



SPPI for IT Industries in France

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Topics

- › Output definition
- › Classification
- › National accounts concepts
- › Pricing methods
- › Quality assessment

output definition

- Computer programming
- Consultancy
- And related activities

output definition

- › A wide subject
- › Heterogenous
- › High level activities
- › Customised services
- › But « related activities » not all in 62code

classification CPA2008

62.0 Computer programming, consultancy and related services

62.01 Computer programming services

62.01.1	IT design and development services
62.01.11	IT design and development services for applications
62.01.12	IT design and development services for networks and systems
62.01.2	Software originals
62.01.21	Computer games software originals
62.01.29	Other software originals

62.02 Computer consultancy services

62.02.1	Hardware consultancy services
62.02.10	Hardware consultancy services
62.02.2	Systems and software consultancy services
62.02.20	Systems and software consultancy services
62.02.3	IT technical support services
62.02.30	IT technical support services

62.03 Computer facilities management services

62.03.1	Computer facilities management services
62.03.11	Network management services
62.03.12	Computer systems management services

62.09 Other information technology and computer services

62.09.1	Installation services of computers and peripheral equipment
62.09.10	Installation services of computers and peripheral equipment
62.09.2	Other information technology and computer services n.e.c.
62.09.20	Other information technology and computer services n.e.c.

classification

- › From ISIC rev3 to ISIC rev4
- › From NACE rev1 to NACE rev2
- › From NAF rev1 to NAF rev2
- › and idem for products
- › The process is not yet completed
- › The definitions are not yet fixed

classification

- › « 62 Nace rev2 » is more concentrated than « 72 nace rev1 »
- › The main modifications:
 - Software edition in « 58 »
 - Pc repair in « 95 »
 - Data processing in « 63 »
 - A special class for « facilities management »

Classification

NACE rev1.1	sub indices	indices
72.1	hardware consultancy	A
72.2	ingénierie, intégration	
	technical assistance	B
	games	
	software publishing (licences)	C
	software publishing (support)	
	TMA	D
72.3	outsourcing	
	backup	E
	data processing	
72.4	database activities	F
	web portals	
72.5	maintenance and repair of hardware	

Difficulties to match indices and the classification, but agreement with the professional association

classification : published indices in NACE rev1:

