



CHILE: MARKET STUDY



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COUNTRY PROFILE

- Area: 756.950 km²
- Population: 17.574.003 inhabitants
- Median Age: 34,9
- Declining birth rate
- Per capita income: USD \$27.020 PPA in 2022
- National currency: chilean peso (1 chilean peso = 0,0012 euros)
- Strong economy, undergoing a process of internal economic liberalisation



TRENDS IN THE SECTORS

TOYS

- The toys sector is expected to grow between 7 and 10% until 2027.
- Chile's toy market worth was 631 million USD (2018), fifth major country in Southern America.

APPAREL MARKET

- Continuous growth of children's clothing (729 million USD in 2016 vs 853 million USD in 2021).
- Important aspects when buying: practicality, comfort, offers.
- 71% of the interviewed in a survey paid particular attention to brand name in case of clothing and shoes.

TRENDS IN THE SECTORS

FOOD

- Growing market
- Not the most profitable market in the Southern America region: Peru, for example, almost doubles Chile's spendings

BOOKS, FURNITURE & LINENS

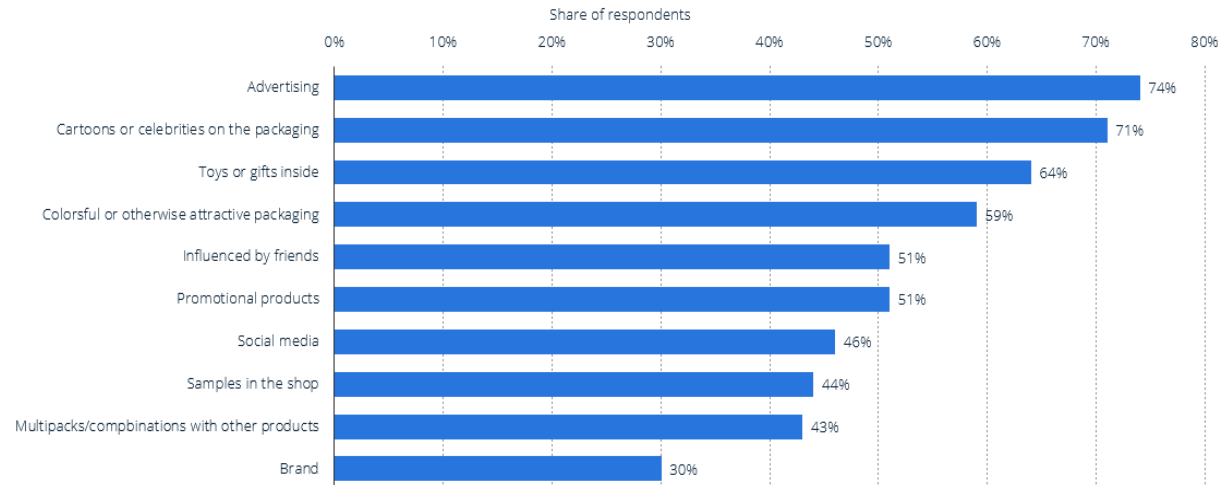
- Forecast of consumers' spending on furnishings and household equipment shows a continuous growth until 2028
- Record reached in 2020 regarding publishing of children's books (sector growth 2010-2021)
- Spain exported over 230.000 children's books (language facilities) in 2019
- 9,5% of eBooks read in 2021 were addressed to children

CONSUMER BEHAVIOUR AND MARKETING

- There are large income differences between the Chilean population and a very small upper class.
- Purchase categories in which children were decision makers (vs parents) (2019): products related to entertainment and sweets.

Regarding MARKETING:

- Free-to-air programme have been decreasing.
- YouTube usage by Chilean children exponentially grew: 89% of Chilean children use this platform (2019). It is the Southern America country were most children use YouTube.



Reasons why children selected a particular product or brand in 2019

IMPORT POTENTIAL

- In general, the countries that export the most to Chile are China and the United States.
- Spain exports many products, mainly food. Moreover, Spain is the main exporter of children's books to Chile.
- Chile is a country that exports all over the world, but the main destination is Asia (58,5%).



