CBI MARKET SURVEY

THE SOFTWARE, IT SERVICES AND OUTSOURCING MARKET IN FRANCE

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Report summary

This CBI market survey discusses, amongst other things, the following highlights for the software, IT services and outsourcing market in France:

- With a software market of €12 billion and an IT services market of €25 billion in 2005, France is ranked third after the UK and Germany in the EU.
- The software market is recovering in all segments in France.
- Most software purchased in France is of foreign origin.
- Over 6,000 French firms specialise in software services.
- Key activities in the French IT services market are engineering and integration, software development and technical assistance, packaged software, facilities management and on-line services.
- Outsourcing remains the most dynamic market in the IT services segment.
- Offshoring makes up between 2% and 2.5% of revenues in the IT services industry.
- Offshoring's share of the French market is growing and is expected to reach 4-6% in 2009.
- Important reasons for the increase in offshoring from France are cuttings costs and the shortage of IT professionals.
- Work that is offshored by the French software and IT services sector mostly consists of development, testing and maintenance of applications.
- Language plays a large role when doing business in France

This survey provides exporters of the software and IT service market with sector-specific market information related to gaining access to France. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The software, IT service and outsourcing market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo.

There is a clear relationship between chapter 1 and 2. Chapter 1 discusses information on the end market for software and IT services in the country. The structure and growth of this end market determine the opportunities for offshore outsourcing, which is the topic of chapter 2.

1. Market description: demand and supply

Demand

Estimated at over 40 billion, the French IT market ranks third in Europe after Germany and the United Kingdom, with 17% of Europe's overall IT market.

Software

After a welcome recovery in 2004, the French market for software and services marked an average growth of 5% in 2005 (table 1.1), pulled by demand in consulting services (4% growth), engineering services (3% growth), facilities management (9% growth) and software tools and applications (5% growth). In 2006, the French market for software is expected to grow 5.8%.

Market segmentation

Demand in all market segments recovers, especially in systems integration and applications. Demand in security, collaboration, messaging, storage resource management and access software will also contribute strongly to this growth. The most dynamic sectors in the French market for software are found in the field of telecommunications, the media, as well as that of government and finance.

Table 1.1 French software market in € million, 2003 – 2007

Software	2003	2004	2005	2006*	2007*
Systems software	5,814	6,136	6,545	6,992	7,467
Application software	4,869	5,035	5,248	5,482	5,724

* Forecast
Source: EITO (2006)

IT services

Outsourcing will remain the most dynamic segment in the IT services market in France. It is fair to observe that, overall, French companies will remain rather reluctant to outsource their entire IT to IT service providers because of cultural barriers and rigid labour laws. However, rising IT costs, IT staff shortages, and massive scheduled retirements will increasingly force French business to remodel its processes and accept outsourcing of services on a more regular basis. Table 1.2 gives some more information.

Table 1.2 France IT services market in € million, 2003-2007

IT services	2003	2004	2005	2006*	2007*
Professional services	16,711	17,187	17,824	18,622	19,621
Support services	6,603	6,760	6,990	7,295	7,580

* Forecast
Source: EITO (2006)

Supply

There is a fierce competition among French IT companies. Over 6,000 French firms specialize in software services, 2,000 of which count 10 employees or more. Key activities in this market are engineering and integration (23%); software development and technical assistance (22%); packaged software (21%); facilities management and on-line services (20%); consulting services (8%); training services (3%); and third-party maintenance (3%).

