

## **Guidance on Digital Economy Questions for the 2022 BE-12 Benchmark Survey of Foreign Direct Investment in the United States**

The Bureau of Economic Analysis (BEA) added questions on digital economy activities to the 2022 BE-12 survey. These questions will contribute to BEA's efforts to measure the digital economy. Additional information on these efforts is available at <https://www.bea.gov/data/special-topics/digital-economy>.

These questions appear on page 9 of the BE-12A. While some of the activities, such as cloud computing or digital intermediation services, are likely to be applicable to entities within certain industries, the checkbox questions on digital ordering or delivery can be applicable to entities in many industries. This document provides additional guidance on digital ordering and digital delivery, what should be included in cloud computing sales, what should be included in digital intermediation services sales, and what it means for digital intermediary platforms not to take *economic ownership* of the goods and services being sold.

### **I. What does it mean for a product or service to be digitally ordered or digitally delivered?**

For a product (good or service) to be considered *digitally ordered*, its sale must be conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders. Digital ordering is also known as e-commerce.

For a service to be considered *digitally delivered*, it must be delivered over computer networks.

Both digital ordering and digital delivery must be performed over computer networks, including:

- the web/internet (including via a mobile device),
- extranet or via electronic data interchange (EDI),
- or any other online system,

Digital ordering cannot be performed by talking or texting via telephone, or by fax, video call, manually typed email, or in-person. In contrast, digital delivery includes services delivered by phone, fax, video call, or email.

Whereas both goods and services can be digitally ordered, only services are digitally deliverable.

Digital ordering and digital delivery are not mutually exclusive; many, but not all, services transactions are both digitally ordered and digitally delivered.

### Note on timing considerations

For many products, ordering and delivery can be identified as specific discrete events that take place in a single fiscal year and that can be easily isolated and classified as digital or nondigital. For other products, it may be difficult to discern how a good or service was ordered, or a service delivered, because of timing considerations.

- For *ordering*, relationships with certain customers may have been established prior to the fiscal year. For these cases, please report your best estimate of the share of total sales to new customers in the reportable fiscal year that were attributable to orders placed digitally.
- For *delivery*, provision of a service may take place over many periods or on a continuous basis. In this case, the determination of the share of services that are digitally delivered should not necessarily be based on the provision of the final product or last installment of the service, but rather on an accrual basis according to how services were performed within the reportable fiscal year.

### Examples

Examples of digital ordering include, but are not limited to:

- Material inputs are ordered from another firm via an EDI.
- A pair of shoes is ordered by a consumer via an ecommerce website.
- A hotel stay is booked by a consumer via a website.
- Cloud computing services are ordered online by other firms or consumers.

Examples of digital delivery include, but are not limited to:

- Accounting services are provided online to another firm and all documents are provided to the purchaser via a web portal.
- Music streaming services are provided to a consumer.
- Cloud computing services are provided online to other firms or consumers.

## **II. What should be reported in cloud computing services sales?**

Sales associated with a company's direct provision of cloud computing services to customers, where cloud services are defined as computing services based on a set of computing resources that can be accessed in a flexible and on-demand way with low management effort by the customer. These services include the provision of various capabilities such as remote and distributed hosting, storage, computing, and security services. For example, a company offers customers cloud-based inventory and logistics management software; these sales should be reported as cloud computing services sales.

Sales associated with goods or services facilitated by a company's use of cloud computing services to internally support its business activity should **not** be reported as cloud computing services sales. For example, if a company manages its inventory tracking, invoicing, and logistics management with a cloud-based application, but the main output sold by the company to customers is a physical good, these sales should not be reported as cloud computing services sales.

### III. What should be included in digital intermediation services sales and what does it mean for digital intermediary platforms to not take *economic ownership*?

Digital intermediation service sales include sales associated with a company's direct provision of digital intermediation services to customers, where the company provides an online interface that facilitates the direct interaction between multiple buyers and multiple sellers in return for a fee charged to buyers, sellers, or both. To be classified as a digital intermediary platform, a company **may not** be the direct seller of goods or provider of services sold via the platform. That is, for an online seller to be considered a digital intermediation platform, it must not take economic ownership of the products or services that it sells. Economic ownership focuses on the entity that derives the risks and rewards of ownership, which is distinguished in international statistical guidelines from the concept of legal ownership.

- A digital intermediary platform for goods does NOT own the goods being sold.
- A digital intermediary platform for services does NOT provide the final service to the consumer, but rather acts only to bring together the provider and consumer of the service.
- A digital intermediary platform for digital content—that is, intellectual property products including books, music, recorded or live performances and events, and computer software including games—only facilitates transactions between the owner of the content and the consumer of the content; it does NOT first itself acquire ownership of the content rights.

Example: A company provides an online platform in which small individual merchants pay listing fees to the platform in order to reach and sell to the public.

Operators of digital intermediation platforms that also sell their own products on the platform should exclude revenues for their own products from the digital intermediation questions on the survey.

Revenues associated with data and advertising supported platforms wherein no fees are paid to the platform by users should not be included. Also, revenues associated with online platforms that do not facilitate transactions (in terms of an exchange of value) between buyers and sellers should not be included. For example, operation of a website (or online platform) that allows users to collaborate remotely on a file or project would not be considered provision of a digital intermediation service.

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