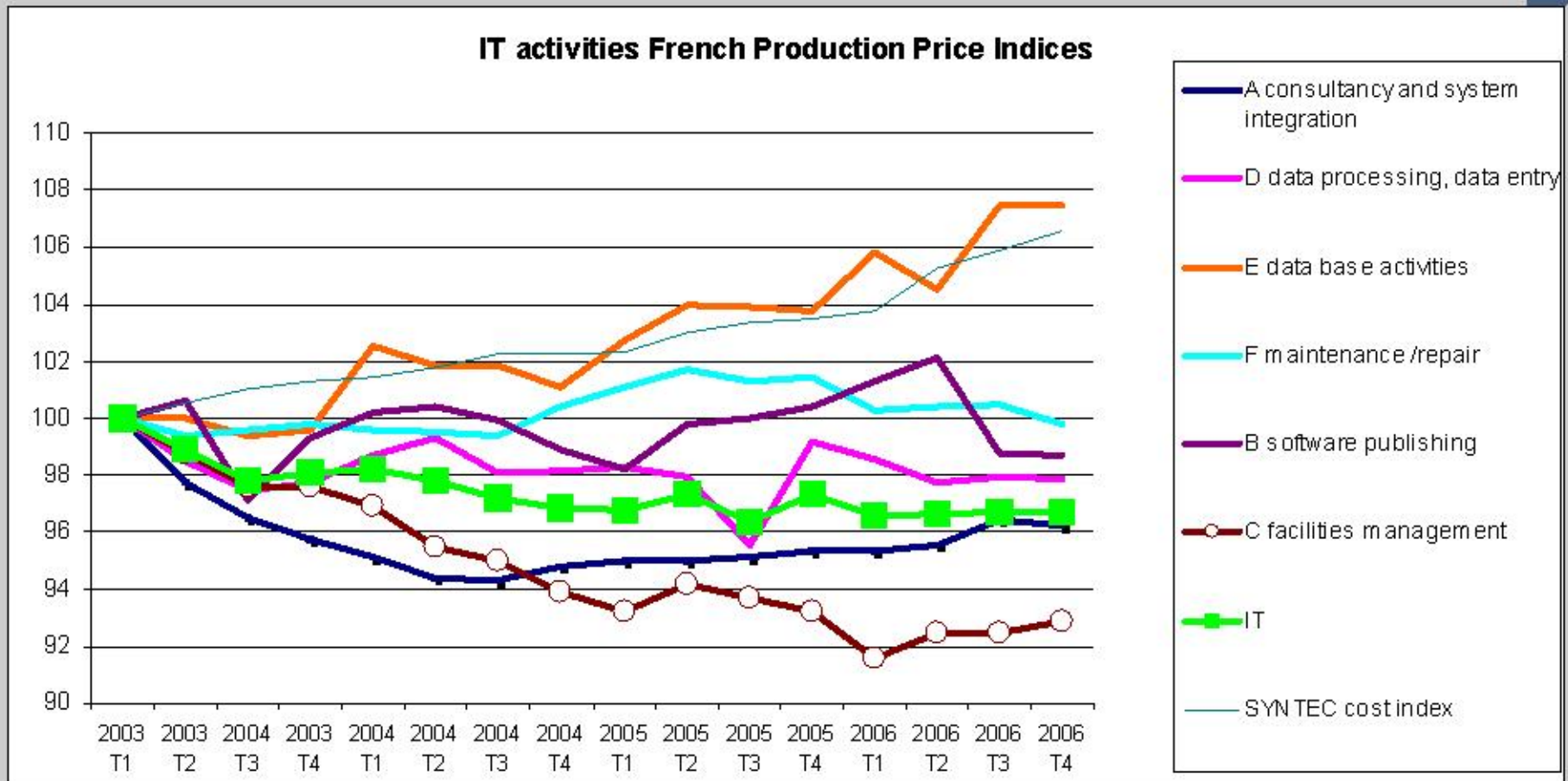
- ›A consultancy, system integration,
engineering
- ›B software publishing
- ›C facilities management
- ›D data processing
- ›E database activities
- ›F maintenance and repair

classification

› Main difficulties:

- defining the line between computer consultancy and software development? The companies have difficulties too.
 - Who is the project manager?
- What is the right definition for « facilities management »? « outsourcing »?

classification



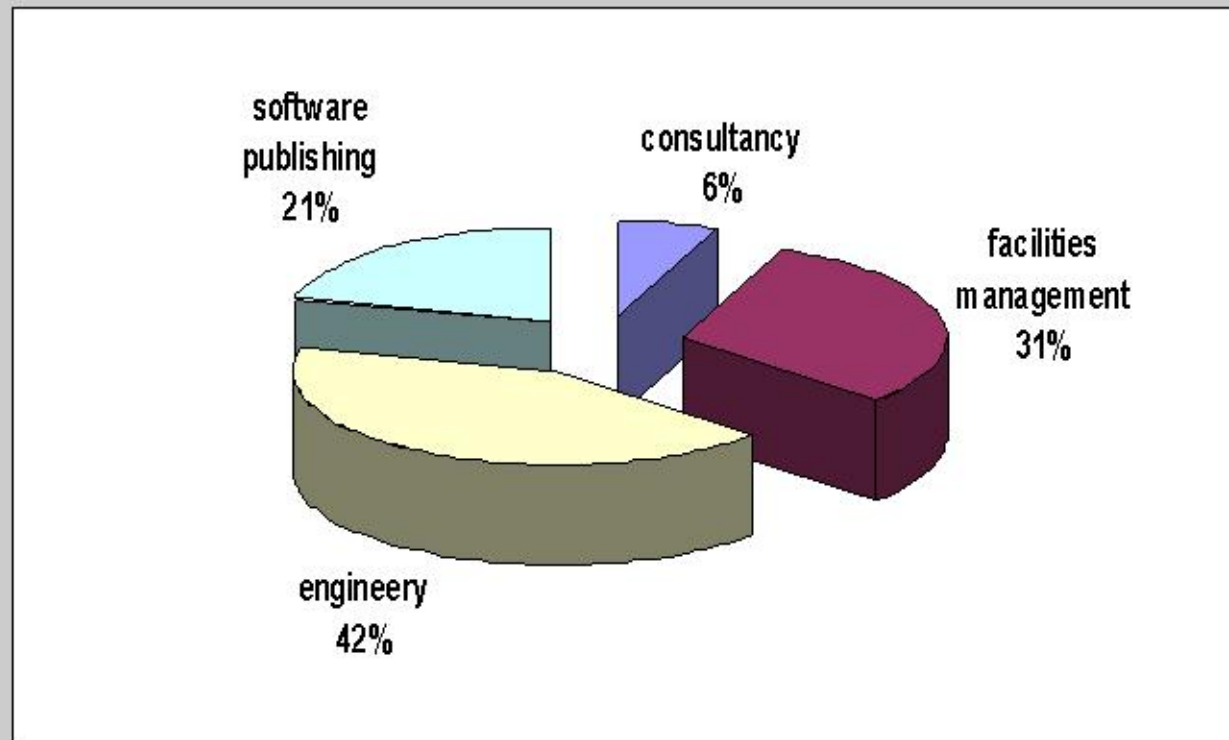
Classification : what changes?

