

Executive summary:
ECONOMIC IMPACT OF NORTH CAROLINA MOTOR SPEEDWAY

Overview

In the summer and fall of 1999, the University of North Carolina's Office of Economic Development conducted this study for Richmond County, the Richmond County Chamber of Commerce and the North Carolina Speedway. The two primary objectives of the study were to describe and quantify the impact of the North Carolina Speedway on the region in which it is located; and to identify opportunities for the Speedway or Richmond County that may enhance the economic development of Richmond County.

In early discussions with the Speedway and Richmond County officials, we determined the local region to include Richmond, Scotland and Moore Counties. This is because 1) all of the Speedway's salaried employees, and most of its hourly workers, come from these three counties; and 2) each of these counties reaps a significant race-related economic benefit, especially from the visitors who stay overnight when they attend races at the Speedway.

The total impact of the Speedway was estimated by aggregating three different types of impact:

- Expenditures in the region by visitors to the Speedway
- Expenditures in the region by the Speedway as a purchasing business
- Expenditures in the region by the Speedway's employees and contractors

The total direct impact of the Speedway is over \$7 million annually. The total impact, which includes the subsequent rounds of local spending that the direct expenditures generate, is \$11 million. These are termed indirect impacts, for what businesses spend, and induced impacts, for what paid employees of businesses spend that would no longer accrue to the three-county area in the absence of the Speedway.

**Total Annual Dollar Impact of North Carolina Speedway
on Richmond, Moore and Scotland County Region**

	Direct	Indirect	Induced	Total
Visitor expenditures	\$5.60 m	759 k	1.72 m	\$8.08 m
Speedway expenditures	\$1.10 m	166 k	352 k	\$1.62 m
Payroll expenditures	\$656 k	533 k	125 k	\$1.31 m
Overall	\$7.36 m	1.46 m	2.20 m	\$11.0 m

Source: IMPLAN model data for October 1997 through February 1999

It should be noted that an \$11 million impact in a region with a total population of just over 150,000 is an enormous impact. On a per capita basis, this impact is four times greater than what it would be in Mecklenburg County (where Charlotte is). Or, after indexing for the total size of the economy, as measured by personal income, the impact of

the Speedway is six times greater in its current location than it would be in Mecklenburg. It is appropriate to scale the results to the size of the area because if the Speedway were to close, the impact would be considerably more devastating to the 3-county area than if it were located in a larger metropolitan area with a more resilient economy.

The methods used for the study were a combination of analysis of existing data, including Speedway financial records; quantitative modeling using the IMPLAN input-output model; and contacts with motel proprietors, chamber officials, and Speedway staff for additional insights.

Visitor impacts

Most of the Speedway’s impact on the region, and therefore most of the attention in this report, is due to the visitors who come to the NASCAR events. Visitor impact stems primarily from two race weekends, supplemented by other uses of the Speedway including the race driving school held several weekends per year.

Summary of Economic Impacts from Visitors to the Three-County Region due to Speedway Events		
	1997 to 1998	1998 to 1999
Fall race	\$ 2.7 million	\$ 2.9 million
February race	\$ 2.2 million	\$ 2.5 million
Driving school	\$ 132k	\$ 139k
Total direct visitor impact	\$ 5.2 million	\$ 5.6 million
Induced and indirect impacts	\$ 2.5 million	\$2.5 million
Total visitor impact	\$7.7 million	\$8.1 million

The North Carolina Speedway attracts well over 100,000 visitors per year to its two NASCAR weekends. At least half of Speedway visitors are day-trippers, who only spend a small amount of money (approximately \$29 per party) in the local region. Those who spend the night are distributed among various accommodations in the following estimated proportions:

- Staying with family or friends (5%)
- Camping on track, nearby parking area, or campground (18.5%)
- Richmond County motels (2.5%)
- Moore County hotels/motels (10%)
- Scotland County motels (2%)
- Accommodations outside the three-county region (12%)

These assumptions about where people stay are driven in large part by the capacity of existing lodging options. The data collected from area motels show that:

- All three counties' motels enjoy very high, if not 100 percent, occupancy during NASCAR race weekends;
- Many of the national chain motels in each county, as well as the golf resorts in Moore County, have 80 percent or higher occupancy year-round;
- Most of the area motels require a 2 or 3 night minimum stay during race weekends;
- Many motels' room rates during NASCAR race weekends are between 20 and 50 percent higher than normal, due to the increased demand;
- Much of the economic impact from race visitors accrues to Moore County, because it has over four times as many motel rooms as Richmond or Scotland County have -- Moore County hotel receipts are *ten times as high* as those for Richmond County; and
- The 3-county region includes only 3,200 hotel rooms, which could at most accommodate about 10,000 of the 60,000 visitors to a sold-out fall race. This suggests that there is significant excess demand for motel rooms in the region during race weekends, and during other peak times as well.

