EMBASSY OF INDIA

SANTIAGO

CHILE

GARMENT MARKET SURVEY

DECEMBER 2017

Commissioned from Ms. Carmen Fuentealba

on behalf of the

सत्यमेव जयते

Economic Diplomacy Division

Ministry of External Affairs

INDEX

This market survey aims to provide relevant information on the garment sector in Chile so that Indian exporters may get a deep understanding of it and may also develop and execute a successful market entry into Chile.

The survey includes quantitative information such as market size, import and export statistics, sales by distribution channel and type of product, among other data. It also contains qualitative information about companies, products, consumer profile, entry requirements, etc.

1. Market Overview

1.1 Market Size

In 2016, Chile was the largest per capita consumer of garment in Latin America (US$ 315), followed by Argentina (US$ 209) and Brazil (US$ 118). It is estimated that in 2016 each Chilean bought in average 37 pieces of garment (including underwear).

According to Euromonitor International, in 2016 apparel and footwear was impacted by economic deceleration, but not as strongly as other sectors. It is worth mentioning that Chilean economy has been affected by a slowdown in last years; between 2010 and 2013, it growth ranged from 4-6%, while in 2014-2016 it decreased to 2%. Despite of this, in 2016, apparel sector experienced a growth of 6% and 3% respectively in retail value and volume terms, while the review period CAGRs reached 7% and 5%, respectively. See chart below.

Sales of Apparel: Volume and Value 2011-2016

	2011	2012	2013	2014	2015	2016
Volume (units)	532.185.000	574.811.000	612.062.200	627.810.500	648.316.700	665.845.700
Value (US$ million)	4.783	4.962	5.348	5.437	5.547	5.648

Source: Euromonitor International

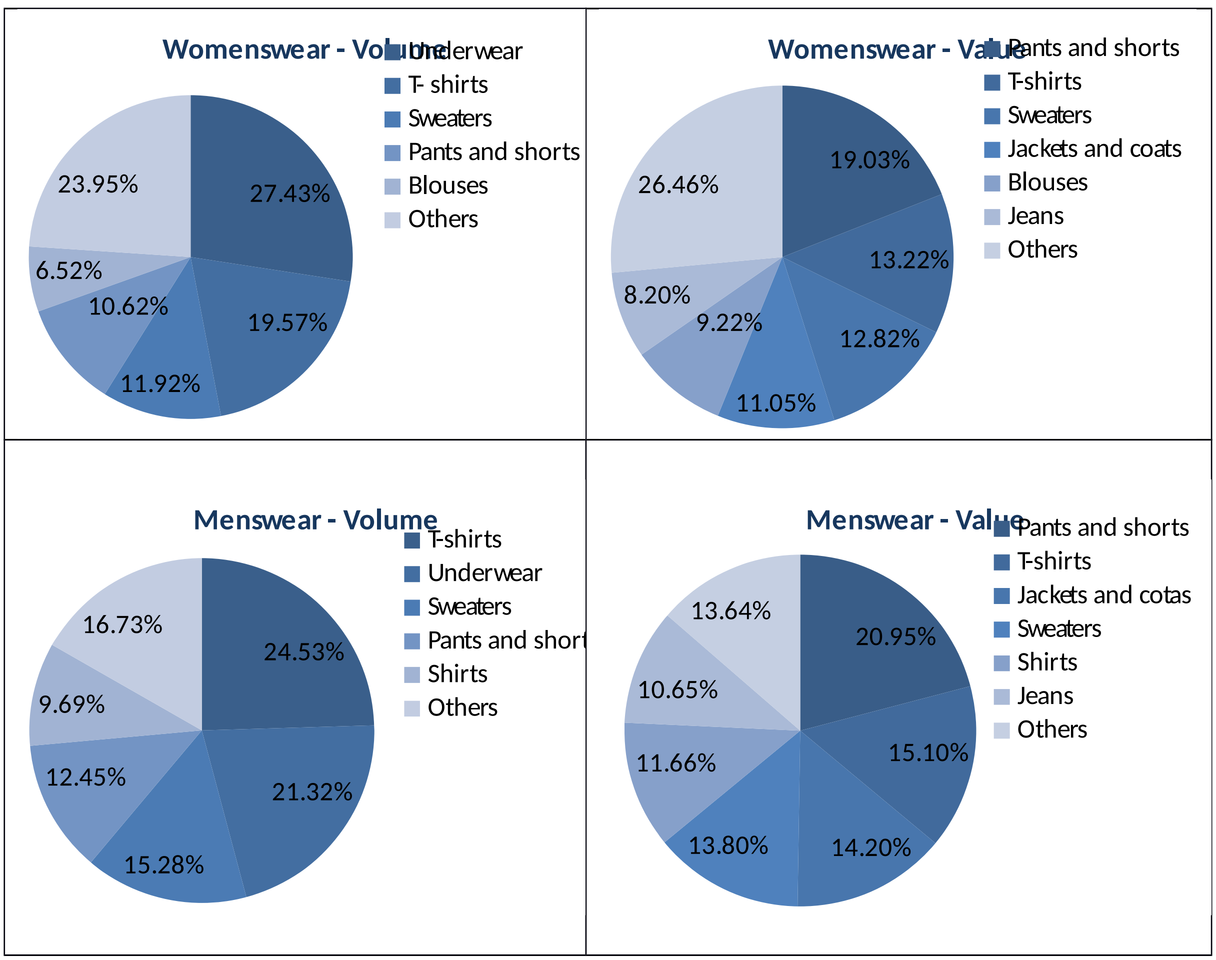
According to the same source, this sales growth of the garment sector is partially due to the entry into the Chilean market of several international brands, such as H&M, Forever 21, Banana Republic, Zara and others. For several of them, Chile was their first incursion in the Latin American market. Despite of this, private labels of large retailers (such as department stores) and supermarket chains continue to lead the market. Main three private labels (belonging to Falabella, Cencosud and Walmant represents almost 17% of total. Moreover, private label apparel is quite significant for retailers, accounting for 15-35% of their total sales.

Growth was also boosted by the expanding middle-class population and the upsurge in the number of young consumers who are becoming increasingly financially independent.

In terms of retail value, in 2016 most of sales corresponded to womenswear (49.1%), followed by menswear (36.5%) and children wear (14.4%).

The following chart shows main type of garment sold by gender, in volume and value terms.

% Market share per category and type of garment - 2016



Source: Euromonitor International

Related to children wear, in 2016, retail sales (in value terms) are split in Baby and Toddler Wear (35.8%), Girls' Apparel (32.7%) and Boys' Apparel (31.5%).

Until the 70´s, Chilean textile industry used to be very important in the internal market. In 1965, the textile sector represented almost 18% of total GDP, fulfilling about 97% of total internal demand. Textile industry used to manufacture high quality products (mainly of wool, linen and cotton), but was not efficient in terms of costs.

In the 80´s, Chile started a unilateral opening process to foreign trade, dramatically and unilaterally decreasing duty taxes and simplifying import procedures. In the following decade, this process was reinforced with the signing of commercial agreements with several countries reducing duty taxes even more. The subsequent massive entry of textiles and textile products (mainly from Asia) caused the closure of most of local textile and garment producers, which could not compete with the low cost of imported products.

Currently, the Chilean textile sector (including textiles products and garment) represent almost 2.5% of total GDP. It is estimated that nowadays 93% of the apparel sold in Chile is imported.

1.2 Consumers and trends

Until a few years ago, Chileans were very conservative in their clothing, especially for work. Business dress code was almost always suit and tie for men and matched skirt and jacket for women. Both usually wore mostly dark colours and traditional and inconspicuous designs.

