

## Voorburg Group on Service Statistics

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# AN INVENTORY ON SURVEYS COLLECTING INFORMATION ON SERVICES' TURNOVER BY DETAILED PRODUCT

SESSION ON MEASUREMENT OF DETAILED TURNOVER OF SERVICES

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## 1. Background

Collecting statistics on services' turnover broken down by detailed product is by no means a newly developed area. During the early years of its existence, the Voorburg Group discussed (most extensively in Helsinki 1991 and Williamsburg 1992) the issue of the turnover of services by detailed product. After this, the activities in this area of work were not widely reported on until the meeting in Nantes in 2002. However, although there was no specific reporting in the Voorburg group meetings, the inventory shows that the work in this area has continued in many countries. The Nantes 2002 Voorburg group meeting revisited the issue of services' turnover by detailed product. Three main topics emerged from the presentations and discussions, forming an interlinked triangle: prices, turnover by product and classifications. In the Nantes meeting, it was agreed that an inventory should be put together to identify what is currently being done in each country to report turnover by detailed product.

The reasons for collecting turnover by detailed product were identified as the following:

- demand from policy-makers
- interest from businesses
- support for trade statistics
- demand from National Accounts
- improvement of classifications and provision of weights for services PPIs.

For the EU level development project "Business Services", the order of the above list also reflects the importance of the reasons. There has to be a clear external demand for certain statistics in order to justify an EU level development project.

The "Strategy for Services Statistics" paper presented at the 46<sup>th</sup> meeting of the Statistical Programme Committee in Palermo 2002 states: "A true understanding of market forces requires additional knowledge both on the products and on the clients of services. The latter are particularly important for those service activities, in which the products are less and less of a standardised nature and more and more customised according to the clients' needs."

Therefore, there is an ongoing project within the EU called "Business Services – Methodological Development and Harmonised Data Collection". The project started in 1999 with the support of DG Enterprise. The main purpose of the project was to improve the statistical coverage of the business services sector. The first phase of the development project focused on *computer and related services* (NACE division 72). The second phase concentrated on *computer services*, as well as selected activities of *other business services* (NACE division 74). Methodological development and harmonised data collection, with breakdown of turnover by products and clients as key variables, were the most important elements of the project. 11 countries participated in the project (Austria, Denmark, Finland, France, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, and United Kingdom).

## 2. The inventory

The purpose of the inventory was to get a picture of the current surveys in the field of services' turnover by detailed product. It was initiated by Martin Brand. The initial draft of the questionnaire was prepared in a cooperation between Samuli Rikama and Pekka Alajääskö. The questionnaire was then improved by comments from Peter Boegh Nielsen. Cecilia Hertzman and Pekka Alajääskö are responsible for the current version.

The questionnaire was sent out to 47 countries. The obvious first question to ask was whether any data collection existed at all. Questions about the use and applicability of the data, quality of the data, costs versus benefits and respondent burden, type and frequency of surveys and product and economic activity classification used were also asked.

27 countries completed the questionnaire (Finland, Switzerland, New Zealand, Turkey, Denmark, Brazil, the Netherlands, Latvia, Czech Republic, Belgium, Japan, Macao, Norway, Australia, Greece, Iceland, Spain, Romania, Slovenia, Estonia, Germany, Bulgaria, Ireland, Canada, Sweden, United Kingdom and France). 20 of these reported that they carried out ongoing data collection. From the EU project, we know that six more countries collect information on turnover broken down by product. We also know from the last Voorburg Group meeting, that the US collects this kind of data. Canada, France Spain and Brazil seem to be the most advanced among the respondents – they collect services' turnover with very detailed product breakdowns on an annual basis.

In most countries, the surveys are compulsory and there are only a few cases in which response is voluntary.