- Probably:
- Software publishing: « support and maintenance » detached from licences
- TMA (maintenance of applications done by a third party) separated from « facilities management »

Classification : what remains?

- Always a distinction between programming and consultancy
- Distinction not made by professionals.

Classification : and the professionals?

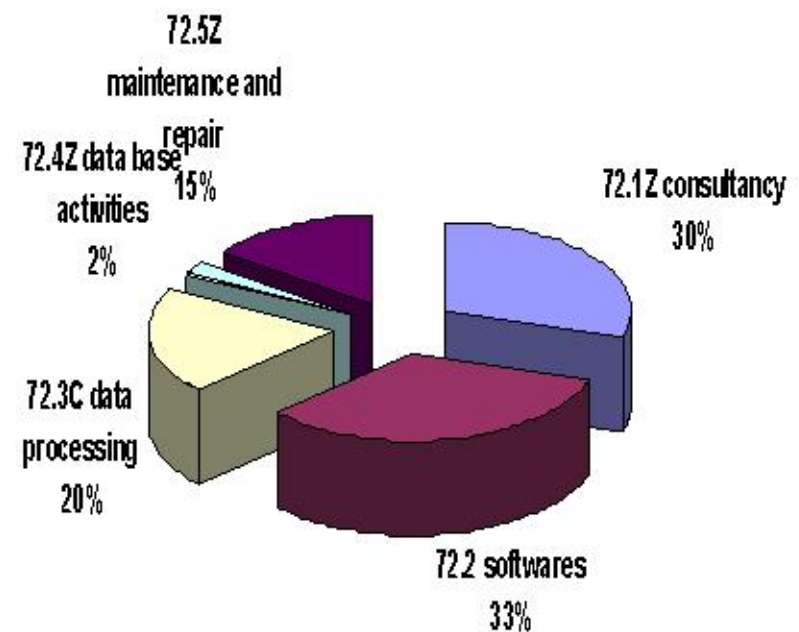
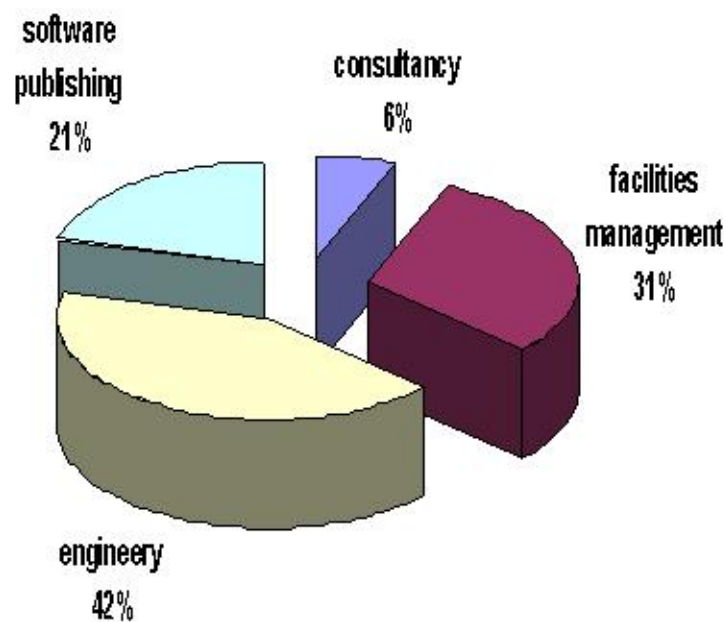


Classification : and the professionals?

