CHILE

HOME TEXTILE MARKET SURVEY

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on behalf of the

सत्यमेव जयते

Economic Diplomacy Division

Ministry of External Affairs

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This market survey aims to provide relevant information on the home textile market 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

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, decreasing dramatically duty taxes and simplifying import procedures. In the following decade, this process was reinforced with the signing of commercial agreements with several countries reducing even more duty taxes. 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.

According to the Chilean Tax Agency ("Servicio de Impuestos Internos" or its acronym SII), in 2015 there were 2.786 companies dedicated to manufacture textile products (except garment). Their total sales in 2015 were about 18.091.690 U.F.[1] (equivalent to US$ 773 million). See chart below.

1 The Unidad de Fomento (U.F.) is a unit of account commonly used in Chile, fixed on a daily basis and adjusted for inflation.

Textile product: number of companies and sales: 2011-2015[2]

	2011	2012	2013	2014	2015
Number of companies	2,511	2,668	2,827	3,005	2,786
Total sales (in M US$ million)	749,512	816,929	786,766	793,952	772.877

Source: Chilean Tax Agency (Servicio de Impuestos Internos)

According to sector actors, almost 80% of home textile products are imported (mainly from Asia). There is a tiny local industry composed mainly by small and medium size companies that manufacture mainly premium products (i.e. bed sheets, bed spreads, tablecloths, etc.), tailored-made products (i.e. curtains) and hospital linen.

1.2 Consumers and trends

During the last decade and in line with the increase of the disposable income per capita, Chilean consumer has become more willing to buy products to improve and embellish their households.

The easier access to mortgage loans, as well as the government home subsidies to low-and-medium-income families, have enabled a raising number of families to have an own home. For Chileans, the house ownership is a matter of pride and personal fulfilment and they are willing to pay for products that make their houses more beautiful and comfortable for their families and visitors. Home textile products are an important part of this process, because they generally do not require a major investment (such as furniture or house appliances), but generate a visible improvement in aesthetics and comfort. Currently in the market, there is a wide variety of home textile products of different qualities and prices, making them accessible to a large range of consumers.

In the past, children used to stay at their family household until they got married. In recent years, young people use to leave earlier and rent an apartment, generally when they finish their careers and/or start working and are able to finance their expenses. In this context the number of one-person households have increased in recent years (from 11.6% of total

2 SII statistics show the number of registered companies under each economic sector. Nevertheless, it is possible that not all of them are actually active and operating.

in 2002 to 14% in 2012), as well as the offer of small apartments, boosting the demand for home textile products, furniture, decoration articles and house appliances.

The moving to another home is also an occasion when Chileans usually renovate their home textiles, especially curtains. In past years, the majority of curtains were tailor-made, that is, cut and sewn under measure by local companies. In recent years, retailers – especially home improvement stores – started to sell readymade curtains in different colours and measures. Customers are more and more choosing this alternative, as they can get their curtains immediately and at a much lower price than custom-made ones.

In recent years, the customization of home textiles according to their final user is increasing. Consumers are willing to pay, for instance, for bed sheets with children's motifs for their kids or for towels printed with their preferred football team's logo. They are also more willing to buy home textile products for special occasions, such as tablecloths, napkins and placemats with Christmas or Easter designs.

Despite the above, most consumers still prefer more conservative designs for home textiles, like bed sheets, curtains and towels, choosing mainly spot colours or discreet designs, matching with different decoration styles. In the case of bed spreads and cushions, Chileans are more innovative and are more willing to introduce colourful prints, embroidering, combinations of different fabrics, etc.

The "fast fashion" concept (mainly associated to the garment and shoe segment) is well installed in Chile and has also extended to home textiles. More and more, consumers (especially low and medium income) prefer to buy low-cost home textile products more often, instead of investing in high quality ones, but more expensive. These consumers appreciate to be able to constantly renovate their home textiles (changing colours, textures and designs), even if their quality is poorest and their lifetime shorter. Also, families with small children usually prefer to invest in low-cost home textiles (i.e. bed sheets and towels), given the heavy usage and frequent washing under which they will be subject.

Nevertheless, there is still a group of consumers that are willing to pay more for superior quality and exclusive products, as well as for handmade products, instead of machine-manufactured ones. Home textiles manufactured of cotton are very appreciated especially for summer time, because of their moisture absorption, breathability, comfort and aesthetic attributes.

There is also a growing but still small group of consumers (especially young people) concerned about the quantity of water and pesticides used in cotton production and processing. They prefer to buy home textiles and garment produced of other type of fibres or of organic cotton.

The number of working women in Chile is increasing fast and, therefore, they have less time and willingness for house shores. There is a growing demand toward products home textiles with superior features, such as stain repellent, quick drying or wrinkle free. Also and related to bed linen, an increasing number of consumers prefer to use duvets with washable covers, instead of the traditional bed sheets and blankets, given they facilitate to make the beds. In addition, several consumers are currently using microfiber towels instead of traditional cotton ones, because they dry more fast, especially in winter.

1.3 Prospects

Sector actors believe that the home textile sector will remain flat or have a moderate increase during next year, given the slowdown Chile is facing in its economic growth.

Besides, the home textile sector is reaching a relative maturity, and therefore no dramatic growth is set to appear. Sales will continue to be mainly driven by low-cost and massive products.

