ESPRIT PROJECT 22251

An environment for a Virtual Hypermedia Factory

France

Its Market - General Features

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Note : all of the information given bellow are extracted from official information sources (reports to the French Prime Minister or to the competent minister, studies of the Documentation Française) or specialised information sources (publications, articles, technical reports, …).

2.1.1) Picture of the general cultural habitudes in France

In order to have an appropriate picture of the general structure of the French cultural heritage market, some key features concerning the cultural consommation habitudes in France are useful.

These key features suggest the actually again rather peripherical social, cultural and economical role of the new information technologies in this field.

a) Use of infrastructure for consuming "cultural" products in the largest sense (data from 1997):

Use of television equipment : 91 %
Use of video installation : 66 %
Use of radio equipment : 66 %
Use of PCs : 14 %
Use of CD-ROM equipment : 8 %
Use of Internet access : 6 % (of which **4% are institutional users** …)

These features show that the general cultural heritage market doesn't constitute, for the moment, a real market for products, services or other applications belonging to the new information technologies. The general cultural heritage market, for the moment, constitutes, as generally admitted, much more a potential market.

It must also be emphasized that even if the use of Internet (and therefore of the afferent technologies and corresponding products) seems to grow rapidly in specific sectors (research and education, electronic commerce), this is not the case as far as the « standard » cultural consommation is concerned.

This general picture corresponds to the important, incitative role of the State in the creation of a real, economically viable cultrual market for the new information technologies - initiatives headed especially by the Ministery of Higher Education and Research, the Ministery of Communication and Culture, France Telecom, the National Association for the Valorisation of (Industrial) Research (ANVAR), …

b) The following features data give a general picture of the consommation of general types of cultural products by French people in general (data from 1997):

Visit of cinemas : 49 %
Visit of libraries or mediatheques : 31 %
Visit of theaters : 16 %
Visit of museums : 33 %
Visit of historical monuments : 30 %

These features are interesting because they constitute a general hypothesis about the products and services developed within the new information technologies which seem to have the best chances to create their own market, viz.:

- Electronic libraries and mediatheques
- Virtual museums
- Virtual "promenades" within historical sites

Indeed, as the above quoted figures show it, there exists a strong and traditional habitude in the use and consomation of products and services offered by the « classical » institutions having in charge the management (acquisition, conservation and distribution) of cultural informations (in a wide sense : including written documents, audio-viusal documents, objects and artefacts, …)

c) The average cultural expenses of a French (data from 1997)

- The average general expenses of a French correspond to 2,4% of his/her total family budget.
- The most important part is reserved for the cinema.
- The part of the acquisition of books and other printed material (press, …) is decreasing.
- The part of personal expenses for libraries is not significant (given the fact that most libraries and mediatheques are public institutions).
- The part of the acquisition of CD-ROM titles is also not significant.

In taking the case of the commercial acquisition of CD-ROMs acquisition, it seems to be obvious that products and services developed within the new information technologies have to be less expensive with respect to, for instance, the middle price of a book (about 80 francs in including the very low prices for popular pocket editions).

Given the habitude that the access to the most important cultural heritage institutions (libraries, archives and museums) are either free of charge or rather cheap (a museum entry in a national museums costs between 6,5 euro and 9 euro), the particular problem concerning the commercialisation of new products such as, for instance, virtual promenades, on-line mediatheques or electronic libraries in the field of cultural heritage. This is also a consequence of the fact that the major institutions in the field of the cultural heritage are public ones or again institutions that depend on public investments. Therefore those - public or para-public - institutions that propose such products on their web site (the Louvre, for instance, the Bibliothèque de France or again INA - the National Audio-Visual Institut) do it free of charge. And it seems, for the moment at least, rather unrealistic to suppose that this situation will change given the very strong and generally shared republican tradition in France.

2.1.2) The principal characteristics of the French cultural heritage market

The French cultural heritage market possesses a highly traditional structure - like in most of the other EC countries.

It is structured around prominent heritage institutions such as :

- National and regional museums (there are 33 national museums and some other 1500 museums)
- Historical monuments (their are some 40 000 public or semi-public momnuments recovering a variety of categories : castles, churches, houses, …)
- National and regional archives (about 100 national and regional archives)
- National and regional librairies (about 540 libraries) as well as scientific libraries (about 600)

The principal invesitors in this market are the State of France (via its competent ministeries and specialised national commissions and instituts) and the regions of France (viz. les départements)

The French museums and monuments have been visited of about 27 millions of French and foreign people during 1997. The libraries and mediatheques have been frequented by about 7 millions of French people (24 % of them are regular "visitors").

