SPPI FOR BUSINESS AND MANAGEMENT CONSULTANCY IN GERMANY

Susanne Lorenz

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Definition of the Service

- Business and management consulting
  - Consulting, Support and Instruction
  - Field of organisation, management, marketing, controlling, personnel
- Public Relations consulting
  - Consulting
  - Field of corporate design, promotion, communication concepts
Pricing Unit of Measure

Output

- highly diverse and heterogeneous
- Customised

Thus the output of this industry could be described as a unique consulting services, varying in the time engaged for different professional levels of the consultants and their achieved results.
Market Conditions

Size of Industry in Germany:

- NACE 74.14: turnover of 16 Bill. € in 2004
- 93% management consultancy services
- 7% Public relations services
Market Conditions and Constraints

Special conditions:

- The German Association structure in
  - Consulting in strategy
  - Consulting in organisation, management and processes
  - IT-related consulting
  - Human resource consulting
- Differentiation between management and IT-related consulting is difficult
Market Conditions and Constraints

Record keeping practices:

- Data collection
  - Weighting pattern: at corporate level
  - Price collection: at operational level

- Reduction of statistical burden (Requirement of parliament for all statistics)
Classification Structure

**Economic activity level**

- **NACE – ISIC: Current Versions**
  - “Business and management consultancy activities include provision of advice, guidance or operational assistance to businesses and the public service”
  - NACE 74.14 nearly identical to ISIC 7414

- **NACE – ISIC: Draft Versions**
  - + Lobbying activities
  - – Consultancy by agronomists and agricultural economists to farms
Classification Structure

On product level

CPA - CPC
- General Consulting
- Marketing Consulting
- Financial Consulting
- Production Consulting
- HR- Consulting

Branches

Practice in Germany
- Strategic Consulting
- Organisation/Process / Management Cons.
- IT-related Consulting
- HR- Consulting

Functions

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Classification Structure vs. market conditions

- On product level (CPA/CPC):
  - Price Collection in Germany: Different levels of charge-out rates for the different activity fields (functions) which differ from the CPA/CPC (branches)
- On economic activity level (NACE/ISIC):
  - In line with SPPI requirements
German NA uses CPA 74.14 “MC” as most detailed position for price and volume measures

EUROSTAT handbook on NA* defines the price collection for MC:

- **A-method**: actual contract prices or model pricing (if the criteria of measuring “actual prices” are met)
- **B-method**: charge-out rates or model pricing (if the criteria of measuring “actual prices” are not met)

Pricing Methods

- 1. Contract Pricing
- 2. Model Pricing
- 3. Pricing based on working time
Pricing Methods

1. Contract Pricing

- A-Method for NA usage
- exact repeated service by the same producer for the same client
- Long-term or framework contract between client and producer
- Not for unique services, like in the case of Management Consultancy
Pricing Methods

2. Model Pricing

- For clearly specified unique services
- fully fictitious or based on an actual service
- regularly updating of the model transaction
- Prices are not lagged
- Quality adjustment: in case of changes of the characteristics of the model transaction
- Challenge: actual price – Estimation of negotiation, discounts and the engaged working-time: B-Method
Pricing Methods

3. Pricing based on working time

Realised charge-out rates for different professional levels and different activity fields

- Prices are lagged, recorded after delivery
- No real transaction
- Represent the entire period
- Incl. negotiation, discounts and changes in the engaged working-time
- B-Method for NA usage
Quality Adjustment

- No productivity changes are expected in the market for management consultancy in the years to come
Coherence of SPPI- and Turnover-Statistics

- FSO Service Statistics since 2000
  
  Publication:
  
  - 74.14.1 Management consultancy
  - 74.14.2 Public Relations
  
- output well defined except for the differentiation of management and IT-related consultancy
Summary

- FSO Germany prefers pricing based on working time
  - Needs few resources
  - Causes little burden to respondents
- In accordance with National Accounts
- Inclusion of all market players (> 10 Mill. € turnover) / random stratified sample (< 10 Mill. €)

⇒ Reliable results with an efficient price collection process