In recent years, Chileans have become more conscious about their personal appearance and image and are more willing to invest in better clothing. Consumers are becoming increasingly exposed to global fashion trends and styles, and are more willing to venture beyond mainstream brands and fashion. Even in the case of children, parents are slowly turning to more fashionable styles for their kids, as these latest are increasingly aware of fashion trends and are more often decision-makers regarding what to wear or from where to buy.

Besides, the number of working women in Chile is increasing fast; they have now a higher disposable income to buy clothes for work and leisure. They are also motivated to invest more in clothing, in order to look better in their jobs and social life activities.

By the other side, Chilean men, especially younger ones, are becoming increasingly fashion-conscious and are taking pride in developing a personal style and wearing fashionable clothes and shoes.

In addition, Chilean consumers are more conscious about wellness and healthcare, boosting a fast-growing market for sport related products and services, such as sports apparel. Currently, it is more acceptable for consumers to wear sport clothes in day-to-day activities and even to work, rather than just for exercising.

The “fast fashion” concept (driven by the arrival of international chains such as H&M, Forever 21, Zara, etc.) is well installed in Chile, especially among young people. It has encouraged consumers to constantly adopt newest fashion trends by buying more often clothes, shoes and accessories, generally of low cost and poor quality.

Also, several families usually prefer to invest in low-cost garment for their children (i.e. clothing sold in hypermarkets), given the heavy usage and frequent washing under which they will be subject and to the fact that they should be renewed often due to their children's growth.

Nevertheless, there is still a group of consumers that is willing to pay more for superior quality and exclusive products, as well as for handmade products, instead of machine-manufactured ones. They usually correspond to high-income consumers. The recent arrival to Chile of several luxury brands is a reflection of this trend, as well as the opening of new shopping centres dedicated only to premium brands.

Brands – mainly international and expensive ones – are an aspirational target for a significant number of consumers, especially of low and mid-income. Wearing an expensive but still affordable piece of garment is a way to communicate status and differentiate of their peers, especially if the brand name or logotype is clearly visible. This is maybe one of the reasons which explain the fast-increasing market of counterfeit garments (coming mainly from China), which are easy to find in internet or street markets. Despite the existence of an adequate trademark protection law, Custom and Police means are not enough to ensure its enforcement and further prosecution of those who infringe it.

It should be noted that seasonality is noticeable for garment. In most of the country, the four seasons of the year are clearly differentiated; therefore, they motivate consumers to renew their wardrobe. In addition, there are especial dates in which garment sales increase: main ones are Christmas and Mother´s day (for gifts) and back to school period (March).

It is worth mentioning that Chileans are more and more concerned about the negative effects in the environment of the garment industry Mainly in terms of waste and water usage), as same as in the working conditions of their employees in some countries. Some groups of consumers (especially young people) prefer to buy to local small designers and handcrafters. Others prefer to buy mostly second-hand garments. In this regard, it is noteworthy that there is a growing market of imported second-hand clothing (coming especially from USA and Europe), that fulfill the growing demand of consumers concerned about recycling, but also willing to wear exclusive and unique apparel at affordable prices.

1.3 Prospects

According to Euromonitor International, apparel sales will continue to grow but at decreasing rates, given that Chile economic situation is not expected to improve dramatically. In addition, the growth would be slower due to the maturity of the garment market in Chile. See chart below.

Forecast Sales of Apparel - 2016-2021

	2016	2017	2018	2019	2020	2021
Volume (units)	665.845.700	683.259.400	700.112.900	716.272.700	731.794.600	746.622.100
Value (US$ million)	5.163	5.409	5.655	5.895	6.127	6.349

Source: Euromonitor International

It is also expected that the fast-fashion segment will continue to grow among mid and high-income consumers, given that that new international brands would continue to arrive. At this regard, it is important to mention that the surface of shopping centres increased +11% in the last 12 months, totalizing 2.723.480 m2. It is expected that in 2017 the total shopping centre surface in Santiago will increase in +17%, giving more space for new outlets to new and existing brands.

All categories (women, men and children garment) are expected to grow in the next years. In terms of value, womenswear will show the higher grow in the period (2016-2021) with +12.4%, mainly boosted by leggings (+22.4%), dresses (+20.9) and jeans (+12.9%) sales. Menswear sales will grow +10.6% in the same period; pants and shorts (+19.7%), shirts (+16.4%) and T-shirts (+12.0%) will show the best performance. Children wear will grow +1.7%, leaded by girl's apparel with 2.2%. See chart below.

Forecast Sales by category: 2016-2021 (in US$ million)

	2016	2017	2018	2019	2020	2021
Womenswear	2.577	2.691	2.803	2.913	3.016	3.116
Menswear	1.857	1.962	2.068	2.172	2.276	2.380
Children wear	729	756	784	810	835	853
Total	**5.163**	**5.409**	**5.655**	**5.895**	**6.127**	**6.349**

Source: Euromonitor International

Department stores are expected to continue to be the main distribution channel, despite the expansion of existing apparel specialists (such as Zara, H&M, Forever 21 and GAP) and the arrival of new international brands. Main department stores (such as Falabella, Ripley and Cencosud) will continue to place greater emphasis on promotion and discounts, as a mean to stimulate sales and not lose share, vis-a-vis a lower- demand scenario.

Euromonitor International also expects that internet retailing of apparel will continue to record double-digit growth, but at decreasing rate. It will be boosted by the increasing number of dual working families and by the growing number of millennials entering the economically active age.. Moreover, it is expected that a greater number of retailers and stores will continue to add to internet sales, while stores that already have one will continue to increase facilities to buy and withdraw through the internet. It is worth mentioning that total e-commerce sales will account for US$ 4.000 million in 2017, representing around 5% of total Chilean sales. [1]

2. Imports and Exports

According to Custom statistics, in 2016 Chile imported US$ 2.102 million[2] CIF in garment products, representing a decrease of -2% versus 2015 and -7.8% versus 2014. Almost 25% of total corresponded to sweaters and T-shirts.

Import and export statistics contained in this survey section correspond to the following products, with the respective Harmonized System (HS) code under which they are classified in Chile[3] :

HS Chapter/code	Description
61.09	**T-shirts (men, women, boys and girls)**
61.10	**Knitted sweaters, cardigans and pullovers (men, women, boys and girls)**
	Pants (men and boys)
62.03.41.00	Wool
62.03.42.10	Denim
62.03.42.91	Other cotton fabrics
62.03.43.11 and 62.03.43.21	Synthetic fabrics
62.03.49.00	Other

1 Source: Santiago Chamber of Commerce.
2 Includes products registered under HS chapters 61 and 62.
3 Given that this survey considers statistics until 2016, the HS codes under each type of garment is classified correspond to the Custom tariff classification used by the Chilean Customs and in force until January 1, 2017. In some cases, they may not coincide with the codes used in India.

62.04.61.00 62.04.62.10 62.04.62.91 62.04.63.11 and 62.04.63.21 62.04.69.00	**Pants (women and girls)** Wool Denim Other cotton fabrics Synthetic fabrics Other
62.04.41.00 62.04.42.00 62.04.43.00 62.04.44.00 62.04.49.00	**Dresses (women and girls)** Wool Cotton Synthetic fabrics Artificial fabrics Other
62.05	**Shirts (men and boys)**
62.06	**Blouses (women and girls)**

2.1 Imports

2.1.1 Imports by type of product

2.1.1.1 T- shirts

Total imports of T-Shirts have decreased in the last 2 years in terms of value (-11.6%), in line with the economy slowdown. Within the same period, import volume has also decreased but more moderately (- 3%), showing that importers are buying lower-priced products. See chart below.