To the cultural heritage market don't belong :

- Private or company museums
- Company archives
- Information and documentation centres
- A huge variety of cultural associations and private fondations
- « Parallel » markets constituted especially by the minorities living in France.

These characteristics are important with respect to the fact that it is mostly the French State via its competent institutions and services that decide centrally of the development and implementation policies of the new information technologies and their applications within the context of the French cultural heritage market. There doesn't exist a real « private » market for, for example, the production and distribution of electronic libraries, virtual museums outside this structure.

The recent decentralization of policy making in France will lead, nevertheless, to a more differenciated -regional - market in cultural heritage where the regions (départemants) will take into charge the integration of the new information technologies in the central cultural heritage institutions. This means that local service providers (specialised companies) will participate increasingly in the development and implementation of new services, applications and products in the cultural heritage market. The most favorised regions (départements), in this sense, are Ile de France (with Paris), Rhône-Alpes and Provence-Côte Azur.

A particular case constitue the above quoted « parallel » cultural market organized by and around the different - especially non-European - minorities living in France (about 6,5 % of the totality of the French population) : Paris and Ile de France, Marseille and Côte d'Azur, southwestern part of France. Given the traditional importance of the maghrebin immigration as well as especially since the 50th of the immigration of Asian communities (Chinese, Viet, Khmer, as well as, less important, Indians), social, economical and cultural institutions peculiar to these minorities have grown up and constitute a real market which is governed, naturally, by the French laws, but, given its specificities, possesses a certain autonomy and independency with respect to the « official » public and private one. It differs also from the other given the fact that it benefits from direct commercial, social and cultural relationships with the original countries of the minorities . This market possesses, naturally, a rather peculiar structure reflecting more or less the traditional ones in the original countries. As far as the cultural heritage market is concerned, this « parallel » market is constituted priorily by :

- very small commercial companies trading appreciated cultural objets from their countries (antique objets, traditional handicraft, litterature and art, furniture, …)

- a plenty of associations and small private institutions offering their services concerning in the culture and language of their « home country », in traditional practices, in sportive activities, …).

Contrarily to a stereotypical vision of this market, it is rather open for the development and commercialisation of products coming from the new information technologies - this also because of, as far as the Asian communities are concerned, the high level in information technology that have reached the various original countries of the Asian continent. In this sense, this rather specific market constitutes an important economic factor not only for France but also of the economic relationships between France and the concerned countries frome which the communities are coming. As far as the penetration of this market with information products and services is concerned, a high price and quality competitivity with companies working in the original countries (PR of China, Singapor, Thailand, India, …) has to be expected.

2.1.3) Economic data of the French cultural heritage market

The French State and the different regions (departements) are the principal investors in the cultural heritage market.

Here are the key data of the public investment during 1997:

- Monuments : 30%
- Museums: 14 %
- Cultural Performances : 14 %
- Cinema : 4,5%
- Libraries and mediatheques : 3,4 %

The structure of the investment of the regions (departements) is rather different from the above quoted data:

- Cultural Performances : 52 %
- Museums : 1,9%

- Libraries and mediatheques : 0,1 %.

In comparing these two very different investment policies, the following consequences can be driven:

- Even if libraries and mediatheques are very frequented by people, the investment efforts of the State are rather low and more or less absent as far as the investment of a region (departement) is concerned (in fact, most of the libraries in the regions of France are under charge of the city);
- The most important cultural heritage factor of the French regions constitutes the item "cultural performances" (organization of open-air concerts, meetings, shows, street theater, …).

In this sense, the "market" of digital library products is in a somewhat unconfortable position:

- Given the absence of public and regional investments, there exists a real market need for such products (in France there exists a critical "mass" of libraries and mediatheques)
- But given the fact that most of the libraries and mediatheques are public institutions, they are not, economically speaking, "powerful" clients for such products and services.