Nevertheless, it is worth mention that the hotel linen segment (mainly bed sheets, pillow cases and towels) is expected to grow, given the current boom of the hotel industry. In October 2015, there were 16 hotels in construction in Santiago and 13 in regions, representing an increase in the number of rooms, from 9.551 in 2015 to 11.124 in 2016. The estimated number of rooms 11.587 in2017. Moreover, it is expected that within the next 3 years, at least 17 new hotels will be built in Santiago, representing 2.700 new rooms.

Also, the medical linen demand (hospital bed sheets and pillow cases) is expected to grow within next years, given government program intended to build or renovate 61 hospitals and 322 primary care centres. Even if construction deadlines will almost for sure not be met - given the current status of projects- new hospital plans will remain in the pipeline to be constructed in a near future, and therefore, will demand new medical supplies, like linen.

2. Imports and Exports

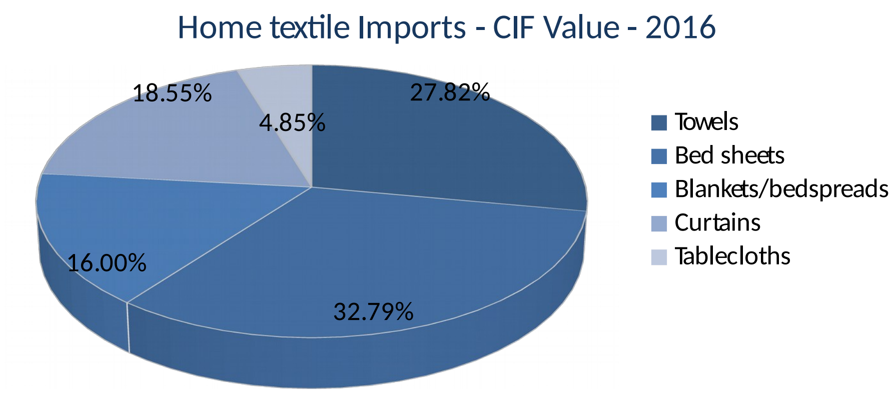
Import and export statistics contained in this section correspond to the following products, with the respective Harmonized System (HS) code under which they are classified in Chile[3] :

HS Chapter/code	Description
	Bed sheets
63.02.21.10	Bed sheets and pillowcases (cotton)
63.02.22.10	Bed sheets and pillowcases (synthetic fibres)
63.02.32.10	Other (synthetic fibres)
	Tablecloths (including placemats, napkins, table runners, etc.)
63.02.40.00	Tablecloths (knitted)
63.02.51.00	Tablecloths (cotton)
63.02.53.00	Tablecloths (synthetic fibres)
63.02.59.00	Other
	Towels
63.02.60.11	Sets of towels
63.02.60.12	Towels (less than 50 cm.)
63.02.60.13	Towels (between 50 and 60 cm.)
63.02.60.14	Towels (between 60 and 160 cm.)
63.02.60.19	Others
	Curtains
63.03.12.00 and 63.03.19.00	Curtains (knitted)
63.03.91.00	Curtains (cotton)
63.03.92.00	Curtains (Synthetic fibres)
63.03.99.00	Other
	Blankets and Bedspreads
63.01.20.00	Blankets (wool)
63.01.30.00	Blankets (cotton)
63.01.40.00	Blankets (synthetic fibres)
63.01.90.00	Other blankets
63.04.11.00	Bedspreads (knitted)
63.04.19.00	Other bedspreads

3 The HS codes under each type of leather product is classified correspond to the Custom tariff classification defined by the Chilean Customs and in force from January 1, 2017. In some cases, they may not coincide with the codes used in India.

2.1 Imports

In 2016, total imports of the home textile products analysed in this survey accounted for US$ 122.8 million (CIF value). Main imports correspond to bed sheets (32.8%), followed by towels (27.8%) and Curtains (18.5%). See chart below.



Source: Chilean Customs Statistics

2.1.1 Imports by type of product

2.1.1.1 Bed sheets

About 85% of total bed sheet imports correspond to those manufactured of synthetic fibres. Imports of these latest have been increasing in the last 5 years, reflecting importers trend toward lower cost products, in line with recent year´s economy slowdown. In fact, the average import price of this category has decreased 19% within the last 5 years. See chart below.

Total bed sheet imports (in US$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
63.02.21.10	6.816.166	4.670.137	6.270.089	5.346.746	5.925.226
63.02.22.10	16.036.357	21.531.231	22.634.568	20.225.998	19.200.154
63.02.32.10	14.382.454	14.830.175	15.437.790	11.780.440	15.152.139
Total	**37.234.977**	**41.031.542**	**44.342.446**	**37.353.184**	**40.277.519**

Source: Chilean Customs Statistics

2.1.1.2 Tablecloths

Main tablecloth imports correspond to products manufactured of synthetic fibres (49%), closely followed by those made of cotton (40%). See chart below.

Total tablecloth imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
63.02.40.00	292.507	214.235	229.959	340.154	383.218
63.02.51.00	3.226.940	3.169.995	2.888.923	2.737.946	2.403.433
63.02.53.00	3.383.236	4.214.753	3.879.244	3.306.417	2.923.539
63.02.59.00	396.126	310.936	406.677	359.482	249.273
Total	**7.298.809**	**7.909.918**	**7.404.804**	**6.744.000**	**5.959.463**

Source: Chilean Customs Statistics

It is worth mentioning that total imports of textile tablecloths have been decreasing within the last 2 years, consistently with economy slowdown.

