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France

HOTEL, RESTAURANT, INSTITUTIONAL (HRI) FOOD SERVICE SECTOR

2000

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Report Highlights:
The French HRI food service is a $50 billion market that serves more than 7 billion meals per year outside the home. It is very competitive but offers opportunities for a variety of reasonably-priced, high quality U.S. products such as prepared meals, single portion packaged foods, alcoholic beverages, ethnic foods and fish. Experts predict that this market will grow at a rate of 4.5 percent per year in the next few years as new lifestyles take hold in France. U.S.-style outlets, especially fast food restaurants, are doing well in France.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Paris [FR1], FR

HOTEL, RESTAURANT & INSTITUTIONAL (HRI)
FOOD SERVICE SECTOR REPORT

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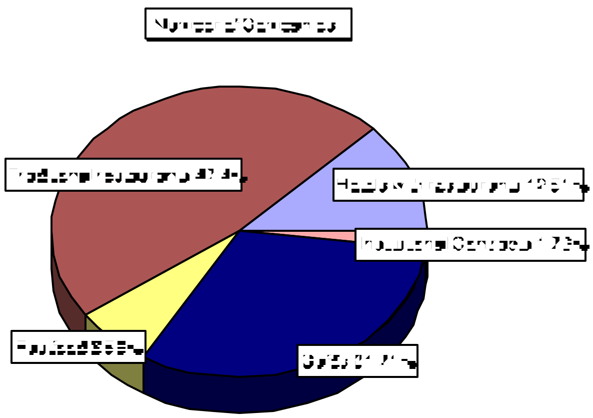
I. MARKET SUMMARY

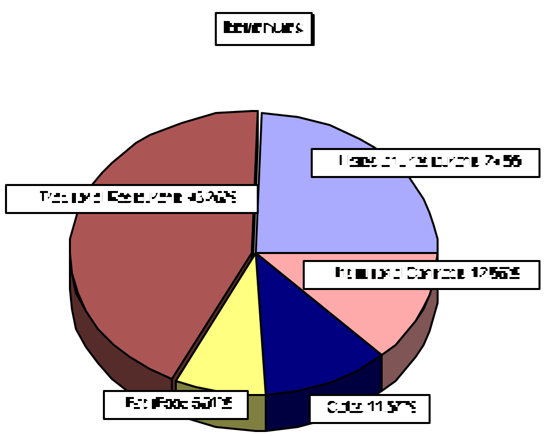
Note: The exchange rate used in this report is USD 1 = FF 6.50.

The most recent data released by the National Institute for Studies and Statistics (INSEE) are for the year 1997.

Experts estimate that in 1997 France’s Hotel/Restaurant/Institution (HRI) food sector served more than 7 billion meal each year worth almost $50 billion in 160,000 restaurants (including cafes and fast foods). This food sector was divided into commercial food service (including hotels, resorts, cafes and restaurants), and social food service (institutional contracts).

THE FRENCH HRI SECTOR





The French HRI food sector represents 28% of French food industry, accounts for 21% of employment and 12% of the economy's added value. In 1997, traditional restaurants represented about 47 % of the sector with 80,263 outlets; fast food 7%, with 9,791 outlets; cafes, 32% with 47,148 outlets; hotels and restaurants, 12% with 18,605 outlets; and institutions 2%, with 2,658 outlets.

HRI food sales have grown steadily since 1994. Between 1994 and 1997, food sales in restaurants and cafes grew by 8.6% from $31 billion to $33.7 billion; hotel food sales, by 6% from $2.8 billion to $3 billion; and institutional contracts, 9.3% from $8.5 billion $9.3 billion. In the last four years, the sector grew worldwide by 8.6%.

HRI food sector sales are expected to grow by 4.5% annually–the hotel and restaurant segment by 7.5% and institutions by 2.6%. The hospital segment's sales volume is expected to grow by 7.5% each year, the highest growth rate in the institution sector. The company cafeteria and the school and university segments will have modest to poor growth rates at 1.2% and 0.4% per year, respectively. On the other hand, sales volume for the commercial catering sector's self-service segment is expected to decline by 10% in the coming years. The snack and fast food segments will surge by 13% as they replace schools and university caterers.

France is a major producer of agricultural and food products and French imports account for only18% of total demand for food.

Key Macro-Economic Factors That Drive Demand in France's Food Service Market:

- Aging population (where 20% are over 60 years old) boosts the institutional sector's health/senior citizens segment.

- Shrinking average household size fuels the catering services.

- Greater urbanization draw people to the cities where they frequently eat out.

