

# SPPI FOR BUSINESS AND MANAGEMENT CONSULTANCY IN GERMANY

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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



# 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

# National Accounts Concepts

- 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)

\* EUROSTAT, Handbook on Price and Volume Measures in National Accounts’, Edition 2001, page 107f

# 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

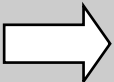
Publication:

- 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**