This decrease is also consistent with the fact that consumers are tending to prefer other materials different from textiles to dress their tables, because of fashion (i.e. faux leather placemats) or of convenience (i.e. vinyl tablecloths to avoid tablecloth washing or paper napkins that can be thrown away). Quality and aesthetics of these alternative materials have significantly improved, allowing their usage even in formal occasions.

2.1.1.3 Towels

Main imports correspond to bigger-size towels (longer size measuring between 60 and 160 cm.). These are the most used towels in households (for shower and bath) and for holidays (beach, swimming pool). They represent almost 62.3% of total. See chart below.

Total towel imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
63.02.60.11	6.794.993	6.906.108	5.966.151	5.509.088	4.807.987
63.02.60.12	1.614.822	2.233.800	2.143.234	1.336.488	1.542.304
63.02.60.13	928.900	1.218.164	1.207.473	700.813	1.017.374
63.02.60.14	22.517.609	20.738.585	22.956.168	20.925.183	21.284.625
63.02.60.19	3.797.340	5.353.704	6.191.459	5.296.887	5.520.778
Total	**35.653.664**	**36.450.361**	**38.464.485**	**33.768.457**	**34.173.068**

Source: Chilean Customs Statistics

Total imports have fluctuated between US$ 33.7 and 38.5 million in the last 5 years. In the same period, the unitary import price has decreased from US$ 7.83 to 6.54 per kilogram (-19.7%). This decrease reflects that importers are looking for cheaper products (i.e. made of lower quality materials) to better satisfy the demand of a growing group of cost-conscious consumers in a period of economy slowdown.

2.1.1.4 Curtains

Main imports correspond by far to curtains manufactured with synthetic fibres, representing 84.7% of total. See chart below.

Total curtain imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
63.03.12.00 / 63.03.19.00	1.997.165	3.324.159	3.002.036	2.884.606	2.129.372
63.03.91.00	1.909.600	1.473.481	1.991.581	1.260.018	1.047.678
63.03.92.00	14.500.539	18.224.390	19.805.682	19.625.115	19.303.438
63.03.99.00	246.668	354.743	270.145	196.587	153.607
Total	**18.653.973**	**23.376.772**	**25.069.445**	**23.966.326**	**22.783.407**

Source: Chilean Customs Statistics

Source: Chilean Customs Statistics

Total curtain imports have shown a growing trend within the last years, mainly due to the fact that consumers are buying readymade curtains, instead of tailor-made ones because they are less expensive and are available immediately.

2.1.1.5 Blankets and bedspreads

Main imports correspond by far to blankets manufactured with synthetic fibres, representing 84.5% of total. See chart below.

Total blanket and bedspread imports (in US$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
63.01.20.00	300.985	859.648	362.889	389.240	488.566
63.01.30.00	1.802.203	2.378.042	1.572.574	1.712.363	1.568.679
63.01.40.00	13.588.774	15.468.720	21.418.209	18.072.523	16.600.654
63.01.90.00	132.819	180.512	388.881	217.423	94.929
63.04.11.00	135.124	150.192	485.673	196.135	66.148
63.04.19.00	986.262	1.418.588	1.184.225	870.274	833.678
Total	**16.946.167**	**20.455.703**	**25.412.450**	**21.457.959**	**19.652.653**

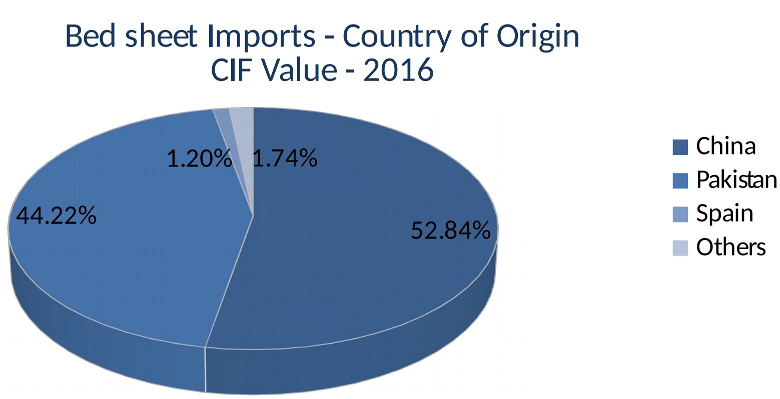
Source: Chilean Customs Statistics

It is important to mention that from 2010 on, some local blanket manufacturers decided to close their plants or reduce the size of their production, because they were not able to compete with imported products (especially with the ones coming from Asia). They started to import totally or partially the products they commercialize. Subsequently, imports increased importantly from 2013 on, but decreased again from 2015, consistently with the economy slowdown (as same as in the case of above textile products analysed in this survey).

2.1.2 Imports by country

2.1.2.1 Bed sheets

In 2016, almost 97% of bed sheet imports came from two countries: China (52.8%) and Pakistan (44.2%).