Class ISIC/NACE	Number of countries with data collection	Type of survey	
		Compulsory	Voluntary
<b>Trade</b>			
Wholesale	18	18	
Retail	20	19	1
Automobile	17	16	1
<b>(Transport and) Communication</b>			
Telecommunication	16	14	2
<b>Business services</b>			
Computer services	14	12	2
Legal services	8	8	
Accounting/auditing	13	11	2
Technical consultancy	13	11	2
Advertising	15	13	2
Business and management consultancy	12	10	2
<b>Audio-visual services</b>			
Cinema	12	11	1
TV broadcasting	11	9	2
Video and DVD publishing	7	6	1

There is a difference in the frequency of the data collection between Trade and the other main headings. The data collection seems to be running at other intervals than annually or biennially. When looking into the questionnaires, it is revealed that there is a roughly equal division between quarterly data collection and data collection every fifth year. Within the EU, there is a regulation for collecting trade variables every fifth year, which is a probable explanation for why so many countries collect trade data at this interval. One country (Canada) reported a monthly collection for retail trade and occasional collection for the other trade classes.

For the other classes, the most common frequency is annual data collection. In these categories, countries have reported intervals of three, six and ten years.

Class ISIC/NACE	Number of countries with data collection	Frequency of the survey		
		Annual	Biennial	Other
<b>Trade</b>				
Wholesale	18	8	1	9
Retail	20	8	1	11
Automobile	17	8	1	8
<b>(Transport and) Communication</b>				
Telecommunication	16	13	2	1
<b>Business services</b>				
Computer services	14	12	1	1
Legal services	8	5	2	1
Accounting/auditing	13	10	2	1
Technical consultancy	13	11		2
Advertising	15	12		3
Business and management consultancy	12	11		1
<b>Audio-visual services</b>				
Cinema	12	8	1	3
TV broadcasting	11	8	1	2
Video and DVD publishing	7	5	1	1

### 3. Results

The majority of countries responding to the questionnaire collect information on services' turnover broken down by product (20 out of 27). Some countries have just started their collection, while others have collected this kind of information since the mid-eighties. Many European countries have just started or plan to start their data collection (new Member States) in connection with the EU development project.

In the tables below, not all the figures add up to the total number of countries. This is due to the fact that some of the questionnaires had partial non-response.

#### The use and applicability of the data

The data is mainly used for National Accounts purposes. A few countries also use the data for calculating weights for price indices. Another use is to classify enterprises correctly in the business registers. Information about the structure of turnover helps to determine the main activity of the enterprises. Not many countries have had contact with external users, such as branch organisations.

At Statistics Denmark, an internal working group has been set up in order to develop a commonly-used services nomenclature. This nomenclature should be able to serve different needs, among these is the development of balance of payments statistics. Brazil is using the data to study and develop a National Classification of Products for Services. At last year's Voorburg Group meeting in Nantes, the UK reported on their work to develop Servcom, a Prodcom type of approach for services.

In the inventory, we asked a question about the product classifications used. The CPA is the classification system most frequently used (a probable explanation is that many of the responding countries come from Europe) but many countries also used other classifications. Some countries answered that they use the classification used in the EU development project. This classification is based on the CPA but with some additional products in order to simplify questionnaires for the respondents. Some countries have reported that they have their own classifications, which in many cases can be described as a modified version of the CPA. Australia was the only country that reported an exclusive use of the CPC as its product classification. Canada also uses CPC for the retail trade.

Class ISIC/NACE	Number of countries with data collection	Product classification used for data collection		
		CPC	CPA	Other
<b>Trade</b>				
Wholesale	17	1	10	6
Retail	19	2	11	6
Automobile	16	1	10	4
<b>(Transport and) Communication</b>				
Telecommunication	15	1	4	8
<b>Business services</b>				
Computer services	13	1	5	5
Legal services	7	1	4	1
Accounting/auditing	12	1	5	4

Technical consultancy	12	1	5	4
Advertising	14	1	5	6
Business and management consultancy	11	1	5	4
<b>Audio-visual services</b>				
Cinema	11	1	4	5
TV broadcasting	10	1	4	3
Video and DVD publishing	6	1	4	2

### The quality of the data

Most of the respondent countries had the opinion that the quality of the data collected was generally good. On the other hand, it is probably difficult to judge to what extent the companies have, in reality, been able to breakdown their turnover into the proper product categories and to what extent they have just chosen a simpler aggregation. This can especially be the case with a new data collection.

