

Transforming short-term statistics: the business perspective

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Background

The Office for National Statistics (ONS) is taking forward a programme of transformation to deliver improvements to the UK's economic statistics, the first suite of which being the short-term economic indicators. ONS's transformation goals include improved use of non-survey data sources and implementation of updated systems, methods and operational processes. This paper describes the work that is underway for transformation of the short-term outputs of the retail, motor trade and wholesale industries, providing the background to the main proposals for change to the current outputs (with a focus on data collection) and the research being carried out with businesses to explore the feasibility of these changes from a business perspective.

ONS currently publishes short-term economic data for the retail, motor trade and wholesale industries as separate statistical outputs. Retail sales data are published as the basis of the monthly [Retail Sales Index](#), whereas wholesale and motor trade activity is published as part of the [Index of Services](#) suite of statistics. Under transformation, the proposal is to merge these industries together and publish a Distributive Trade output. This combined statistical output comes in line with the Eurostat Framework Regulation for International Business Statistics (FRIBS) as outlined in the European Business Statistics Manual (unofficial pre-release) and recognises the cohesion between these three sectors, publishing statistics for the entirety of Section G of the United Kingdom (UK)'s Standard Industry Classification (SIC) system (2007)¹.

A key element of the transformation work for the Distributive Trade output is to integrate non-survey data into the statistical process where possible. ONS is exploring whether it is feasible to use the non-survey administrative data source of Her Majesty's Revenue and Customs (HMRC) Value Added Tax (VAT) turnover data instead of relying on survey data. Research is promising in that it may be possible to use VAT turnover data in replacement of survey data for some of the smaller businesses across Section G. Using VAT data would bring considerable benefit for small businesses in terms of burden as well as serving operational efficiencies for ONS. This is work in progress and outcomes will be published in the future.

The remainder of this paper describes the rationale behind possible changes to the short-term questionnaires to meet the revised output requirements established as part of transformation. We will provide an overview of the qualitative research conducted exploring the feasibility of implementing changes, investigating the potential impact on businesses, as well as possible implications to data quality. Findings have provided evidence to inform the decision-making process. The short-term statistics transformation is a live research package and it is important to emphasise no final decisions have been made.

¹ The UK's SIC (2007) is broadly comparable to the European classification system: 'Nomenclature statistique des activités économiques dans la Communauté européenne.(NACE), (2008)'

Surveys

ONS conducts two surveys that collect data from the retail, motor trade and wholesale industries for the short-term outputs:

1. Monthly Business Survey – Retail Sales Index (RSI)

Retail sales data are collected from a representative sample of the retail sector in Great Britain (GB), sampling approximately 5,000 retailers via the RSI questionnaire. The specific figures requested via RSI are:

- total retail turnover including VAT
- internet sales

A small sub-group of businesses receives a more detailed RSI form type (the Monthly Commodity Inquiry (MCI)) which, in addition to total retail turnover and internet sales, asks businesses to provide figures relating to specific commodities such as household goods, clothing and footwear, and automotive fuel sales. RSI and MCI run on a 4-4-5 week reporting cycle.

2. Monthly Business Survey (MBS)

Data from the wholesale and motor trade industries in Great Britain (GB) are collected via the MBS, sampling approximately 5,600 wholesalers and 1,200 motor traders. In contrast to the retail sector, these businesses are asked for:

- 'total turnover exclusive of VAT' on a calendar month reporting cycle
- there is no requirement for internet sales data

ONS is in the process of moving all business surveys from paper to an online mode of collection. RSI successfully switched and has been running online for approximately one year. MBS is in progress, with a large part of the sample now receiving an electronic version of the questionnaire.

Rationale for potential redesign

One driver of transformation is to increase coherence and comparability across sectors so that data are consistent at the point of collection; improving quality and reducing the need for methodological adjustments. As seen above, there are notable differences between the data collected from retailers compared to the wholesale and motor trade sectors: there being differences in reporting cycles, the turnover data collected and internet sales information. In addition, geographical coverage differs in the retail, wholesale and motor trade industry surveys compared to other sectors.

Coverage and economic ownership

The proposal for the Distributive Trade output is to change from collecting data at GB-level (England, Scotland and Wales) to collecting data for the United Kingdom (UK), adding Northern Ireland businesses into the sample. This would bring coverage in line with the production industries.

Alongside changes to the sample, ONS plans to update the coverage statement on all the short-term business surveys, starting with the Distributive Trade questionnaire. The coverage statement on RSI and MBS questionnaires reads:

- Data should relate to all sites in England, Scotland and Wales.

Rather than collecting data relating specifically to a UK 'site', the proposal is to update guidance to instruct businesses to provide turnover following economic ownership principles to build consistency, coherence and comparability in line with international guidelines.

