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Mini-Presentation on Turnover/Output

**Turnover and Output Measurement for
82.30 Organisation of Conventions
and Trade Shows in Germany**

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1. Definition of service being collected

In Germany, event organisation services are defined according to the statistical classification of economic activities in the European Community (NACE). The NACE classifies industries on the basis of their productive economic activities. In NACE rev. 2, the group organisation of conventions and trade shows (82.3) is part of the division 82: office administrative, office support and other business support activities. The division includes the provision of a range of day-to-day office administrative services as well as on-going routine business support functions for others on a contract or fee basis. In Germany the group organisation of conventions and trade shows (82.3) only consists of one class (82.30) and the identical subclass (82.30.0).

The companies classified in organisation of conventions and trade shows offer (for the services sector) comparatively homogeneous services. They are all related to event management. This class includes the organisation, the promotion and/or the management of events - such as business and trade shows, conventions, conferences and meetings. For the classification it is not important, whether or not the services of the company include the management and provision of the staff to operate the facilities, in which these events take place.

2. Unit of measure to be collected

According to the European legislation and the corresponding national law in Germany two surveys collect information on turnover of the organisation of conventions and trade shows, supported by the use of administrative data. Structural business statistics are produced annually, short-term statistics quarterly. Information is collected on the level of the enterprise, which in Germany corresponds in general to the legal unit. A detailed methodological description of these statistics is given in chapter 7.

In short-term statistics for organisation of conventions and trade shows turnover is measured as an index, currently based on year 2010. It indicates trend rather than level information. Indices for organisation of conventions and trade shows are published since 2009, also in working-day and seasonally adjusted form. In structural business statistics turnover of conventions and trade shows is measured in Euro. Both statistics have been produced since the beginning of the millennium. However, as the revision 2 of the NACE resulted in significant classification changes for the whole service sector, the following statements are based on data from the period after the implementation of the revision 2008/2009.

3. Market conditions and constraints

The scale of enterprises providing event organisation services ranges from the management companies for the large locations of international trade-fairs over regional trade-fair and event managing companies to smaller event organisers. Conferences and meetings are also managed by this kind of service providers. The services are all related to the event in question and cover planning and organisation, promotion, management, realisation or support and evaluation services. The services might include providing the premise or location, professional staff, promotion, marketing, design, publishing,

catering, handicraft, information and communication technology, logistics and so on. A lot of smaller enterprises render special services for their clients and/or full service packages for smaller events.

Trade shows and similar events are fairly popular in Germany. They have a long tradition and serve as communication platform for the information exchange on products and services. In total they have a high economic impact on German production and employment.¹ Well-known locations for international trade-fairs in Germany are for instance Berlin, Düsseldorf, Essen, Frankfurt, Hannover, Leipzig, Munich or Stuttgart. But there is great variety of smaller/regional events, too. The subjects of the exhibitions might be ecological products, cars and boats, books, life-style products, travelling, manufacturing, information technology, sports, wellness and so on. The required services for the events are provided by companies of all sizes and legal forms.

According to the structural survey 2013, approximately 6,000 German enterprises were engaged in organisation services for conventions and trade shows. These enterprises in total employed approximately 42,000 persons and achieved an annual turnover of 6.5 billion Euros (see table 1).

1. Table 1: 82.3 Organisation of conventions and trade shows in Germany 2008–2013 according to the structural business survey

Code of economic activity	Reporting period	Enterprises		Turnover		Persons employed	
		Number	Growth rate	in million Euros	Growth rate	Number	Growth rate
82.3 (WZ 2008)	2008	4,491		6,108		38,525	
	2009	4,337	-3.4 %	4,990	-18.3 %	34,464	-10.5 %
	2010	4,492	3.6 %	5,539	11.0 %	36,311	5.4 %
	2011	4,998	11.3 %	5,785	4.4 %	39,127	7.8 %
	2012	5,457	9.2 %	6,319	9.2 %	39,986	2.2 %
	2013	6,000	10.0 %	6,505	2.9 %	42,244	5.7 %

Since the financial crisis, German figures on the branch document a sector growth. Between 2010 and 2013 the number of enterprises, the turnover and the number of persons employed increased every year. The 183 largest enterprises of the branch (approximately 3 %) generated more than 5 million Euros of turnover each and together more than 2/3 of the total turnover for the organisation of conventions and trade shows. Nonetheless, the many small and medium-sized companies contribute their fair share to stabilizing the revenues and in particular the employment of the branch.

