists, usually require a master's or doctoral degree.

Requirements for other jobs are similar to most professional industries. Employers usually hire high school graduates for secretarial and other clerical work, while graduates with postsecondary degrees are sought for research, technical, diagnostic, and related positions. College graduates or highly experienced workers are preferred for middle management or professional jobs in personnel, accounting, marketing, or sales.<sup>30</sup>

Martinsville-Henry County workforce development institutions offer a number of training programs in basic business management, human resources, industrial maintenance, computers, and clerical skills needed for many food processing support positions. However, there are no specific programs in food science, nutrition, food manufacturing technology, and food-borne disease at any level of Martinsville-Henry County's workforce training curricula.

Because food production was a new industry for Martinsville-Henry County and existing workers did not have these skills, Knauss Foods planned to train its new employees in-house once its processing operation got underway in Henry. Experience was needed for a few of the positions, but most of the production jobs required no prior training, according to the plant's human resources manager.<sup>31</sup> Incentive monies offered Knauss Foods to locate in Henry County included funds targeted for workforce training.

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<sup>30</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics, accessed from <http://www.bls.gov/oco/cg/cgs011.htm> on 1/8/04.

<sup>31</sup> Powell, Mickey. "Knauss Foods job fair draws swarm of local applicants." *Martinsville Bulletin*, 8/28/03, accessed from <http://www.martinsvillebulletin.com/Archive/2003/Aug'03/a082803.htm> on 1/9/04.

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# Conclusion

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## CONCLUSION

As was mentioned previously in this report, the five business sectors recommended as targets for Martinsville-Henry County's future economic development are not intended to be the exclusive means to achieve local job and wealth gains. A truly holistic economic strategy involves integrating a number of elements: recruitment, retention and entrepreneurship and small business development. The target sectors in this document represent stable, growing industries in which Martinsville-Henry County has an existing – or potential – competitive position. The sectors are broad and diverse, incorporating an array of different skill-sets and educational attainment levels so that Martinsville-Henry County's growth can benefit all segments of the community. Local leaders must also stay attuned to national and international trends that may affect the viability of existing or targeted sectors. With today's rapidly evolving global marketplace, an industry that may be growing today could be adversely affected by strategic initiatives half a world away.

Adapting this *Target Business Analysis* into practice will require a new approach toward local economic development. Policies and programs intended to facilitate the development of Martinsville-Henry County's clusters must aim to expand upon the community's current advantages and trends. Leveraging existing business and educational resources will enable Martinsville-Henry County to better understand the dynamics of successful local companies and how these processes can help build a larger cluster of like firms.

A cluster strategy cannot be general. It must focus on specific business sectors or it will fail to effectively address these sectors' unique characteristics and needs. Understanding the core competencies and best-practice processes of area clusters will enable local developers to proceed with specific programs oriented towards the needs of Martinsville-Henry County's target industries.

Martinsville-Henry County's *Target Business Analysis* is one of six components leading to the eventual implementation of the community's *Community and Economic Development Strategy*. The research, study and analysis leading up to this document will next feed into the development of the strategy itself, and then an *Implementation Plan* to turn the strategic recommendations into concrete action steps with benchmarks and measures to monitor their ongoing progress.