The System for National Accounts (2008) gives a definition of economic ownership: *The economic owner of entities such as goods and services, natural resources, financial assets and liabilities is the institutional unit entitled to claim the benefits associated with the use of the entity in question in the course of an economic activity by virtue of accepting the associated risks (Par. 3.26).*

The principle of economic ownership is not where the physical presence or movement of goods occurs but rather relates to the economic ownership of the goods: that is, who bears the risk and rewards – in theory, this concept should be understood by company accountants. This means that a UK-registered retailer could have economic ownership for the production and sales of goods that occur outside of the UK. Conversely, a UK business may be acting as a conduit for the retail of goods in the UK but not actually holding the associated economic risks and benefits, for example, they may not own the physical inventories in the UK (Mahajan, 2018).

The concept of economic ownership could be complicated to convey in accessible terms on a questionnaire. We have investigated current reporting practices relating to the coverage statement and are developing and testing new guidance to best convey economic ownership instructions to businesses.

'Total Turnover' versus 'Total Retail Turnover'

The RSI questionnaire ask for retailers to provide 'total retail turnover', whereas wholesalers and motor traders (via MBS) are asked for 'total turnover.' This variance in wording could result in data inconsistencies. Retailers may only be providing turnover generated from retail activity, whereas wholesale and motor trade sectors are instructed to, and therefore may, include turnover from all activities. This could result in missing or misclassified turnover data should businesses have activities outside of their industry classification. We explored whether businesses had more than one activity, and if so, what those activities were.

'Turnover inclusive of VAT' versus 'Turnover exclusive of VAT'

Another difference between MBS and RSI is that retailers are asked to provide turnover **including** VAT, whereas wholesalers and motor traders provide turnover **excluding** VAT. The reason for this is two-fold:

1. Retail sales data are used in the compilation of ONS's household expenditure statistics. The current methods of production of these statistics rely on retail figures inclusive of VAT.
2. Historically, it has been assumed that retailers find it difficult to report sales figures with VAT excluded, particularly pertinent for smaller businesses. To ease respondent burden, ONS therefore collects retail sales data inclusive of VAT. Adjustments are then made to produce outputs exclusive of VAT for Gross Domestic Product (GDP) and Eurostat purposes.

We were tasked to test the assumption of whether retailers do, in fact, have difficulties providing turnover exclusive of VAT. Given that HMRC VAT turnover data may be used for the smallest

businesses instead of survey data, then the current solution in place to enable retailers to provide turnover including VAT may not be needed in the future. Findings are being used to help decide whether a change in VAT instruction would improve data quality for RSI, balancing this with any impact on household expenditure outputs.

Internet sales

ONS publishes internet sales figures as part of the RSI release. The growth in online versus in-store sales over recent years is a notable phenomenon. Measuring internet compared to high-street activity helps to understand consumer behaviour and the potential impact on the retail sector.

The online RSI internet sales question is:

Of the **£3,200.00 total retail turnover, what was the value of **internet sales**?**

Include

- VAT
- sales from orders received over the internet, irrespective of the payment or delivery method

As previously mentioned, internet sales figures are only collected for the retail industry and not wholesalers and motor traders, however, ONS is keen to extend knowledge of the online economy. We investigated the concept of 'internet sales' with retailers, wholesalers and motor traders to improve understanding of what this means to businesses, whether it was relevant for one or all sectors, and whether businesses could provide figures if requested.

Reporting cycle

We examined whether retailers could provide data in calendar month, as opposed to 4-4-5 reporting cycles as the proposal is to bring consistency across sectors and collect data based on calendar months. This proposal for change would not necessarily have a great impact on retailers, as RSI is designed now to enable businesses to enter data for the closest dates to the requested reporting period. If a business cannot provide figures for the exact dates requested, there is an option to provide different dates. However, it would not make sense to change to calendar month reporting if all businesses then had to use the option to provide different dates as this would increase respondent burden.

Research questions and methods

We carried out qualitative research with businesses across the retail, motor trade and wholesale sectors to better understand the figures they currently provide to ONS via the short-term surveys and to investigate the feasibility of businesses providing additional or different figures as proposed under transformation. Through in-depth interviews, we explored the topics discussed above, specifically asking:

- How do businesses interpret the current coverage statement?
- Do businesses have turnover generated from secondary activities outside of their industry classification, and if so, what are these?
- Can retailers provide turnover excluding VAT?
- Do wholesalers and motor traders have internet sales activity, and if so, could they provide figures?
- Are retailers able to report on a calendar month reporting cycle?

Evidence was gathered about how easy or difficult it is for businesses to provide the current data and how any changes may affect respondent burden.

Findings have informed the development of a new online 'Monthly Turnover Survey (MTS)', the planned replacement questionnaire for RSI (for retailers) and MBS (for wholesale and motor trade industries). The MTS is now going through iterations of cognitive testing and user research to test businesses understanding (for example testing new guidance in relation to the economic ownership) and digital usability.

Workshop objectives

This paper has provided the backdrop to our workshop presentation, where we will:

- present findings from the feasibility research
- show elements of the latest content and design of the draft MTS
- highlight some successes and challenges we have experienced during the research process
- seek discussion on the concepts of internet sales and economic ownership, as well as more broadly around any of the topics raised in this paper or presentation.

References

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