

# Western Iowa Advantage Region Cluster Analysis and Targeted Industry Analysis Executive Summary

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## Overview

The *Western Iowa Advantage Region Cluster Analysis and Targeted Industry Analysis* was completed for the Western Iowa Advantage Region (WIAD) by the Institute for Decision Making at the University of Northern Iowa as part of a project funded by the Economic Development Administration (EDA) to focus on cluster-based economic development in rural areas. The research included the identification and analysis of the benchmark value-chain industry clusters, benchmark technology clusters and benchmark labor clusters that have a presence within the WIAD Region and recommendation of specific industries that the WIAD should consider for targeting in their regional marketing efforts.

## Defining Industry Clusters

A review of the academic and economic development practitioner literature includes a variety of definitions for an “industry cluster” and examples of industry clusters from around the United States and globally. In the context of the research in this report, an appropriate definition for an industry cluster is “**a set of industries related through buyer-supplier and supplier-buyer relationships or by common technologies, common buyers or distribution channels or common labor pools**” (Enright, 1996 p. 191).

## Examination of Industries

The advantage of using the benchmark cluster framework is that the benchmark value-chain clusters and technology benchmark clusters provide a set of industry clusters based on **buyer-supplier linkages** of industries in the U.S. economy. The identification of the industry interaction is critical in examining potential industry targets. The benchmark labor clusters provide a set of industry clusters based on the utilization of **similar workforce skills** by industries. Since in much of Iowa the industry-base is spread dramatically across sectors, the examination of common labor utilization is critical when targeting industries for recruitment. For each of the three cluster templates (benchmark value-chain clusters, technology benchmark clusters and benchmark labor clusters) the industries within each cluster are identified at the six-digit North American Industry Classification System (NAICS) level.

In reading and understanding the *Western Iowa Advantage Region Cluster Analysis and Targeted Industry Analysis*, it is important to keep in mind that for the **benchmark value-chain clusters** and the **benchmark technology clusters** many of the industrial sectors have a presence in more than one cluster. For example, the wood window and door manufacturing industry (NAICS 321911) has a presence in a number of the value chain clusters: the wood products cluster, wood processing cluster, concrete, brick building products cluster, wood building products cluster, nonresidential building products cluster and the appliances cluster. What this can mean for a region is that a few industries could have a dominant influence in multiple value chain clusters or technology clusters. The industries that make up each of the **benchmark labor clusters** are mutually exclusive. Therefore, the wood window and door manufacturing industry only has a presence in the building products labor intensive labor cluster.

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**Table A**  
**Western Iowa Advantage Region**  
**Largest Benchmark Value-Chain Clusters**

Clusters	Employment				Average Annual Wage			
	WIAD 2004	% annual change '93-'04			WIAD 2004	% annual change '93-'04		
		WIAD	Iowa	US		WIAD	Iowa	US
Business services	4,324	1.8%	1.3%	2.2%	\$34,285	4.5%	4.3%	4.5%
Higher education and hospitals	3,909	-0.1%	1.7%	2.1%	\$22,463	4.3%	4.5%	4.1%
Packaged food products	2,197	2.6%	0.4%	0.0%	\$35,526	3.7%	3.4%	3.1%
Appliances	1,658	1.2%	3.7%	1.1%	\$32,741	4.1%	4.0%	3.5%
Hotels and transportation services	1,280	0.4%	2.6%	3.1%	\$25,182	4.3%	3.8%	4.2%
Nonresidential building products	1,268	1.1%	2.7%	1.2%	\$32,166	4.1%	3.8%	3.8%
Basic health services	1,249	2.7%	2.3%	3.0%	\$30,315	5.5%	4.0%	3.2%
Financial services and insurance	1,183	3.5%	4.1%	2.4%	\$31,565	6.1%	4.9%	4.1%
Wood building products	1,175	0.6%	3.2%	1.1%	\$32,587	4.2%	3.8%	3.5%
Concrete, brick building products	1,172	0.7%	3.5%	1.5%	\$32,626	4.1%	3.6%	3.5%
Wood processing	1,030	0.8%	4.9%	0.0%	\$32,453	4.1%	4.0%	3.5%
Wood products and furniture	1,000	0.8%	4.2%	-0.4%	\$32,932	4.1%	4.1%	3.6%

**Table B**  
**Western Iowa Advantage Region**  
**Largest Labor Clusters**

WIAD Largest Labor Clusters	Employment				Average Annual Wage			
	WIAD 2004	% annual change '93-'04			WIAD 2004	% annual change '93-'04		
		WIAD	Iowa	US		WIAD	Iowa	US
Health Services	3,327	-0.1%	1.5%	2.2%	\$25,585	5.3%	4.5%	3.5%
Low Skill, Misc. Manufacturing	2,324	2.8%	0.9%	0.4%	\$34,779	3.6%	3.3%	3.2%
Standardized Heavy Industry	1,378	5.0%	0.9%	-1.3%	\$31,443	2.3%	3.1%	3.5%
Distribution, Freight Handling	1,299	1.0%	2.8%	1.8%	\$27,120	3.9%	3.6%	3.1%
Low Skill, Non-Durable Manufacturing	1,134	1.9%	-0.7%	-3.3%	\$36,038	2.5%	3.5%	4.5%
Information Processing	1,039	3.2%	3.6%	2.2%	\$27,354	4.6%	5.4%	5.1%
Telecomm and Banking	1,015	0.3%	1.4%	1.3%	\$36,093	4.0%	4.2%	4.9%
Building Products	993	0.7%	4.7%	1.0%	\$33,117	4.1%	4.1%	3.3%

## Targeted Industries

The process of identifying potential targeted industries involved an analysis of information and data that relate to an industry's performance, past performance and future growth potential and how the region's characteristics and assets match with the industry. The core variables utilized in the filtering of industries in this analysis included the compatibility with identified value-chain, technology and labor clusters, past and projected industry growth rates, average establishment size, industry labor requirements, available sites and buildings in the Western Iowa Advantage Region and transportation networks in the Western Iowa Advantage Region.

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For the 12 largest value-chain clusters and 9 largest labor clusters in the WIAD Region (see above tables) all of the industries that are included in cluster's industry mix at the U.S. level were evaluated using the targeting criteria. The results of the targeting process led to the identification of 4 general categories containing 10 specific industries. The following list of industries includes those that matched the highest number of targeting criteria examined.

## **Food Products Manufacturing**

NAICS 31193 – Flavoring Syrup and Concentrate Manufacturing

NAICS 31199 – All Other Food Manufacturing

## **Building Products Manufacturing**

NAICS 32121 – Veneer, Plywood and Engineered Wood Product Manufacturing

NAICS 32799 – All Other Nonmetallic Mineral Product Manufacturing

NAICS 33711 – Wood Kitchen Cabinet and Countertop Manufacturing

NAICS 33721 – Office Furniture (Including Fixtures) Manufacturing

## **Warehousing and Distribution**

NAICS 49311 – General Warehousing and Storage

## **Service Industries**

NAICS 52411 – Direct Health and Medical Insurance

NAICS 54151 – Custom Computer Programming

NAICS 56111 – Office Administrative Services