

**Targeting Industry Clusters for
Regional Economic Development:
The REDRL Approach**

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Abstract

An industry cluster is a geographically bounded collection of similar and/or related firms that together create competitive advantages for member firms and the local economy. The targeting of economic development programs at industry clusters provides three principal advantages: multiplier effects are stronger, employment growth potential is enhanced, and new firm spin-offs are promoted. The Clemson University Regional Economic Development Research Laboratory (REDRL) targeting method uses a screening process to identify local industry clusters with high potential for future growth. The region's industries must pass five screens to be selected as a targeted cluster: substantial local presence as indicated by numbers of establishments and employees, industry employment in the region is growing, the region is relatively specialized in the industry ($LQ > 1.0$), and local employment growth exceeds the national industry average. Next, industry value chains are identified to determine if linked industries are good prospects for targeting. Finally, the identified high potential industry clusters are rated according to workers' wages, potential future employment growth, import substitution potential, average plant size, and linkages to the local economy. Comparisons of these industry characteristics provide communities with insights regarding the potential economic and fiscal impacts associated with the attraction of an establishment in one of the target industries. In summary, the industry cluster targeting approach provides community leaders with (1) a list of industries for which they have a reasonable likelihood of attracting and (2) information regarding the likely benefits and costs associated with each industry. As such, a cluster targeting approach permits communities to use their limited industrial development resources more efficiently to meet their industrial development goals.