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2018

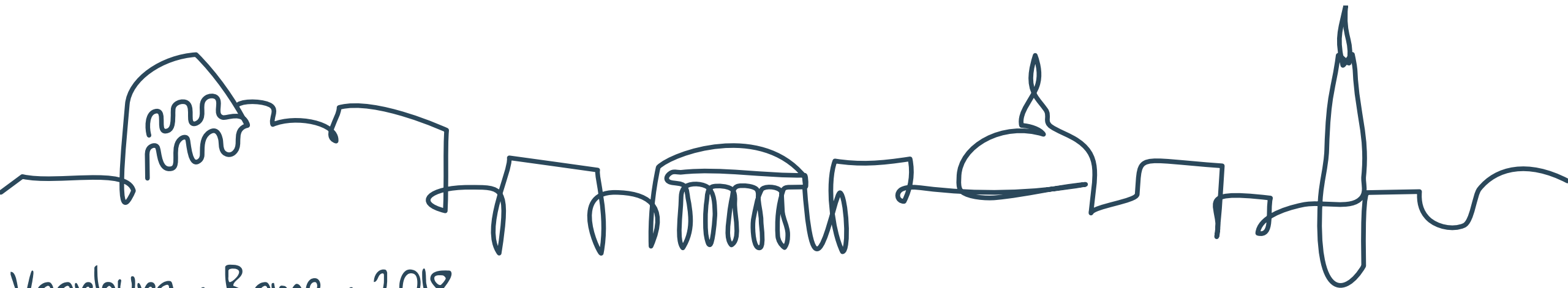
SPPI for Intermediaries

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Facts that matter



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Classification (1) – Examples

Company	Type of service	NACE	Classification	Business-model	Special characteristics
Booking.com	accommodation booking services	7911	travel agencies	commission based	- booking intermediary - huge market share --> determines entire classification
Takeaway.com	food delivery services	6312	Data processing, hosting and related activities	commission based	intermediary for food delivery services, How to classify?
Funda B.V.	real estate services	6201/ 6399	Computer programming activities/Data processing, hosting and related activities	advertising revenue/ commission based	- website includes 85% of private sector real estate for sale. - arguably not an intermediary since it only provides information - real estate agents however have to pay to place the properties on the site.
Bol.com B.V.	retail sale	4791	Retail sale via mail order houses or via Internet	commission based/ own inventory	web shop, but acts in part as an intermediary for third party sellers.



Classification (2) – Challenges

- Intermediaries are often classified as IT companies or data processing/hosting companies (Funda B.V., Takeaway.com)
- Intermediaries classified in the same industry as the underlying services may be problematic due to scale differences (Booking.com)
- Intermediaries may have revenue from other activities (Funda B.V.) or intermediary services are not their main activity (Bol.com)
- Who decides on the classification? In the Netherlands companies choose a classification when registering in the Chamber of Commerce.

Classification (3) – Conclusions and recommendations

- Status quo is ambiguous and there are no rules yet. Therefore economic change and structures are measured inconsistently.
- Theoretically in the nearby future half the economy may be classified as other IT services leaving little room for economic analysis or policy making.
- Intermediaries should be classified in a separate subcategory within the industry of the underlying service
- **Or:** Intermediaries need their own classification



Calculation (1) – Starting points

- SPPI's are used (among other things) as a deflator of revenues to calculate volume
- Prices for intermediaries depend in part on the price of the underlying service sold
- Prices for intermediaries are usually some combination of a fixed fee and a percentage fee



Calculation (2) – Examples

Variant 1 Fixed fee	Fee	# units sold	Revenue T-1	Revenue T	Price T-1	Price T	Price change T	Volume change T
Total		100	10,000	11,000	100	110	10%	0%
Company C		100	9,000	9,900	90	99	10%	0%
Intermediary I	Fixed	100	1,000	1,100	10	11	10%	0%

○ Fixed fee is straightforward and can be measured directly



Calculation (3) – Examples

Variant 2 perc. fee	Fee	# units sold	Revenue T-1	Revenue T	Price T-1	Price T	Price change T	Volume change T
Total		100	5250	5775	52.5	57.75	10%	0%
Company C		100	5000	5500	50	55	10%	0%
Intermediary I	5%	100	250	275	2.5	2.75	10%	0%

- With a percentage fee calculation a price change by company leads to an actual price change for Intermediary I. Therefore, be careful not to measure the 5% percentage fee.
- However, if company C's price change is due a quality change should you still consider this an actual price change?



Calculation (4) – Examples (cont.)

Variant 3 Combination fee	Fee	# units sold	Revenue T-1	Revenue T	Price T-1	Price T	Price change T	Volume change T
Total		100	6,250	6,975	62.5	69.75	11.6%	0%
Company C		100	5,000	5,500	50	55	10%	0%
Intermediary I	5% + fixed	100	1,250	1,475	$10 + 2.5$ $= 12.5$	$12 + 2.75$ $= 14.75$	18%	0%

- With a combination fee, the actual price change for intermediary I depends on both the change in the fixed fee as on the price change for the underlying service.



Calculation (5) – Examples (cont.)

Total Output Price	Fee	# units sold	Revenue T-1	Revenue T	Price T-1	Price T	Price change T	Volume change T
Total		100	6,250	6,975	62.5	69.75	11.6%	0%

- Total output price accurately reflects the price change if and only if both the service company and the intermediary have the same classification.



Calculation (6) – Conclusions

- If the intermediary uses a fixed fee, a straightforward measurement of the price change is sufficient
- If the intermediary uses a percentage fee, any change in the price of the underlying service results in an actual price change, even if the fee percentage itself doesn't change
- In case of a percentage fee, quality changes in the underlying service will lead to a higher intermediary price, but this may not be an actual price change.
- If the total output price is measured this only measures the average price change. One cannot assume this price change accurately measures changes for the individual companies.