



SIC and NAICS Codes

SIC and NAICS codes are two closely related business classification systems used by both the public and private sectors to classify businesses. However, SIC codes are less standardized and more used by the public sector, while NAICS codes are more accurate and used by the government as well as internationally. Often directories classify their contents by SIC or NAICS code. These classifications can vary from directory to directory for a couple of reasons. Some add numbers to the ends of codes to show more specific information on what a company does. Also, classifying companies to codes can be more of a judgment call for directories, especially for the SIC system. Although most sources offer indexes to explain their versions of the code, there are also independent resources that explain the codes and include conversion tables.

The government also classifies companies according to both codes, and this can be important to ensure your company is classed correctly. Firstly, it can affect whether your company qualifies for government programs or sourcing, since the income qualifying a company for small business status varies from category to category. Secondly, it can affect your company's ability to get financing if your company is placed in a higher risk category than what it belongs in.

SIC Codes

SIC, or Standard Industrial Classification Codes, were originally developed in the 1930s to classify U.S. businesses so the U.S. could more easily compare its economy with Canada. The government stopped updating the codes in 1987 because they had increasing inconsistencies from years of revisions and additions (the NAICS was developed as a new system to replace SIC). However, SIC codes are still commonly used by companies that often add numbers to the end of the original codes to expand or update the original classifications. SIC codes are used more by the private sector to analyze the economy, segment markets for marketing purposes, and allow companies to identify competition, although they are also sometimes used for government agencies to determine contract eligibility.

How do SIC codes work?

Each number and letter in an SIC code represents different information. The codes are made up of a letter to show the industry a company is in (for example, D includes all manufacturing companies) followed by four numbers. The first two digits show the major industry that the company's main line of business is in (under the Manufacturing division, 20 stands for Food and Kindred Products). The third digit represents the

subgroup (D 204 represents Grain Mill Products) and the last number shows the most specific industry sector (D 2043 is the code for Cereal Breakfast Foods).

Looking for an SIC code list? Because companies sometimes add on numbers to update the code, it can vary from classifier to classifier. However, the U.S. Department of Labor provides a basic one [here](#).

NAICS Code

The North American Industry Classification System replaced the SIC in 1997, developed jointly by the U.S., Canada, and Mexico to allow for better comparisons between the three countries. NAICS codes are the official codes used by the U.S. government as well as internationally. Their uses can include legislative processes, tax incentives, IRS administrative business, and use by the Small Business Administration to see which companies qualify for loans and government programs or contracts.

How do NAICS codes work?

NAICS works in similarly to SIC, but the codes are six digits, with the first five digits standardized across all three countries. The first two digits show the major sector of a business's main activities (for example, 42 is for Wholesale Trade), and digit three shows the subsector (423 is for Merchant Wholesalers, Durable Goods). The fourth number determines the industry group (4238 stands for Machinery, Equipment, and Supplies Merchant Wholesalers). Number five stands for the industry type (42381 means the machinery and equipment wholesalers are selling construction and mining machinery and equipment, as long as it isn't oil well related). The last number is the country code (so 423810 is the code for Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers in the U.S.).

You can find a NAICS code list [here](#).

SIC vs. NAICS

What's the difference between SIC and NAICS? NAICS is the more standardized, detailed, and up-to-date system, and it's gradually replacing SIC, which has some inconsistencies from decades of additions and updates. However, both systems are used by both the public and private sectors, and where the SIC falls short, it has been augmented by companies to update it for the modern market. There isn't an exact overlap between the two systems, which also makes using both systems valuable for marketing purposes. Certain classifications in SIC don't exist in NAICS, so marketers can use it to target groups they would otherwise miss.

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