The year 2005 was a productive year for software services firms in France. According to market consulting firm GFI Informatique, sales during the first quarter of 2005 grew 3% to reach 9.5% by the fourth quarter of the same year. Regions in the northern part of France and Pas-de-Calais offer good opportunities for software and IT services producers. CapGemini and Atos Origin (part of Cap Gemini), two world-class IT service companies founded in France, are in the top five in Europe and the top 15 worldwide. France is also home to other strong performers including Steria, Unilog, Sopra, GFI, Thales IS and Altran (websites follow later in this section). Results obtained by the five largest software services firms are as follows (table 1.3):

Table 1.3 Company results for top 6 French software companies, 2005

Company	Sales in €mln	Growth % in 2005	Internet
Capgemini	6,954	11.5	http://www.capgemini.fr
Atos Origin	4,367	8	http://www.fr.atosorigin.com
Unilog	1,475	14	http://www.unilog.com/
Steria	945	4	http://www.steria.fr
Sopra	609	10	http://www.sopragroup.com
GFI	436	8.5	http://www.gfi.fr/

Source: Facts Figures Future and Internet (2006)

In November CapGemini announced an expected 14 % growth over 2005. Other leading players in the French market for IT services and software are numerous; the list includes Accenture, EDS, IBM Global Services, SAP, PeopleSoft, Oracle, Intentia, JD Edwards, CSC Peat Marwick. French software developers have a good reputation in various high-tech fields like defence, aeronautics, telecommunications and nuclear power generation. However, they are weaker in designing packaged software: most software purchased in France is of foreign origin, mostly U.S. Please also have a look at tables 1.4, 1.5 and 1.6 for the most important companies in the software and IT services sector in France.

The most important IT market segments are CAD/CAM (Catia from Dassault Systèmes, Lectra), software engineering (Softeam, Aonix, TNI-Valiosys), natural language processing (Telisma, A2IA, Itesoft), geomatics, imagery and video games (Infogrames), decision-making (Business Objects), management (CCMX, Cegid, Adonix), e-trading (GL Trade), and software components (Ilog). The largest integrated software companies are SAP (43% market share), Oracle (25% market share), Sage/Adonic (5% market share) and Intentia consulting (5% market share). For DC exporters, suppliers of software and IT services can be potential clients, for example by means of outsourcing.

Table 1.4 Major French software companies

Company	Main services	Internet
Business Objects	Many types	http://www.businessobjects.com/
CCMX	Many types	http://www.ccmx.fr/
CEGID	Advanced Progs	http://www.cegid.fr/
Computer Associates	Advanced Progs	http://www.ca.com/
Dassault Systems	Advanced Programming	http://www.dassault.fr/
Microsoft France	OS & applications	http://www.microsoft.com/france/
Oracle France	Database	http://www.oracle.fr
Sage	Financial	http://www.sage.fr/
Sap France	ERP	http://www.sap.fr/

Source: Internet sources (2006)

Table 1.5 Major French software and IT service companies

Company	Internet
Econocom	http://www.econocom.com/
Sopra	http://www.sopragroup.com/
Steria	http://www.steria.fr/
Transiciel	http://www.transiciel.com/
Unilog	http://www.unilog.com/

Source: Internet sources (2006)

Table 1.6 IT service providers on the French market with all types of products and services

Company	Internet
Accenture	http://www.accenture.com/
Ares	http://www.ares.fr/
Atos	http://www.atos.fr/
Cap Gemini	http://www.fr.capgemini.com/
ECS	http://www.ecs.fr/
EDS	http://www.eds.fr/
IBM France	http://www.ibm.com/fr/
Schlumberger	http://www.schlumberger.com/
Siemens I and C	http://www.siemens.fr
Thales	http://www.thalesgroup.com/

Source: Internet sources (2006)

Trends

- Demand in all software market segments recovers.
- Continued development of facilities management.
- Outsourcing will remain the dynamic factor in the IT services market.

Opportunities and threats

- Fierce competition between the many software and IT services companies, which may lead to even more pressure on prices and opportunities for outsourcing.
- French are in general reluctant to outsource their entire IT.

