



Chile: Sporting Goods & Recreational Equipment

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Summary

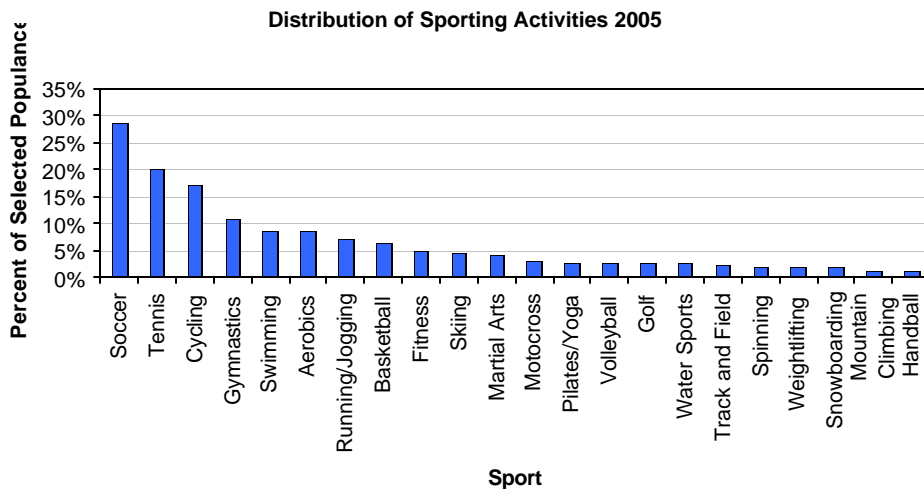
Among all of today's emerging industries, leisure time, sports, and fitness have come to offer the greatest growth potential throughout the world, and especially in Chile. Increasingly, people are investing time and money in looking and feeling better through hobbies, sports, and healthy food, with the intention of enhancing their quality of life.

Chile imports virtually all of the sporting goods sold domestically. Local production is very limited except for traditional Chilean sports products (i.e. rodeo, equestrian articles), spare parts, and accessories for sporting goods.

During the last two decades, Chile has experienced periods of economic growth, which explains the substantial increased demand in sporting goods, not only in quantity but in quality. U.S products enjoy a good reputation and are considered the best quality products.

Market Demand

The most popular sports and recreational activities in Chile are soccer (practiced by 28.2 percent of Chileans), tennis (20.2 percent) and cycling (17.2 percent).



Source: Mall Sport Chile

Figures are based on a study conducted on Chileans from Social Group Classification ABC1 (middle upper and upper income families)

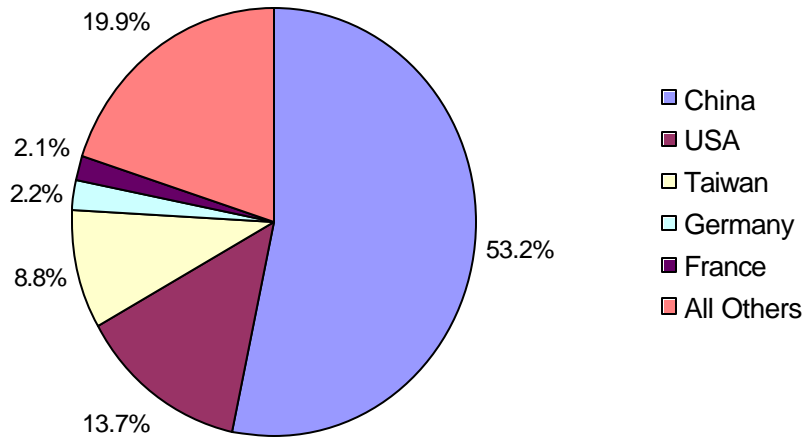
Market Data

Although Chile comprises a small fraction of the total U.S. exports of sporting and athletic goods, exports of sporting goods to Chile are growing faster than exports to any other market in the world. From 2004 to 2005, U.S. exports of sporting goods to the world went up about 5 percent, while exports to Chile grew approximately fivefold, or 27.1 percent.