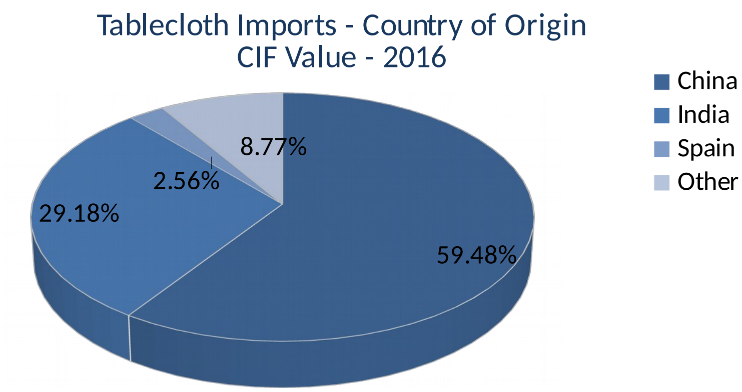


Source: Chilean Customs Statistics

Imports from India are not very significant. In the last 5 years, they fluctuated between US$ 105 and 266 M, representing less than 1% of total imports each year. In 2016, they accounted for US$ 105 M and ranked in seventh position, representing 0.26% of total bed sheet imports

2.1.2.2 Tablecloths

In terms of value, most tablecloth imports come from China (59.5%) and India (29.2%). See chart below.

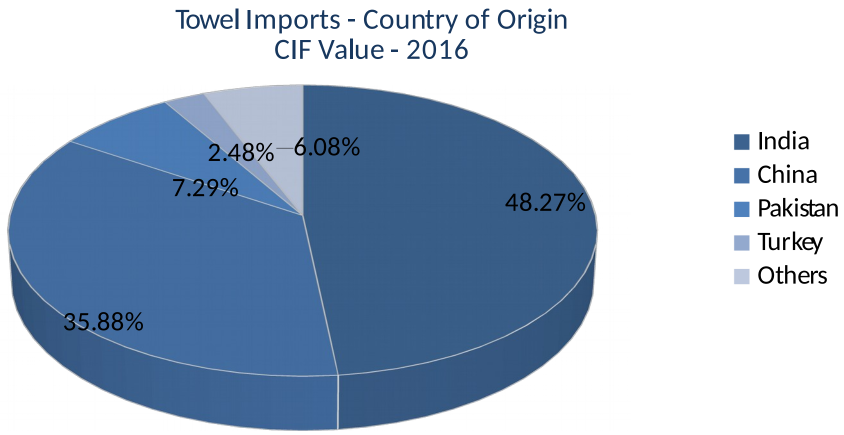


Source: Chilean Customs Statistics

It should be noted that tablecloth imports from India have been decreasing within the last 5 years, in terms of volume and value, while China is increasing. They decreased from US$ 2.7 million (representing 37.1% of total) in 2012 to US$ 1.7 million in 2016.

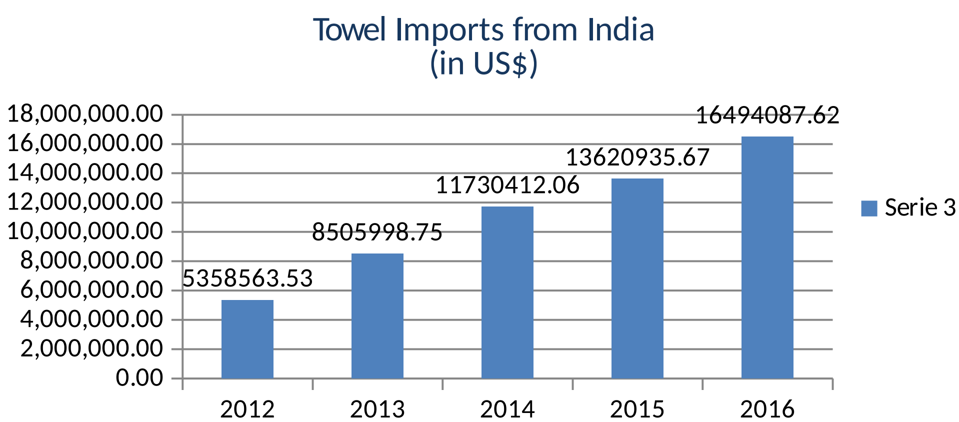
2.1.2.3 Towels

In terms of value, main countries of origin of tablecloth imports are India (48.3%), followed by China (35.9%) and Pakistan (7.3%). See chart below.



Source: Chilean Customs Statistics

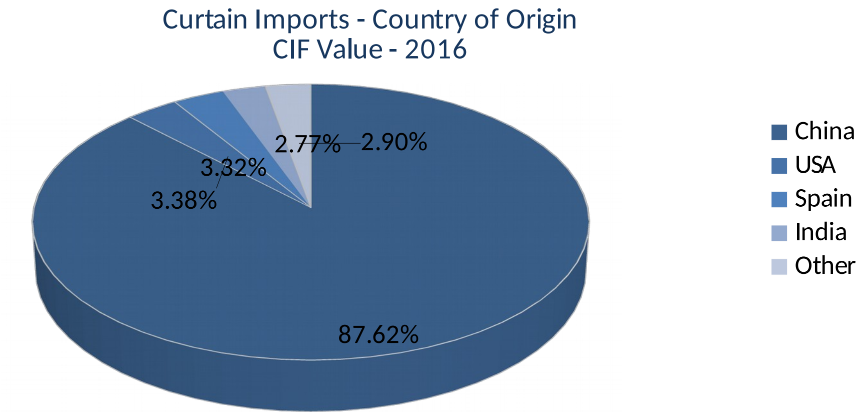
Towel imports from India have had an impressive performance within the last 5 years, passing from the third position in 2012 (after China and Pakistan) to the first one in 2016. Towel imports from India represented 15.0% of total in 2012, while in 2016 they accounted for 48.3%. Even more, they have more than tripled in the last 5 years in terms of value and quadrupled in terms of volume. See chart below.