Total T-shirt imports (in US$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
61.09	278.207.978	277.639.616	283.127.691	256.214.246	250.167.039
Total	**278.207.978**	**277.639.616**	**283.127.691**	**256.214.246**	**250.167.039**

Source: Chilean Customs Statistics

In 2016, about 30% of imports corresponded to T-shirts for men and women manufactured of synthetic fibres. Another 30% corresponded to T-shirts made of cotton or cotton blend (at least 75% of cotton).

2.1.1.2 Knitted sweaters, pullovers and cardigans

Total imports of knitted sweaters, pullovers and cardigans have decreased in the last 2 years in terms of value (-14.3%) and in terms of volume (-16.3%), in line with the economy slowdown. See chart below.

Total sweater, pullover and cardigan imports (in US$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
61.10	274.423.585	276.611.090	286.446.689	263.397.968	245.551.062
Total	**274.423.585**	**276.611.090**	**286.446.689**	**263.397.968**	**245.551.062**

Source: Chilean Customs Statistics

In 2016, 56.9% of imports corresponded to sweaters, pullovers and cardigan for men and women manufactured of synthetic fibres, while 40.3% were products made of cotton.

2.1.1.3 Pants (men and boys)

During the last 4 years, total imports of pants (for men and boys) have remained relatively flat in terms of volume and value, despite the economy slowdown. This apparently reflects that pants (for men and boys) have a lower income elasticity of demand compared to other garments. See chart below.

Total pant (men and boys) imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
62.03.41.00	1.399.492	1.337.131	1.126.516	1.192.913	1.619.482
62.03.42.10	90.217.469	88.890.447	84.649.088	79.798.194	81.994.518
62.03.42.91	40.950.564	55.031.220	59.445.424	53.367.326	57.615.010
62.03.43.11 62.03.43.21	38.292.323	37.591.078	36.586.192	37.803.656	35.353.595
62.03.49.00	930.690	1.028.875	822.330	1.040.207	1.081.358
Total	**169.790.539**	**183.878.751**	**182.629.549**	**173.202.296**	**177.663.963**

Source: Chilean Customs Statistics

In 2016, main pant imports corresponded to jeans (46.2%), followed by pants made of other cotton fabrics (32.4%), reflecting Chilean consumer preference toward casual garment, especially among young people.

2.1.1.4 Pants (women and girls)

Total imports of pants (for women and girls) have decreased in the last 2 years, but at a lower rate, compared to other type of garments analysed in this survey. It seems that women pants (especially jeans) continue to be demanded by consumers, even if their disposable income had decreased, as a consequence of the economy slowdown. See chart below.

Total pant (women and girls) imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
62.04.61.00	682.158	415.077	387.851	331.131	336.319
62.04.62.10	86.377.586	87.004.927	79.328.185	74.534.928	85.373.057
62.04.62.91	42.853.435	57.551.686	51.160.041	40.140.070	38.369.112
62.04.63.11 62.04.63.21	23.196.226	25.530.985	27.694.988	23.030.481	20.624.241
62.04.69.00	6.707.990	8.720.119	10.107.147	15.228.992	13.837.280
Total	**159.817.395**	**179.222.795**	**168.678.212**	**153.265.602**	**158.540.009**

Source: Chilean Customs Statistics

As same as in the case of pants for men and boys, in 2016 main pant (for women and girls) imports corresponded to jeans (53.9% of total), followed by pants made of other cotton fabrics (24.2%).

2.1.1.5 Dresses (women and girls)

Total imports of dresses (for women and girls) are relatively small compared with other types of garment analysed in this survey. Imports have remained relatively flat within the last 5 years. See chart below.

Total dress (women and girls) imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
62.04.41.00	261.526	159.142	232.377	137.573	122.104
62.04.42.00	11.578.938	10.811.625	10.169.651	8.223.979	8.227.563
62.04.43.00	17.809.967	20.550.864	21.317.992	18.114.406	17.077.601
62.04.44.00	3.988.874	5.166.629	6.920.563	10.137.889	13.713.029
62.04.49.00	1.405.783	1.623.663	1.473.153	1.006.221	1.030.523
Total	**35.045.087**	**38.311.922**	**40.113.736**	**37.620.067**	**40.170.820**

Source: Chilean Customs Statistics

It is noteworthy that imports of dresses made of synthetic and artificial fabrics have increased in the last 5 years, accounting for 76.7% of total in 2016 compared to 62.2% in 2012. In parallel, imports of dresses made of cotton have decreased, from 33.0% of total in 2012 to in 20.5% in 2016.

2.1.1.6 Shirts (men and boys)

Total imports of shirts have decreased in the last 3 years in terms of value (-15.7%) and volume (-18.4%), in line with the economy slowdown. See chart below.

Total shirt imports (in US$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
62.05	95.530.430	110.459.707	106.410.781	93.680.241	93.092.820
Total	**95.530.430**	**110.459.707**	**106.410.781**	**93.680.241**	**93.092.820**

Source: Chilean Customs Statistics

In 2016, about 70% of imports corresponded to shirts for men manufactured of cotton, followed by shirts made of synthetic fabrics (20.7%).

2.1.1.7 Blouses (women and girls)

Total imports of blouses have shown fluctuations within the last 5 years. In 2016, imports increased +7.6% and +13.5% (in value and volume terms, respectively), compared to previous year. See chart below.

Total blouse imports (in US$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
62.06	63.099.718	85.999.464	85.619.999	78.175.684	84.125.157
Total	**63.099.718**	**85.999.464**	**85.619.999**	**78.175.684**	**84.125.157**

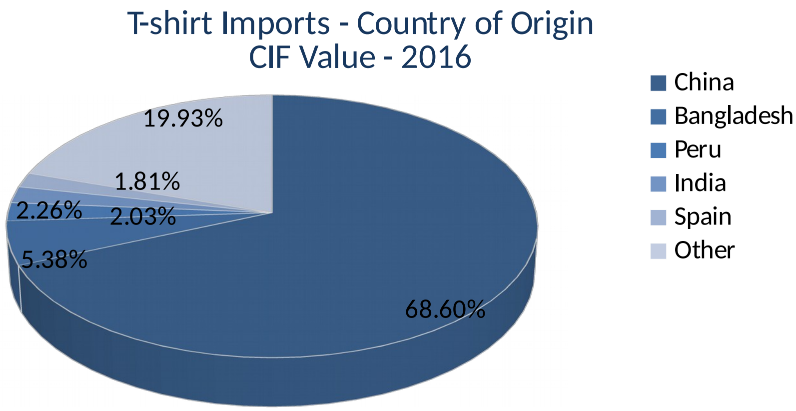
Source: Chilean Customs Statistics

In 2016, about 72.4% of imports corresponded to blouses for women manufactured of synthetic and artificial fabrics, followed by blouses made of cotton (22.8%).

2.1.2 Imports by country

2.1.2.1 T-shirts

In 2016, Chile imported T-shirts from 84 different countries. From them, most imports came by far from China (68.6%), followed by Bangladesh (5.4%) and Peru (2.3%). See chart below.