The U.S.-Chile Free Trade Agreement (FTA), enacted in late 2003 and implemented in January 2004, is largely responsible for the recent dramatic increase in U.S. exports of sporting goods to Chile. U.S. sporting goods exported to Chile reached US\$6.5 million in 2005, up from US\$5.1 million in 2004.

The sporting goods import market in Chile represented a total value of \$47.6 million in 2005. China is Chile's primary importer of sporting goods with a 53 percent market share in 2005, and the United States secondary with 14 percent.

Chile's Sportings Goods Imports by Country 2005



Chile's Sporting Goods Imports 2005		
Country	Value in US\$	Market Share
1. China	25,346,178.15	53.24%
2. United States	6,512,691.30	13.68%
3. Taiwan	4,193,541.29	8.81%
4. Germany	1,060,737.78	2.23%
5. France	1,006,443.35	2.11%
All Others	9,485,652.14	19.92%
Grand Total	47,605,244.01	100.00%

Source: Incomex database 2005 (does not include sportswear)

Best Prospects

There are several different niche sectors that offer great potential for U.S. sales. Bicycles, hunting and fishing gear are rising in popularity. Other areas of interest include golf, skiing, scuba diving, bowling and tennis equipment.

Soccer: Even though it is the most popular sport, it only requires a ball to be played at either an amateur or recreational level. We do not consider it as an interesting market in terms of sales, except for clothing articles.

Tennis: It is a very important sport, mainly due to the extraordinary past and present performances of its national players. With the exception of soccer -since Chile classified third in the 1962 World Cup-, tennis is the sport that shows the most competitive results, including a Davis Cup vice championship. Chile boasts a number one ATP player (Marcelo Rios), a couple of young players who won twice the Worldteam, and a gold and bronze medals in singles at the Olympics games in Athens. It is the most practiced sport among middle and upper income families. This market totaled \$3.2 million in 2005 (2.1 for rackets and 1.1 for balls).

Cycling is also becoming a growing market and is practiced by people of all ages. The government plans this year to build the biggest cycle path in Chile. This is part of an initiative to create 1,200 kilometers of biking paths in the Metropolitan Region by 2010, to encourage cycling as a major mode of transportation. There are currently only 70 kilometers of biking trails in Santiago, dispersed throughout 13 districts. During 2005, Chileans bought 544,000 bicycles, 50,000 less than in 2004, when they bought more than 590,000, the highest recorded sales. With all other local companies succumbing to competition from China, the Chilean bike company Oxford has become the nation's sole bicycle producer, manufacturing 100,000 bikes annually. Another local company, Lahsen, manufactures 30 percent of spare parts and imports the remaining 70 percent from China, Taiwan and Brazil. During 2005, 5,000 bicyclists were surveyed by Conaset. The vast majority of them -86 percent- are men, and 6 out of every 10 cyclists are between the ages of 21 and 40. The average trip distance was eight kilometers, with most riders (65.7 percent) using bikes to get to work. Only 12.7 percent of those surveyed said they ride for recreational purposes. Most bicycles are sold during the months of November and December.

Skiing: There are 16 ski centers in Chile and around 18,000 skiers. The ski resort industry's annual sales surpass US\$100 million. Imports of ski equipment during 2005 reached US\$554,363. The ski season is open from June to late September and ski equipment sales fluctuate depending on weather conditions. If there is little snow in a particular year, ski equipment sales decrease considerably. New investments, future ski resorts' expansion plans, and improvements made to the main road from the city of Santiago to the nearby ski centers, will increase the quantity of skiers and, consequently, future sales.

Golf: Chile, with 58 golf courses, is a growing market for golf products. Nearly 5 percent of the Chilean population plays golf, which is considered an elite sport. There is only one public golf course in Chile, built in 2005. Greater Santiago has 15 golf courses with 12,000 active players. There are five specialized golf stores, and golf products are also sold in chain stores and general sporting equipment stores. The market moves between US\$ 5 and 6 million annually (including sportswear).

Fitness Equipment: By 2010, it is expected that investments in new gyms and fitness equipment will surpass the US\$ 20 million mark, and that 40 new gym chains be opened. The potential growth of this market is close to 75,000 annual users. In about 10 years, Chile will have indexes close to those of the United States, where 13% of the population goes to a gym. Currently, only 3 percent of the Chilean population regularly frequents a gym.