Useful sources

- Country Commercial Guide France - http://www.buyusa.gov/france/en/111.html
- EOA FRANCE - European Outsourcing Association - http://www.eoafrance.com/
- French association for science and technology (ASTI) - http://asti.asso.fr
- Syntec Informatique - http://www.syntec-informatique.fr

2. Offshore outsourcing

The market

The number of companies in France that makes us of offshoring is on the rise. In France, offshoring makes up between 2% and 2.5% of revenues in the IT services industry. Offshoring's share of the French market is growing and is expected to reach 4-6% in 2009. According to experts the share will nonetheless never pass 15% as there are also many services that simply have to remain close to the customer. Looking at the number of IT jobs going offshore in France, it is positioned behind the UK and Germany. The main problem for France, however, is rigid laws and patriotism. This is why France will never reach the level of the UK. IT companies in France are quite aware of the latest global trends in IT outsourcing. However, due to difficult market entry, offshore service providers often exclude France from their primary European target markets. Outsourcing/offshoring at large is lagging 3-5 years behind the USA or the UK.

Companies that offshore

According to Syntec informatique, over 90% of the companies that are involved in offshoring are companies with a turnover larger than €100 mln. Of the total in outsourcing, about 80% is done within France. The other 20% occurs outside of France. Of this 20% only 5% is outside of Europe. Of the smaller companies with a turnover between €15 million and €100 million, only 20% has realised a meagre 10% turnover through outsourcing. Of this 10% only a third was realised offshore. Outsourcing / offshoring decisions are made at CEO and CIO level.

Reasons to offshore

The first factor that has caused the amount of work being offshored to rise is the international competition. Especially the Indians have put a very strong business model in place that they have already used in the US and UK. Now they are commencing with an aggressive strategy to conquer the non-English speaking markets like France, Japan and Germany. This evolution has also triggered the users of software and IT services. They are looking to reduce their costs.

An important reason for the increasing offshoring from France is the shortage of IT professionals as a result of the decreasing number of students that chooses a study in this field. Furthermore, the ageing population in France is a problem. The older generation that is retiring from their jobs as IT professional is not being replaced by the younger generation; therefore companies turn to offshoring. Offshoring helps companies decrease costs and increase productivity. It also gives companies manoeuvering room to increase innovation and investments.

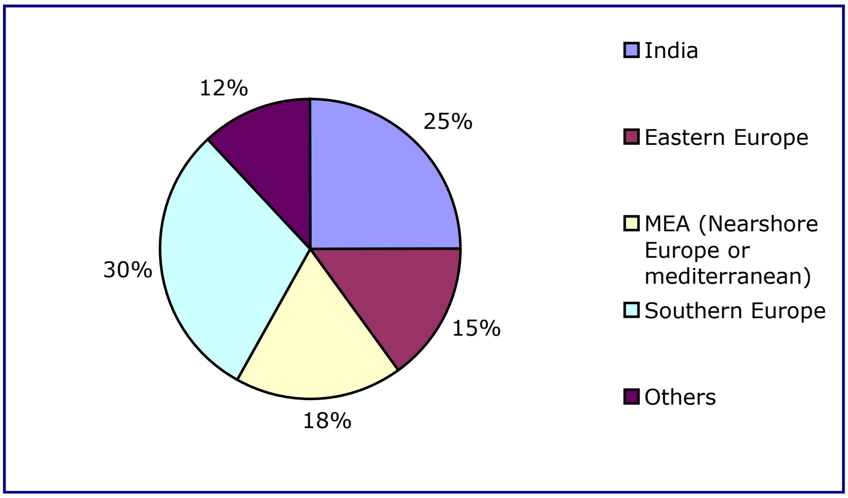
What is offshored

Work that is offshored by the software and IT services sector mostly comprises development, testing and maintenance of applications. The French market is now trying to separate the work that really needs proximity because of its users and clients and the work that can be offshored and performed abroad.

Offshore destinations

According to EuroITX, French companies regard a nearshore alternative as more acceptable than offshore when outsourcing is considered. Clients often reject companies with offshore operations. Key offshore regions for French companies are India, and nearshore destinations such as Central South and Eastern Europe, and especially Romania. North Africa is also gaining in popularity because of the language that is spoken here (Tunisia, Morocco)

Figure 2.1 Offshore destinations for French companies, 2006



Source: Syntec Informatique (2006)

In addition to forecasts mentioned before, the French industry association Syntec Informatique confirms that for offshore outsourcing there is a strong need for close cultural ties and there is a prevailing influence of service centres in the region.