A special attention should be given to the topic "cultural performances". There are, for the moment, only the so-called "cyber-cafés" which are sensitive to the strong regional committement to cultural performances. But the technological infrastructure for "on-line" or "virtual" performances exist. Only the appropriate cultural products and services are lacking…

2.1.4) Evolution of the cultural offer and the cultural consommation

All consulted studies concerning the evolution of the cultural consommation of French people produce the same result:

- The consomation of cinematographic products is more or less stable;
- The consomation of (home-)video products increases strongly.
- The consomation of printed book material decreases slightly.
- The consommation of general cultural or pedagogical CD-ROMs doesn't evolve.
- The consommation of electronic games evolve exponentially.
- The consommation of web products doesn't yet involve (as far as the common public is concerned).
- The consommation of the web for restricted topics and professional categories evolves exponentially (concerned are : education, science, and commerce).

With respect to this general picture, the public and regional authorities in France as well as the concerned public institutions in the cultural heritage market try to develop a more diversified cultural offer. This means concretely, for instance :

- The reciprocal integration of libraries and mediatheques in the sense that one "knowledge heritage institution" (for instance a traditional library) proposes not only printed documents but also an audiotheque, a videotheque or again a logotheque
- The integration of cultural events such as seminars, workshops, conferences, etc;
- The integration of pedagogical actions such as practical classes and courses;
- The stronger involvment of the classical institutions in the daily life of the community (quarter, city or region);
- The production of original documents (catalogues, newsletters, original productions of customers, …).

This diversification of the cultural offer must be stressed given the fact that most of the new products and services developed within the digital library programmes refer frequently to a rather classical model of the organization and objectives of a library or a mediatheque. Indeed, there is here a large need for more original products designed especially in the fields of publishing, distant learning and even in the field of "virtual cities".

2.1.5) The new information technologies and the cultural heritage market in France

The presence of the new information technologies in the cultural heritage market in France is mostly due to public initiatives - originating especially from the French Ministery of Culture and Communication.

These intiatives concern mainly, almost exclusively, the constitution of digitalized archives of objects in the cultural hieritage, presented to the public in the different national (and regional) museums.

Among the most important digital archives in France are :

- The Joconde database
- The Arcade database
- The ARCHIM database
- And the Muséofile database.

The **Joconde** database is the most important (and also the best known) database for cultural heritage in France. It :
Contains information and representations of the cultural heritage of 60 museums in France;
130 000 artistic works up from 7th till the 20th century
information of about 15 000 artists
an index of about 25 000 roles and places.

The Joconde database can be freely consulted on the following web address : http://www.culture.fr/documentation/joconde/pres.htm

The **ARCHIM** data base is an image archive that recovers the illustrations of antique documents conserved in the Centre Historique des Archives Nationales in Paris. It can be

consulted under the following address :
http://www.culture.fr/documentation/caran/somaire3.htm

The **Arcade** database is dedicated to artistic works of the 19th and 20th century in France. It can be freely visited under the following address : http://www.culture.fr/cgi-bin/wave.cgi?dqi=arcade&icon=/documentation/icones

The **Muséofile** database contains information of about 730 museums in France. In the Muséofile database, a museum is brievly represented by its name, its acronyme, its localisation, its collections and services proposed as well as by the links to web site (if existing) of a requested museum. It constitutes the "heart" of and the central access point to the web of the French Museums. Its complete integration with the Joconde and Arcade database is actually under work.

The Muséofile database can be consulted under the following address : http://malraux.culture.fr/cgi-bin/multitel/MUSEOFILE/MFsommaire?MID=YS78Ezoj6EBm

The French Ministery of Culture and Communication develops and maintains the most complete cultural Internet service in France. It is an **information broker** that gives an access to the most important cultural ressources in France (but also abroad). Among the principal subjects covered by this information broker are the following ones : archeology, architecture, archives, contemporain arts, librariries, cinema, conservation and restauration, industrial creation and design, kitchen, scientific and technical culture, danse and choreography, law (related to the cultural domain), multimedia culture, history, history of arts, French language, litterature, books and publishing, art market, fashion, multilinguism, cultural heritage, photography cultural policy making, written press, cultural programmes, programmes concerning the information society, radio and television, research, crossculture, theater and performances, cities and regions in France. Each principal subject is represented either by documents, applications, links to corresponding specialised web sites or again specific (professional) user services.