- Changing eating patterns: a growing number of people eat 5 to 6 times a day outside of the home instead of the traditional three square meals.

- Growing workforce participation rate among women (40% of the working population) has raised the frequency of eating out or using catering services.

- Decline in the number of working hours has freed up more time for leisure activities.

Advantages and Challenges Facing U.S. Products in France

Advantages	Challenges
U.S. culture's rising popularity is fueling demand for U.S. restaurants and fast food.	While fast food is popular, U.S. products in general cost more than local products.
The food service sector's growing concentration combined with greater international competition give an edge to U.S. companies that offer better service at lower prices.	Fierce competition places enormous pressure on suppliers, who must comply with many requirements such as registration fees, logistical constraints, ISO norms, and labeling regulations.
Ethnic foods are experiencing a boom in popularity.	The on-going debate over the safety of GMOs, hormone beef, and other imported food products are making consumers more wary of imported food.
The burgeoning tourism industry is pushing up demand for HRI products.	Price competition is fierce and U.S. exporters to France must comply with French/European standards and regulations.
U.S. fast food chains, theme restaurants and the food processing industry are boosting demand for U.S. food ingredients.	Some food ingredients are either restricted or banned from the French market.

II. ROAD MAP FOR MARKET ENTRY

A. Entry strategy

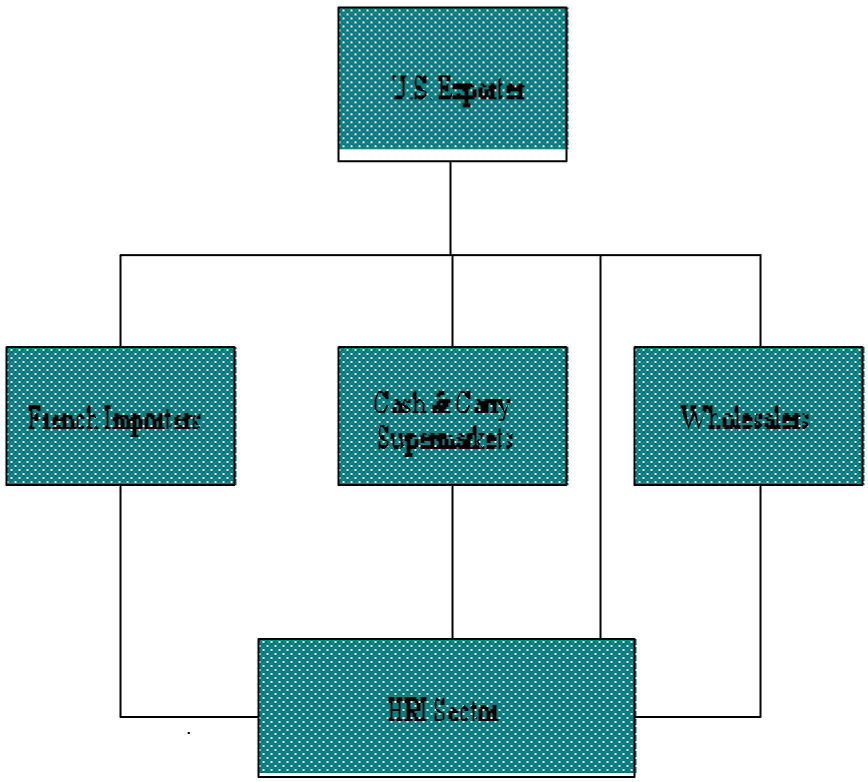
U.S. exporters wishing to enter the French market should keep in mind the following consumer trends:

- Children and teenagers prefer ethnic food such as Chinese, Tex-Mex, North African and Indian.
- Consumers, especially men in their late years and women, are becoming increasingly health conscious.
- Consumers are demanding high quality food products that are guaranteed to be safe.

U.S. exporters should focus on product quality, innovation, and variety. Depending on their products, they can penetrate France's HRI sector through importers/distributors, cash and carry stores and wholesalers. Small- to medium-sized U.S. export companies should contact importers/distributors who can help them with the paper work related to duties, import and sanitary certificates, labeling, etc.

Market Structure

The HRI Food Sector's Distribution Chart



The HRI food sector's supply channels have the following characteristics:

"Cash & Carry" Supermarkets:
- Open only to businesses with competitive prices.
- Unlike independent retailers, offer a wide variety of food products.
- Since 1993, have realized sales growth rates of 11% to 20%.

Large wholesalers:
- Often solicited by the retail market and the HRI food sector.
- Offer platforms for selling all kinds of imported products.

