North American Industry Classification System

Standard Industrial Classification System

U.S. Bureau of Labor Statistics

**North American Industrial Classification System (NAICS)**

In 1997 the North American Industrial Classification System (NAICS) was developed to replace the SIC code and is designed to be renewed/revised every 5 years. It was developed jointly by the U.S., Canada, and Mexico in order to provide new comparability in statistics about business activity across North America.

NAICS identifies hundreds of new, emerging, and advanced technology industries and reorganizes industries into more meaningful sectors - especially in the service-producing segments of the economy. Generally, the NAICS is much better at covering the industries that exploded in the 1990’s - e-commerce and related areas, biotechnology, heavily technical areas, etc. but for some industries, notably retail, using SIC codes is better.

**Standard Industrial Classification System (SIC)**

The Standard Industrial Classification System, or SIC, is a numerical scheme used to classify businesses according to industry type. Companies in the same industry were assigned the same number or SIC code. For example, General Motors, Ford Motor Corporation, Honda, and Toyota were all assigned the SIC code of 3711.

SIC Codes were established in 1937. The system was built with a strong foundation and was updated numerous times until 1987. The planning of NAFTA as a Free Trade economic community between the U.S.A, Mexico, and Canada led to a new approach for a classification system for the member countries.

The SIC system still remains the most popular industry classification system, as its use by data and marketing companies has been firmly entrenched and developed for over 40 years. Businesses, organizations, and others have grown accustomed to the use of SIC codes and have continued to classify companies, search for companies, and target companies based on SIC codes.

**Standard Industrial Classification (SIC) Manual**

Division G: Retail Trade

This division includes establishments engaged in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods. In general, retail establishments are classified by kind of business according to the principal lines of commodities sold (groceries, hardware, etc.), or the usual trade designation (drug store, cigar store, etc.). Some of the important characteristics of retail trade establishments are: the establishment is usually a place of business and is engaged in activities to attract the general public to buy; the establishment buys or receives merchandise as well as sells; the establishment may process its products, but such processing is incidental or subordinate to selling; the establishment is considered as retail in the trade; and the establishment sells to customers for personal or household use. Not all of these characteristics need be present and some are modified by trade practice.

For the most part, establishments engaged in retail trade sell merchandise to the general public for personal or household consumption. Exceptions to this general rule are lumber yards; paint, glass, and wallpaper stores; typewriter stores; stationery stores; and gasoline service stations which sell to both the general public for personal or household consumption and to businesses. These types of stores are classified in Retail Trade even if a higher proportion of their sales is made to other than individuals for personal or household consumption.

However, establishments that sell these products only to institutional or industrial users and to other wholesalers and establishments that sell similar merchandise for use exclusively by business establishments are classified in Wholesale Trade.

Establishments primarily engaged in selling such merchandise as plumbing equipment; electrical supplies; used automobile parts; and office furniture are classified in Wholesale Trade, even if a higher proportion of their sales is made to individuals for personal or household consumption.

Buying of goods for resale to the consumer is a characteristic of retail trade establishments that particularly distinguishes them from the agricultural and extractive industries. For example, farmers who sell only their own produce at or from the point of production are not classified as retailers.

Processing incidental or subordinate to selling often is conducted at retail stores. For example, restaurants prepare meals, and meat markets cut meat. Separate establishments selling merchandise for personal or household consumption which has been manufactured by other establishments of the same company are classified in Retail Trade.

Chain store warehouses are considered auxiliary to the retail establishment served and are classified on the basis of the activity carried on by such retail stores.

Establishments primarily engaged in the retail sale of used motor vehicles, trailers, and boats are classified in Major Group 55; those selling used mobile homes are classified in Industry 5271; those selling used automobile parts are classified in Wholesale Trade, Industry 5015; and those selling all other used merchandise are classified in Industry Group 593. Establishments primarily engaged in non-store retailing are classified in Industry Group 596.

* Major Group 52: Building Materials, Hardware, Garden Supply, And Mobile Home Dealers
* Major Group 53: General Merchandise Stores
* Major Group 54: Food Stores
* Major Group 55: Automotive Dealers And Gasoline Service Stations
* Major Group 56: Apparel And Accessory Stores
* Major Group 57: Home Furniture, Furnishings, And Equipment Stores
* Major Group 58: Eating And Drinking Places
* Major Group 59: Miscellaneous Retail

Division F: Wholesale Trade

This division includes establishments or places of business primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

The chief functions of establishments included in Wholesale Trade are selling goods to trading establishments, or to industrial, commercial, institutional, farm, construction contractors, or professional business users; and bringing buyer and seller together. In addition to selling, functions frequently performed by wholesale establishments include maintaining inventories of goods; extending credit; physically assembling, sorting, and grading goods in large lots; breaking bulk and redistribution in smaller lots; delivery; refrigeration; and various types of promotion such as advertising and label designing.