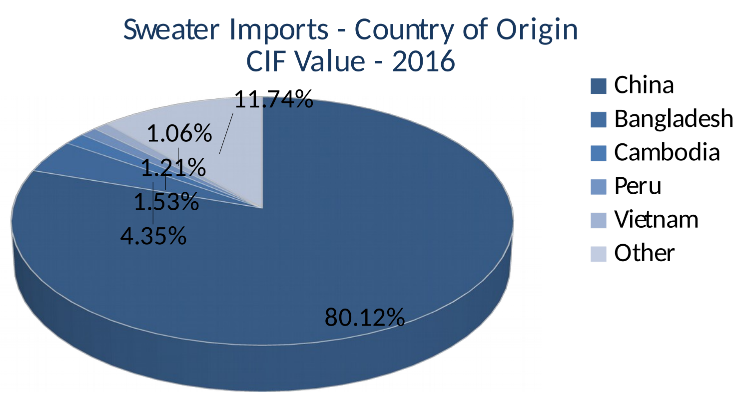


Source: Chilean Customs Statistics

In 2016, T-shirt imports from India ranked in fourth position and accounted for US$ 5.7 million, representing 2.0% of total. From them, 76.7% corresponded to T-shirts made of 100% cotton or blend (with at least 75% cotton)

2.1.2.2 Knitted sweaters, pullovers and cardigans

In 2016, knitted sweaters, pullovers and cardigans were imported from 72 different countries. From them, most imports came by far from China (80.1%), followed by Bangladesh (4.3%) and Cambodia (1.5%). See chart below.



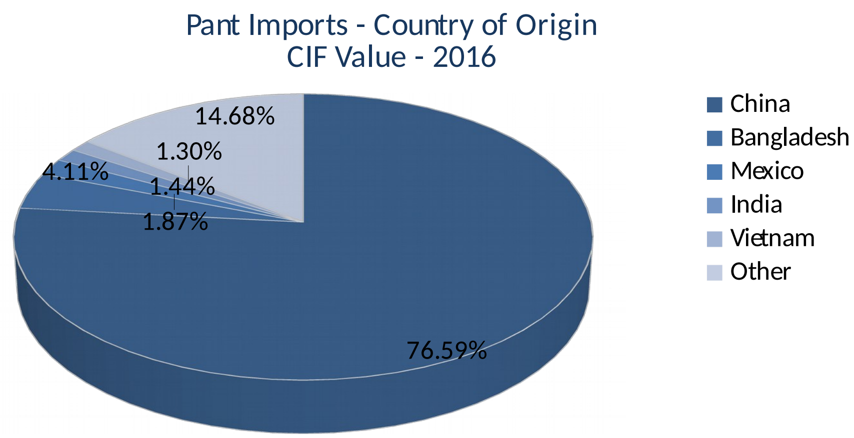
Source: Chilean Customs Statistics

In 2016, India ranked in 16th position with imports for almost US$ 625 M, representing 0.25% of total.

2.1.2.3 Pants[4]

In 2016, Chilean imports of pants came from 64 different countries. From them, most imports came by far from China (76.6%), followed by Bangladesh (4.1%) and Mexico (1.9%).

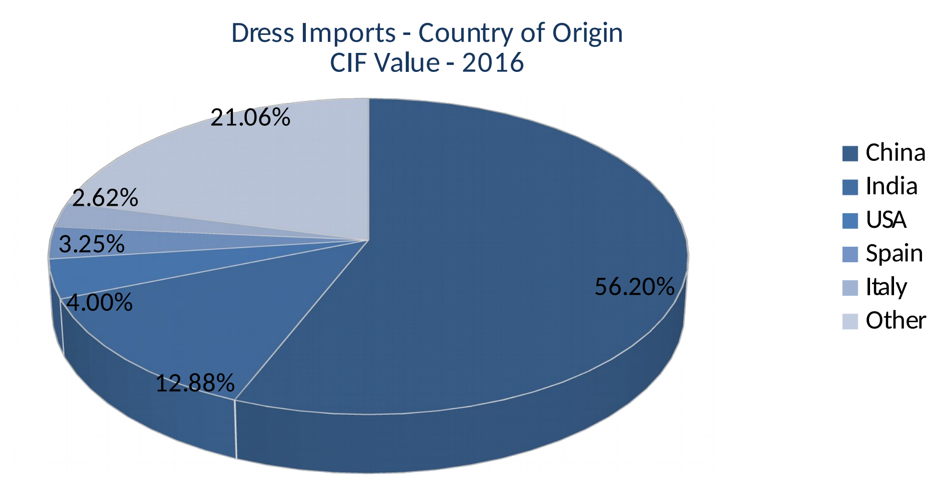
In 2016, India ranked in fourth position, with imports for almost US$ 4.9 million, representing 1.4 % of total. See chart below.



Source: Chilean Customs Statistics

2.1.2.4 Dresses

In 2016, Chilean imports of dresses came from 49 different countries. From them, 56.2% came from China, followed by India (12.9%) and USA (4.0%). See chart below.



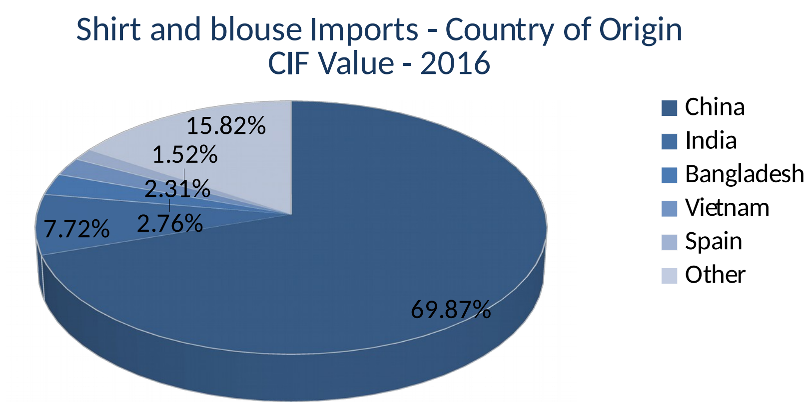
Source: Chilean Customs Statistics

4 Includes pants for men, women, boys and girls

Imports from India accounted for US$ 5.2 million. From them, 42.7% corresponded to dresses manufactured of synthetic fabrics and 33.5% of cotton.

2.1.2.5 Shirts and blouses

In 2016, most shirt and blouse imports came from China (69.9%), followed by India (7.7%) and Bangladesh (2.8%). See chart below.



Source: Chilean Customs Statistics

In the same year, imports from India accounted for US$ 13.7 million. From them, 38.1% corresponded to men shirts made of cotton, followed by women blouses manufactured of synthetic fabrics (21.9%).

2.1.3 Imports by company

2.1.3.1 T-shirts

In 2016, almost 1.621 Chilean companies imported T-shirts. The 8 major importers gathered 44.3 % of total imports, but no one of them concentrated individually more than 10% of the market, showing a relatively high level of atomization in this segment.

In the chart below, note that the importer ranked in the sixth position is identified with an "X". This is when companies expressly request Chilean Customs not to reveal their names, in accordance to Personal Data Protection Law. Nevertheless and analysing the brands under which products are imported, there are good chances that the "X" corresponds to at least 2 companies which have the franchises of several foreign apparel and footwear brands: Forus (Columbia, Hush Puppies, Merrell, Burton, etc.) and Modella Group (Perry Ellis, Boss, Celio, etc.)

T-Shirt Imports by Company – 2016 (CIF Value)

Company	Volume (Kg)	Value (US$ CIF)
CENCOSUD RETAIL S.A.	9.373.881	24.942.727
FALABELLA RETAIL S.A.	7.004.169	24.290.261
COMERCIAL ECCSA S A	5.234.654	16.609.902
ADIDAS CHILE LIMITADA	1.942.659	10.286.952
ZARA CHILE S A	1.585.349	9.375.773
X	2.835.056	8.861.348
EMPRESAS LA POLAR S.A.	2.841.443	8.562.733
TRICOT S A	3.857.712	8.050.764
OTHERS	55.445.353	139.186.580
Total	**94.120.277**	**250.167.039**

Source: Chilean Customs Statistics

Main 3 importers (Cencosud, Falabella and Comercial ECCSA) correspond to the main department stores (Paris, Falabella and Ripley, respectively). In the case of Cencosud and Falabella, statistics also include imports for their supermarket chains (Jumbo and Tottus, respectively), which under their hypermarket format commercialize massive clothing. Empresas La Polar is also a department store but much smaller.