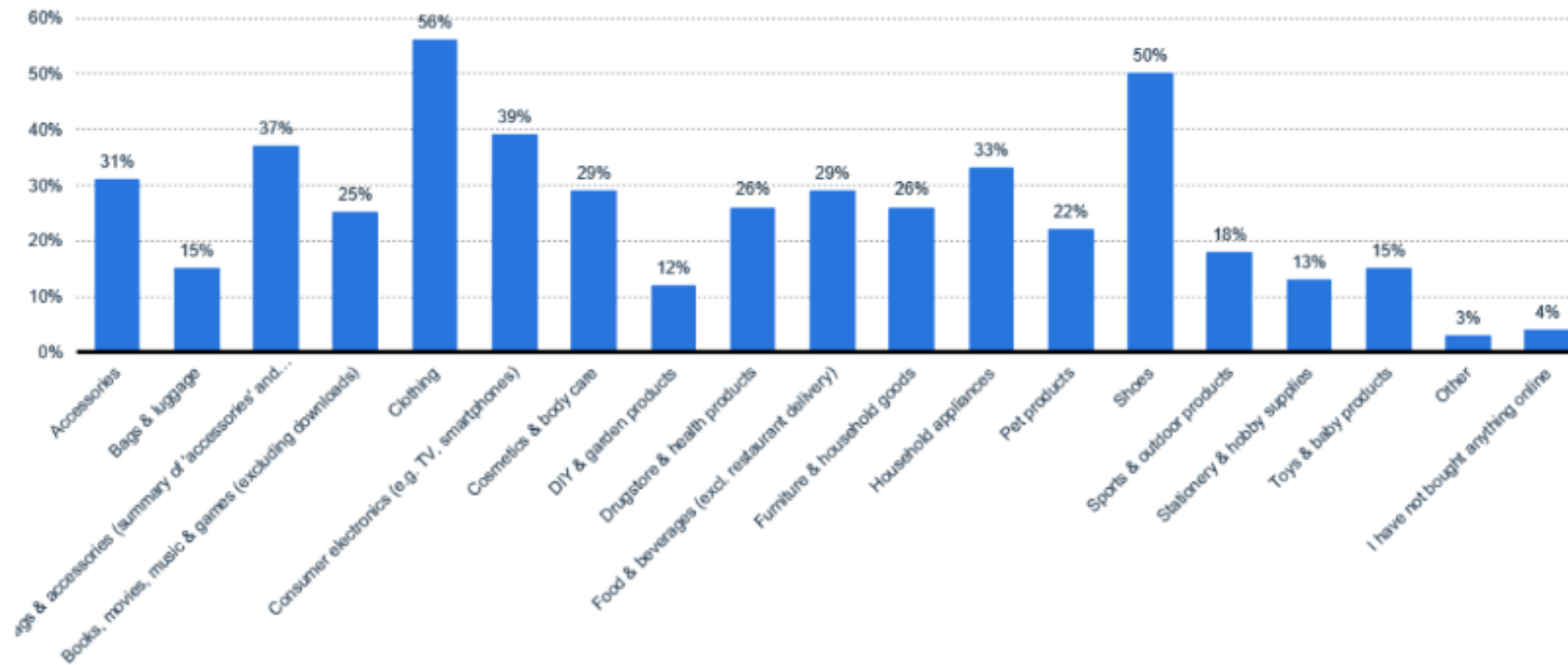
DISTRIBUTION CHANNELS

- **Offline sales:** concentrated in supermarkets and hypermarkets - the largest market share is concentrated in Walmart, Cencosud and SMU – and department stores (Falabella, Paris and Ripley have almost 100% of the market share).
- For furniture most of the sales are offline.
- Business to consumer (B2C) **e-commerce** is growing at a compound annual growth rate of 29%.
- For children clothing and footwear e-commerce has gained a lot of importance.
- Marketplaces are commonly used.
- Smartphones (57.98%), laptops and desktop computers (41%) and tablets (1.2%) are the main channels for connecting, searching and buying.



E-COMMERCE

- The main means used by Chileans to go online are phones, computers and tablets.
- The principal items bought online are clothing (56%), shoes (50%) and electronics (39%).
- Ecommerce grew 23% in 2021.