The principal types of establishments included are:

1. merchant wholesalers-wholesalers who take title to the goods they sell, such as wholesale merchants or jobbers, industrial distributors, voluntary group wholesalers, exporters, importers, cash-and-carry wholesalers, drop shippers, truck distributors, retailer cooperative warehouses, terminal elevators, cooperative buying associations, and assemblers, buyers or cooperatives engaged in the marketing of farm products;

2. sales branches and sales offices (but not retail stores) maintained by manufacturing, refining or mining enterprises apart from their plants or mines for the purpose of marketing their products; and

3. agents, merchandise or commodity brokers, and commission merchants.

Establishments primarily engaged in selling merchandise to construction contractors, institutions, industrial users, or businesses are included in Wholesale Trade with a few exceptions. These exceptions are made necessary because of sales to both the general public for personal or household consumption and to businesses, industrial users, or construction contractors. These exceptions are lumber yards; paint, glass, and wallpaper stores, typewriter stores; stationery stores; and gasoline service stations which are classified in Retail Trade, Division G.

However, establishments that sell similar products only to institutions, industrial users, and establishments that sell merchandise for use exclusively by business establishments or to other wholesalers are classified in Wholesale Trade.

Establishments primarily engaged in selling such merchandise as plumbing equipment; electrical supplies; used automobile parts; and office furniture are classified in Wholesale Trade, even if a higher proportion of their sales is made to individuals for household use. Establishments primarily engaged in the wholesale distribution of used products are classified on the basis of the products sold.

* Major Group 50: Wholesale Trade-durable Goods
* Major Group 51: Wholesale Trade-non-durable Goods

**North American Industrial Classification System (NAICS)**

Retail Trade: NAICS 44-45

The retail trade sector is part of the trade, transportation, and utilities supersector.

The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are, therefore, organized to sell merchandise in small quantities to the general public.

This sector comprises two main types of retailers: store and nonstore retailers.

1. Store retailers operate fixed point-of-sale locations, located and designed to attract a high volume of walk-in customers. In general, retail stores have extensive displays of merchandise and use mass-media advertising to attract customers. They typically sell merchandise to the general public for personal or household consumption, but some also serve business and institutional clients. In addition to retailing merchandise, some types of store retailers are also engaged in the provision of after-sales services, such as repair and installation.

2. Nonstore retailers, like store retailers, are organized to serve the general public, but their retailing methods differ. The establishments of this subsector reach customers and market merchandise with methods, such as the broadcasting of “infomercials,” the broadcasting and publishing of direct-response advertising, the publishing of paper and electronic catalogs, door-to-door solicitation, in-home demonstration, selling from portable stalls (street vendors, except food), and distribution through vending machines.

The retail trade sector consists of these subsectors:

* Motor Vehicle and Parts Dealers: NAICS 441
* Furniture and Home Furnishings Stores: NAICS 442
* Electronics and Appliance Stores: NAICS 443
* Building Material and Garden Equipment and Supplies Dealers: NAICS 444
* Food and Beverage Stores: NAICS 445
* Health and Personal Care Stores: NAICS 446
* Gasoline Stations: NAICS 447
* Clothing and Clothing Accessories Stores: NAICS 448
* Sporting Goods, Hobby, Book, and Music Stores: NAICS 451
* General Merchandise Stores: NAICS 452
* Miscellaneous Store Retailers: NAICS 453
* Nonstore Retailers: NAICS 454

Wholesale Trade: NAICS 42

The wholesale trade sector is part of the trade, transportation, and utilities supersector.

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing.

The wholesaling process is an intermediate step in the distribution of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of (a) goods for resale (i.e., goods sold to other wholesalers or retailers), (b) capital or durable nonconsumer goods, and (c) raw and intermediate materials and supplies used in production.

Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office. These warehouses and offices are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic.

Wholesalers do not normally use advertising directed to the general public. Customers are generally reached initially via telephone, in-person marketing, or by specialized advertising that may include Internet and other electronic means. Follow-up orders are either vendor-initiated or client initiated, generally based on previous sales, and typically exhibit strong ties between sellers and buyers. In fact, transactions are often conducted between wholesalers and clients that have long-standing business relationships.

The wholesale trade sector consists of these subsectors:

* Merchant Wholesalers, Durable Goods: NAICS 423
* Merchant Wholesalers, Nondurable Goods: NAICS 424
* Wholesale Electronic Markets and Agents and Brokers: NAICS 42