

Industry vs. Sector: An Overview

Industry

Industry refers to a specific group of companies that operate in a similar business sphere. Essentially, industries are created by breaking down sectors into more defined groupings. Therefore, these companies are divided into more specific groups than sectors. Each of the dozen or so sectors will have a varying number of industries, but it can be in the hundreds.

The financial sector can be broken down into several different industries such as banks, asset management companies, life insurance companies, or brokerages. The companies that fall into the same industry compete for customers by offering similar services. For instance, banks will compete with one another for customers opening up checking and savings accounts, while asset management firms seek investment clients.

But that's not all. These industries can be further categorized into more specific groups. For example, the insurance industry can be broken up into different, specialized divisions like home, auto, life, malpractice, and corporate insurance.

When choosing an investment opportunity, an investor may find it easier to compare different companies within the same industry. That's because they may share the same production processes, cater to the same customer base, or have similar financial statements.

SECTOR

A sector is one of a few general segments in the economy within which a large group of companies can be categorized. An economy can be broken down into about a dozen sectors, which can describe nearly all of the business activity in that economy.

There are four different sectors in an economy:

- **Primary Sector:** This sector deals with the extraction and harvesting of natural resources such as agriculture and mining.
- **Secondary Sector:** This sector comprises construction, manufacturing, and processing. Basically, this sector comprises industries that relate to the production of finished goods from raw materials.
- **Tertiary Sector:** Retailers, entertainment, and financial companies make up this sector. These companies provide services to consumers.
- **Quaternary Sector:** The final sector deals with knowledge or intellectual pursuits including research and development (R&D). Investors can use sectors as a way to categorize the stocks in which they invest, such as

telecommunications, transport, healthcare, and financials. Each sector comes with its own characteristics and risks.

Most people think that the terms sector and industry resemble one another, as both terms indicate enterprises whose business type is identical or operates in a segment.

This difference or variance pertains to their scope; a sector will be a vast economic segment. The term industry can be described as a unique group of businesses or companies. In comparison, the term industry can be prescribed as an umbrella covering all the firms or organizations engaged in similar business functions or activities.

Industry vs. Sector Comparative Table

Basis	Industry	Sector
Basic Definition	<p>One can define organizations or firms producing related or similar products or goods.</p> <p>It is also a grouping of several manufacturing companies or enterprises of an economy on the grounds of the business activities that they are involved in. The industry's name will rely on the service or the product in which the company or the firm deals.</p>	<p>It can be described as the division of the whole economy, consisting of the business groups engaged in related or similar services or products.</p> <p>Further, we can say that it is the subset of the entire economy, wherein the entities or companies will share the same or similar features, such as the processes or the product line or the operating activities.</p>
Categorization basis	To categorize industry, the method to follow would be PROCESS.	The procedure for classifying the sector is BUSINESS ACTIVITIES.
Scope	Since it involves only a particular process, the size is narrow.	Since it relates to business activities, then its capacity becomes wider.
Form / Group	One can form the industry cluster through different firms.	Industries, when combined, form a sector.
Subtypes / Classification	1) Manufacturing Industry 2) Extractive Industry 3) Construction Industry	1) Primary Sector – includes agriculture, forestry, etc. 2) Secondary Sector – This consists of

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	4) Service Industry 5) Genetic Industry	all manufacturing industries. 3) Tertiary Sector – Support services like Banking, transportation, etc. 4) Quaternary Sector – Education, Research, etc.
Examples	An Industry example is a financial sector that can be broken down into other industries like asset management companies , life insurance companies, or brokerage firms.	Let us take an example of the basic or raw materials sector, which is the segment of the economy in which the firms or the companies deal in the business activity of processing, exploration, and selling of those basic materials like silver, gold, or aluminium, which are used by the other sectors of that economy.

Conclusion

We can conclude that industry is a narrower term and a subset of the broader term, known as the sector. Therefore, economists and investors study those sectors and industries to understand better which industry or sector will contribute to the growth and progress of the whole economy and which will prove to be highly profitable.

Further, one can also compare the firms or the companies operating in a particular industry to identify which firm or the company will provide or is expected to generate the returns to the investors.