

Industry targeting studies are a common economic development tool for improving the effectiveness of business recruitment initiatives. An industry targeting study will identify those economic sectors that are best matched to the characteristics of a particular region and provide insight into the region's competitive advantages for these industries. Place Dynamics has prepared industry targeting studies across the United States. Some of the questions we are often asked are answered here.

### *IS AN INDUSTRY TARGETING STUDY THE SAME THING AS AN INDUSTRY CLUSTER STUDY?*

No. Industry clusters are groupings of firms using similar technologies or serving similar markets, together with closely linked suppliers, a local talent base, and supporting institutions. They may be made up of several individual industry sectors. In recent years economic developers have initiated cluster development strategies to accelerate the growth of these clusters. Most regions, however, do not exhibit true clustering behavior, and even within those regions that do have one or more clusters, a local community may only fill a particular niche or may have a different economic profile altogether. In these cases a cluster strategy may be an inappropriate approach to economic development.

An industry targeting study is a much simpler tool intended to identify those individual industries (or perhaps components of a cluster) best suited to a local area's economic composition, work force, and resource base. Although often seen primarily as a business recruitment marketing tool, an industry targeting study can have broad applicability to land use and natural resource planning, education and work force development, utilities and infrastructure, and more.

### *WHAT INFORMATION SHOULD AN INDUSTRY TARGETING STUDY CONTAIN?*

An industry targeting study can contain many elements, but as we have already mentioned, at its core it provides a listing of industries that are best suited to the characteristics of a region. Typically, it will be organized to include a discussion of the methodology employed, the data collected and analyzed, and the industries identified. To get the most from the study, we recommend specifying a description of the targeted industries (national and local trends, growth outlook, emerging research and products, work force composition, resources employed, characteristics related to infrastructure, industry linkages, etc.) and a discussion of the region's comparative advantages and weaknesses relative to its competition.

Marketing and business development strategies are often specified at the same time as a targeting study. A marketing strategy will identify the best targets (company size, specialties, location, etc.), most effective resources (printed materials, web site, etc.), and approaches (advertising, trade shows, call trips, etc.) for recruiting the targeted industries. A business development strategy lays out critical initiatives that can be taken to build on regional strengths and overcome weaknesses, making the area an even more attractive location for the targeted industries.

### *WHAT REGIONAL CHARACTERISTICS HELP TO DETERMINE INDUSTRIES TO TARGET?*

Our favored approach considers three sets of regional characteristics:

- ✧ industrial base and trends
- ✧ work force composition and availability, and
- ✧ regional resources.

We begin by examining the industrial base within a larger region containing the study area, identifying any cluster activity, growing and declining sectors, and emerging research or other growth opportunities. This is assessed in the context of national as well as local trends. We are ideally seeking economic sectors growing at a pace faster than state or national growth, but recognize that opportunities may lie even within declining sectors.

Work force remains the most important site selection factor for most businesses. For the most desirable industries, it is often true that the ability to attract a highly-skilled work force outweighs wage considerations. We look at the demographic and skill composition of the existing work force and make projections concerning the future work force. Availability is considered through commonly-collected data and in some cases, through survey research. We are looking for untapped pools of workers and assessing skill transferability among industries.

Finally, we conduct an assessment of the available business development resources in the region. This can include physical resources such as minerals, crops, infrastructure, rail and highway transportation, sites and buildings, and other site selection factors. We will also assess educational and research institutions, economic development programs, community leadership and attitudes toward economic development, and other "soft" resources.

### ***WHAT CONCERNS DO YOU HAVE CONCERNING INDUSTRY TARGETING STUDIES?***

Among several issues, we are concerned that communities may get too attached to their targets, not realizing when they may need to change or ignoring other industries that could be growing in the area. One way in which this may happen is when a community designs its economic development programs for a small number of targeted industries, ignoring the remainder.

Another concern we have noted is that many communities end up pursuing the same small set of industries. At one time it was industries like plastics and call centers, then data centers and biotechnology, and now "green jobs" and "homeland security". Recommendations like these are more often the result of national growth or simply media hype rather than any concrete advantages within the region. A great deal of money and effort is wasted chasing these industries with little real hope of success.

Lastly, in our review of hundreds of targeting studies, we have seen some awfully sloppy work, often from large and well-known firms. One client provided us with a copy of his state's recent targeting study. When we read it we found that the industry descriptions were lifted verbatim from a Bureau of Economic Analysis report with no additional research or insight. Another well-known firm produces a 40-50 page report in which something like two-thirds or more of the material is identical across at least 14 different studies of theirs that we have read. You deserve original research from your consultant. Regardless of whether you use Place Dynamics or some other firm, you should demand that they provide relevant, exhaustive, and original analysis.

### ***WHAT SHOULD I BUDGET FOR AN INDUSTRY TARGETING STUDY?***

After project scope, community size is perhaps the major determinant of cost for a targeting study. It is far easier to conduct a study for a small community or rural county than for a metropolitan region, as there is less time involved in site visits, business interviews, and data collection. For these smaller jurisdictions, the base cost of an industrial targeting study may be around \$10,000, with additional costs for survey research, marketing strategies, and business development strategies taking the cost as high as \$25,000. In a mid-sized city or suburban community the cost may begin at \$15-\$20,000 and go up to \$50,000. One rule of thumb is to budget about one dollar per resident of the study area. Industry targeting studies for larger regions, metropolitan areas, or states may often cost in excess of \$50,000.