

MARKET FOCUS CHILE



Country Background

Flanked by the Andes mountain range in the east and the Pacific in the west, Chile is a thin strip of land 2,174 miles (3,500 kilometers) long and only 265 miles (430 kilometers) at its widest point. The country has a wide variety of climatic conditions; desert in the north, temperate in the central regions and cooler in the south.

Around 85 percent of Chile's 16 million population live in urban areas with a total area of over 289,500 square miles (750,000 square kilometers)— 40 percent live in the Santiago metropolitan area alone. Other important cities are Viña del Mar, Iquique, Temuco and Concepción.

Since 1989, when Pinochet's 16 years of military rule came to an end and the country returned to democracy, Chile has been the fastest growing economy in Latin America. It has an annual real growth rate of 5–7 percent, was the first South American nation to join in the U.S. sponsored Free Trade of the Americas agreement and, in 2007, had the highest per capita GDP in Latin America (U.S. \$14,400).

The national currency is the Peso and the official language is Spanish. Over three-quarters of the population are Catholic.

Marketing Environment in Chile

About one-third of the world's copper comes from Chile, with the recent high prices contributing to Chile's sustained economic growth. Although the country was

once highly dependent on copper, it has diversified into other areas. Chile is now the largest fruit exporter in the southern hemisphere — 2006 fruit exports reached U.S. \$2.8 billion. Salmon farming has rapidly expanded since the mid-1980s and Chile will soon overtake Norway to become the world's largest salmon exporter. Chile is also an important producer of wine and forestry products — exports reached U.S. \$1.3 billion and U.S. \$5 billion in 2007 respectively.

Codelco, the major producer of copper in the world, is one of the biggest companies in Chile, employing around 20,000 people in 30 countries. It made over U.S. \$9 billion pre-tax profits in 2006. The copper is exported all around the world; in 2005 43 percent went to Asia, 29 percent to Europe, 16 percent to South America and 12 percent to North America.

In November 2002 new legislation was approved, known as the "Platform of Investments". This has stimulated foreign investment by offering overseas companies new business opportunities which are exempt from local taxes and have additional associated benefits.

Unique Challenges for Marketers in Chile

The Chilean market can be very different from its Latin neighbors. For example, in Latin America around 75 percent of mobiles are post-pay (contract) and the remaining 25 percent are pre-pay (pay as you go). However, in Chile the opposite is true — 80 percent of mobiles bought are pre-pay and only 20 percent are

MARKET FOCUS CHILE



post-pay. Potential investors need to be aware how unique the Chilean market can be. They need to have a thorough understanding of the key market drivers and be prepared for surprises.

There are large differences in the distribution of income in Chile — the richest 10 percent of the country earns nearly 40 percent of the national income. These different segments of the population have very different consumer habits and preferences. Marketers must take these differences into account before developing any marketing plans, campaigns and ads to ensure they target their products and services to the right segments.

Demographic Structure

		%
ABC1	Upper, middle and lower upper class	6.2
C2	Skilled working class	15.1
C3	Mid working class	21.2
D	Working class	37.5
E	At the lowest level of subsistence	20.0

Source: Corpa - Total country

Media Environment in Chile

	TV	Computer Ownership	Cable TV	Internet Access	Broad-band	Mobile Phone
Penetration (%)	95	30	7.5	27.1	23	85
Users (MM)	15.4	3.0	1.2	4.4	3.7	14

Chile's national and local terrestrial channels operate alongside extensive cable TV networks, which carry many U.S. and international stations.

Media Consumption	Audience (%)	Heavy Users (%)
Terrestrial TV (Last 7 days)	98.9	11.5
Radio FM (Yesterday)	71.0	21.7
Radio AM (Yesterday)	3.3	
Magazines (Any)	41.8	3.8
Newspapers (L-D)	57.1	14.0
Internet (Users last 30 days)	43.4	12.9
Cable TV (Last 7 days)	35.1	—
Cinema (Last 30 days)	10.9	—

Source: TGI Chile 2007 Wave II V12.13.2007

Radio is an important source of news and information in Chile. There are hundreds of radio stations, most of them commercial. The most important radio station for news, Cooperativa, has a daily audience of some 210,000 listeners, followed by Radio Chilena at about half that figure.

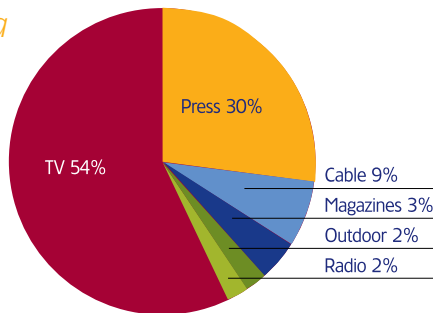
While 300,000 of the richest residents of Santiago read the conservative broadsheet *El Mercurio* (out of a total readership of 1 million), it only has 5,000 readers from the lowest socioeconomic sectors. They prefer the tabloid newspaper *La Cuarta*, which is read by 325,000 low-income people who constitute three-quarters of its audience.