Opportunities and threats

- It is mostly the larger French companies that offshore, often to large providers. In that case, SMEs have limited opportunities.
- There is a shortage of IT professionals in France.
- French prefer nearshore to offshore.
- Rigid laws and patriotism form barriers to offshoring.
- Southern Europe is the largest offshore destination, together with India.
- Central/Eastern Europe is coming up, which is a threat for suppliers in other low cost countries.

Useful sources

- Country Commercial Guide France - http://www.buyusa.gov/france/en/111.html
- EUROITX - http://www.euroitx.com/content/focus_2004.php
- Syntec informatique - http://www.syntec-informatique.fr

3. Trade structure

In this paragraph, the general distribution channel for software and IT-services will be discussed. These channels apply to each EU-market and, therefore, also to the French market.

The most important channels for software related services are:
1. Establishing your own sales office.
2. Consultant/broker.
3. Direct contact with French software manufacturer.
4. French software manufacturer setting up his own factory in a developing country.

The most important channels for IT services are:
1. Establishing your own sales office.
2. Consultant/broker.
3. Partnerships with large service providers (system integrators) in France.
4. Contacting end-user organisations directly.
5. Contacting local offices of multinationals in the home country of the services provider.

Names of some main players and their websites can be found in chapter 1.

Specific trade structure facts for France

- French buyers generally prefer purchasing through an intermediary, making sales directly to the end-user uncommon.
- Local market presence (physical) is a must. An office in Paris is also highly recommended. Even French IT companies from Toulouse or Lyon have found it very important to have, at least, a smaller marketing and support unit in Paris.
- When considering France, it is quite important to look at companies and opportunities in the Lyon and Toulouse area.

For more information on trade channels in this sector, also refer to the CBI market survey "The software, IT services and outsourcing market in the EU".

Useful sources

- Country Commercial Guide France - http://www.buyusa.gov/france/en/111.html
- EUROITX - http://www.EuroITX.com

4. Prices and margins

According to Syntec Informatique, prices in France are already on a rather low level compared to the rest of Europe. The overall cost and salary levels highly differ in various parts of France. A few French companies use the "Near shore outsourcing" term to refer to outsourcing to low cost regions within France. Especially the southern French regions are cheaper than the rest of France.

According to Salary Expert (http://www.salaryexpert.com), the average software engineer working in France now earns an average annual salary of €51,463. When benefits and bonuses are added to this salary, the average total compensation for this position would be €53,801. In Paris a software engineer would earn €54,054 and in Marseille €49,929. This confirms the differences in salaries in the different parts of France.

Useful sources

Price information can also be obtained through trade organisations, trade press or trade fairs. Other possibilities include checking for prices on the Internet, asking for prices at distributors, agents and other distribution channels. Also take a look at websites of competitors.

For more information, please also refer to the CBI market survey "The software, IT services and outsourcing market in the EU".

5. Market access requirements

Since software and IT services outsourcing are in the field of services, they are not submitted to import duties and/or quota. However, there are non-tariff barriers that DC service providers are facing when they wish to enter the EU market.
As an exporter from a developing country preparing to access France, you should be aware of the market access requirements of your trading partners and the French government. Requirements are demanded through legislation, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter from a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for software and IT services go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements

Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to software and IT services, go to 'Search CBI database' at http://www.cbi.nl/marketinfo select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

A few specific French facts

- French laws are rather rigid concerning offshoring/outsourcing.
- French tend to be patriotic when offshoring is concerned. Offshoring is more or less seen as being disloyal to your own country.

For more information please also refer to the CBI market survey "The software, IT services and outsourcing market in the EU".