Others like Adidas and Zara correspond to well-known international brands that manage their own stores in Chile. Tricot is a medium-size national apparel and shoe retailer oriented to the massive market.

2.1.3.2 Knitted sweaters, pullovers and cardigans

In 2016, 1.327 Chilean companies imported knitted sweaters, pullovers and cardigans. From them, the 8 main importers represented about a half of total, in terms of import value.

The following chart shows main importers in 2016. As same as in the above case, the "X" probably corresponds at least to Forus and Modella Group.

Sweater Imports by Company – 2016 (CIF Value)[5]

Company	Volume (Kg.)	Value (US$ CIF)
FALABELLA RETAIL S.A.	4.187.271	30.793.299
CENCOSUD RETAIL S.A.	4.186.050	23.755.123
COMERCIAL ECCSA S A	3.043.894	20.672.733
X	1.837.873	11.116.079
EMPRESAS LA POLAR S.A.	1.622.040	9.571.222
COMERCIAL FASHION S PARK	1.655.916	9.285.554
WALMART CHILE S.A.	2.529.432	8.755.599
H&M HENNES & MAURITZ SPA	1.587.127	8.589.489
OTHERS	23.215.718	123.011.964
Total	**43.865.321**	**245.551.062**

Source: Chilean Customs Statistics

As same as in the case of T-shirts, the 3 major importers are Chilean main department stores. Others are international companies, such as Walmart (supermarket chain) and H&M (shoe and apparel retailer). Comercial Fashion Park is a national medium-size chain of clothes and footwear oriented to the massive market.

2.1.3.3 Pants

In 2016, almost 1.150 Chilean companies imported pants for men, women, boys and girls. The 8 major importers gathered 48.7% of total imports in terms of value and 46.3% in terms of volume.

The following chart shows main importers in 2016. As same as in the above cases, there are good chances that the "X" corresponds at least to Forus and Modella Group.

As same as for other types of garment, the 3 major importers are main Chilean department stores. Others are TJC Chile (corresponding to the international brand Levi´s), Comercial Fashion Park and Walmart. See chart below.

5 Importer identified with an "X" corresponds to companies that expressly requested Chilean Customs not to reveal their name, in accordance to Personal Data Protection Law.

Pant Imports by Company – 2016 (CIF Value)[6]

Company	Volume (Kg.)	Value (US$ CIF)
FALABELLA RETAIL S.A.	6.095.657	44.501.187
CENCOSUD RETAIL S.A.	5.074.733	28.859.968
COMERCIAL ECCSA S A	3.407.495	25.937.614
COMERCIAL FASHION S PARK SOCIE	2.646.385	14.682.708
T J C CHILE S A (LEVI´S)	860.534	13.270.580
EMPRESAS LA POLAR S.A.	1.971.927	12.658.321
WALMART CHILE S.A.	2.819.687	12.603.911
X	1.581.013	11.154.048
OTHERS	28.321.648	172.535.636
Total	**52.779.078**	**336.203.972**

Source: Chilean Customs Statistics

2.1.3.4 Dresses

In 2016, almost 633 Chilean companies imported dresses.

The 8 major importers gathered 42.4% of total imports in terms of value and 47.1% in terms of volume.

As same as in the above cases, the 3 major importers are main Chilean department stores. Others (not mentioned previously in this chapter) are Italmod (a traditional local company selling women clothes and accessories through their own stores and small retailers) and Abugarade (a small local company dedicated to wedding and first-communion dresses). See chart below.

6 Importer identified with an “X” corresponds to companies that expressly requested Chilean Customs not to reveal their name, in accordance to Personal Data Protection Law.

Dress Imports by Company – 2016 (CIF Value)

Company	Volume (Kg.)	Value (US$ CIF)
FALABELLA RETAIL S.A.	562.569	4.090.823
COMERCIAL ECCSA S A	358.926	2.796.173
CENCOSUD RETAIL S.A.	435.429	2.352.148
ZARA CHILE S A	116.637	2.329.903
H&M HENNES & MAURITZ SPA	282.254	1.836.820
WALMART CHILE S.A.	422.422	1.386.321
ITALMOD S A	101.833	1.247.453
ABUGARADE Y COMPANIA LIMITADA	11.149	998.145
OTHERS	3.970.202	23.133.034
Total	**6.261.421**	**40.170.819**

Source: Chilean Customs Statistics

2.1.3.5 Shirts and blouses

In 2016, almost 855 Chilean companies imported shirts (for men and boys) and blouses (women and girls). The 8 major importers gathered 47.6% of total imports in terms of value and 45.1% in terms of volume.

As same as in the above cases, the 3 major importers are main Chilean department stores.

The following chart shows main importers in 2016. As same as in the above cases, there are good chances that the "X" corresponds at least to Forus and Modella Group.

Shirt and Blouse Imports by Company – 2016 (CIF Value)[7]

Company	Volume (Kg.)	Value (US$ CIF)
FALABELLA RETAIL S.A.	3.616.676	24.139.749
CENCOSUD RETAIL S.A.	3.057.944	15.362.568
COMERCIAL ECCSA S A	2.403.843	15.292.498
COMERCIAL FASHION S PARK	1.633.977	6.756.253
ZARA CHILE S A	550.380	6.436.269
X	756.567	5.969.169

7 Importer identified with an "X" corresponds to companies that expressly requested Chilean Customs not to reveal their name, in accordance to Personal Data Protection Law.

H&M HENNES & MAURITZ SPA	1.047.372	5.294.039
EMPRESAS LA POLAR S.A.	950.011	5.085.213
OTHERS	17.091.065	92.882.220
Total	**31.107.834,38**	**177.217.978**

Source: Chilean Customs Statistics

2.2 Exports

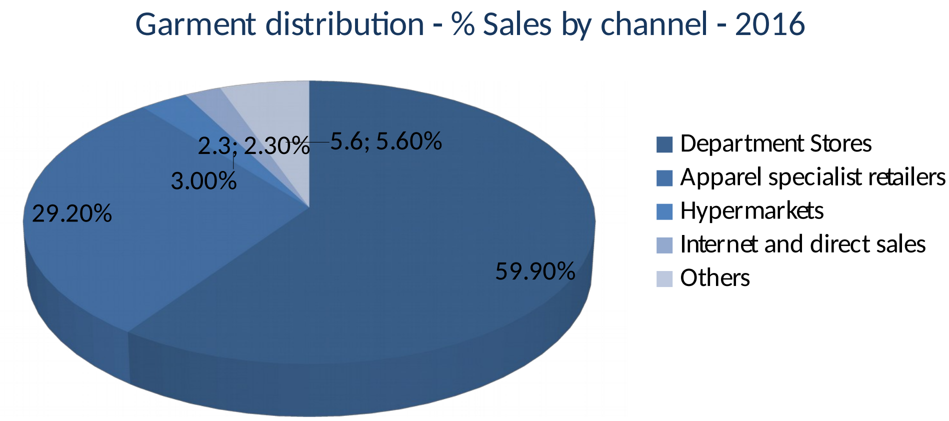
Chilean exports of garment are not significant, given that the country has a very small clothing manufacturing industry. In 2016, total exports of the products analysed in this survey accounted for US$ 6.5 million (FOB). From them, 56.1% corresponded to pants, followed by T-shirts (20.3%).