Independent wholesalers:
- Carry more domestic products at higher cost than large wholesalers do.
- More specialized by product segments and can offer better services than large wholesalers.
- Independent wholesalers are sometime grouped along with the "Marché d'intérêt national" an association that allows members to take advantage of economies of scale by sharing facilities such as warehouses.

It is possible for key players in the HRI food sector to buy products at cost directly from producers, especially manufactured products.

B. Sub-Sector Profiles

4. Hotels and Resorts (Offering restaurant and catering services)

Company profiles

Name of Hotel / Resort	Food Sales ($ million)	Nationality	Number of Hotels	Purchasing Agent
Accor	620	French	1158* (Sofitel, Novotel, Ibis, Mercure)	Importers/wholesalers/direct or cash and carry
Envergure	200	French	936* (Campanile, Climat de France)	Importers/wholesalers/direct or cash & carry
Choice	40	U.K.	138 (Comfort, Quality, Clarion, etc.)	Importers/wholesalers/direct or cash & carry

* some of those hotels do not have restaurants

The Accor and Envergure hotel chains are the hotel and resort sector's leaders. In the next few years, the entrance of other hotel chains into the French market will expand this sector. The Choice group has indicated it would open 130 hotels in France in the next five years.

Tourists and business people are hotels and resorts' bread and butter. Hotel restaurants have difficulty competing with fast food and other restaurants. Most hotel chains with restaurants prefer French to imported food products for their convenience and perceived reliability. Ninety-five percent of Accor's food purchases are French in origin, which the chain buys through producers or intermediaries.

U.S. exporters of competitively priced quality food products should try selling directly to hotel chains.

5. Restaurants (including fast food, coffee shops and home/office delivery services)

After declining in the first half of the 1990s, the restaurant sector has recovered, registering a 4.5% growth rate and total food sales of $26.7 billion in 1998. Of the entire restaurant sector's total food sales, those of independent restaurants account for 80.7%, and chain restaurants, 19%. However, changes in French eating habits and lifestyles have been accelerating the growth of independent restaurants since 1994. U.S. exporters should take advantage of the opportunities these trends present.

U.S. style fast-food company profiles

<table>
<tr><th>Company</th><th>Sales 1997 ($ billion)</th><th>Number of outlets, name, type...</th><th>Nationality</th><th>Purchasing agent</th></tr>
<tr><td>McDonald's France</td><td>1.3</td><td>630 (709 in 1998)</td><td>US</td><td rowspan="2">Importers/direct/wholesalers/cash & carry depending on the product and price</td></tr>
<tr><td>Quick France</td><td>0.4</td><td>270 (276 in 1998)</td><td>Belgian</td></tr>
</table>

French-style and traditional fast-food company profile

Company	Sales 1997 ($ billion)	Number of outlets, name, type...	Nationality	Purchasing agent
Elico (HCR+Eliance)	0.43	245 - motorways, airports, stations, museums - Arche, Caféroute, Maxim's, Bars du monde, Pomme de pain, Aubepain, Philéas	French	importers/wholesalers/cash & carry depending on product and price
Servair	0.42	airports, planes		
Casino cafétéria	0.28	222 - Self-service, cafeteria		importers/wholesalers/cash & carry depending on the product and price

Table service company profiles

Company	Sales 1997 ($ billion)	Number of outlets, name, type...	Nationality	Purchasing agent
Agapes	0.34	196	French	importers/wholesalers/cash & carry depending on the product and price
Buffalo Grill	0.28	162		
Groupe Flo	0.19	62 - La coupole, Flo Tradition, Café Flo		
Le Duff Restauration	0.17	289		

Food sales for U.S. style fast-food restaurants--led by McDonald's and followed by Quick, a distant second–are still rising. French fast-food restaurants, which offer products that suit the local palate, such as baguette sandwiches, quiches and salads, are on the rise as well. The French fast-food sector, headed by Brioche Dorée and Paul, is growing faster than sales in non-French establishments.

While sales for the self-service segment showed no change, table service restaurant sales grew by 5.5 percent in 1998. Theme restaurants, such as Bodégon, Colonial, El Rancho and Indiana Café, are the segment's most dynamic players and are expected to grow further. Traditional restaurants, such as Bistro Romain, Chez Clément, Au Bureau and pizzerias are declining in numbers. Grill restaurants (Hippopotamus, Bistrot du Boucher, la Boucherie and Courte Paille), which number 371 outlets, grew by 10.8 percent in 1998 from the previous year and are expected to continue to expand. Experts predict similar growth for fish restaurants (La Criée, Léon de Bruxelles). However, U.S. suppliers will find few opportunities here since virtually no products are imported from non-U.S. suppliers.