The information broker of the Ministery of Culture and Communication called *"Internet Culturel"* can be freely consulted under the following address : http://www.culture.fr/culture/int/index.html

2.2) The Publishing Market: general context

The genral context of the publishing market will be presented here as follows :

1) General features of the publishing market in France
2) The « big » groups and the « small » publishers
3) The economy of the book
4) The distribution network
5) « Traditional » publishing market and electronic publishing market

2.2.1) General features of the publishing market in France

Here are some significant data concerning the publishing market in France for 1997 :

- Production of books : 47 000 titles (representing 415 millions of exemplars)

- Publishers : 311 publishers
  46 publishers represent 80% of the total production of the 47 000 titles

- Main sectors of publications :
  Literature (fiction and non-fiction) : 23 %
  Sciences, technology and human sciences : 21 %
  School books and other pedagogical materials : 15 %

Arts : 3%

Others (popular lierature, practical books, …) : about 35 %

- Edition of Titles :

Type	(estimated number of exemplars per title)	new titles (in %)
Science and Techn.	Between 300 and 5000	70 %
Human Sciences	idem	idem
History and Geography	up to 10 000	80%
Non-Fiction	around 5000	50 %
School Books	up to 15 000	30 %
Practical Books	up to 20 000	35 %
Encyclopaedias, Dict.	Up to 25 000	10 %

These features back up the following consequences for the introduction of the new information technologies :

- Given the heavy concentration of publishing houses (cf. also infra), the general book sector (fiction and non-fiction) are highly protected by the major groups who have the economic power and the technological know-how to build on-line commerce centres for distributing their offer
- There exist nevertheless specific markets such as, especially, professional literature (technical and technological one) and scientific literature which is not really represented by the big publishing houses but much more by little specialised ones.

These consequences will be developed in the following chapters.

2.2.2) The Big Groups and the small publishers

The publishers' structure in France can be caracterised by an important concentration within the publishing market : big groups, especially Matra-Hachette and Groupe de la Cité, …) dominate the market .

In 1992, 6% of the publishers (with a turnover beyond 100 millions of francs) constitute 63 % of the turnover of the whole sector, whereas 65 % of the publihsres (with a turnover smaller than 10 millions of francs) constitute only 6% of theturnover of the whole sector.

In 1992, 65 % of all titles have been published by the « big » publishers (i.e. with more than 100 employees) representing 4,5 % of all publihsres ; only 7 % of all titles have been published by the « little » publishers (i.e. with no more than 10 employees) representing about 60 % of the publishing sector.

The « big » publishers : Hachette and Groupe de la Cité - an oligopolistic strategy

Hachette :
Belongs to the group Matra-Hachette (group present in different sectors : space technology, military industrie, automobile, transportation, telecom, distribution and services, writen and audio-visual press and publishing).

Possesses a variety of publishers specialised in :

General literature (fiction and non-fiction) : Grasset, Fayard, Stock, Lattès, …
Education : Hachette Classiques, Hachette Dictionnaires
Direct Sales : Grolier (Italie, Suisse, …), Rombaldi, Le Livre de Paris, …
Large Diffusion : Hachette Jeunesse, Le Livre de Poche, …
Industry and Services : (Informatique, Maurepas, CDL, …

Groupe de la Cité - specialised in the sectors of communication, media, publicity and publishing.
Stands under the control of Havas, of Générale Occidentale (owner of the group Express) and of the CEP (Companie Européenne de Publicité).

Groupe de la Cite is a holding that comprises more than 30 - sometimes well known - publishers in France and abroad such as :

Nathan, Larousse, Presses de la Cité (with Plon, Christian Bourgois, …), Bordas (with Dunod, Gauthier, Garnier, …) France-Loisir, Groupe de la Cité International (Dalloz, Sirey, Millbrook Press, …)

The « small » publishers :

Important activity of creation of small and very small publishers since 1970 : about 900 creations between 1973 and 1996 (most important years : 78, 79, 85 and 94).

But the life span of « small publishers » is very uncertain : in more than 50 %, it is not longer than 2 or 3 years, in no more than 3 % it is longer than 10 years.

The principal problems are :

- The financial capacity
- The definition of "innovative" offers and products as well as the overall strategic orientation
- The financial (and therefore geographical) limitedness of the used distribution and diffusion channels.