In order for a new hotel in Richmond County to attract more racing visitors, travel parties would have to find the prospect of spending the night in Richmond County more appealing than their two primary alternatives. These are: 1) driving back home or to another stopping point; or 2) staying in Scotland or Moore County (if a room is available). Many factors are likely to influence racegoers' decisions about where to stay, but generally they are:

- Cost
- Minimum stay requirements
- Convenience/distance from primary destination
- Comfort (motel vs. camping)
- Availability of interesting alternative activities

Although Richmond County is competitive with its neighbors on the first few attributes, it does not have--or has not effectively marketed--alternative activities. The issue of alternative activities is not a trivial one in light of the Speedway's actual and potential regional impact. Consider that most regional motels require a 2-night minimum stay on race weekends (and some require a 3-night stay). Yet only a fraction of the 50,000+ people--one-third, at most--who attend the Winston Cup race on Sunday attend the Busch race on Saturday and/or the time trials on Friday. Moreover, most people will not pay for a motel room that they are not using. This means that there are thousands of people in the region who are in search of other activities for Friday night and Saturday. Does the county have other notable draws for tourists who are already "captive" for the race? Consider, for example, the street fairs, concerts, games, and driver autograph sessions that other small town NASCAR hosts, such as Martinsville and Darlington, offer on the Friday and Saturday of their race weekends.

In addition to lodging, camping is another popular way for visitors to the Speedway to spend time in the area. About 6,500 people camp somewhere else in the region (other than on the track), including on properties very near to the track that become

campgrounds during race weeks. RV owners pay between \$25 and \$50 in camping fees and probably yield over \$40,000 in direct revenue to the local region.

Speedway expenditure impacts

The largest categories of expenditure in the Speedway’s budget are as follows:

- Payroll (covered in next section)
- Income taxes (federal and state)
- Wholesale trade
- Advertising and promotions
- Utilities and telephone
- Food, beer and other concessions
- Sanction fees
- Insurance
- Publishing and printing
- Local taxes

In 1997, 83 percent of the Speedway’s payments to vendors went to organizations in North Carolina. This includes 34 percent in the local region. The Speedway made payments to over 500 organizations in the state¹, including 209 in Richmond County, 65 in Moore County, and 13 in Scotland County. It is clear that the Speedway is a major client and supporter of small businesses in the county and region.

Some of the organizations supported by the Speedway’s operation are non-profit associations and charitable organizations such as the Civitan and Rotary Clubs and volunteer fire departments. These groups recruit volunteers to sell concessions at the Speedway and receive a commission on these sales. Over each of four recent race weekends, an average of about \$15,000 per weekend has gone to non-profit organizations within Richmond County and \$5,000 or more to those in the two neighboring counties. These expenditures should be viewed as local philanthropy, since nearly all of the expenditures of these nonprofit community groups are made in and for the benefit of their own county or immediate region.

**Summary of Economic Impacts in the
Three-County Region due to Speedway Expenditures***

	1998	1999
Direct expenditure in region	\$559,177	\$1,105,464
Induced and indirect impacts	\$267,896	\$517,549
Total expenditure impact	\$827,073	\$1,623,013

*including taxes

¹ Other states that have quite a few vendors to the Speedway include South Carolina (39 in 1997), Michigan (35), Pennsylvania (23), Florida (18) and Georgia (14).

In interpreting these results it is important to realize that local impact depends on the existence of local companies to capture the business. Because of this, the situation presents a bit of a “chicken and egg” problem for the county.

