Compass Group France

U.K.-Based Global Contract Food Service Provider and French Market

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Best In France

Contents

- **Introduction to Contract Food Service Business and the Group**
- **Compass Group France and French Market**
- **Constraints and Adaptations**
  - Locally Responsive Business
  - B2B Business
  - Regulation-complying Business
  - Labour-intensive Business
- **Opportunities**
- **Challegenes**
- **Advices**
- **Information**

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Introduction to the Contract Food Business

- *"**Institutional**"* food catering business
  - History goes back to the end of the WWII
  - Workers had to eat *at work*
- Worth around £150 Billion (€169 Billion)
- Only around 45% currently outsourced
  - That means £68 Billion ***(€77 Billion) market***
  - The others are being self-operated
- Growing at about 5% annually

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Compass Group

- ***United Kingdom***-based global firm, founded in 1941
- 2008 Sales of £11 Billion (€12.4 Billion, ***16.1% of market share***)
- Presents in 55 countries all over the world with more than 388,000 employees
- Serves over 4 billion meals in more than 4000 locations
- Organic Revenue Growth rate is 5.9%

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Brands

Compass Group Worldwide

Chartwells

Levy Restaurants

CANTEEN®

BON APPÉTIT
MANAGEMENT COMPANY

MEDIREST

Eurest Services

MORRISON

Crothall
Services Group
A Member of the Compass Group

RestaurantAssociates

Eurest

ESS
Support Services Worldwide

Scolarest

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Different Sectors

Six Sectors for Contract Food Market

Business & Industry	Fine Dining	Education
Healthcare & Senior	Sports & Leisure	Defence, Offshore & Remote

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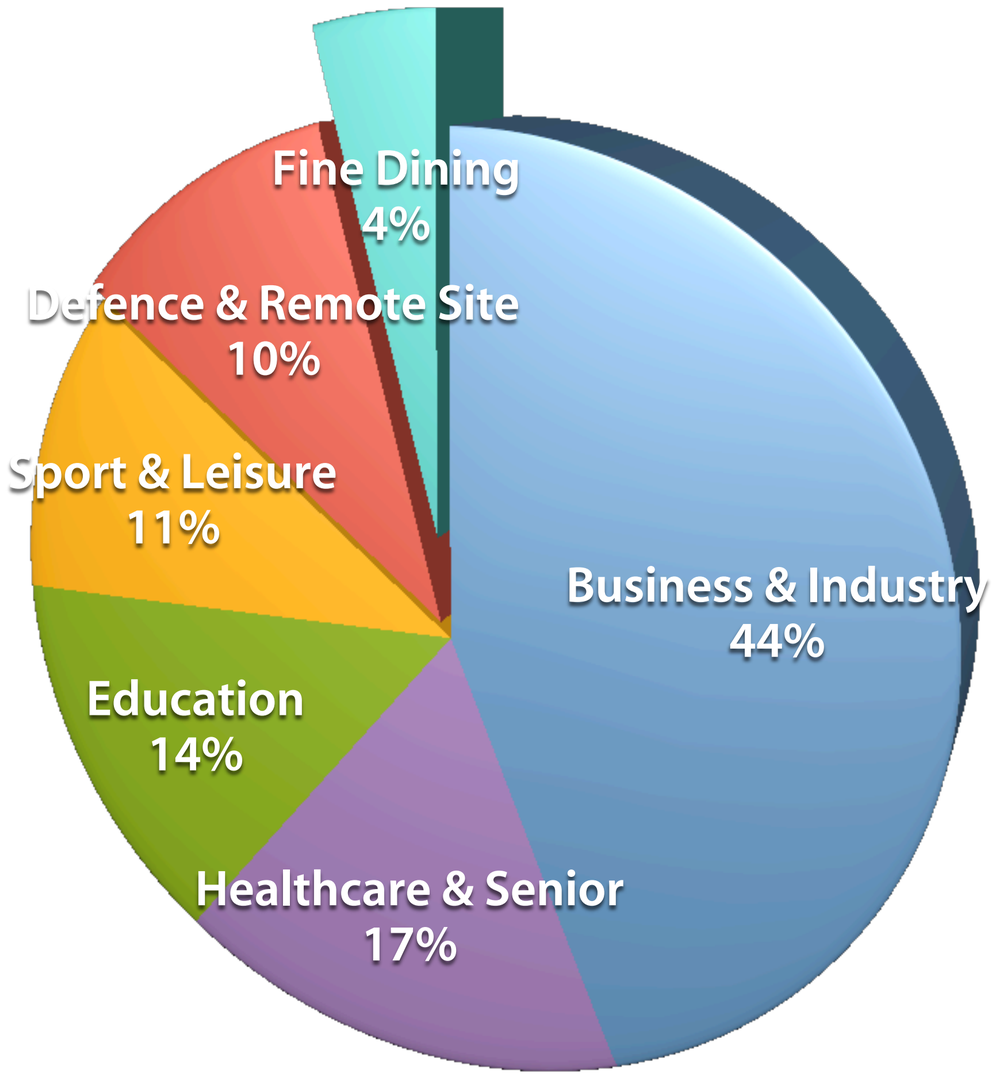
Sector Revenue Contribution