Source: Chilean Customs Statistics

2.1.2.4 Curtains

In terms of value, curtain imports come by far from China (87.6%). See chart below.

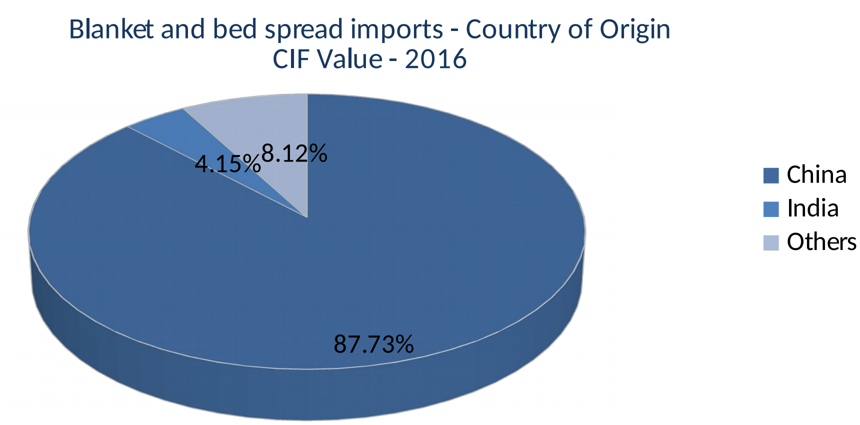


Source: Chilean Customs Statistics

Curtain imports from India rank in forth position with US$ 632 M, representing 2.8% of total. Within the last 5 years, import values have fluctuated between US$ 1.093 and $ 632 M, and between 4.4 and 2.8% of share.

2.1.2.5 Blankets and bed spreads

In terms of value, blanket and bed spread imports come by far from China (87.7%), followed by India (4.1%). See chart below.



Source: Chilean Customs Statistics

2.1.3 Imports by company

2.1.3.1 Bed sheets

In 2016, almost 230 Chilean companies imported bed sheets. From them, the 8 main companies gathered around 68% of total imports in terms of value and 59% of total in terms of volume.

The following chart shows main bed sheet importers in 2016. The second main importer is Representaciones Canontex (the local representative of the multinational Cannon). It is important to note that the rest of the main 8 importers are department stores, home improvement stores and/or supermarket chains importing under their own private labels.

Bed Sheet Imports by Company – 2016 (CIF Value)

COMPANY	VOLUME (in KG)	VALUE (US$ CIF)
X	1.738.300	11.276.493
REPRESENTACIONES CANONTEX LTD	582.874	4.063.906
FALABELLA RETAIL S.A.	364.545	2.874.705
CENCOSUD RETAIL S.A.	457.091	2.847.951
WALMART CHILE S.A.	454.559	2.405.903
EMPRESAS LA POLAR S.A.	268.394	1.516.590
COMERCIAL ECCSA S A (RIPLEY)	134.824	1.169.626
DISTRIB. DE INDUSTRIAS NACIONALES	203.428	1.058.495
OTHER	2.958.417	13.063.851
Total	**7.162.432**	**40.277.519**

Source: Chilean Customs Statistics

Note that the main importer ranked in the first 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, analysing the brands under which products are imported, there are good chances that the “X” corresponds to at least 3 companies: Cannon (importing under a company name different from Representaciones Canontex), Comercial Doral (a local company) and Home Collection (an Argentinian company which commercialize their products through the home improvement store

Sodimac). Given this, it is possible to estimate that Cannon brand has at least an half of the market.

2.1.3.2 Tablecloths

In 2016, almost 244 Chilean companies imported tablecloths. From them, the 8 main companies gathered around 56% of total imports in terms of value and 36% of total in terms of volume.

The following chart shows main tablecloth importers in 2016. The main one is Matriz Ideas (known as Casa&Ideas), representing 16% of total. The rest of the main 8 importers are department stores, home improvement stores, textile specialists and/or supermarket chains importing under their own private labels.

Tablecloth Imports by Company – 2016 (CIF Value)[4]

COMPANY	VOLUME (in KG)	VALUE (US$ CIF)
MATRIZ IDEAS S A	125.469	951.819
X	134.769	908.829
WALMART CHILE S.A.	88.947	403.008
CENCOSUD RETAIL S.A.	38.832	280.806
SODIMAC S.A.	22.014	264.680
ZARA HOME CHILE SPA	10.814	204.525
FALABELLA RETAIL S.A.	15.764	180.190
COMERCIAL ECCSA S A	9.880	130.798
OTHER	781.299	2.634.808
Total	**1.227.786**	**5.959.463**

Source: Chilean Customs Statistics

In this case, the second main importer (identified with an X) could correspond to Comercial Doral (a local company) and to Home Collection and Casa Bonita (2 Argentinian companies which commercialize their products through the home improvement store Sodimac).

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

2.1.3.3 Towels

In 2016, almost 346 Chilean companies imported towels. From them, the 8 main importers represented about 70% of total imports in terms of value and 66% of total in terms of volume. See chart below.