Models of solution for these problems are :

- An increased co-production activity with big or bigger publishing houses (such as Gallimard, Hachette, …)
- The creation of new associations (« groups ») between a critical number of small or very small publishers taking (partially) in charge production, distribution and diffusion of the editorial products
- Increased investments in innovative production models and tools (especially electronic publishing).

As these features show :

- The innovative push coming from the new information technologies (especially electronic publishing and the exploitation of the Internet) concerns especially the small and very small publishers that are, generally speaking, also the specialised ones.

- Besides the partial non-comprehension of these technologies, the real problem ist constituted by the rather important prior investment and maintainance costs as well as by the fact that especially the commercial exploitation of the Internet represents, for the moment at least, only a very marginal sector for the traditional commercialisation activities.

2.2.3) The economy of the book

The features concerning the economy in the production and diffusion of a book are important in order to evaluate especially the possible cost reductions by the means of the electronic publishing of it.

The average costs a book production are the following ones :

Fabrication of a book (with photocomposition) :	15 %
Promotion and publicity :	5 %
General costs (fixe costs, personal, …)	14,5 %
Author	9,5 %
Distribution :	51 %

The use of the electronic publishing and the substitution of the traditional production and distribution models by new ones, adapted to the electronic publishing, allow an average reduction of about 40 %.

Nevertheless, this reduction is counter-balanced by the fact that sometimes important investments have to be done in technological infrastructure and in the employement of specialists who are not working, generally, in a traditional - small sized - publishing house (system manager, infographists, …).

But, new constellations between a (traditional) distribution-diffusion company and small sized publishing houses may arise : a small sized publishing house may incorporate in its organization electronic publishing models and infrastructure in order to otpimize the production process of a book and hire a "personal space" within an Internet bookshop (maintained by a traditional distribution company such as Furet du Nord, who is already very active in this field or again the CID - Centre Interuniversitaire de Diffusion - held by the MSH).

2.2.4) The distribution and sales network in France

- Points of sale : between 18 000 and 25 000
  Book libraries : about 2 200
  Geographical concentration : Ile de France (with Paris), Provence-Côte d'Azur

By « point of sales » it is meant any commerce where « books » can be bought . For most of these commerces, the book sale is a secundary aspect with respect to another, primary one : hypermarkets, « press houses », shops of any sort …

Only for some 2 200 points of sale, the « book market » constitutes the primary market.

Most of these book libraries get their supplies by specialised diffusion and distribution networks working for groups of publishers.

The book libraries are confrontated with the same structural problems as the publishers or again the distribution networks :

- Important concentration of book libraries within groups and « mega-groups » such as FNAC (most important librarie in France with multiple stores in most of the bigger cities in France), Clé (with more than 45 points in France), Majuscule (with more than 100 points in France) or again L'Oeil de la Lettre (with more than 50 points in France)
- Creation of small and very small libraries but with a highly incertain life span (2 years for more than 50 %)

Solution models :

- Specialisation of the offer (given the local market)
- Public intervention (price fixing)

- Amelioration of the promotion of new titles
- Specific client and consumer services (« corner for lectures », conferences, …) and creation of new structures (« café littéraire », ….)

The distribution-diffusion channels

The big groups (Hachette, Groupe de La Cité) as well some bigger publishers (Flammarion, Seuil, Gallimard, …) have their own distribution-diffusion networks : CDL-Hachette, Messageries du livre - Presses de la Cité, Sodis-Gallimard, Interforum-Laffont, …

These networks take also in charge the distribution-diffusion of the products of other publishers. The distribution-diffusion networks of Hachette and Groupe de la Cité represent more than 75 % of the total diffusion-distrubtion turnover of the publishing sector.

The small and very small publishers either possess in common a distribution-diffusion network (among others CDU-SEDES, L'Harmattan and Cerf) or sub-contract an independent network such as Sofédis and Diff'édit.

Distribution-diffusion network characteristics :

- Specialised networks with a targetted market (specialisation especially in science, arts, education or again « practical books » ; « targetted market » means only a small number of appropriate libraries.
- Publisher specific networks (of Flammarion or Seuil, for instance) for selected libraries (publisher specific networks are in general not nation-wide working because of economic reasons)
- Networks ether belonging by or partially held by the two principal groups and working nation-wide (Messageries du Livre, Maurepas, …).