3. Institutional food service

Restaurant Company Profiles

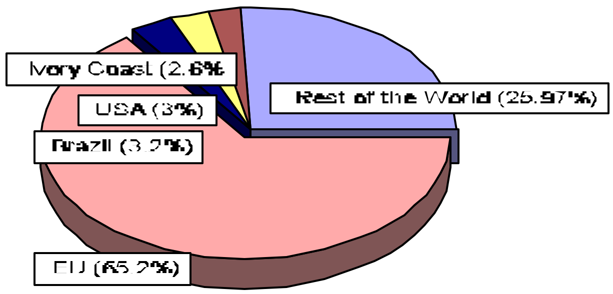
Company	**Sales (millions of $)**	**Number of outlets**	**Location**	**Purchasing agent**
Sodexho	920 (22% total market share)	14000 outlets worldwide, 2000 in France In France, 3 main activities business and industry 47%, education 24% and hospital sector 21%	French company with international subsidies	Direct contact with the producer
Avenance	900 (21.5% total market share)	5624 restaurants. Business and industry, education and hospital sector	French company International subsidies	Wholesalers
Compass	770 (Eurest) (18% total market share)	From 1999, operations under different names: Eurest for business and industry, Scolarest for education, Medirest for hospitals.	British company International subsidies	Wholesalers
Sogeres	220 (5% total market share)	1459 outlets. Business and industry: 48% Education: 34% Hospital : 12% Special events:6%	France	

The institutional sector is divided into three parts: (1) business and industry accounting for 59% in value, (2) education, 26%, and (3) hospitals, 15%. Experts peg the sector's total sales at $15 billion, of which 30% are attributable to catering services (*Sociétés de restauration collectives*), while the remaining 70% come from firms that prepare their own food. The 30% reflect the sector's increasing concentration and dominance of four companies that account for 67% of the sector's total food sales.

The companies listed on the table cater to special events. During "World Youth Days" in August 1997 and the Pope's visit, SODEXHO provided food for 600,000. COMPASS provided the food at the French Stadium during the World Cup in 1998.

III. COMPETITION

Origin of French food imports



France's highly developed food sector makes it the EU's leading producer, processor and exporter of agricultural and other food products. Sixty-five percent of France's food imports come from the Netherlands, Belgium/Luxembourg, Germany, Spain, the United Kingdom and Italy, while only 3% comes from the United States. U.S. exports include fish and seafood, grapefruit, beverages (including wines and spirits), dried fruits and nuts, frozen foods and specialty products, snack foods, tree nuts, ethnic products, breakfast cereals and tropical fruits.

U.S. exporters can expand their market share by adapting competitively-priced products for the HRI food service sector.

IV. Best Product Prospects

Market opportunities for U.S. exporters are best for the following products: Processed highly prepared fish products, fruit juices and soft drinks (including flavored spring waters), dried fruits and nuts, fresh fruits, including grapefruit, and vegetables (especially tropical and exotic), frozen foods (ready-to-eat meals and specialty products), snack foods, tree nuts, ethnic products, seafood (especially salmon), soups, breakfast cereals, meat and rice.

1 Products present in the market which have good sales potential

1. Non alcoholic beverages: Experts estimate this market to be worth $7.5 billion in 1998. Between 1996 and 1998 alone, consumption surged by about 70 percent. Fruit and vegetable juices positioned as healthful drinks enjoy significant market opportunities.

2. Seafood: France is a major importer of seafood. About 40 percent of seafood imports come from the EU, mainly the United Kingdom, Denmark, Holland and Spain. The rest are largely from Norway, Thailand, Iceland, Senegal and the United States. Among fish and seafood products, fish fillets and ready-to-eat seafood products sell the best. Salmon, cod and shrimp are the bestsellers. Demand is growing for lobster, scallops and fresh packed fish (for nets), and canned salmon.

B. Products not present in significant quantities but which have good sales potential

Because they are convenient all kinds of ready-prepared and single-portion packaged foods are in demand by the HRI buyers.

1. Alcoholic beverages:
Although wine consumption has dropped during the last decade, French consumers still drink wine when they go out. Their growing interest in "exotic" quality wines has opened doors to U.S. wines.

The beer market accounts for about 16% of total alcoholic/non-alcoholic beverage sales and 2% of total food and beverage sales. U.S. producers will find significant opportunities with new and innovative products, especially those that complement Tex-Mex foods.