¹ Vgl. Penzkofer, Horst (2009): *Die gesamtwirtschaftliche Bedeutung von Messen und Ausstellungen in Deutschland, AUMA Schriftenreihe – Edition 30, Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft e.V., Berlin.*

4. Standard classification structure and product details/levels

The standard of the German classification of economic activities now in use is the *Wirtschaftszweigklassifikation 2008 (WZ 2008)*² (see table 2). It is based on NACE rev. 2 which is derived from the international standard industrial classification ISIC rev. 4. Due to national demands the German classification of economic activities comprises an additional hierarchical level of sub-classes (five-digit level) in comparison to NACE rev. 2. However, in the case of the organisation of convention and trade shows the three digit-level is not subdivided further and therefore identical with the four- and five-digit-levels (see table 2). It is one of the cases in the service sector, where the classification of the companies seems comparatively easy. This could probably be explained by the fact, that the services in question are all clearly related to “their events” and event management is a field that calls for specialists.

2. Table 2: 82.3 Organisation of conventions and trade shows in the German classification of economic activities (WZ 2008)

WZ 2008 Code	WZ 2008 – Description	NACE Rev. 2	ISIC Rev. 4
82.3	Organisation of conventions and trade shows	82.3	82.3
82.30	Organisation of conventions and trade shows	82.30	82.30
82.30.0	Organisation of conventions and trade shows	82.30	82.30

In case of organisation of conventions and trade shows the international, European and German classifications are fully consistent. Moreover, group 82.3 is nearly identical with its predecessor subclass 74.87.1 under NACE rev. 1.1/WZ 2003. Only the booth building companies were assigned to the class 95.24 repair of furniture and home furnishings and its subclass 95.24.0 booth builders of WZ 2008. De facto, in Germany only a very small number of enterprises (less than 1 %) were regrouped under the NACE rev. 2. Amongst other things, this might be due to the fact, that booth building in many cases is not the only, respectively not the principal economic activity of the enterprises in question.

5. Evaluation of standard vs. definition and market conditions

The market for the organisation of conventions and trade shows is fairly well-defined. It does not have a great potential overlap with other industries. The reason for this is, that the companies provide their services for the well-defined aim of organising, promoting or managing events. So the market is less heterogeneous than other service sectors concerning its output. This is supported by the fact, that there was no further need to build classes or subclasses for the group in the classification.

On the other hand, the related events differ in size and subject. They include popular international events, business shows, game conventions, scientific conferences, simple meetings etc. Popular examples for international exhibitions are the “IAA – Internationale Automobile-Ausstellung”, a motor show in Frankfurt am Main, or the “Grüne

² The previous German standard classification was WZ 2003.

Woche”, an international trade-fair in Berlin for processors and marketeers in agriculture, horticulture and various food industries. Accordingly, the companies offer a wide variety of different, but related services for the purpose of event management. They provide their customers with technical equipment, web services, catering, marketing, design services, logistics, staff etc. Some offer the full package, some are specialising in certain services.

The market for the organisation of conventions and trade shows comprises a variety of small and medium-sized enterprises. Even where they are dominated by a set of larger companies, the total number of enterprises implies a functioning market. There is also high competition among the trade show premises.

6. National accounts concepts and measurement issues related to GDP measurement

In German National Accounts, the results are broken down and systemised by using a variety of classifications. Most of them are internationally harmonised. Of particular importance is the breakdown by economic activities. It is based on the national classification of economic activity. The most detailed breakdown of economic activities available in National Accounts is the so called A*64 by 64 industries which up-to-date corresponds to the two-digit items of the classification of economic activity, WZ 2008/NACE rev. 2. Price indices are used to deflate output.

Value-added tax statistics are the main basis to calculate **output** in business services not classified elsewhere. Additionally, service statistics data (produced since reference period 2000) are used more and more in National Accounts. In general, the calculation of National Accounts is performed by using business register data. Here, some constraints have to be taken into account. The turnover data in the business register is derived from data of the fiscal authorities, which are not collected in full accordance with the statistical demands. This concerns, for instance, value-added tax groups (see chapter 7). Another problem is that changes of the main economic activity during the life course of the enterprise are often not represented in the fiscal data.

Since National Accounts revision 2005 the information from service statistics is used to calculate **intermediate consumption** figures. In order to do so, ratios are calculated on the basis of the relationship between the surveyed expenses for material and turnover. Some minor corrections are done because of conceptual reasons and supposed miss reporting of the respondents. The intermediate consumption ratio is calculated from corrected material expenses of service statistics divided by gross turnover of service statistics.³

Characteristic for the service activities of 82.3 organisation of conventions and trade shows is a high rate of reselling.

