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# How to rise above the competition in France

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# PARISIAN PANACHE

As the French capital hosts the fifth and final HSBC Thought Exchange, **Andrew Cave** reports on a nation with a distinctive business style

France is different. Notwithstanding the debates on French exceptionalism in cinema, cuisine and politics, there's no disputing that Britain's nearest neighbour on the European continent has a strong individual character.

Indeed, the Franco-British Chamber of Commerce warns British firms entering France in search of business opportunities that they should expect as many cultural differences as they would if they were prospecting for business in China.

The comparison is instructive since, despite the focus on increasing British exports to emerging markets in Asia and Latin America, France is a much larger business

£20bn  
annual UK exports  
to France

partner to Britain. It ranks fourth behind the United States, Germany and the Netherlands, with British exports of £20bn a year – nearly 10 per cent of UK visible exports worldwide. Of course, the short-term growth prospects are very different, with China still expected to post annual GDP advances of 8 per cent and Western Europe mired in the sovereign debt crisis, but there is plenty of life left in the French economy.

The largest country in Western Europe, with a land mass twice the size of Britain, France is a larger corporate power than Britain, providing 40 of the world's 500 largest business groups compared with 26 for the UK. The world's fifth-largest industrial economy and third-largest recipient of foreign direct investment, France is also the globe's biggest tourist attraction with 75m visitors a year. A business-friendly ethos sees it host more than 22,000 foreign companies.

Paris was therefore a logical choice as the location of the fifth and final Thought Exchange in the 2011/12 HSBC

Business Thinking programme, which is highlighting and rewarding the most dynamic and innovative strategies for growth among British small and medium-sized companies.

'Everyone has an opinion in France,' Pascal Auranche, head of strategy for corporate at HSBC France, told eight regional finalists from Scotland and Wales.

'It is a country that's civilised, distinguished and refined. France is its own person. France is confident and France does what it wants. The chances are that you want to drive, smell and dress French.'

Business Thinking is offering lending of up to £6m plus financial rewards of up to £120,000 to 18 regional winners' businesses. The overall winner, to be announced at the grand final in London this summer, will receive financial rewards of up to £240,000.

Read on for details of how an eclectic mix of finalists – ranging from a maverick brewer to an emergency vet service – fared in France and what they learnt from this most individual of economies.

How can British businesses find new ways to expand? The Thought Exchanges are an ambitious series of business and cultural visits that aim to help them do exactly that.

Finalists from HSBC's Business Thinking 2011/12 initiative have been visiting locations around the world to see the changing nature of the global economy and meet inspiring entrepreneurs.

In the last of the current series, on pages 4 and 5, the **finalists** – including a brewer, an emergency vet service and a maker of rock-climbing kit – travel to Paris.

On pages 6 and 7, we meet some of Paris's leading entrepreneurs on this Thought Exchange's **company visits** while the British business people on the trip discuss the **lessons learnt** from the way business is done in France. And finalists learn a fundamental lesson: that marketing goods and services to France involves understanding its rules.

Finally, Andrew Cave discusses the **insight** offered by the trip to the finalists and to other companies.

**Capital growth: modern Paris, the heart of a business-friendly country, is a mix of historic and dynamic modern architecture**

PICTURES: COVER, P2-3 GETTY; P4-5 STEPHAN GLADIEU; P6-7 PHILIPPE SCHAFF; P8 GETTY





# A cultural challenge

France is a land of opportunity if you understand its traditions, the business thinkers found.

Andrew Cave reports

With France Britain's nearest neighbour on the European mainland and well-trodden ground for most Brits, from school trips to sightseeing visits and skiing, it is tempting for British businesses to think this will be one of the easiest foreign markets to understand.

But a finding from the Business Thinking finalists who attended the Paris Thought Exchange was just how different doing business in France is to established practices in the UK.

Understanding the business culture in France is particularly important, says Gavin McMurray, sales and marketing director of **Merson Signs**, a provider of commercial signs.

The company, which has factories in East Kilbride and Chessington, Surrey, has provided signs for Heathrow's Terminal Five and all 177 stations in the South West Trains network plus gantry light boxes for the M74 motorway.

