The french SPPI for business and management consultancy services

Voorburg group 2006
Wiesbaden
1/ Service being priced

- In CPC 1.1
  - Management consulting services (class 8311)
  - Business consulting services (class 8312)
    - With public relations services
    - And other business consulting services
2/ Pricing unit of measure

- Management consulting service is unique
- Customers:
  - 1/ banks, insurance, telecoms
  - 2/ public administration, big trade
3/ Market conditions and constraints

- Turnover: 13 000 millions € (2003)
- Value added: 7 400 millions €
- 42 000 companies
- Employing 113 200 persons
- Cyclical activities
  - Y2K
  - then implementation of ERP
  - adoption of the Euro
  - 35h / reduction of working time
  - now BPO and transformation of government administration
- and all change to come management
3/ Market conditions and constraints

- Big companies (integrated operators)
- Medium size companies (no implementation)
- Small size companies (niche consulting)
4/ Standard classification

- CPC 1.1, CPA (2002) and survey classifications are quite the same:
  - General manag strategy consult
  - Financial idem
  - Human resources idem
  - Marketing sales manag+CRM
  - Production idem+ supply chain
  - Other manag idem

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5/ Standard vs definition and market

- Financial management includes “merger and/or takeover” consulting, with increasing output:
  - Do we survey the banks, due to our type of sampling?
6/ National accounts

- PPI is used as a deflator for turnover of CPF 74.14 (=CPA)
7/ Pricing methods

- fixed price based on
  - Type of qualifications
  - Number of persons by qualification
  - Wage by qualification
  - Number of days of work
  - Risk coefficient
  - And negociation with client
7/ Pricing methods

- time-spent basis is rare (high level advice)
- success fee is rare (with industrial clientele or when success is patent)
- subscriptions in a very few cases (in case of crisis management)
### 7/ Pricing methods

For 81 companies:

<table>
<thead>
<tr>
<th>Pricing Method</th>
<th>Number</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working time</td>
<td>274</td>
<td>94%</td>
</tr>
<tr>
<td>Contract pricing</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>Percentage fee</td>
<td>1</td>
<td>4%</td>
</tr>
</tbody>
</table>
7/ Pricing methods

The main data type in the survey is the unit value of realised daily rate:

- Realised daily rate 90%
- RDR by qualification 53%
- RDR for all qualifications together or by activity field 32%
- Turnover per person corrected with activity rate 5%
- Input prices(wages) and margin rate 4%
7/ Pricing methods

- And the target of measurement is for 94% the hourly charge-out-rate
8/ Quality assessment

- **Shipment price**: the contract is based on some qualifications for some weeks or months (until 6 –8 months). Hourly charge out-rates for different qualifications should be a good proxy of the completion of services;

- **Current production**: our pricing method is disconnected from the type of product.

- **Transaction price**: charge out rate per qualification or for all the staff? Non homogenous.
8/ Quality assessment

- **Output prices**: our pricing item are charge out rates, far from the output of the industry.

- **Timely measure**: pricing data is lagged, and our charge out rates are probably averages calculated on variable periods.

- **Constant quality maintained**: due to our pricing method, the no-modification of qualifications pyramids could affect the index and create gaps with actual prices.
thank you