Financial Services

Introduction

Money is the name of the game in the financial services industry. Companies of this nature are involved in the creation, storage, utilization, management, and manipulation of money. Such companies include banks, insurance agencies, brokerage houses, accounting firms, and real estate agencies.

Industry Composition

The financial services industry is comprised of a variety of businesses providing services broadly related to insurance, accounting, banking, brokerage, real estate, risk analysis, asset management, and investment.

- Insurance firms either provide insurance themselves as insurance carries or sell the services of others as insurance brokers.
- Banks can be commercial or private, on the global, national, regional, or community level, and offer the safekeeping and lending of money as their primary services.
- Brokerage firms act as intermediaries between buyers and sellers for a variety of things, such as securities, equities, and other investment offerings.
- Real estate firms provide services such as buying, selling, developing, operating, and managing real estate.

For globalEDGE's purpose, all work related to money or asset management that a business needs done is filed under Financial Services, while all of the other miscellaneous help a business may need is classified under Business Services.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
Berkshire Hathaway	161	235.2	39.7	491.9
ICBC	173	165.3	43.7	311
EXOR	216	161.8	1.6	18.3
AXA Group	164	149.9	6.7	64.1
China Construction Bank	173	143.2	37.2	261.2

Highly Fragmented　　Highly Concentrated

Profitability and Demand Drivers

Primary Demand Drivers:
- Consumer income
- Wealth
- Demographics

Profitability Drivers:
- Effective marketing

Trends

Technology, specifically the internet, has drastically effected on the way companies do business; clients can check their bank accounts online at any time, companies can pay employees through direct deposit, operations in the securities industry have become almost completely automated, and insurers can look up information such as a credit report on potential subscribers more quickly. Computer technology is also used in many other ways as these firms are dependant on computer generated models to help them analyze markets and create investment strategies.

The cleaning up of the industry is an effort to make sure financial organizations are operating in ways that benefit customers or stockholders instead of managers, specifically through consolidation and regulation. Since 1995, more than 200 large and small makes have merged, creating huge economies of scale. Consolidation is forcing layoffs, but also creating more opportunity. The Glass-Steagall Act was the basis of financial regulation, but during the late 90's this act was repealed, creating opportunities for small and large banks alike. With the market collapse in 2008, there have been many more buyouts. These are due to both banks trying to eliminate bad, or "toxic" assets, and the banks trying to have enough assets to be able to absorb these losses and still survive. Banks are also being accused of misleading the general public in order to drive up their profit margins and are the subject of much scrutiny and debate about increased regulation due to this.