Most of exports corresponded to re-exports operations of international companies, like H&M and Bimba and Lola. The rest correspond mainly to small manufacturers and artisans, exporting little volumes.

Nevertheless, there are also some exports of big-to-medium-size Chilean manufacturers that are currently exporting part of their production in relatively relevant volumes, mainly to other countries of the region (mainly Peru and Bolivia). This is the case of Manufacturas Interamericanas (men shirts), Tom James Chile (high quality tailored garment) and Caffarena (underwear, hosiery and t-shirts).

3. Distribution channels

According to Euromonitor International, main garment distribution channels to consumers are Department Stores (59.9%), followed by Apparel Specialist Retailers (29.2%) and Hypermarkets (3.0%). See chart below.



Source: Euromonitor

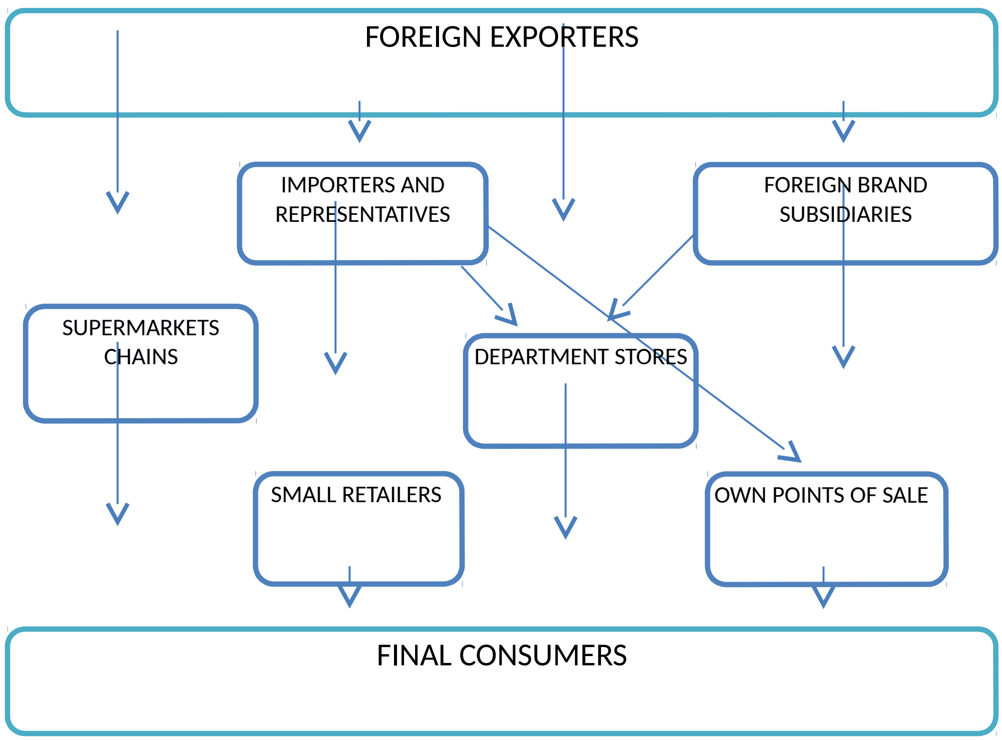
Among department stores, the three leading companies (Falabella, Cencosud and Ripley) represented more than half of value sales in 2016. Apparel and footwear specialist retailers, mainly international and fast-fashion brands, showed a dynamic growth in value sales terms in 2016, driven by brands such as H&M, Forever 21, Nike, Adidas and Zara.

In both cases (department stores and apparel specialist retailers), most of their outlets are located in shopping centres, which are the locations where Chilean consumers prefer to make their purchases of apparel and footwear. In recent years, the construction of several new shopping centres has been a key factor behind the expansion of apparel and footwear market, especially in the case of specialist retailers. It has offered them a greater surface area in which to locate their stores, as well as a way to improve their coverage at national level. It has also supported the entry of several new brands.

Even if internet sales represent only 1.5% of total apparel sales value, this channel showed an important increase in 2016 (+20% versus previous year). As a consequence of their lifestyle and the lack of time, Chilean consumers are becoming increasingly familiar with online sales, especially the younger population. This has also been supported by the massive expansion of credit card and electronic payment means, which are now available for a larger part of the population. Many traditional retailers and department stores have developed internet retailing sites, in parallel with their physical stores. Others, like Dafiti (www.dafiti.cl) and Linio (www.linio.cl) are pure internet retailers.

The following chart shows the flow of imported garment distribution in Chile and its main players.

Garment Distribution Flow



ANNEX 1 shows the contact data of some of the main companies importing and distributing apparel products.

3.1 Importers and representatives

This group is composed by local companies importing and distributing garments and conducting the whole product supply process. Importers/representatives buy the products to the foreign manufacturers and are responsible of importing them and conducting custom clearance formalities. They are also in charge of the storage, internal transportation, sales and promotion and customer service. Accordingly, they assume almost all the risk of product operation in Chile.

In some cases, some activities (such as storage or distribution) are not directly conducted by them, but subcontracted to third parties.

Some importers/representatives commercialize only products of international brands (under a representation or franchise contract). It is the case, for instance, of Forus S.A., which has a wide brand portfolio of recognisable international brands (Hush Puppies, Columbia, Merrell, Rockford, Billabong, Brooks and Burton, among others). Another company is Modella Group, which mixes well-known international brands (Perry Ellis, Celio) they represent with private labels (Trial, Canadienne). Another example is Komax, which represents some premium brands (Banana Republic, Ralph Lauren, Brooks Brothers, etc.), but also massive ones (GAP, Roxy, etc.).

In general terms, garment representatives prefer to work with well-known foreign brands (i.e. the ones that are already present in several countries), inasmuch as it makes much easier and faster to introduce them into the local market and to create awareness among consumers.

Other local companies, such as Umbrale, Tatienne, Lineatre, Italmod, Privilege, Anastassia and others, import and commercialize only under their own brands. Most of them have their own design departments and request foreign suppliers to manufacture their own designs.

There is also a group of importers that do not have a recognisable brand and import readymade garment from foreign suppliers' catalogues of products.

In all the above cases, companies sell their products to department stores, small retail stores and/or through their own points of sales.

3.2 Foreign brand subsidiaries

Several shoe and garment foreign brands have created their own subsidiaries in Chile. This is generally the case when sales volumes justify operating directly in a given country or when the company prefer to have the total control of their product supply chain, until its arrival to final consumers.

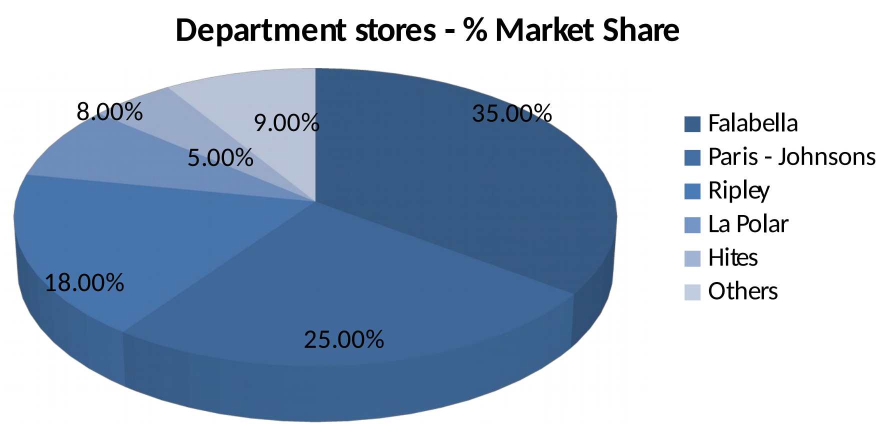
Due to its retail market sophistication and manageable size, Chile has served many international retailers as a test market for the rest of Latin America, particularly to Argentina, Peru, and Colombia.