³ Statistisches Bundesamt (2009): *National Accounts – Gross domestic products in Germany in accordance with ESA 1995 – Methods and sources – New version following revision 2005, Subject-matter series 18, Series 22.*

7. Turnover/output data methods and criteria for choosing various output methods

In the service sector short-term business statistics and structural business statistics are both relatively young statistics. They were induced by the growing economic importance of the service sector in comparison to the industrial and agricultural sectors. The statistics have to take into account that the service sector – down to the group of organisation of conventions and trade shows – contains a variety of service activities carried out by diverse enterprises of different sizes. Moreover, it underlies a “constant change”. Therefore, the statistics should thoroughly monitor structure and development of the services, without putting too much burden on the enterprises.

Short-term statistics aim to monitor short-term economic trends, whereas structural business statistics describe the structure of and the performance in its economic activities with the aim of showing elementary structural shifts. Therefore, the German short-term statistics for services only cover turnover and number of persons employed. The indices are available 60 days after the end of the reporting quarter. By contrast, the structural business statistics survey collects data on a broader range of variables and services in a greater level of detail annually. Results are available 18 month after the end of the reporting year.

Due to the fact that a lot of companies in the service sector are small or medium-sized the short-term statistics are carried out only quarterly. Administrative data is used where feasible. Smaller companies only have to answer to a reduced number of questions in the structural business survey. In spite of their differing aims and methods, short-term and structural service statistics in Germany are fairly well aligned and consistent with regard to their results.

7.1. Short-term business statistics

German short-term statistics on turnover (and employment) in the service sector are produced according to Council Regulation ((EC) No 1165/98 and (EC) No 1158/2005 of the European Parliament and of the Council. Preliminary results are available 60 days after the end of reporting quarter. The indices are made available to the public in unadjusted as well as in working day and seasonal adjusted form. In the period from the first quarter of 2003 to the first quarter of 2007, the quarterly indices of turnover in short-term statistics were produced with the help of a 7.5 % stratified random sample survey. Since the second quarter 2007, turnover data in short-term statistics are obtained by a multiple-source mixed mode design⁴.

The latter combines a primary survey conducted among large enterprises (i. e. with an annual turnover of at least 15 million Euros and/or with at least 250 employees) with administrative data for small and medium-sized enterprises. Enterprises are obligated by national law⁵ to provide information (online). Turnover administrative data are provided by the tax authorities of the 16 German states (*Länder*), the data stemming from value added tax (VAT) prepayment notice and payment procedure. The multiple-source mixed

⁴ For details see Fischer, Hanna/Oertel, Jutta (2009): *Konjunkturindikatoren im Dienstleistungsbereich: Das Mixmodell in der Praxis*, in *Wirtschaft und Statistik, Wiesbaden, WiSta 03/2009, S. 232 ff.*

⁵ *Gesetz über konjunkturstatistische Erhebungen in bestimmten Dienstleistungsbereichen (Dienstleistungs-konjunkturstatistikgesetz – DLKonjStatG)*

mode design was introduced in order to reduce the respondent burden. The latter was only possible for small and medium-sized enterprises. The survey among the large enterprises and enterprise groups ensures the quality of the results and keeps revisions at bay.

Minor drawbacks of the administrative data, which do not fully meet the demands of short-term statistics, involve the definition of turnover within the tax prepayment notice. The tax turnover definition differs in some respects from the statistical definition of turnover. Not included in the statistical definition are some extraordinary receipts, such as rental income for company-owned machinery, dwellings or land used by third parties or sales of land, respectively of used machines. However, they are included in the tax prepayment notice under the same heading as the statistically relevant services. In addition, in tax legislation several enterprises might be combined in an integrated VAT group. Internal turnover among members of a VAT group is not taxable. In the case of the already mentioned VAT groups the breakdown of turnover is difficult. The reason for that being, that only the controlling unit reports the total group turnover to the fiscal agency, without providing any information about the division of this total turnover among the different enterprises in the VAT group. Another issue is that the activity code in VAT data does not entirely meet statistical requirements. This is less a problem of standardisation – as the classifications are very similar –, but an allocation problem. A methodological test showed that the NACE-code allocated to a single unit often differs depending on the data source.⁶

In German short-term statistics for the “other services” sector the problems mentioned are treated with regard to their effect on the quality of the results. Destatis improves the data quality with respect to short-term statistical needs by editing procedures and by using estimates and additional information from the business register. Owing to a legislation amendment concerning the use of administrative data for statistical purposes⁷, Destatis and the Federal Statistical Offices of the *Länder* are now authorized to clarify inconsistencies in the VAT data directly with the enterprises and to correct the data accordingly.

The implementation of the multiple-source mixed mode system results in a clear reduction of the statistical reporting duties of small and medium-sized enterprises. For instance, to produce short-term statistics in 2015 only about 1.0 % of the enterprise population in organisation of conventions and trade shows had to be surveyed directly (instead of approximately 7.5 % of the enterprises that had quarterly to be questioned before the implementation).

