



PARIS CALLING



Recovering unpublished figures of the evolution of the number of restaurants in Paris, Protocol reveals that 884 entities disappeared in 2013. Chadi Chidiac, manager partner of protocol, analyses this phenomenon

According to unpublished figures by the Registry of the Commercial Court of Paris (le Greffe du Tribunal de Commerce de Paris) there are more than three restaurants created a day. In 2013, Protocol identified 1,337 restaurant registrations in Paris, at 3.66 openings. The number of restaurant closures, however, was greater, with six units going out of business every day. In 2013, a survey by Protocol reported 285 closures.

Registrations have hardly shown an increase at 1,334 in 2012 to 1,337 in 2013. In total, Paris lost 884 restaurants in 2013.

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Compiled by Protocol

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Low entry barriers

In 2009 the VAT rate fell from 19.6 to 5.5 percent. Since then, VAT has risen to seven percent and again to 10 percent and could increase to a further 12 or 13 percent in a few years. Paris was attractive for new businesses but is less so now. The increasing number of restaurant closures is caused by several factors. First, there is the absence of entry barriers to the F&B market. To open a hair salon, a hairstyle CAP is mandatory, while opening a restaurant requires finance; there is no requirement to be qualified in the field of hospitality.

Bernard Boutboul, CEO of Cabinet Gira de Conseil, a French consulting firm and a partner of Protocol is skeptical about a new restaurant being created every day in Paris. He says “I’d believe...that one restaurant is out of the market every day.” Protocol revealed to him the numbers of the Registry of the Commercial Court of Paris, which reconfirmed his impression.

The role of the restaurateur is becoming more complicated. Investors must do their homework by executing feasibility studies and market research; also their essential business plan prior to opening their own entity.

Shorter life-cycle

Protocol research shows that from 2005 to 2010, the average life of a restaurant in France was seven years, whereas in the last couple of years, it was around two years. COFACE, a globally operating credit insurer offering companies solutions to protect them against the risk of financial default, recorded 306 restaurant failures between May 2013 and April 2014. Failures of Parisian restaurants represent around 38 percent of the total failures recorded.

In Paris, potential consumers are active in creating a dynamic market and an exponential proliferation of supply. This proliferation makes for an ultra-competitive industry.

Consumer behavior

Consumers are also informed and connected clients. 46 percent search the Internet before choosing a restaurant compared to only 23 percent who ask friends and family members about recommendations. 61.5 percent do not hesitate to comment on their dining experiences, with 40 percent opting for Facebook compared to 22 percent logging on to La Fourchette, an online restaurant directory that offers feedback options. The same survey revealed that the actual average check for gourmet restaurants increased by 4.5 percent between 2013 and 2014 with, on average, more than EUR 31 bills.

According to the study Protocol undertook, consumers in France have decreased their weekly outings yet those same consumers are still willing to pay the price of a decent meal. The study revealed that the French were less likely to attend gourmet restaurants; 42.7 percent say they visit restaurants less often, because of the crisis, compared to 31 percent a year earlier. On the other hand, the price is no longer a hurdle for them. There are only 30 percent of restaurants that now believe that the guest check average is the main factor dissuading consumers from visiting high-end restaurants, compared to 54 percent a year earlier.

Restaurant and menu offerings are varied, especially in the first, second, eighth and ninth districts, Montparnasse, Bastille

and other docks. In 2013, there were 13,643 active restaurants according to the Registry of the Commercial Court of Paris. If the negative balance is reported at 884, it is an equivalent of 6.5 percent of the restaurants that have disappeared.

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