Compass Group Worldwide in 2008



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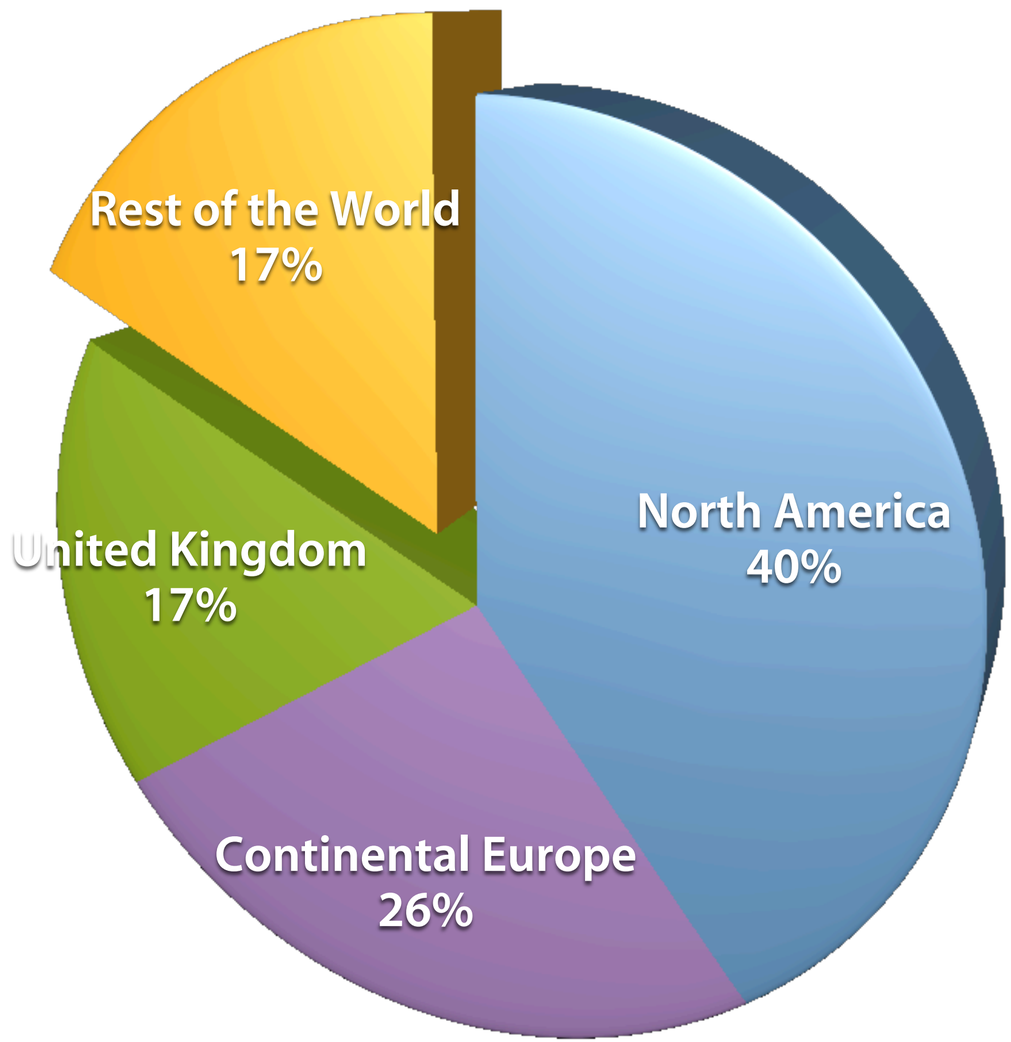
Geographic Revenue Contribution