Specific problems concerning the specialised and small distribution-diffusion networks :

- Commercialisation of a « critical mass » of specialised literature,

- High price rating of specialised titles,
- Management of the stock of available titles,
- Increasing return of unsold exemplars,
- Economic precarity of small specialised librarires.

2.2.5) Traditional publishing market and electronic publishing market

The publishing sector constitutes certainly one of the principal fields for which the new information technologies constitute an economic challenge. This challenge concernes mainly :

- The production of a title itself (i.e. the procedure of the fabrication and printing of a title) ;
- The distribution-diffusion of a title either via the traditional distribution channels (distributors and librairians) or directely to the end-consumer of an editorial product.

The first aspect concerns especially the domain of electronic publishing that already decreases significantly the costs and the delays of the fabrication of a book and of its printing. A particular point here concerns the printing on demand of a title, this means its permanent availability in a digitalized form but delivered only after command by an end-user. This constitutes a viable solution :

- for the management of the physical stock of printed exemplars including a drastic reduction of the costs of the physical storing in a depot,
- as well as for the return of unsold examplars from librairies.

The second aspect (the aspect of the distribution and diffusion of an editorial product) concerns the growing interest in Internet bookshops which - following the well known examples of Amazon.com or iBS.com - uses the Internet as a medium for selling the offer of one or more publishers.

Even if the turnover is, for the moment, again rather small (about 25 millions of francs for 1998 with respect to 24 billions of francs for the whole publishing sector), it is strongly increasing.

The electronic publishing market possesses some structural specificities which seem to privilege much more specialised publishers than the general ones :

- « Internet bookshop » is only a name but doesn't necessarily correspond to the occupation of a traditional book library : it can be created by any entity - person or collectivity - therefore also by every principal professional actor in the publishing sector : library, but also distributor or again publisher ;
- an Internet bookshop addresses directly to the (potential) end user of an editorial product and has not to pass by the traditional circuits : publisher, distribution network, library. This means a significant cost reduction.
- An Internet bookshop has not necessarily to deal with problems of stocks of printed examplars of a title. Principally , all titles can be stored in a digitalized form and printed only in command.
- Diffusion and distribution of a title are not restricted to geographical or national barriers - it can be done world wide with the help of the appropriate web marketing services.
- The author of a title can easily update the informations in one of his/her titles available on an Internet bookshop.

These features make an Internet bookshop interesting especially for specialised publishers - publishers, specialised, for instance, in science and technology as this is the case of Hermes Science Publications who is particularly active in this field.

But, for the moment, this challenge has not yet been accepted by most of the publishers who take a very cautious option of a simple presence on the web with a web site presenting their catalogue.

Nevertheless it seems probable ; that their will be, in the next years, an increased competition in this field between publishers, distribution networks (such as Furet du Nord already active in this field) and some « big » librarires.

2.2.6) Some Competitors

a) the web site http://www.oohoo.com/

This web site, developed by specialists in traditional publishing (the responsibles are people having worked before with a French publishing house called Flammarion. The site has been developed 1998 with a global budget of about 3 million Francs. 00h00com operates, actually, in the field of general literature (fiction and non-fiction) and for a general public as this is the standard case for all actually existing Internet bookshops. But, as it seems, the internal strategy is, for the moment, not clearly defined. 00h00.com, as most of the other Internet bookshops is looking for specific markets which are commercially viable : re-production of classical titles (not falling under copyright law), specialised literature in science and technology, … Nevertheless, it has to be stated that given the particular organization of scientific and educational institutions in France (most of them are public institutions headed directely by the Ministery of Education and Research), this market seems to constitute a very difficult access for sociological reasons.

The site 00h00 com proposes for the moment :

- A continuously updated catalogue of books especially in literature and general culture;
- The possibility to buy an electronic version of a book (which will be sent to the user 30 minutes after the command as a .pdf file attached to an email message)
- A discussion forum.

b) Other Internet bookshops

There exist in France a several Internet bookshops which are more or less similar to 00h00.com. - bookshops such as :

Alapage.com : http://www.alapage.com/ (proposes also a "partenariat programme" for those who want to create their own Internet library based on the Alapage library and using the Alapage databases)

Bol.com : http://www.bol.com/ (offers especially a user the possibility to define his/her own user profil, this means his/her specific interests in order to obtain informations - via a personnalized dynamic information service - particular to his/her interests; bol.com is also implemented in Germany, United Kingdom, Spain, Switzerland and the Netherlands).