This is the case, for instance, of several luxury brands (such as Burberrys, Prada, Carolina Herrera, Gucci, etc.) but also of some massive retailers, such as H&M, Zara and Forever 21, among others. Also, some Argentinian companies of premium clothes (i.e. Rapsodia, Jazmin Chebar and Paula Cahen D'Anvers) are operating directly their stores in Chile

3.3 Department Stores

Department stores are the main market players in the garment segment. In Chile, their penetration rate in terms of surface (measured in m2 per capita) is 80, far higher than other Latin-American countries, like Brasil (25) and Peru (25).

One of the main characteristics of this channel is its high concentration. Three main chains (Falabella, Paris and Ripley) gather almost 78% of the department store sales and totalize almost 166 outlets all over the country. See chart below.



Source: Ripley annual report 2016

All the above department store chains are owned by Chilean capitals. The key to Chilean retailers' successful expansion is that Chilean retailers have developed a competitive culture and business model, which they have been even able to export with their own subsidiaries to other countries, such as Argentina, Peru and Colombia.

Another key factor explaining the fast expansion of department stores in Chile is the fact that they have developed their own credit card, requesting less demanding financial conditions to holders, in terms of income level and credit behaviour. This has allowed low and medium income consumers (who normally are not eligible for bank credit cards) to have access to credit and therefore be able to buy in these stores.

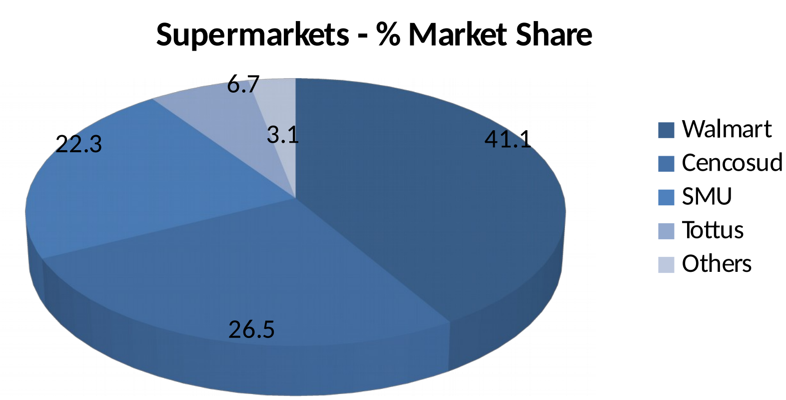
Department store chains have also developed their own private labels of garment. They import apparel manufactured under their own designs to foreign suppliers. As China is their main source of supply, the main three department stores (Falabella, Paris and Ripley) have their own permanent shopping agents based in this country.

As an strategy to avoid losing market share vis-à-vis the international brands operating in Chile (such as Zara, H&M and Forever 21), department stores have also taken the franchise or exclusive representation of several well-known garment brands. This is the case, for instance, of Falabella (Aldo, Mango, Warehouse, etc.) and Ripley (Sfera, Trucco, Aerosoles, Vero Moda, etc.). In most cases, apart from selling these brands in their own stores, they have opened mono-brand points of sales.

3.4 Supermarkets chains

In 2016, supermarkets and hypermarkets grocery value sales reached US$ 13.8 billion, representing almost 51% of total. This proportion is expected to grow even further in the next years.[8]

One of the main characteristics of this channel is its high concentration. Four main chains gather almost 97% of the supermarket and hypermarket segment and totalize almost 1.200 outlets all over the country. See chart below.



Source: Chilean Supermarket Association (ASACH)

8 Source: "Retailers in Chile-2016". Euromonitor

The four major supermarkets and hypermarkets are the following:

Walmart Chile (www.walmartchile.cl) The Company currently operates under various formats and brands, including: the Express de Lider supermarkets chain; the Hiper de Lider hypermarkets chain; and the discounters Ekono, Bodega ACuenta and Central Mayorista.

Cencosud (www.cencosud.cl): This local holding operates two formats: Jumbo hypermarket chain and Santa Isabel supermarket chain. The group also operates department and hardware stores and is present in other Latin American countries.

SMU: the group operates Unimarc supermarket chain, Telemercados online supermarket, the discounters Mayorista 10, Dipac and Alvi and Ok Market convenience store.

Tottus (www.tottus.cl): This chain belongs to Falabella holding, which also operates a department and hardware stores and have presence in other Latin American countries.

In general, garments are sold mainly in the hypermarket format point of sales, while supermarkets have generally a very limited variety of products (if any) of this category. The type of apparel they commercialize is generally low-priced one.

4. Import and commercialization formalities

All products imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but there are some specific to garment products, necessary to its commercialization. Although most of these formalities are conducted by the importer, it is advisable that the exporter be aware of the documentation and product requirements necessary to fulfil the Chilean regulation.

4.1 Labelling requirements

All garment products should be labelled according to current regulation. Labelling provisions are the same for both, locally produced and imported products.

Labelling is ruled by Decree 26/1984 of the Ministry of Economy[9] and further modifications and it is applicable for garment made of plain, non-woven and knit fabrics (except socks and hosiery).

Labels should have the following characteristics:

- Should be manufactured in a material compatible with the fabric they are adhered.
- Should be printed or embroidered
- Should be resistant to dry or wet cleaning

Labelling should be in Spanish, written in easy-to-read characters and must contain the following information:

a. Name of the manufacturer or importer and registered trademark, if any
b. Country of production
c. Size
d. Fabric composition of the different parts of the garment (i.e. lining, shell, etc.), in order of importance and expressed in %.
e. Characteristics of the clothing (i.e. wrinkle proof, no shrink, etc.)
f. The four wash care symbols related to washing, ironing, bleaching and dry cleaning
g. Any other useful information the manufacturer wishes to add.

The label should be firmly sawn on the inside of the garment.

9 See the full text by clicking on this link: www.leychile.cl/Navegar?idNorma=7749 (in Spanish only)

4.2 Import procedures

In the case of any import, Chilean Customs requires that each customs entry be supported by the following documents:

- Commercial Invoice
- Certificate of Origin
- International Transport Document (Bill of Lading or Air Way Bill)
- Packing List, when necessary
- Value declaration
- Other Documents (i.e. safety certificates)

All imports of a total value exceeding USD 1,000 (FOB) require the participation of a Customs Broker. Minor imports (less than USD 1,000 FOB) can be cleared directly by importers, following a simplified procedure.

Prior import licenses are not requested by authorities. This is valid for any type of goods.

4.4 Duty fees and taxes

The general VAT rate in Chile is 19% and is calculated on CIF value + duty taxes.

The tax treatment applicable to imports into Chile includes the payment of customs duties, Value Added Tax (VAT) and other taxes (if applicable), all calculated on CIF value and determined under GATT valuation standards. Garment imports are subject only to duty taxes and VAT.

The ad-valorem customs duty rate is 6%. However, goods originating in any of the countries or regions having signed a Commercial Agreement with Chile and evidencing such condition by means of a Certificate of Origin can be benefited with a reduction or exemption of import duties.