6. Business practices

Selecting a suitable trading partner

There are many ways to find potential business partners in France. We focus here on the internet and sources in your own country.

Internet

Some examples of available sources, beside the ones mentioned in chapter 1:

- Eastern Michigan University's ICT website - http://www.emich.edu/ict_usa
  All kinds of trade partners available for several sectors.
- Europages – http://www.europages.com
- EUROITX – http://www.euroitx.com
- Kompass – http://www.kompass.com (mostly fee based, but the free part is very useful too)
- Kellysearch - http://www.kellysearch.com/
- Syntec Informatique - http://www.syntec-informatique.fr
- Thomas Global Register Europe - http://www.trem.biz/

For more details about how to search the 4 databases, please refer to the CBI Export Manual "Digging for Gold".

Your own (DC) country

- Diplomatic and consular representatives
- Public and private trade promotion bodies
- The French chamber of commerce in your country. Find it at http://www.worldchambers.com.
- The French Embassy in your country. Find it at http://www.embassyworld.com.
- Trade associations for individual product groups.

Reaching an agreement with your trade partner

When dealing with a French trade partner it is also important to know what problems you face. These problems often have to do with languages when it comes to offshoring. Jacques-Benoit Le Bris, director at Rhodia SA says the following describes the French mentality in this issue: "The issue of language is huge. You don't have confidence in someone when you call the help desk and they speak to you in English." This once more indicates how important it is to speak French when doing business in France. However, it is important to note that most people who work in the IT sector speak English (and they do not mind speaking English), but, as stated earlier, there is greater trust when French is spoken.

Another problem is that often the (perceived) risks associated with offshore outsourcing (added to government initiatives and market sentiments) outweigh the potential advantages of moving processes offshore for French companies. Many companies do not have the experience, skills and knowledge of managing global teams and the (offshore) outsourcing process. However, companies are quite open to discussing (offshore) outsourcing issues and looking for information sources. Playing to these difficulties when coming to terms with a trade partner is very important.

Cultural tips

When dealing with a French company it is also very important to take the French culture on business and social occasions into account. Important cultural tips are the following:

- Courtesy and formality is important when doing business with the French.
- Mutual trust and respect is required to get things done.
- Creating a network of personal business alliances is important in France.
- If there is no knowledge of French, apologise for not speaking the language, which might help.
- In business, the French can be very direct. They do not hesitate to ask probing questions.
- Written communication is formal.
- An appointment is necessary for a meeting.
- If a delay is expected, telephone immediately.
- Meetings are to discuss, not to make decisions.
- Business is conducted slowly.
- Discussions may be heated and intense.
- The French will carefully analyse every detail of a proposal, regardless how small.

For more information on French business culture and culture in general, please also refer to http://www.kwintessential.co.uk. Hit “country profiles” and choose a country. For information on negotiating and coming to terms with your trade partner please refer to CBI ‘s “Export Planner”.

Sales promotion

Software and IT services can be promoted through several sources. However, in France the "Loi Toubon" requires that all advertising, labelling, instructions and promotional programs be in French.

Trade fairs

Participation in a trade fair is also a good way to promote a product or service. In France there are several large trade fairs in the field of software and IT services.

- Infopromotions - http://www.groupesolutions.com
- Le Salon de la Sécurité Informatique Location - http://www.infosecurity.com.fr
  France's top computer security exhibition
  MILIA, World Interactive Content Forum - http://www.milia.com
  An important annual fair in Europe on multimedia, interactive entertainment and digital media distribution.

Trade press

The following list consists of trade press specifically for this sector:

- CIO France - http://www.idg.fr/cio/
- Informatique - http://www.01net.com/01informatique
- Informatique, decision informatique, l'ordinateur individuel - http://www.01net.com
- Le monde informatique - http://www.weblmi.com/

For more information also refer to the CBI ’s “Export planner” and CBI’s “your image builder”.

This survey was compiled for CBI by Facts Figures Future