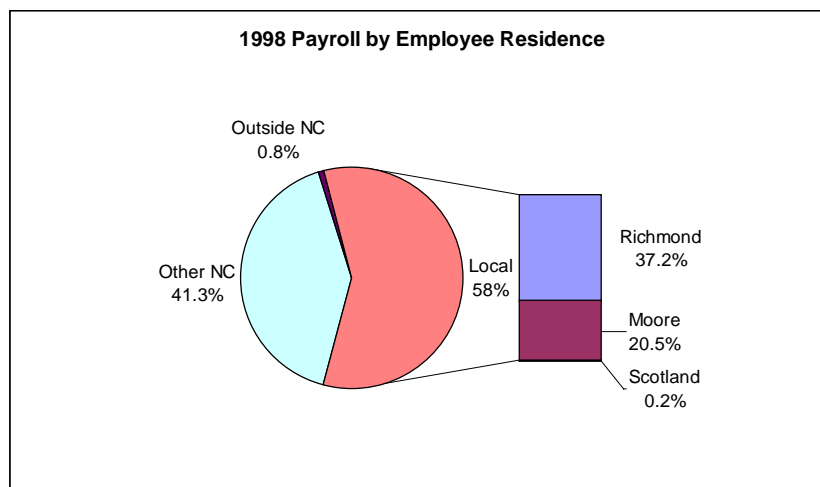
Some of the expenditure categories where most of the money is leaving the three-county region, and that may represent opportunities for economic development for Richmond County, are:

- Publishing and printing
- A wide variety of wholesale purchases
- Advertising
- Equipment rental
- Security services
- Management, business and other services
- Auto repair and services

Clearly the management and purchasing decisions of the Speedway are based on many factors, and the Speedway’s needs alone cannot drive the local economy, but Richmond County could explore whether any of the above types of business are also in demand by other businesses in the county.

Speedway payroll impacts

In 1998, the Speedway’s total payroll was over \$1.1 million and paid 969 employees. Over half of the wages went to people who live in the local region, including 37 percent (\$416k) to 353 citizens of Richmond County. About three-fourths of the salaried employees are based in the local region. Nearly all of the Speedway’s wages go to North Carolina workers.



The following table shows that much of what is spent by local people stays within the region, so the indirect and induced impacts are almost as high as the total wages

themselves. The total payroll impact of Speedway employees on the regional economy is thus over \$1.2 million per year.

Summary of Economic Impacts in the Three-County Region due to Speedway Payroll		
	1998	1999
Direct payroll impact	\$648,294	\$655,894
Induced and indirect impacts	\$603,751	\$657,532
Total payroll impact	\$1,252,045	\$1,313,426

Recommendations for Richmond County

The above findings about the impact of the Speedway suggest several recommendations for Richmond County, the Chamber of Commerce, and the Speedway to consider in trying to leverage the impact of race-related economic activity for greater local advantage. Because the Speedway has already made an effort to buy locally wherever possible, and because most of its staff and payroll are already local, most of the opportunities identified here relate to expanding visitor impacts. However, it is important to note that communities that create a positive impression for visitors are more likely to attract business prospects as well.

Each of the recommendations below is supported by related findings from the study.

1) Develop Friday and Saturday visitor draws for race weekends, such as those offered by Darlington and Martinsville, but tailored to what is interesting about the Rockingham area. These events serve several purposes:

- To induce more spending in the county by people who are already committed to two- or three-night stays in the area;
- To give day-trippers for the Winston Cup race (at least 30,000 people per race) a reason to consider staying for the whole weekend;
- To give day-trippers for the Friday or Saturday events a reason to extend their stays even by several hours; and, perhaps most importantly,
- To raise the visibility of the community in ways that may help with other types of economic development.

The business of tourism is about increasing visitor spending by increments. In order for a race festival or other such event to be successful, it must be done well. A big-name draw for a concert, a high caliber of regional crafts and entertainment, activities for children of all ages, and a variety of food can all make a community fair successful.

Richmond County could make the day a chance to market the community by tying in the Rankin Museum of National Heritage and the National Railroad Museum and Hall of Fame as exhibitors. Although the NASCAR race is what draws people to the

area, a community fair need not be devoted solely to a racing theme. Remember the most devoted of race fans may be at the Speedway for the time trials and Busch race, but those who are looking for alternative activities on Friday and Saturday may welcome a variety of choices. The fair could be done regionally with the Moore and Scotland County chambers of commerce to highlight their offerings as well.