'As for specific learnings from the Exchange, it is the importance of the development of strong mutual understanding and relationships before any concrete deal-making is even entertained in France,' says McMurray.

'People stop and take time for lunch – and appreciate it. What results is greater loyalty to brands, as long as they are up to the job and represent good value for money. I come away with greater conviction to back ourselves in a number of overseas markets.'

James Watt, managing director at **BrewDog**, a brewer based in Fraserburgh, near Aberdeen, found the Exchange helpful because France was rapidly becoming a key market for the firm.

Watt and co-founder Martin Dickie set up BrewDog in 2007 and have taken an innovative approach, creating the world's strongest beer and developing a carbon-neutral brewery that will facilitate expansion into Scandinavian and American markets. 'It was great getting an insider perspective on what is becoming a key export market for us,' says Watt.

'I loved learning that for companies over a certain size in France, there is a mandatory obligation to provide a profit-share scheme for employees. This is something we do and is great for team morale and ensuring everyone's objectives are aligned with those of the business. With exports now accounting for more



**2,000**  
French firms, branches and subsidiaries in the UK, employing 330,000

**10%**  
proportion of UK visible exports accounted for by France

than 50 per cent of our turnover, the chance to spend some time overseas and get an insight into French business culture was really great.'

Mark Hurley, chairman of **Epitiro**, a Cardiff business with a turnover of £5m and 60 staff providing network quality measurement products and services to telecommunications companies including BT Group, Vodafone and O2, says France's business culture is tremendously different to Britain's.

Martin Atkinson is managing director of **Wild Country**, a £3.5m-turnover business with 30 employees at factories in Snowdonia and the Peak District, near Sheffield. Designing and

manufacturing technical rock climbing equipment and exporting 45 per cent of production, he sees prospects for his company in France. 'We do a bit of business in France and have a distributor near Chamonix,' he says. 'I see us doing more. It is a large market and the French like rock climbing.'

Another Business Thinking finalist on the Thought Exchange was Steve Meredith, managing director of **TB Davies (UK)**, a manufacturer of aircraft ground support equipment which employs 85 people in Bridgend, South Wales.

But some finalists have experienced French protectionism. Lucas Boissevain is finance director of **Mustang Marine**, a ship repair and new-build business with a turnover of £6.5m and 84 staff at Pembroke Dock in Wales.

'The French ship repair market is pretty closed, although we were recently looking at doing a pilot boat in Dunkirk,' he says. 'France looks to its own industry first and France is quite well-served for shipbuilders.'



**Good thinking: main picture, participants in the Thought Exchange including Richard Dixon, far left, Steve Meredith, third from right and Lucas Boissevain, far right. Above, clockwise from top left, Martin Atkinson, Jon Williams, James Watt and Gavin McMurray**

**CHEPSTOW PLANT SERVICES**  
Jon Williams picked up lots of ideas and was impressed by French positive thinking

Jon Williams built a business buying and selling used heavy construction equipment in the UK and across the world. His deals are inevitably at the end of a phone line, meaning they come with him on business trips. On the Paris Thought Exchange, as he does on most of his business travel, he ended up taking a call that led to a major sale – this time it was for six diggers to be exported to Australia.

Mr Williams, who has more than 30 years' experience in construction equipment, set up **Chepstow Plant Services** in 1999. Based in Newport, it now has a turnover of more than £15m, with customers in more than 120 countries.

Mr Williams says business opportunities for the company in Paris and the rest of France are currently low, due to a low level of activity in the nation's construction sector and prevailing exchange rates. But he says the Thought Exchange was a unique opportunity to spend time with entrepreneurs from other industries.

'The opportunity to combine that experience with direct

**VETS NOW**  
Richard Dixon says Paris showed the value of having a network of contacts abroad

Richard Dixon knows what it is like to open in new markets, having founded **Vets Now** in 2001 after qualifying as a vet and discovering there was a dearth of options for pet owners who wanted 24-hour emergency health care.

He sold his Glasgow flat and used the proceeds to set up the company with one clinic in the city, achieving turnover of £470,000 in the first year. Eleven years on, Vets Now, based in Dunfermline, has 52 clinics in the UK and employs about 500 vets, nurses, receptionists and support staff.