Chile has signed 25 Commercial Agreements with 66 countries, which have granted tariff preferences which each country applies to imports.[10]

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving Indian garment product imports into Chile some tariff preferences. In the case of the products (and their respective HS codes) analysed in this survey, duty taxes to pay go from 2.1 to 6.0%. See details in the following chart:

HS Chapter/code	Description	% of Tariff	% of Duty

10 Find the list of countries and the complete texts of Commercial Agreements signed by Chile, by clicking on this link: www.direcon.gob.cl/acuerdos-comerciales/

		preference	tax to pay
61.09	**T-shirts (men, women, boys and girls)**		
	61.09.10.11	30%	4.2%
	61.09.10.12	30%	4.2%
	61.09.10.91	30%	4.2%
	61.09.10.92	30%	4.2%
	61.06.90.21	30%	4.2%
	61.09.90.22	30%	4.2%
	61.09.90.31	30%	4.2%
	61.09.90.91	30%	4.2%
61.10	**Knitted sweaters, cardigans and pullovers (men, women, boys and girls)**		
	61.10.20.00	30%	4.2%
	61.10.30.10	30%	4.2%
	61.10.30.90	30%	4.2%
	Pants (men and boys)		
62.03.41.00	Wool	-	6.0%
62.03.42.10	Denim	30%	4.2%
62.03.42.91	Other cotton fabrics	60%	2.1%
62.03.43.11 62.03.43.21	Synthetic fabrics	30%	4.2%
62.03.49.00	Other	30%	4.2%
	Pants (women and girls)		
62.04.61.00	Wool	-	6.0%
62.04.62.10	Denim	30%	4.2%
62.04.62.91	Other cotton fabrics	30%	4.2%
62.04.63.11 62.04.63.21	Synthetic fabrics	30%	4.2%
62.04.69.00	Other	30%	4.2%
	Dresses (women and girls)		
62.04.41.00	Wool	-	6.0%
62.04.42.00	Cotton	30%	4.2%
62.04.43.00	Synthetic fabrics	30%	4.2%
62.04.44.00	Artificial fabrics	60%	2.1%
62.04.49.00	Other	30%	4.2%
62.05	**Shirts (men and boys)**		
	62.05.20.10	30%	4.2%
	62.05.20.20	30%	4.2%
	62.05.30.22	30%	4.2%
	62.05.30.23	30%	4.2%
	62.05.30.41	30%	4.2%
	62.05.90.00	30%	4.2%
62.06	**Blouses (women and girls)**		
	62.06.10.00	30%	4.2%
	62.06.20.00	30%	4.2%
	62.06.30.00	30%	4.2%
	62.06.40.11	60%	2.1%
	62.06.40.12	30%	4.2%

	62.06.40.21 62.06.90.00	30% 30%	4.2% 4.2%

Source: Direcon

It is worth mentioning that, Chile has a has a Free Trade Agreement signed with China (the main country of origin of most of apparel), granting with a 100% tariff preference to the majority of analysed garment products, that is to say, they are not subject to duty fees. Few exceptions are some products made of wool.

4.5 Trademark protection

Even if it is not mandatory, it is strongly recommended that foreign companies register their trademarks if they aim to use them in Chile. They will permit to uniquely identify a company and its products to its customers and to distinguish them from those of its competitors

It is also advisable that, before using a trademark or logo, companies should check if such signs are already registered in identical terms or in similar terms (from a visual or phonetic point of view).

Trademark protection lasts 10 years and its registration can be renewed indefinitely (for periods of 10 years at a time). According to Chilean law, trademarks cannot be revoked for non-use reasons. The owner of a trademark could authorize a third party to use it under a license contract.

The National Institute of Industrial Property INAPI (www.inapi.cl) is the Chilean agency for registering trademarks, copyrights and appellations of origin. The registration procedure can be done in person or via internet, for a fee. According to Chilean law, it is not necessary to hire a lawyer or trademark agent to file a trademark application. Nevertheless, it is highly recommended in the case of companies having foreign residence, which should appoint a local representative.

5. Market opportunities and conclusions

5.1 SWOT analysis

The following SWOT Analysis is intended to be a useful technique for understanding the Strengths and Weaknesses of India garment exporters, and for identifying both the Opportunities open to them and the Threats they face in the Chilean market.

SWOT ANALYSIS

Strengths	**Opportunities**
• Good quality of Indian garments. • Wide variety of Indian garment especially made of cotton. • Existence of experienced Indian producers and exporters. • General good image of Indian products. • Duty tax preference (India-Chile Partial Scope Agreement).	• Fast grow of the garment segment. • Relative resilience of the garment market vis-à-vis the economy slowdown • Growing consumer consciousness for personal appearance. • Opportunities in some niches, such as Plus-size and sport garment.
Weaknesses	**Threats**
• High competition of Chinese low cost products	• Market driven mainly by prices (especially among department stores and main importers) • Limited number of potential importers/distributors in market dominated by department stores and international brands. • Strict labelling requirements. • Very concentrated market, leaving limited space for new brands.

5.2 Main conclusions

India is the world largest producer of cotton, reaching 6.106 million of kilograms in 2016-17, and second largest of man-made fibers and filaments. The country has also the world's largest loom capacity (including hand looms) with 63% market share. Indian companies are becoming increasingly competitive in the textile export markets mainly due a) its availability of raw materials (cotton) at lower cost than China and Pakistan (which are importers) and b) labor cost advantages over China.

Besides, textile and apparel exports from India are expected to increase to US$ 82 billion by 2021. Readymade garments remain the largest contributor to total textile and apparel exports from India, representing 47.7% to total.

Most Chilean garment imports come from China. Chile has a FTA with this nation granting to almost all garment with the exemption of import duty taxes. Department stores even have their own permanent buying agents based in this country, given the volumes they import.

Nevertheless, the market share of India among Chilean garment imports is still small, but the country has plenty of room to grow. Despite the economy deceleration, the garment market has been relatively resilient and has even grown in terms of retail sales. And it is expected to continue increasing in the next years.

There are good opportunities for India in some niches. Following are some of them:

- **Plus-size garment.** This market segment has remained underdeveloped in Chile, even if the overweight and obesity rates have increased dramatically. A small percentage of stores offer XXL sizes. There are good opportunities for exporters of plus-size apparel of attractive design and following last fashion trends.

- **Sports garment.** In line with Chilean consumer trend toward wellness and sport, there is a fast-growing market for sport related products and services, such as sports apparel. Even if many international brands (such as Nike, Adidas, Under Armour, etc.) are currently present in the Chilean market, there is still room for selling to companies which have developed private labels. Sports garment manufactured with "technical fabrics" with superior attributes (breathability, lightness, water repellency, etc.) are very demanded in this category.

- **Premium garment.** Even if the fast-fashion concept is well installed in Chile, there is still opportunities for premium clothing, especially pieces manufactured with superior fabrics (i.e. 100% cotton, linen or silk), For instance, garments manufactured of cotton are very appreciated especially for summer time, because of their moisture absorption, breathability, comfort and aesthetic attributes.

- **Handcrafted garment.** There are good opportunities for totally or partially handmade apparel, instead of machine-manufactured ones. There are consumers that appreciate and are willing to pay more for unique pieces of apparel that are, for instance, embroidered, beaded or made with a combination of fabrics.

It is important to take in mind that representatives/franchisees of garment foreign brands, as well as the local subsidiaries of international brands, have very few possibilities to decide where to import from, as most of the time this decision is imposed to them by the brand. Therefore, Indian exporters willing to sell apparel in Chile should focus on companies importing under their own brands, as well as on department stores (for their private labels). India exporters should also take in mind that price is one of the main decision factors and that these latest will most likely be compared to China prices, for similar quality products.