Chilean consumer market - Research

Hong Kong Trade Development Council (HKTDC)

Progressing with growing incomes and improving living standards, Chileans are ready for quality products from all over the world. This, together with their wide acceptance of made-in-China imports, presents a shining beacon of opportunity for Hong Kong companies. To stand out and get the “red carpet” treatment to the market, however, Hong Kong companies must first understand the characteristics of their customers.

Small or not small?

One of the most cited drawbacks of trading with the 17 million-strong Chile is its small pool of consumers. However, when one looks at it from the perspective of purchasing power, Chile is by no means a small market. With a per-capita GDP of US$11,800, Chile’s purchasing power ranks only after the much less populated Bahamas, Barbados, Antigua and Barbuda and Uruguay in Latin America.

Perhaps, this is one of the reasons why Chile was third in Hong Kong’s exports to Latin America last year, trailing only the region’s two largest countries – Mexico and Brazil. Accounting for nearly 7% of Hong Kong’s Latin American bound exports in 2010, Chile, in this sense, is a bigger market for Hong Kong companies than such markets as Argentina, Colombia, Venezuela and Peru in the region.

Moreover, to overcome the limitations of a small domestic population, Chilean enterprises usually have their business operations and networks extending across borders. Taking a regional perspective, Chile, riding on its extensive presence in Argentina and Peru, for example, is therefore never an insignificant market for new-to-the-region Hong Kong companies, but a convenient trading platform to tap the region.

Targeting the top incomes

Notwithstanding an appreciable improvement in incomes among the lower- and middle-income classes, the overall income distribution in Chile is uneven, with the top income quintile (V) earning more than 55% of the nation’s total income, while the least privileged quintile (I) earning less than 4% of the total.

Earning an income of more than US$400 per month on average, the IV and V income quintiles, which comprise nearly two million households or six million people are expected to add critical mass to Hong Kong exporters’ marketing efforts in Chile and provide the greatest growth momentum in the market.
Aside from earnings, another characteristic of these higher-income groups is their smaller-than-average household size. The smaller household size has led to smaller demand for economy- or family-size household items, while the smaller number of children has prompted these well-off consumers to trade up to premium baby and children’s products such as educational toys and clothes to pamper their children.

**Showing exuberance in practical ways**

Looking at spending patterns, Chileans, after paying for food, beverages, tobacco and housing, are estimated to have spent more than 60% of their income on various goods and services in 2010. In line with their high demand for home improvement and personal care, household goods and services, healthcare and clothing and footwear accounted for nearly 30% of total household spending in Chile. This compares with roughly 13% in Brazil, and is almost double that of Peru.

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