His strategy has been to rent existing clinics overnight and at weekends, with Vets Now staff bringing their own branding and working closely with local veterinary practices, which Dixon sees as the firm's clients.

Dixon says the Paris Thought Exchange was extremely useful in helping formulate his ideas. 'One of the key messages on growing our businesses overseas was that while there are of course differences in trading in new countries, the similarities are much more significant,' he says. 'In the case of Vets Now, what is of most importance is the same as in the UK – people care passionately about their pets and want them treated by someone they trust, who is caring and will put the care of their pet first.'

He also learnt about the importance of building and using a network of contacts abroad. 'It sounds obvious that if you want to expand overseas, it makes sense to tap into local knowledge. But much of the time we try reinventing the wheel, starting overseas risk assessments from scratch in between answering an expanding list of emails.'

'This is time-consuming and expensive. In contrast, through the network of people we met during the Thought Exchange, it was obvious that if the individuals didn't know the answer to a question, they would know someone who did. So it makes sense to stay in touch with the contacts we have made, and who knows where that can lead?'

access to senior HSBC leaders has given me something in three days that would have normally taken many months to achieve,' he says.

The quality he was most impressed with in France was the confidence of local businesses in their ability to emerge from the current downturn. 'In the UK there is a prevailing negativity, preached by the media and then accepted and repeated by the UK public, thus continuing to reaffirm an unconstructive message,' he says.

'Whether the confidence of French businesses is misplaced or not, I am sure that positive thinking is more constructive than pessimism.'

Williams also says that he has picked up a great many ideas from the Exchange and from other finalists that he will now consider to see how they could be adapted to help his business.

'Historically, we have looked at the differences between our international customers but the suggestion that we should instead look at what unites them is particularly thought-provoking,' he says.

'I find that spending time away from the business has always resulted in a clearing of my vision and these few days have reminded me of that fact.'



# Working to make the connection

A market research firm and a baking giant helped give Thought Exchange finalists insight into French commerce, says **Andrew Cave**

Delegates toured two very different businesses to gain insights into French commercial and industrial life. On the agenda was a trip to the offices of Ipsos, the market research firm that merged with Britain's MORI in 2005 and is now the world's third-largest market research organisation with operations in 84 countries and 16,000 employees.

Ipsos chief executive Brian Gosschalk told delegates how the company had begun in 1975 with three people in a room and grown by constantly trying to add value for its clients.

Gosschalk joined MORI in the UK from university in 1979, when it had just 15 staff, and worked with the organisation's founder Bob Worcester to grow the company. He said the companies had integrated extremely well since the deal. 'It is all about how we get people rowing the boat in the same direction regardless of [each country's] culture,' he said.

Richard Dixon, founder and chief executive of out-of-hours emergency veterinary care provider Vets Now, toured the Ipsos offices. 'There are some similarities between their business and ours,' he said, 'because they are employing high-quality professionals and trying to get very good business performances from people with top scientific backgrounds. That is their biggest challenge and one we can relate to.'

Meanwhile Jon Williams, managing director of Chepstow Plant Services, a £15m-a-year turnover seller of large construction equipment based in South Wales, visited the factory of Nutrixxo, one of Europe's leading milling and bakery companies. It has nearly 5,000 employees and crushes 1.3m tons of hard and soft wheat each year at 20 sites in France and Belgium. It also has a frozen bakery division,



with key players Délifrance and its subsidiaries producing premium frozen bread, patisserie and savoury products. Williams said: 'The most amazing thing I learnt was the firm does not use trains due to the risk of strikes. A third of production goes by road in France, the rest by boat. I came back with lots of ideas.'

Delegates also heard from Pierre Levi, of Salins du Midi, a French salt business with turnover of €300m (£250m) and 1,500 employees. The group produces sea, rock and table salt, is owned by private equity interests and has operations in Vietnam, Madagascar and elsewhere in Africa. It produces salt mainly using renewable energy.

Levi said his broad experience of running car parts, chemicals and packaging businesses before joining the firm gave him a broad range of the skills needed to turn it around. 'When I joined it needed to face debt constraints but it is now very profitable. To do a successful turnaround, you need to be over-qualified because you have to take a whole lot of decisions quite quickly before it is too late,' he said.