Compass Group Worldwide in 2008



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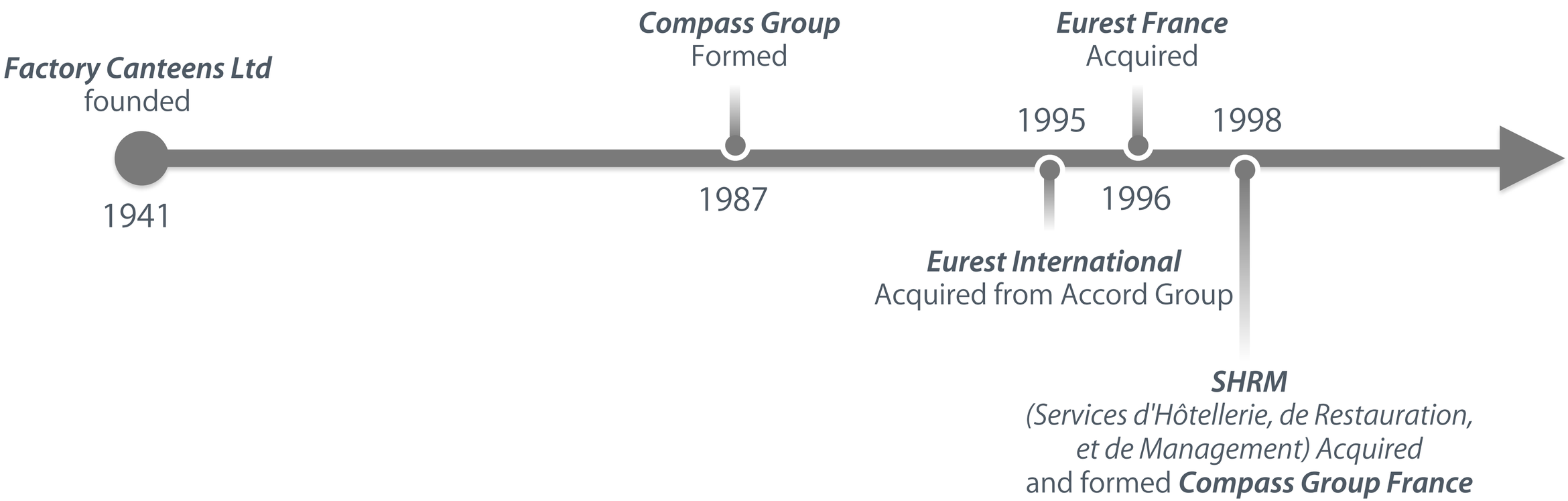
French Market Invasion

Through M&A of French Businesses



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French Market Invasion

Strategic Decision to Enter the Market

1	Major Two ***Competitors*** were based in France. *Sodexo (Societé d'Exploitation Hotelière), Elior*
2	Brand Power of the ***Eurest*** was strong. *Over 50 years of history, and global presence since 1970s*
3	Where the food was ***a religion***. *Symbolic meaning for the group to enter the market*