2.3) The Tourist Market: general context

2.3.1) General figures

France is still the first touristic destination in the world, with more than 70 M visitors in 1998, and the second (behind US) for the tourism income. In 1998, income has raised sharply, reaching 27 M Euros.

The breakdown of foreign visitors in 1996 showed that 88% came from Europe, 6.7% from the Americas, 3.6 from Asia-Oceania.

In 1998, the French travelling inside the country for holidays have increase by 2.6%. Rural guest houses ("gîtes ruraux") customers increased by 19.5%, hotels only by 6%.

In 1997, foreign customers of hotels increased by 10%, with a preference for hotels with more than 3 stars.

British prefered Britanny, Belgians, Dutch and Germans came back to the Atlantic coast, Spanish and Italians overhelmed Mediteranean coast. Paris saw more Americans, British and Japanese than before. 80% French spent their holidays in the country, first of all in the South-East.

2.3.2) French Tour Operators

French tour operators are in a weak position to face the German and British giants. They are only two among the ten first european groups. Tourism in France is still characterized by small craft firms. Only Nouvelles Frontières has pursued a vertical concentration, with its airline Corsair, but is not yet present on the stock exchange. Fram is the only group that makes benefits, the others being at best in balance. Projects of concentration in the Tour Operators sector include :

- an attempt by the Canadian Transat to broaden its presence in France (it already owns Look Voyages).
- an alliance between the Europeans Accor and Agnelli (which owns Club Méditerranée).
- Accor buying Havas Voyages Tourisme.

2.3.3) Internet in the French Tourism Sector

The Background

In the eighties, French airlines transformed their Computer Reservation Systems, dating back from the sixties, into Global Distribution Systems. In 1982, the creation of Minitel (videotex) prefigured the present Internet services. In 1987, the European airlines implemented two GDS :

- Amadeus (including Air France) and
- Galileo (including British Airways and United).

On the Minitel, Sesamtel, which was intended at the individual hotels, specially SME, had less success among them than among the Hotel groups who used it as their main reservation system.

The small hotels had several difficulties : internal organization, follow-up of the reservations, paying the travel agents, overbookings… The Europe financed Magellan system was a failure from the beginnning : oversizing, no estimation of the real needs, no implication of the tourism associations at the initial stage, too much centralization.

Reservation systems are mostly used by professionals, 65% by tourism agencies and tour operators, 20% by private companies, 15% only by individuals.

There are about 30 booking bases in France, which include 20000 hotels in the world, 3500 in France (210000 rooms). Most bases are connected to a GDS and two thirds have their own website.

Nights sold through these bases correspond to only 5% of the sales of member hotels. However, these bases have a crucial role, in driving the first time client towards an hotel he does not know. In the future, he will get directly in touch with the hotel for booking.

Minitel

The existence of Minitel is one of the first factors accounting for the low penetration of Internet in France. Minitel consists of 6 millions terminals with 14 millions of users, about 22000 services and a turnover of 1 billion Euros.

There are today more than 300 sites dedicated to hotels through the Minitel ; 250 giving informations ; 150 owned by tourism agencies or tour operators. Few of them however have a regular and significative audience.

The most successful sites are the ones providing practical infos or enabling booking, e.g. SNCF (20 M connections/year), Dégriftours, Nouvelles Frontières or Météo France. Dégriftours gets 25% of its orders through the Minitel.

Institutional providers

Under the notion "institutional providers", are regrouped administrations, tourism offices, and tourism federations.

In 1998, most Regional and Departemental Tourism Offices were present on the web. 78% of the Tourism Offices having a web site in english. 46% only used e-mail. No mailing lists existes. 80% of the sites offered an event calendar, 61% a list of hotels. The Ministry of Tourism has a web site since 1997, dedicated both to professionals (news, documentation) and the general public (special events, links to local informations).

Private Sector

Under the notion "private sector" are regrouped airlines, tour operators, all categories of hotels.

Hotels

Only one French Hotel group (Envergure) has an real time online reservation service. Most big groups are in the process of building such a service.