Which products consumers would rather buy online, rather than offline

BEST LOCATIONS FOR MARKETING



- Santiago is Chile's business center, with aprox. 40% of the country's population.
- Concepcion and Valparaiso are becoming increasingly important.
- The Antofagasta region is the region with the highest GDP per capita in the country.



COMMERCIAL OBSTACLES

Obstacles foreign companies can encounter when entering the Chilean market are:

- RUT (a tax identification number which foreign companies don't have) is required.
- The Regulation on Consultants by the MOP requires, for registration/bidding purposes, consortia with foreign consultants to include at least a national consultant with a minimum participation of 30% of the value of the contract.
- Legislation prohibits, under certain conditions, foreign companies to participate in tender procedures.
- Toys are among the products that require pre-market certification.

CIRCULAR ECONOMY

- In Chile, the Circular Economy Office, under the Ministry of Environment promote reuse and recycling methods. For exemple: *Chile Circular sin Basura* initiative.
- Chile is the South American country that imports the most used clothing per year (although it is estimated that aprox. half of these end up in illegal dumps).
- Atacama desert case.
- There are private-public agreements to promote circular economy.

SUSTAINABILITY

- Ranked by Cambridge University as the most advanced Southern American country in sustainability (28th position worldwide, 2020).
- Many laws and tools are used to promote sustainability in Chile.
- Companies are developing recycling methods and initiatives. For example: Modulab (through discounts).
- Chilean children rank 1st as most worried children for the implementation and efficacy of sustainable measures (compared to other Southern America countries): 84% of surveyed children (2019).

GENDER



- Chile as a country is struggling to eliminate the gender gap in society.
- The gender gap in Chile is 73.6%, still below average.
- In the children's clothing sector, the gender difference is more significant than in toys.
- In any case, and concerning the sectors of interest, many campaigns –private and public- have been promoting gender neutral toys and clothing. Example: Tinku ball campaign, proposed by Futbolmas or campaign Lets Toys Be Toys.

SDG

Compared to the US and South Korea, many of the goals in Chile are on track to maintaining their achievement. Plus, compared to the other two countries, in Chile none of the goals achievement is decreasing .

Chile scored 28 out of a 163 countries in the general SDG index rank, positioning itself even before the US and only one point behind Korea.

Major government implication:



DIGITISATION

- The Chile Digital 2035 transformation strategy recognizes that Chile is above the Latin American average in terms of citizens' internet use.
- Chile is the country with the most entrepreneurs per capita in the world, but only 8% are sustained over time (their business survives 42 months of life). The main cause behind this systemic problem is the failure to adapt to digital technology.
- Digital commerce in the country has been boosted by the COVID-19 pandemic.
- 91% of companies had internet access. However, the quality of access was not optimal.
- 60% of these companies had contracted speeds below 30 Megabytes per second (Mbps) and only 9% had contracted speeds above 100 Mbps.



MAIN ASPECTS TO ENTER THE MARKET

| STRENGTHS | WEAKNESSES |
|---|---|
| <ul style="list-style-type: none">-Followers of European Trends (gender equality)-Digitised country-Access to online banking-Great impact of communication actions-No import taxes for EU countries | <ul style="list-style-type: none">-Low birth rate-Not a big market compared to other Latin American countries (over 17 million inhabitants compared to, for example, 46 million in Argentina). |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none">- European countries are culturally similar to Chile- Chilean market perceives European products as high quality, also with high compromise with sustainability- Globalisation has homogenised trends in fashion and footwear- Most of TV programmes and films are seen worldwide, and these have massive impacts on children desire | <ul style="list-style-type: none">- Cheaper production costs in Asian countries- Geographical distance may increase transport costs- Circular economy is yet to be developed in the country- Generalised inflation |



MAIN ASPECTS TO ENTER THE MARKET

- Positionate products as high quality. To compete with other economies like China in costs would be difficult and would also imply the loss of key resources for European firms.
- Give products progressivist perspective. Not only benefit from the tendency in the country, but also impulse it.
- Social awareness is crucial in Chile. They are very collectivistic.
- Take advantage of sharing the same language (for Spanish products). This will bring the consumer closer to the different brands.
- Advertising and TV programmes have a massive impact on Chilean children. For marketing, this would be key.
- Allies will provide invaluable help. Build strong relationships with the Chilean industrial network.





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