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Compass Group France Performance

- €1.105 Billion Revenue in 2008
  - ***7% of entire group*** revenue in 2008, #3 in local market after Sodexho, Elior, which depends on each sectors, but generally
- 15,625 employees and 2,500 restaurants
- Serving 1 million consumers each day, 190 Million meals served annually
- Revenue by sectors
  - Business & Industry (50%)
  - Education (25%)
  - Healthcare & Seniors (25%)

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Major Market Characteristics

- ***Strong presence*** of top major worldwide competitors
- Lack of business in Defence and Remote Site Sector
  - French defence market is not widely public, so it's hard to access for private corporations.
- Lack of business in Sport & Leisure Sector
  - Only operating in the "Stade de France" but its sporting business for the company is very limited and not so developed.
- Dominant Three Brands
  - ***Eurest***, for Business & Industry Sector
  - ***Medirest***, for Health & Senior Sector
  - ***Scolarest***, for Education Sector

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Constraints & Adaptations

Contract Food Service Business in France

They had to be...

- Locally Responsive
- B2B Business
- Complying Regulations
- Labour Intensive

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Constraints & Adaptations

Contract Food Service Business in France

Locally Responsive

B2B Business

Complying Regulations

Labour Intensive

- They entered the market by M&A of two big French firms
- They gave high power to local management without pushing group values
- Language-wise, it's always French
- They had to adapt themselves into *French* Culture
  - Satisfied "food-experts"
  - Put quality over profit with long-term perspective
  - More oriented to full-meals, less sandwich-oriented

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Constraints & Adaptations

Contract Food Service Business in France

Locally Responsive

B2B Business

Complying Regulations

Labour Intensive

- They used local personnels who have *networks*
  - Especially in Education sector
  - They needed to know how the business worked
- They operated in “contract-based” way
  - Mostly pre-set price range
  - Limited access to restaurants
  - Corporate Subsidy

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Constraints & Adaptations

Contract Food Service Business in France

Locally Responsive

B2B Business

Complying Regulations

Labour Intensive

- They had to guarantee traceability
- Safety requirements (GMO, Hormone)
- Transparency requirements
  - French Labelling
  - Ingredient Listing

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Constraints & Adaptations

Contract Food Service Business in France

Locally Responsive

B2B Business

Complying Regulations

Labour Intensive

- *44% of cost is labor cost*
- Hard to hire
- Hard to fire
- Not flexible work force
- They're one of the few industries that hire most of foriegn workers

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Opportunities

Contract Food Service Business in French Market

1	French food service sector grows 6% per year Institutional catering sector expected to grow 4.5% per year until 2010
2	Contract food service sector is less affected by economic crisis Compass Group has low fixed-cost, and it increased like-for-like revenue last year
3	Geographic advantages in central europe Tariffs and transportation costs relatively cheap for imported products
4	Healthcare & Senior Sector expects to grow 20% of population is over 60
5	French people spent less time to prepare and consume meals «Je suis presse, vite alors!» (I'm busy-quickly, please!)

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Challenges

Contract Food Service Business in French Market

1	Commercial restaurants will benefit from VAT change from 19.6% to 5.5% Actual impact to the restaurant is expected to be 5.7% of price decrease
2	"We always need workers." Lack of labour force for the catering industry
3	Non-EU suppliers face stiff challenges EU products supply high proportion of French food and beverage needs
4	Never say "we know how to cook." in France Hard to satisfy French consumers' tastes and expectations at moderate prices

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Advices

"Think Globally, Act Locally."

1	"You cannot sell British food in France, but we sell continental food in Japan."
2	"French consumers demand quality, healthy, innovative products."
3	"Profitability more depends on your business mix, not on the country."
4	"Unlike high-tech business, food business is about people with know-hows."

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