## PLAY BY THE RULES

Marketing strategies that succeed in Britain may not impress French consumers

To market foreign products in a country as idiosyncratic as France involves understanding its rules. One is that you need to speak at least a little of the French language. Another rule is that piggybacking on success achieved with brands in Britain does not work in a nation that has little or no respect for some key parts of British life.

Take cheese. Frédéric Winckler, president and director-general of advertising agency JWT Europe, told the Thought Exchange delegates that the American-owned cream cheese brand Philadelphia failed to launch successfully in France no fewer than 12 times before finally getting the market right last year. 'France has more cheeses than the number of countries in the world, so trying to tell the French about cheese is bizarre,' he said. 'They tried to show pictures of food from England and that's something the French shy away from.'

In the end the company found that the most productive approach was to take the mickey out of the Americans.

'Don't try to make French food,' the messages ran. 'Make the best bagel and make the best cream cheese.' Similarly, he said the best adverts for port in France deliberately blurred the fact that in France the drink is an aperitif, while in other markets it is a digestif.

'When you consume it does not matter. It is what it is made of,' he said. 'The key is to forget the differences and look at what brings people together.'

Winckler said that France also has much stricter rules about sex in advertising than many other jurisdictions, while French people are less materialistic than some other nationalities. 'We are not at ease with money,' he said. 'Rolex sells a lot of watches in France but fewer than in England because they are a symbol of money and how much you have.'

Andrew Holt, deputy director of UK Trade & Investment, said understanding France from a business point of view involved distinguishing *culture exceptionnelle* from *culture générale*.

In education, this means a strong science and mathematical bent; in politics it means republicanism and an emphasis on a secular society and when it comes to business speeches in France, they should be formal, with no jokes or self-deprecating British humour.

**Thinking business: the lobby of the Four Seasons George V Hotel; selling cheese, left, to France can be a challenge. Right, from top: Mark Hurley of Epitiro, Brian Gosschalk of Ipsos and Jacques-Emmanuel Blanchet of HSBC**

And the administrative differences can be just as great as the cultural ones, with France ranking 29th in the World Bank's Ease of Doing Business league table, because of its bureaucratic systems. Britain is ranked in seventh place in the same table.

France's rule of law means that it does rank very highly for enforcing contracts. However, it comes in at a lowly 149th when it comes to registering property.

Surveys also show that French consumers tend to value domestically manufactured goods much more highly than consumers do elsewhere, which creates another hurdle for would-be exporters.

However, Holt sounded an optimistic note, saying that British businesses should not allow any of these cultural and administrative differences to deter them from targeting the French market.

'France is not an easy export market to get into but that does not mean that it cannot be done,' he said.

## KEEPING STANDARDS HIGH

Director of hotel to the stars says constant improvement is the key to success

For an example of a luxury business that's tasked on a daily basis with meeting the exacting needs of some of France's most demanding customers, Thought Exchange delegates needed to look no further than the roof over their heads.

The Four Seasons George V Hotel, on Avenue George V, just off the Avenue des Champs-Élysées, was built at a cost of \$31m in 1928 in a part of Paris that was about to become designer-central, home to expanding talents including Christian Dior, Hubert de Givenchy and Yves Saint Laurent.

Famously the headquarters of American General Dwight Eisenhower in the Second World War, the hotel has since hosted world leaders and celebrities including President Clinton, the Rolling Stones, Clark Gable, Elizabeth Taylor and Céline Dion.

The late President of France François Mitterrand recorded his New Year's Eve message to the nation from the hotel's famous fireplace. 'The George V hotel is an institution,' its director of sales and marketing Francisco Garcia told the Thought Exchange.

'It stands for classic elegance and that has to be very much part of everything we do. We spend about €3m-€4m a year just on basic maintenance, such as dealing with stains, and changing carpets and chairs.'

Managed by Four Seasons Hotels and owned since 1997 by Kingdom Holding Company, the investment company of Saudi Arabia's Prince Al-Waleed bin Talal, the eight-storey hotel has 245 guest rooms, while its Le Cinq restaurant carries two Michelin stars.

'It is hopefully the best hotel in Paris and one of the best in the world, but we have to keep on evolving,' said Garcia.