- Consultancy often means «management consultancy »
- Facilities management includes 'BPO' (business process outsourcing) which is always excluded from our indices
- Engineering includes developpment, system integration, technical assistance, so, very close to our own definition

Classification : and the professionals?

National accounts



Classification : next indices?

NACE rev1.1	sub indices	indices	62.01	62.02	62.03	62.09	others
72.1	hardware consultancy	A		consultancy, engineering and development			
72.2	engineering, intégration						
	technical assistance		technical assistance				
	games						games
	software publishing (licences)	B					software publishing (licences)
	software publishing (support)			software publishing (support)			
	TMA			TMA			
72.3	outsourcing	C			outsourcing		
	backup					backup	
	data processing	D					data processing
72.4	database activities	E					database activities
	web portals						web portals
72.5	maintenance and repair of hardware	F				software installation	maintenance

National accounts

- SPPIs are now used by NA, instead of the 'Syntec cost index' previously used, with a huge impact on the measure of IT-GDP

National accounts

- Issues:
- What about turnover of subsidiary companies which work only for the units of the company? And which prices?
- What about software originals: which prices?
- What about companies with headquarters in a foreign company (Microsoft in Dublin)

Pricing Methodology

- › Either obligation of result
 - most of time
- › Either obligation of means
 - then easier to manage

Pricing Methodology

>Pricing mechanisms:

- In case of **obligation of result** : (most of time)
- Price is an estimation of
 - Size of staff to be employed
 - Skills of staff to be employed
 - Wages of staff to be employed
 - Length of job
 - Extra charges (logistics, softwares, hardware...)
 - Expected mark up rate
 - Risk coefficient
- And price is discussed with the customer
- This is the usual way of any project-mode

Pricing Methodology

>Pricing mechanisms:

- In case of **obligation of result** : (most of time)
- Nevertheless, at the end of the project, it must work..., and if it doesn't, there may be re-negotiations (or not, and then, the company loses money)

- Solutions: smaller staff, lower skills...

Pricing Methodology

>Pricing mechanisms:

- In case of **obligation of means** :
- Price is the price for each mean unit contractually fixed
 - e.g: a working day for particular kinds of skills
 - So, low risk factor for the company

Pricing Methodology

> Possible pricing methods in IT:

- No homogeneity, even in the same company
- no global rule

– Main different businesses

- 1 consultancy, engineering
- 2 technical assistance
- 3 software support and maintenance
- 4 application maintenance by third party
- 5 facilities management

– So different pricing methodologies

– And different pricing methods

Pricing Methodology

> Possible pricing methods:

- Based on working time : charge out rates
- Model pricing
- Contract pricing
- Direct use of prices of repeated services

Pricing Methodology

	consultancy	technical	software	third	facilities	TOTAL
	engineering	assistance	support and	applicative	management	
	system integration		maintenance	maintenance		"62"
	index A1	index A2	index B2	index C1	index C2	
contract pricing	0%	0%	73%	3%	13%	7%
direct use of prices of repeated services	19%	5%	27%	0%	30%	14%
model pricing	0%	0%	0%	1%	20%	4%
pricing based on working time	81%	95%	0%	95%	37%	75%
all	100%	100%	100%	100%	100%	100%

Weights of price quotations for the different sub-indices

Pricing Methodology

- Charge out rates / :
- Ok when obligation of means

- But, in projects, prices depend less and less on local charge-out-rates
- Many customers insist on having contracts including some offshore production (lower price)

Pricing Methodology

- Charge out rates / :
- Prices depend also on:
 - % of offshore production (5%, 10%, 25%...)
 - Wages in offshore country
 - Profit margin on offshore production

- Offshore issue <> subcontracting issue

Quality Assessment

>Consultancy...	81.25
>Technical assistance	93.75
>Software maintenance	93.75
>3rd applicative maintenance	81.25
>Facilities management	68.75

Thank you