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

COMPANY	VOLUME (in KG)	VALUE (US$ CIF)
WALMART CHILE S.A.	1.480.676	9.184.333
CENCOSUD RETAIL S.A.	727.719	5.536.888
FALABELLA RETAIL S.A.	305.325	2.479.794
X	228.663	1.598.453
REPRESENTACIONES CANONTEX LTD	207.081	1.493.158
MATRIZ IDEAS S A	184.079	1.435.825
COMERCIAL ECCSA S A	189.480	1.319.054
EMPRESAS LA POLAR S.A.	102.702	821.274
OTHER	1.798.832	10.304.289
Total	**5.224.557**	**34.173.068**

Source: Chilean Customs Statistics

As same as in the case of previous products, main importers correspond to department stores, home improvement stores, textile specialists and/or supermarket chains importing under their own private labels.

In this case, the forth main importer (identified with an X) could correspond to Cannon (importing under a company name different from Representaciones Canontex) and to the Argentinian companies Home Collection and Casa Bonita, among others.

2.1.3.4 Curtains

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

In 2016, almost 230 Chilean companies imported curtains. From them, the 8 main importers represented about 66% of total in terms of value and 53% of total in terms of volume. See chart below.

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

COMPANY	VOLUME (in KG)	VALUE (US$ CIF)
X	935.297	5.801.832
SODIMAC S.A.	340.892	2.420.699
MATRIZ IDEAS S A	379.830	2.393.357
EASY RETAIL S.A.	207.569	1.779.585
JOSE MORENO Y CIA LTDA (CHANTILLY)	181.560	959.470
BANDALUX CHILE S.P.A.	42.232	677.364
MERIGGI TELAS LIMITADA	101.840	498.089
PERSIANAS ANDINAS (HUNTER DOUGLAS)	24.737	461.164
OTHER	2.002.957	7.791.747
Total	**4.216.914**	**22.783.407**

Source: Chilean Customs Statistics

Main curtain importers are home improvement stores and textile specialists. Among these latest are Bandalux and Persianas Andinas, which are specialized in textile blinds and shades.

In this case and analysing brands imported, the main importer (identified with an X) could correspond to Comercial Doral and to Home Collection and Casa Bonita, among others.

2.1.3.4 Blankets and bed spreads

In 2016, about 385 Chilean companies imported blankets and bed spreads. From them, the 8 main importers represented about 60% of total in terms of value and 55% of total in terms of volume. See chart below.

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

Blanket and bed spread Imports by Company – 2016 (CIF Value)[7]

COMPANY	VOLUME (in KG)	VALUE (US$ CIF)
X	768.396	3.287.270
WALMART CHILE S.A.	584.627	3.256.953
HIPERMERCADOS TOTTUS SA	238.457	1.428.099
CENCOSUD RETAIL S.A.	201.889	935.947
TEXTILES ZAHR S.A.	465.831	898.795
FALABELLA RETAIL S.A.	102.993	802.699
RENDIC HERMANOS S A (UNIMARC)	102.071	587.286
COMERCIAL ECCSA S A	76.137	585.671
OTHER	2.042.373	7.869.932
Total	**4.582.774**	**19.652.653**

Source: Chilean Customs Statistics

Similarly to above cases, main blanket and bed spread importers are home improvement stores, department stores, textile specialists and supermarket chains.

In this case, the main importer (identified with an X) could correspond to Cannon (importing under a name different from Representaciones Canontex), Comercial Doral, Home Collection and Casa Bonita, among others.

2.2 Exports

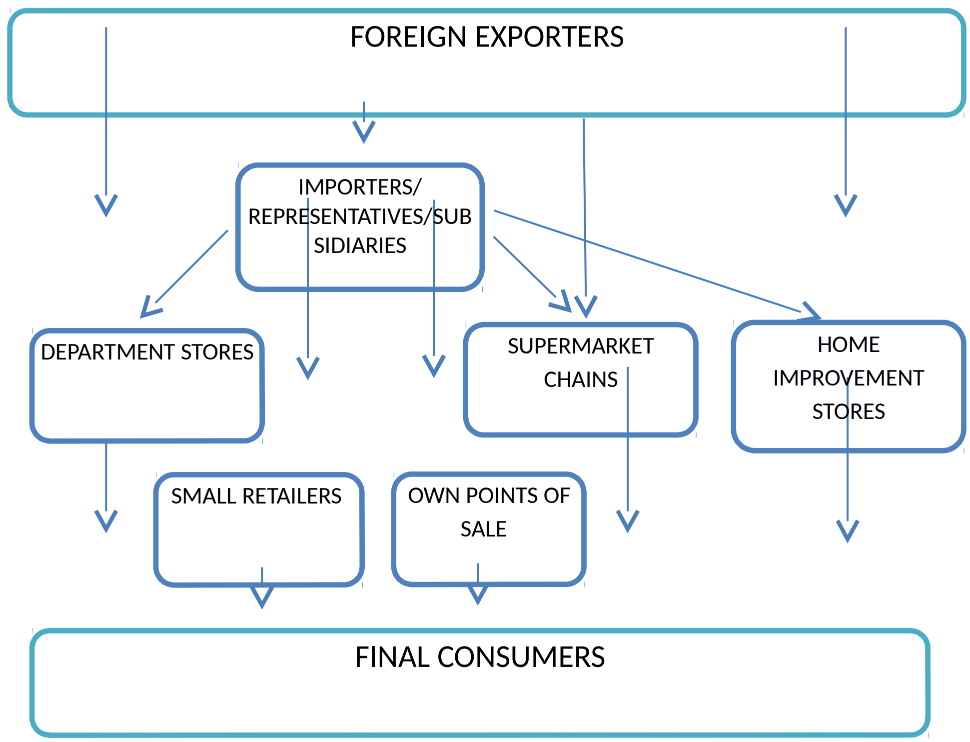
Given that Chile is not a strong textile product manufacturer, exports are not significant. Most of them correspond to small volumes of the few existent local manufacturers and to re-exports to other Latin American countries.