The advances in technology are changing the way people consume media. Cell phones with Internet access and multimedia capabilities are increasing in popularity and reducing the dominance of more traditional media.

MARKET FOCUS CHILE



Share of Media



Source: Megatime Advertising Industry (total investment - not including non-traditional media)

Top Media Outlets in Chile

Television	Cable TV	Newspaper	Magazines	Web sites
TVN	Jetix	El Mercurio	Caras	Romántica
CHV	Sony	La Tercera	Cosas	Cooperativa
Canal 13	Nickelodeon	LUN	Paula	Infinita
Mega	Cartoon Network	Publím metro	TV Grama	Duna
La Red	Warner	Estrategia	Capital	Corazón

Source: Megatime - in order of advertising investment

Chile's Top Advertisers

1. Unilever
2. Falabella S.A.C.I.
3. Paris S.A.
4. Procter & Gamble Chile
5. Ripley

Retailing in Chile

Over the last 15 years, the Chilean retail market has undergone dramatic change due to the growth of the economy, an increase in consumption, the boom of

credit cards and, undoubtedly, advances of technology. Nowadays, retailers such as Falabella, Ripley and Paris supply consumer loans through their own financial institutions. This has also helped boost sales as, unlike many other banks, they grant credit to people on low incomes, making the purchase of big-ticket items available to all. Once they have exhausted the potential for growth in the relatively small sized Chilean market, many retail chains expand into other Latin American countries, such as Argentina, Peru and Colombia.

Chile's retail sector is modern, dynamic and highly competitive. Many international chains have entered Chile, only to leave within a few years due to financial losses. For example, JC Penney, the largest department store in the U.S. arrived in Chile in 1995 and opened two stores in Santiago. Within five years, it had sold its assets to a local competitor. Carrefour, the French multinational and Home Depot, the U.S. hardware retailer both came to Chile in 1998 and by 2003 they had sold all their stores.

Key Millward Brown Metrics

	Awareness Index	Persuasion	Enjoyment	Involvement
Total	3	21	3.73	4.34

Fun Facts and Trivia

The Chinchorro mummies were discovered in the Atacama desert in what is now Northern Chile by Max Uhle in the early 20th Century. The earliest site of the Chinchorro people dates to 7,000 BC and the first evidence of mummification dates to approximately 5,000 BC in the Quebrada de Camarones region, making these mummies the oldest in the world.

Top Tips

The top places to visit and activities in Chile are:

- The Geysers in the north of Chile — San Pedro de Atacama.
- The Torres del Paine National Park located in the south of the country. It covers 698 square miles (1,810 kilometers) and contains mountains, glaciers, lakes and rivers. The park was designated a World Biosphere Reserve by UNESCO in 1978.
- Skiing. The best time to go is between May and July. Try visiting “La Parva”, “El Colorado”, “Valle Nevado” and “Lagunillas”.
- Easter Island is 2,000 miles (3,218 kilometers) from the nearest population center, making it one of the most isolated places on earth. It is known for the giant, stone monolith heads, “Moai”, that dot the coastline.
- The vineyards at Ruta del Vino. While visiting you can taste the marvelous Chilean wines and take in the wonderful landscape.
- Fishing in the lakes in the south of Chile.
- Although credit cards are accepted in the city, when traveling further afield, be sure to take cash.
- Tips are accepted, the usual rate is 10 percent of the total cost.

Eating Out

- While in the country try some of the classic Chilean dishes: empanada (pastry stuffed chicken or beef), pastel de choclo, (Chilean corn and meat pie), cazuelas (soup) and humitas (masa harina [a special corn flour used for making tortillas] and corn cooked in corn leaves).
- If you like seafood, head for Mercado Central — Santiago's central fish market. As well as selling fresh fish from the day's catch, it also contains several seafood restaurants.
- Don't forget to try a pisco sour and chicha (national drink on Chile's Independence Day).

Must Read

Pablo Neruda and Gabriela Mistral are two Nobel Prize winning poets. Two poetry books worth reading are “20 Love Poems and a Desperate Song” and “Sonnets of Death”.

To Buy

- Lapidazuli jewelry — a beautiful, blue, semi-precious stone unique to Chile — copper crafts and items made from clay.

Useful Links

www.sernatur.cl — tourist information

www.visitingchile.com — tourist information

www.terra.cl — news