7.2. Structural business statistics

Since reference period 2000 structural business statistics are carried out annually in the “other services” sector according to Council Regulation (EC, EURATOM) No 58/97 and the subsequent European regulations. The last recast of the SBS Regulation, namely (EC) No 295/2008 of the European Parliament and the Council is applicable for data

⁶ Lorenz, Robin (2010): *The integrated system of editing administrative data for STS in Germany*, ESSnet Administrative data, Seminar in Rome

⁷ Gesetz über die Verwendung von Verwaltungsdaten für Zwecke der Wirtschaftsstatistiken (*Verwaltungsdatenverwendungsgesetz – VwDVG*)

delivery starting from reference period 2008. The national legislation requires a survey.⁸ The intention is here to give a clear picture of the numerous and diverse enterprises (large and small) of the “other services” sector by the help of a stratified sample survey.

Sample selection is based on information from the Business Register which provides identifier, activity code, beginning and end of economic activity, turnover and number of persons employed. Those enterprises that are drawn are obliged to provide information about their principal economic activity, their legal form, the number of local units, the number of persons employed, wages and salaries, social security costs, **turnover**, material expenses, stocks, taxes, subsidies, investments and so on. In order to reduce response burden small enterprises with an annual turnover of less than 250,000 Euro in the reporting year are surveyed only with a shortened questionnaire. Due to the federal structure of Germany those enterprises that have establishments in several of the *Länder* have to itemise turnover, wages and salaries, investments and number of persons employed by *Länder*. Thus, results of structure and economic performance for each *Land* can be produced. The survey is conducted decentralized by the Statistical Offices of the *Länder* in close cooperation with the Federal Statistical Office. Final results are available 18 months after the end of the reporting period.

The active enterprises in the “other services” sector with an annual turnover of more than EUR 17,500 are surveyed by the help of a stratified random sample, not exceeding 15 % of the total number of enterprises. The mentioned quota is stipulated in the national statistical act concerning structural business statistics in the service sector. According to the number of enterprises in a stratum and the statistical spread in turnover classes the sample size varies among service activities. Stratification criteria are: the *Länder*, the economic activity and size classes of turnover or number of persons employed. In organisation of conventions and trade shows 16.1 % of the enterprises in the branch were subject to report for structural business statistics, 11.2 % de facto answered to the survey 2013. False non-responses i. e. units which are not part of the survey population and which are hence not obliged to provide information in this field – account for about 4/5 of the non-responses. Reasons for this lie for instance with the dynamic of the market, which produces changes of activity or with the allocation of an incorrect code of economic activity, when the business is registered in the first place.

8. Evaluation of comparability of turnover/output data with price index practices

According to Regulation (EC) No. 1158/2005 of the European Parliament and of the Council, that amends the regulations concerning short-term statistics, to this point the Federal Statistical Office of Germany is not obliged to supply producer price indices of NACE rev. 2 group 82.3 organisation of conventions and trade shows. At the moment there is no producer price index available. Price indices for similar services are used for deflation. As for the future, the European Union plans to produce a monthly index of services production with a wider scope. For this an adequate deflator for the event organisation services of group 82.3 still needs to be found. A potential producer price index would be developed in close cooperation between structural business and price statistics and thus matching well, as the examples from other service industries show.

⁸ Gesetz über Statistiken im Dienstleistungsbereich (*Dienstleistungstatistikgesetz – DIStatG*)

9. Summary

The organisation of conventions and trade shows is a well-defined growing German branch with national/regional particularities. In Germany, information on event organisation activities is gathered by the help of quarterly short-term and yearly structural business statistics as well as from administrative data sources. Administrative data, especially value added tax data from the fiscal authorities, is used where feasible in order to keep the burden on enterprises low.

As for the future, the (growing) importance of the service sector in European Economies leads to an increasing demand for detailed and up-to-date information on the service industries. Naturally, this includes the services related to trade shows and events – trade shows and events having a large (and) positive impact on German economy⁹. This will probably result in an extension of statistical requirements by Eurostat. In this context, the organisation services of conventions and trade shows in group 82.3 will likely be subject to the following changes. In short-term-statistics the “kind of activity unit” shall replace the “enterprise” with the aim of better reflecting diverse market activities of one company. In contrast to that European structural business statistics shall be reporting on the “complex enterprise” as an entity with the aim to take the structures of enterprise groups into account. Most important is the expected replacement of the quarterly turnover index of service statistics by a monthly index. Additionally, the aim is to produce a monthly index of service production, which in the field of organisation of conventions and trade-shows would require an adequate price index.

⁹ For details concerning the economic impact of trade-fairs etc. see Penzkofer, Horst (2009): *Die gesamtwirtschaftliche Bedeutung von Messen und Ausstellungen in Deutschland*, AUMA Schriftenreihe – Edition 30, Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft e.V., Berlin.

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