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

3. Distribution channels

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

Home Textile Distribution Flow



ANNEX 1 shows the contact data of some of the main companies importing and distributing home textile products

3.1 Importers and representatives

This group is composed by local companies importing and distributing home textiles 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 companies import only the international brands they represent (generally under an exclusivity contract) or the brands belonging to their headquarters (as it is the case of local subsidiaries of multinational companies). This is the case, for instance, of the market leader Representaciones Canontex (formerly named Comercial Valencia) and that commercializes only Cannon products. Also, it is the case of Zara Home, Laura Ashley, Benetton and Hunter Douglas, which commercialize only products from their homonymous parent company.

Other local companies, such as Comercial Valencia, Comercial Windsor and Comercial Doral, Casa Ideas and Fabrics, import and commercialize only under their own brands.

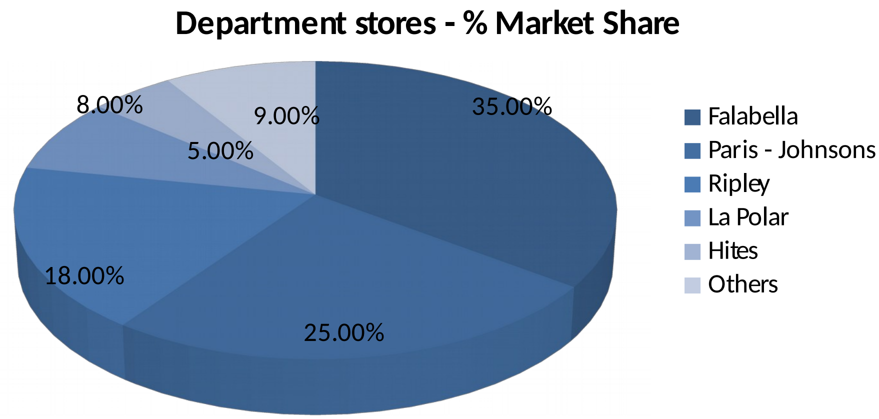
There are other local companies that are manufacturers, but import some finished products to complement their collections. This is the case, for instance, of Nina Herrera, and Lourdes-Chiteco.

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

3.2 Department Stores

Department stores are very important market players in the home textile segments. In Chile, its penetration rate in terms of surface (measured in m2 per capita) is 80, far from 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 segment 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 to neighbour countries, such as Argentina, Peru and Colombia.

A key factor explaining the fast expansion of department stores in Chile is the fact that they have developed their own credit card, requiting less demanding conditions, in terms of income level and credit behaviour. This has allowed low and medium income consumers to buy in these stores, having access to credit.

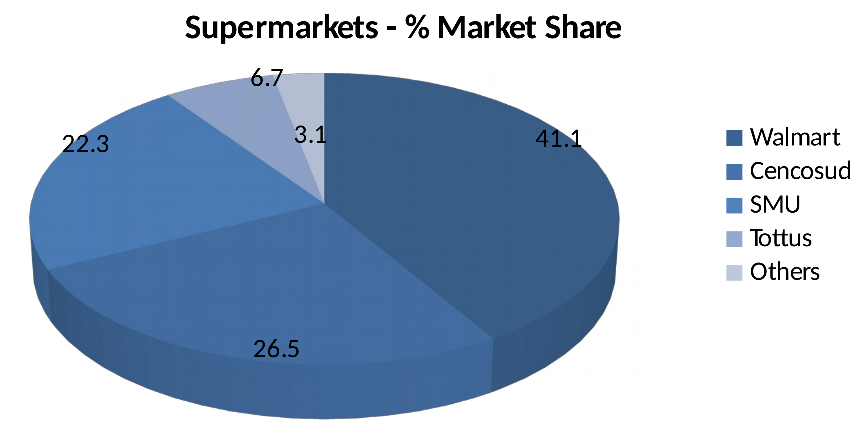
Department store chains have also developed their own private labels of home textiles. They import finished products manufactured under their own designs to foreign suppliers. As China is their main source of supply, the main three department stores (Falabella, Paris and Ripley) have their own permanent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

3.3 Supermarkets and hypermarkets

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.

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



Source: Chilean Supermarket Association (ASACH)

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, home textiles 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.

3.4 Home improvement stores

In Chile, there are two main home improvement distribution chains, selling to home textiles to final users. These chains are the following:

SODIMAC: Sodimac is the leader with about 36% of the market. The company has subsidiaries in Peru, Colombia, Argentina, Uruguay, Brazil and Mexico. Sodimac has 246 points of sale, 85 of which are in Chile, totalizing a surface of 1.700.000 m2. The company accounts annual sales for almost US$ 5.600 million and 40.000 employees. In Chile, Sodimac operates two formats for home improvement products to final clients (Homecenter and Homy).