2. Exotic meats: French regulations prohibit unauthorized imports of exotic meats. Bison meat can be imported provided that the slaughterhouse is EU-certified and the animals raised without hormones. The French Veterinary Service is considering similar regulations for alligator meat. Because France is not a producer of exotic meats, it has an open market for approved imports of these products.

C. Products not present in significant quantities but which face significant barriers

1. Poultry: It is estimated that sales of poultry to the HRI food service is just under $1 billion. Between 1996 and 1998, the poultry market expanded dramatically as the BSE crisis aroused consumer concerns regarding the safety of beef. However, the 1999 dioxin crisis turned this upward trend on its head, sending poultry and egg consumption down sharply . Since late last year, French poultry sales have rebounded.

A 1962 French decree bans imports of poultry and egg products from countries like the United States that allow the use of arsenic, antimony, and estrogen in poultry feed compounds. U.S. poultry no longer enters the EU due to the chlorination issue.

2. Fruit and vegetables: This dynamic sector offers good opportunities for U.S. exporters of reasonably priced products. While the EU supplies many of France's fruit and vegetable imports, growing demand for exotic fruit and vegetable products could be a boon to U.S. exporters.

3. Dairy products: This sector is stabilizing. Yogurt and fermented milk products are becoming more popular among increasingly health-conscious consumers. Although U.S. exporters face high customs tariffs, niches exist for producers of prepared ingredients such as sauces and grated cheese and of individually packaged desserts.

4. *Beef and Veal:* France is an important market for beef and veal. In 1998, beef and veal imports amounted to 264,000 tons. Currently the trade situation prevents U.S. exports of beef.

V. LIST OF MAJOR COMPANIES IN THE HRI FOOD SECTOR

Company	Adresses	Phone/Fax numbers
Quick France (fast food)	Les Mercuriales 40, rue Jean Jaurès 93170 BAGNOLET	01 49 72 13 00 01 43 63 59 13
Accor (hotels & resorts)	2, rue de la Mare Neuve 91080 COURCOURONNES	01 69 36 80 80 01 69 36 79 00
Casino France (cafeteria/catering)	2, rue de la Montat 42000 ST ETIENNE	04 77 45 31 31 04 77 21 85 15
Groupe Flo (table service)	15, avenue Charles de Gaulle 92200 NEUILLY SUR SEINE	01 41 92 30 00 01 47 92 09 54
Servair (fast food)	4, place de Londres 95700 ROISSY EN FRANCE	01 48 64 85 85 01 48 64 85 17
Agapes Restauration (table service)	Immeuble Péricentre Rue Van Gogh 59650 VILLENEUVE D'ASCQ	03 20 43 59 59 03 20 43 59 00
Envergure (hotels & resorts)	31 avenue Jean Moulin 77200 TORCY MARNE LA VALLEE	01 64 62 46 00
Choice Hotels France (hotels & resorts)	4 chemin Champeveils 91220 BRETIGNY SUR ORGE	
Mac Donald's (fast food)		01 30 48 60 00 01 30 48 64 38
Sodexho Alliance (institutional food service)	Parc d'Activités du Pas du Lac, 3, avenue Newton 78180 Montigny-le-Bretonneux	01 30 85 75 00 01 30 43 09 58
Compass Group PLC (institutional food service)	89/91, rue du Faubourg Saint-Honoré 75008 Paris	01 55 27 23 00 01 55 27 23 99
Avenance (institutional food service)	61 rue de Bercy 75012 Paris	01 40 19 50 00 01 43 41 42 36

Sogeres (institutional food service)	42, rue Bellevue BP 96 92105 Boulogne Billancourt Cedex	01 46 99 33 33 01 46 05 55 59
Buffalo Grill (table service)	RN 20 91630 Avrainville	01 60 82 5400/Fax: 01 64 91 3801
Eliance (fast food)	61/69, rue de Bercy 75012 Paris	01 40 19 5000/Fax: 01 40 19 7033
Groupe Le Duff (table service)	105, ave. Henri Freville 35200 Rennes	02 99 22 2324/Fax: 02 99 22 2320

VI. POST CONTACT AND FURTHER INFORMATION

This HRI food service sector report has been prepared by the following French consultant:

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If you need assistance in exporting your products to France, please contact the Office of Agricultural Affairs in Paris at the following address:

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Email: fasparis@compuserve.com
Internet: http://www.amb-usa.fr/fas/fas.htm

For more information on exporting U.S. food products to France, visit our homepage. The Office of Agricultural Affairs homepage includes information on the Retail Food and Food Processing Sectors, U.S. Exporters Guide information, Food Agricultural Import Regulations and Standards, product briefs on the market potential for U.S. products, and upcoming promotional trade shows and fairs in France.

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