2) Explore the feasibility of adding two or three mid-range restaurants to Richmond County. These would help to a) expand the local impact of race weekends; b) stem the tide of business travelers who go out to eat in Moore County year-round; and c) keep more of the restaurant spending of local citizens at home. Market studies should ensure that a new restaurant would appeal to all three of these groups—race visitors, business travelers, and locals—because the county market is too small to support an establishment that depends solely on one type of customer. Gourmet restaurants may be a niche market better left to Moore County. It is worth noting that most of the mid- and high range restaurants that are popular draws in other areas have liquor licenses. In the city of Rockingham, a new restaurant should be set up to serve wine and beer.

Since NASCAR races are held during the day, most racegoers who stay overnight spend at least one evening eating dinner in restaurants. Moore County has one-third more restaurants per capita than Richmond County. According to Sales and Marketing Management's 1999 Survey of Buying Power, the total spending per capita on eating and drinking places was \$1,109 in Moore County, compared with \$666 in Scotland County and \$575 in Richmond County. Clearly Moore County's restaurants benefit substantially from a large visitor population, not just local demand, and new restaurants in Richmond County should be targeted to both visitors and locals.

3) Develop a more attractive and lucrative gateway to Richmond County from U.S. Route 1 North. The visitor's impression is that "there is nothing" between Aberdeen and the Speedway. At least 15 percent of the Speedway's visitors come from the Raleigh/Durham area, served by Route 1. Develop retail magnets such as a racing store or "last stop before Speedway" fast food or convenience store. Perhaps a motel is appropriate for this corridor. Again, to be an asset to the local economy, the merchandise or services offered should be determined to serve business travelers and locals as well as race fans.

4) Tailor Speedway and community marketing efforts to the areas that provide the largest customer bases. North Carolina visitors account for 56 percent of the Winston Cup sales and well over 60 percent of Busch series sales. The other top home locations include Virginia, South Carolina, Michigan, Canada, Pennsylvania, and Ohio. The following table shows the home locations of in-state ticket buyers. The Raleigh/Durham and Charlotte metro areas contribute the largest shares of North Carolina visitors, but at least one-third of the in-state visitors are from nonmetropolitan areas. Some of the Speedway and county marketing should use media other than metro newspapers to reach these regular customers.

North Carolina Advance Ticket Sales, by Location

	Winston Cup	Busch
Raleigh-Durham MSA	15.3%	19.6%
Richmond/Moore/Scotland	12.1%	17.9%
Charlotte MSA	11.6%	16.8%
Fayetteville MSA	7.5%	6.0%
Greensboro/Winston MSA	6.8%	17.8%
Hickory MSA	1.7%	1.2%
Other NC	45.0%	20.7%

5) Work regionally with Moore and Scotland County chambers of commerce to market the attractions from which all benefit. These include not only the NASCAR races, but also the many golf events in Pinehurst and vicinity; the cultural and intellectual events at St. Andrews Presbyterian College, and harness racing and other horse-related activities. Richmond County currently has the following other amenities and attractions:

- Rockingham Dragway
- Rankin Museum of National Heritage (general artifacts)
- National Railroad Museum and Hall of Fame, Hamlet
- Richmond Pines Country Club, with a Donald Ross-designed golf course
- Sandhills Wildlife Management Area (for hunting)
- Great Pee Dee River, Blewett Falls Lake, Lake Tillery for boating and fishing
- Cole Auditorium for arts performances at Richmond Community College
- Community theater

6) Market the Rockingham/Hamlet airport to race teams and corporate visitors, especially after the 300-foot runway expansion is completed. There are at least two good reasons for this: 1) jet fuel is a significant component of the local impact of races; and 2) the airport raises the visibility of the community as a business location with good access for corporate jets. Typical jet fuel sales at the Rockingham/Hamlet Airport are \$600,000 to \$800,000 per month. During February and especially October, there is an obvious increase—usually about a doubling—to about \$1.7 million.

7) Use the Speedway as a place to entertain corporate prospects and existing industry in Richmond County. Invite the community college and public school leadership, local lenders, public utilities, and the chamber of commerce. Provide attractive county marketing materials in suites. Convey a professional and positive attitude about the county as a business location. Most of the people who use the Speedway's corporate suites are from North Carolina, suggesting that businesses view the Speedway as an important venue for entertaining clients.