EASY: The Company is part of the Cencosud holding and has subsidiaries in Chile, Argentina and Colombia. In total, Easy has 85 points of sale, 35 of which are in Chile. The company accounts sales for about US$ 792 million and has around 6.500 employees. In total, they manage around 35.000 different products.

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 textile products, necessary to its entry and further 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.

Home textile products do not require certification for their import and commercialization in Chile. However, there are some rules related to labelling.

4.1 Labelling requirements

Home textile 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 and further modifications.

Labelling should be in Spanish and contain the following information:

a. Name of the manufacturer or importer and registered trademark, if any

b. Country of production
c. Dimensions
d. Fabric composition of the different parts of the textile product, expressed in %.
e. Characteristics of the textile (i.e. wrinkle proof, no shrink, etc.), if any
f. The four wash care symbols related to washing, ironing, bleaching and dry cleaning (printed in any color, except red, orange or green).

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.

4.3 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. Home textile product 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.[9]

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving tariff preferences to some textile product imported into Chile. In the case of the products (and their respective HS codes) analysed in this survey, duty taxes to pay go from 0 to 6 %. See details in the following chart:

India- Chile Partial Scope Trade Agreement – Tariff preferences

HS Chapter/code	Description	Tariff preference	Duty tax to pay
	Bed sheets		
63.02.21.10	Bed sheets and pillowcases (cotton)	30%	4.2%
63.02.22.10	Bed sheets and pillowcases (synthetic fibres)	30%	4.2%
63.02.32.10	Other (synthetic fibres)	30%	4.2%
	Tablecloths (including placemats, napkins, table runners, etc.)		
63.02.40.00	Tablecloths (knitted)	60%	2.1%
63.02.51.00	Tablecloths (cotton)	30%	4.2%
63.02.53.00	Tablecloths (synthetic fibres)	30%	4.2%
63.02.59.00	Other	80%	1.2%
	Towels		
63.02.60.11	Sets of towels	30%	4.2%
63.02.60.12	Towels (less than 50 cm.)	30%	4.2%
63.02.60.13	Towels (between 50 and 60 cm.)	30%	4.2%
63.02.60.14	Towels (between 60 and 160 cm.)	30%	4.2%
63.02.60.19	Others	30%	4.2%
	Curtains		
63.03.12.00	Curtains (knitted)	60%	2.1%
63.03.19.00	Other (knitted)	80%	1.2%
63.03.91.00	Curtains (cotton)	30%	4.2%
63.03.92.00	Curtains (Synthetic fibres)	60%	2.1%
63.03.99.00	Other	100%	0%
	Blankets and Bedspreads		
63.01.20.00	Blankets (wool)	-	6%
63.01.30.00	Blankets (cotton)	30%	4.2%
63.01.40.00	Blankets (synthetic fibres)	30%	4.2%
63.01.90.00	Other blankets	30%	4.2%
63.04.11.00	Bedspreads (knitted)	80%	1.2%
63.04.19.00	Other bedspreads	100%	0%

Source: Direcon

9 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/

It is worth mentioning that, Chile has also a Free Trade Agreement signed with China (the main country of origin the of most of textile products), granting with a 100% tariff preference to all analysed products, that is to say, they are not subject to duty fees.

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 home textile product 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 home textiles. • Wide variety of Indian home textiles products. • Existence of experienced Indian producers and exporters. • General good image of Indian products. • Duty tax preference (India-Chile Partial Scope Agreement).	• Grow of massive home textile products. • Consumer trend toward customized home textile products. • Growing consumer consciousness of their house appearance. • Growth of the hotel and hospital linen market. • Cotton home textiles are highly appreciated by consumers
Weaknesses	**Threats**
• High competition of Chinese low cost products	• Current economy slowdown • Limited number of potential importers/distributors in a highly concentrated market. • 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, India home textile products are well known because of its high quality.

Chilean imports of Indian home textiles are significant, especially in the case of towels, being the largest source nation in 2016, with 48.3% of total. Indian terry towels have a very good reputation because of their quality and competitive prices.

In the case of tablecloths, India is the second largest country of origin of Chilean imports. Import volume and value have decreased in the last years, leaving space to imports from China. It is worth mentioning that Chilean tablecloth imports are not very significant compared to other textile products and are expected to continue decreasing (as it has been in the last years), in line with the consumer trend to replace them by other type of materials that do not require water washing (faux-leather placemats, vinyl tablecloth, paper napkins, etc.).

The internal demand for curtains is also expected to continue growing, given that Chilean consumers will continue to switch from tailor-made curtains to readymade ones. In 2016, curtain imports from India rank in forth position with US$ 632 M, representing 2.8% of total. India has opportunities to increase its market share by offering innovative materials and competitive prices.

India has good opportunities in the segment of bed sheets, especially in the case of product made of 100% cotton or cotton blend. In the last 5 years, imports from India represented less than 1% of total, in a market dominated by imports from China and Pakistan. Even if this is a mature category, bed sheet imports are expected to grow, but moderately, especially in the case of hotel and hospital bed sheets.

It is important to take in mind that representatives of home textile foreign brands, as well as the local subsidiaries of these 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 home textiles in Chile should focus on companies importing under their own brands, as well as on department and home improvement stores (for their private labels) and supermarket chains. India exporters should also take in mind that price is one of the main decision factors and that they will most likely be compared to China prices, for similar quality products.