Based on the received responses to the questionnaire and demands from National Accounts and Service Price Indices, it is important to re-evaluate the necessity of the product breakdown regarding activities outside the core activities. This applies mostly to the EU project on business services, in which each economic activity turnover is broken down by each sector's main products and some related products (e.g. IT, training). If results show that these related products are of minor significance, it would be more useful to elaborate further on the main products, for example, by using descriptions, examples and a possible further breakdown of main products (related to the core activities). Overall, the applied breakdowns cannot be considered as too detailed or excessively demanding for the enterprises. Feedback from business associations often mentions that the categories given in the questionnaires are considered too broad to describe their own fields adequately and usually their own data collection operated clearly on a more detailed level.

In our questionnaire, most of the responding countries used "Very detailed (15+)" product breakdown only in the Trade sector. In other sectors, the use of different categories is more evenly spread. In Audio-visual services, the responding countries mainly used only "few" or "some" product groups. In the table below, the comparison between countries is affected by the fact that some countries collect information only on main products and others on related products as well.

Class ISIC/NACE	Number of countries with data collection	Number of product groups used			
		Few (2-4)	Some (5-9)	Detailed (10-15)	Very detailed (15+)
<b>Trade</b>					
Wholesale	17	1	1	1	13
Retail	19	1	1	3	13
Automobile	16	2	3	1	9
<b>(Transport and) Communication</b>					
Telecommunication	15	2	4	3	6

<b>Business services</b>					
Computer services	13		2	3	8
Legal services	7		3	1	2
Accounting/auditing	12	1	5		5
Technical consultancy	12		4	2	5
Advertising	14		6	2	5
Business and management consultancy	15		4	1	5
<b>Audio-visual services</b>					
Cinema	11	5	2		4
TV broadcasting	10	3	3		4
Video and DVD publishing	6	2	2		2

### **Costs versus benefits**

The overall impression is that the benefits exceed the costs, even if no specific information has been given on the costs. The surveys provide important information on services' turnover by product, for which there is great demand.

A comment from Finland is that the costs versus benefits are best exploited when these kinds of surveys, i.e. surveys requesting structural data, are not carried out on an annual basis. In Brazil, a letter is sent out explaining the aim of the survey in order to better inform the enterprises of the use of the results when they fill in the forms.

### **Respondent burden**

Most countries report a high respondent burden. Many enterprises do not keep their accounts in a format as detailed as that required by the surveys. Therefore, responding to the questionnaire is very time-consuming, as data providers have to do a lot of manual work. This might result in the enterprises using a rougher estimate of the turnover distribution, as a more precise distribution would mean an overwhelming response burden.

Norway and the Netherlands reported a low response burden. In these countries, the level of detail was very limited. In Norway, the expected time spent to fill in the questionnaire was roughly 10 minutes. The Finnish questionnaire was fairly detailed but the burden was still considered reasonable if the questionnaire was not carried out annually.

Spain included a question about the time the respondents spent answering the questionnaires in the EU development project. In Spain, the respondents spent approximately 60 minutes on average to compile the necessary information and fill in the questionnaire.

### **Plans to start, continue or extend the product data collection**

There are a wide range of plans concerning the future. Some countries are just starting their collection (Latvia, Romania, Slovenia, Czech Republic, Estonia and Bulgaria), some are planning to continue their collection in the same way (Australia and the Netherlands), while others plan to extend their collection (Denmark, Sweden, Norway, Spain, Japan and Brazil).

Denmark has extended their collection with questions about exports.

Sweden is planning to extend the data collection to cover all industries within the service sector. Data on turnover by product will be included in the annual Structural Business Statistics questionnaire. This gives an opportunity to meet the demands from both the National Accounts and Service Price Indices. It is also a huge step forward towards having an equally detailed data collection for the service sector as for the manufacturing sector.

Norway, Brazil and possibly Japan will extend their collection to cover more activities.