The volume of online trade in this sector is more than 20 M francs (3 M Euros): 10-12 M Frs (1.5-2 E) for Accor only, which is marginal compared to the 50 M $ by Marriott. Relais et Châteaux sold 2 M Frs in 1998, two times more than in 1997.

Tourism offices and hotel companies are facing new competitors on the Net : itinerary sites, regional newspapers, federative sites (free or charged).

Tour Operators

In France, the online reservation of travels is standing behind compared to Northern Europe and the United States. While in the US, reservation systems were implemented by associations of tourism operators with partners of other sectors (computers, banks…), in France, they were implemented mostly by existing tourism operators.

Only one operator, Dégriftour-Réductour, is selling online exclusively (teletext and web). In 1997, the share of the Net in its global sales (51 M Euros) has rised from 2% to 10%. Dégriftour estimates that its prices are 5% to 20% lower than its competitors selling by paper catalogs.

In the last three years, Nouvelles Frontières saw the traffic on its web site doubled (60 000 monthly), leading to 20% more sales (300 orders monthly on the web, 5000 on Minitel). Nouvelles Frontières is building a list of its internet visitors (6000 names), who receive by email offers on their favourite destinations. Nouvelles Frontières will soon open localized web sites for Belgium, Spain and Greece.

Club Méditerranée maintains an English only site, targeted at its large American clientship (154000 Euros/month). The Club's web site welcomes 5000 visitors daily. Its golden book amounts to 23000 names, who receive customized offers.

La Compagnie des Voyages offers 250 000 prices on 900 destinations (through TISS).

The consumer

20% of French families own a personal computer, less than the German (30%) and the British (25%). 1% of the families are connected on the internet, while the total number of users, at home or office, amounts to 3 millions. More than 1/3 of the users earn more than 50 000 euros/year, 85% completed BA or more. Thus, the companies which traditional clients do not belong to these categories have little incentives to join internet actively.

In the mail order, Minitel represents less than the quarter of business, far less than telephone and paper mail. In the specific domain of tourism, minitel is also less prefered than phone : Club Méditerranée did 30% of its sales by phone, 5% by minitel ; Nouvelles Frontières three times more by phone than both by minitel and the web. Although SNCF is one of the most accessed minitel service in

France (20 M connections), it accounts for only 5% of sales, most visitors looking for informations without using the online booking. This is noticeable, as far as no Credit Card number is asked for, neither personal informations, the customer being able to buy its ticket before departure by any form of payment. So there seems to be a certain reluctance using the facility. On the other side, the French customer has been used to be offered online booking for a long time, so he will certainly follow the trend towards internet.

It has to be noted down that for long the French law on encryption was rather restrictive, contrary to other Western countries, thus limitating the options for confidentiality of payments. The regulations have been much liberalized in 1996 and 1998.

The users of booking systems prefer for the moment to make their orders by mail. Out of 15 request of information by email, two lead to real orders (Ski France, Relais et Châteaux).

Virtual travel agencies available on the Net are mostly American and do not answer properly to the model that Dégriftour made popular in France through the Minitel. They revolve mainly around Business travel and offer well identified products, first of all plane tickets (sometimes only for US citizens or destinations).

2.3.4) Some Competitors

- **Simpatic**, run by FNIH (Fédération Nationale de l'Industrie Hotelière) :

1200 members (end 1997), contributing 110 euros/year.
Hotels are introduced by 5 webpages.

- **Hachette.net (**http://www.hachette.net/**)** :

10000 hotels listed ; those contributing 400 euros are provided a standard detailled presentation with English translation. This site benefits from Club Internet, one from the main internet providers in France.

- **Relais et Châteaux** (http://www.relaischateaux.fr/) :

300 000 euros turnover in 1997 (on 1 billion euros totally). The 415 members have an email address. A online payment system was planned end 1998.

- **Club Bonjour France (**http://www.clubbonjourfrance.com**):**

1066 hotels (1999), with a page of basic presentation for each.

- **Carlson Wagonlit** (http://www.travelonweb.com/) :

The first travel agency network to offer online reservation with secured payment (inherited from Minitel)

- **Selectour** (http://www.selectour-voyages.fr/index.html) :

460 travel agency network. Online reservation by secured payment. The intranet will enable agencies to communicate and benefit from informations and image banks.