'Eleven years ago, we did not even have the internet. Last year, we started a €26m soft goods renovation, changing the lights, the wallpaper and some of the details.'

'For example, we are changing the minibars so guests no longer have to kneel to access them. We're putting them at eye level. We aim to bring an enhanced level of service into everything we do.'

The hotel also takes an inordinate amount of care over the business-as-usual operation of its day-to-day functions, said Garcia. The floral arrangements, for example, require the delivery of 9,000 flowers every three weeks, to be arranged by no fewer than 10 florists working under the hotel's head florist.

'Every three weeks our head florist completely renews the design,' he said. 'I have been here for five years and have never seen the floral designs repeated.'

That level of detail also extends to the hotel's administrative processes, said Garcia, with all candidates applying for jobs at the hotel having to undergo at least four interviews, regardless of their status.

'Staff turnover in the hotel industry as a whole averages 100 per cent,' he said, 'but we employ 700 staff and our turnover rate is about 25 per cent. Every six months, every staff member gets to stay a night at the hotel so they can see what a customer wants.'





# Why France makes sense

Despite eurotroubles, our neighbour is still a good exporting bet

Two questions were intertwined at the Paris Thought Exchange. First, can British companies that want to grow through exporting consider France externally from the eurozone crisis? Second, how do UK companies best pursue business opportunities in France within not only the eurozone but in the wider context of the much greater growth on offer further afield in emerging markets?

It was the answer to question two given by Jacques-Emmanuel Blanchet, head of UK commercial banking at HSBC, that summed up the business opportunities offered by Britain's nearest continental neighbour. 'I do not think it is taking too much risk exporting to France today, compared with exporting to Greece or Portugal,' he said. 'France is near the UK and has similar laws and systems.'

There remain plenty of reasons why France should be a priority market for British companies looking to expand. Our closest continental European market is also the largest economy in Western Europe. Its industrial sweet spots in pharmaceuticals, software, media, science, aerospace, transport, food and drink, construction and defence are familiar to thousands of British companies, while the infrastructure for other pan-European trade is excellent, with strong rail and road connections to the six nations that France borders and beyond.

And while British businesses will do well to remember France's differences, there is plenty of familiar territory too, with a strong rule of law, a market-led economy and trustworthy accounting and regulatory systems.

But what do British companies need to know to succeed across the Channel? The narrative has to start with the eurozone's troubles. 'France has suffered and will suffer from the recession in the eurozone,' warned Pierre-Emmanuel Ferraton, economist at HSBC France.

While French GDP grew by 2 per cent quarter-by-quarter in the fourth quarter of 2011, he said investment in the economy fell when exceptional items were included. In addition, Greece, Portugal, Ireland, Italy and Spain account for 17 per cent of French exports, so the economic troubles of those countries will weigh heavily.

But Ferraton noted that government spending is still increasing in real terms. Nonetheless, HSBC France strategist François Letondu said France was connected to the 'triple deleveraging' at government, housing market and banking sector levels. 'Historically, a deleveraging can last a decade and usually does,' he said. At the same time, taxes will tend to increase.

For British firms that find a route into France, however, it is the practical considerations of taxation and other French bureaucracy that may occupy boardroom time.

Frédéric Blanchot, international practice partner at



**Power towers: exporting to France today is considered low-risk**

17%

of French exports go to Greece, Portugal, Ireland, Italy and Spain

Grant Thornton in France, said it was usual for pay packets to feature up to 25 separate deductions, despite income tax in France not being subject to a PAYE system but self-assessed. Also, France has a 35-hour week and firms without canteens have to give employees luncheon vouchers. He advised: 'The best thing is for your business to go to experts who know the regulations and laws.'

The last word went to HSBC's Blanchet. 'There has been 60 per cent growth in Brazil, Russia, India and China over the past 10 years and they are going to continue to grow,' he said, 'but I am optimistic that France, Germany and the UK can grow too, as part of the global economies.'

'It is important that companies, whatever their size, have a policy to grow outside their home market.'

For more information on doing business overseas, visit [www.hsbc.co.uk/businessthinking](http://www.hsbc.co.uk/businessthinking)