### **Priority industries in the future**

The EU development project is extending the data collection to cover more activities within NACE Rev 1 74 (Other business activities) and NACE Rev 1 80.42 (Adult and other education). Apart from these activities, only Australia and Macao reported on their priorities. Australia's priority areas are property and business services and cultural and health activities. Macao is interested in collecting data on the gambling industry.

### **Reasons for not collecting data**

The main reason reported for not collecting any data is the lack of resources. Only Ireland reported the burden on respondent as being the main reason.

#### **4. Concluding remarks**

The inventory on surveys collecting information on services' turnover by detailed product is a result of a cooperation between several people. The inventory is deliberately kept as simple as possible but it manages nevertheless to provide some interesting results. The response rate is surprisingly high given the short responding period. Not a single respondent complained about any aspect of the inventory. This is maybe due to fact that no feedback was sought from the respondents on the content or structure of the inventory, although not deliberately.

As expected, the inventory reinforces the findings of the Nantes turnover session that the three topics (prices, turnover by product and classifications) are interlinked. Experts on prices and classification are always sited as important users of the turnover by product statistics. It is clear that work in both these areas benefits from the work on the output data and the reverse is equally true. Now that the development work on turnover data by product is becoming more popular in the soon-to-be-enlarged EU and other countries, it would be probably useful to continue with the turnover session in the Voorburg group meetings. Much interesting and important work will be carried out in the near future and hence, many results should be reported on. There will be important feedback on the work on classification, especially regarding product classification.

Furthermore, the list of reasons for collecting these statistics identified in the Nantes session can all be found in the results of the inventory. However, it is important to stress that the need of the prices and classification experts is not the only reason for the development work to produce turnover statistics. Although the National Accounts are important users as well, their needs are at a rather aggregated level and would not, as such, justify the ongoing or future development work. It is probably fair to say that the external users' needs, as is the case with other statistics and as the Canadian and the EU experiences show, have acted as the initiator for development work in the area. In addition, the need of policy-makers and market analysts, etc. to better shape the policy decisions and to better understand the most dynamic sectors in the economy can be understood as decisive factors behind the implementation of, for example, the EU level development project on business services.

## Appendix 1

Data on turnover on detailed product breakdown was also reported for other activities than those listed in the inventory.

Class ISIC/NACE	Number of countries with data collection	Type of survey		Frequency of the survey			Product classification used for data collection			The product breakdown: How many product groups are asked			
		Compulsory	Voluntary	Annual	Biennial	Other (please specify)	CPC	CPA	Other (please specify)	Few (2-4)	Some (5-9)	Detailed (10-15)	Very detailed (15+)
Agricultural support activities	1	1		1				1					
Cable and satellite	1	1		1					1		1		
Sound recording	1	1			1				1	1			
Film production and distribution	2	2		2				1	1	1			1
Book publishing	1	1			1				1	1			
Performing arts	1	1			1				1	1			
Heritage institutions	1	1			1				1	1			
Newspaper publishers	1	1		1					1		1		
Arts entertainment and recreations	1	1		1					1		1		
Consumer Good rental	1	1		1					1		1		
Real estate	2	2		2				1	1		1		1
Repairs and maintenance	1	1		1					1		1		
Traveller Accomodation	1	1		1					1		1		
Traveller Arrangements	1	1		1					1	1			
Food and restaurant services	3	3		3				1	2		2		1
Market research and public opinion	2	2		2				1	1		1		1

Industrial cleaning services	2	2		2				1			1		1
Labour recruitment and provision of personnel	2	2		2				1	1				2
Kareoke, bar and nightclub	1	1		1					1		1		
Hotel	3	3		3				1	1		2		1
Travel agency	3	3		2		1			2		1	2	
NACE 80,85,90-93	2	2		2				2					2
Passanger land transport	2	2		2				1			1		
Freight transport by road	3	3		3				1	1		1		2
Water transport	3	3		3				1	1	1	1		1
Air transport	3	3		2		1		1			3		
Post and courier activities	3	3		3					1		1		1
Internet based services	1		1	1							1		
Renting and leasing	2	2		2				1	1			1	1
Credit institutions	1	1		1					1				1
Insurance companies	2	2		2				1	1			1	1
Personal services	1	1		1				1					1