Hunting and Fishing: Fishing is a fast growing sport with annual sales of US\$10 million, and with the potential to become a lucrative industry. An important market niche is the fishing lodge industry (especially for fly fishing), which includes lodging, transportation, gastronomy and tour guide services. There are about 50 lodges in the country, located mainly between the fourth and seventh region. There are also operators who coordinate and subcontract tour guides, hotels and cabins. The local season is between November and March, in contrast to other developed nations like the United States. As for hunting, most rifles and shotguns are used in the Southern region of Chile where the geography encourages the practice of this sport. Additionally, some people living in rural areas use rifles and shotguns to defend their properties and for food.

Water Sports: This market is very appealing for U.S. companies as it is the second biggest sport market in Chile. The main supplier is the United States, with 40 percent of the market share (US\$8,500,000). Motorboats, sailing and other nautical sports have been traditionally reserved for the high-end consumer market. Due to the limited local production (mainly fishing boats), water sports equipment tends to be too expensive for the average consumer. However, given Chile's strong economy, relatively low unemployment and expanding well-educated professional working class, water sports and other such leisure activities are becoming affordable and sought after. A new trend shows that Chileans are taking increasing advantage of the extensive coastline and the lake district in Southern Chile.

Mountain Climbing: Due to Chile's mountainous geography, interest in mountain climbing and trekking is expanding. There has been a growth in sales of mountain equipment, such as poles, shoes and accessories. Chileans' trend is to buy prestigious and quality brand names, which are generally associated with U.S. brands.

Scuba Diving: Chileans tended to look outside their country to Brazil or the Caribbean for diving. However, there are very good places for diving along the long Chilean coast (2,700 miles). The best zone for diving extends from La Serena to Arica due to the relatively warmer temperature of its waters. Increasingly, people are taking scuba diving lessons and joining scuba diving clubs to practice this sport. At present, there are around 2,000 active divers.

Bowling: Ten years ago there were not many bowling centers, nor there were many bowling fans. However, since 1999 there has been a yearly increase of 200% in building new lanes. Today there are about 200 bowling centers throughout the country. The occupation level of the centers inaugurated over the last 5 years has been on average, 80%. Economic groups such as Cencosud, D&S and Mall Plaza have had great success in capturing Chilean consumers with the installation of modern bowling centers in supermarkets and malls. The largest center is located in the Jumbo Supermarket on "Departamental Avenue", in Santiago, with 20 lanes and state-of-the-art technology.

Sporting Goods Imports/Country Share (in USD Millions)

COUNTRY / SPORT	BICYCLES		WATER SPORTS		TENNIS		CAMPING		FISHING & HUNTING		GOLF		SKI		OTHERS		TOTAL	
	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%	USD	%
CHINA	17.2	67%	1.2	14%	2.2	64%	2.8	83%	0.5	21%	0.2	16%	0.5	55%	0.7	56%	25.2	54%
USA	1.3	5%	3.4	39%	0.3	9%	0.0	1%	0.3	13%	1.1	78%	0.0	0%	0.0	0%	6.4	14%
TAIWAN	3.8	15%	0.2	2%	0.1	2%	0.0	0%	0.0	2%	0.0	0%	0.0	2%	0.0	0%	4.1	9%
GERMANY	0.1	0%	0.5	5%	0.0	0%	0.5	14%	0.0	0%	0.0	0%	0.0	1%	0.0	2%	1.1	2%
FRANCE	0.1	0%	0.8	9%	0.0	0%	0.0	0%	0.0	0%	0.0	0%	0.0	0%	0.0	0%	0.9	2%
ARGENTINA	0.0	0%	0.9	10%	0.1	3%	0.0	0%	0.0	0%	0.0	0%	0.0	1%	0.0	0%	1.0	2%
HONG KONG	0.6	2%	0.1	1%	0.3	8%	0.0	0%	0.0	0%	0.0	1%	0.0	0%	0.0	0%	1.0	2%
SPAIN	0.1	1%	0.2	2%	0.0	0%	0.0	0%	0.5	22%	0.0	0%	0.1	9%	0.0	0%	0.9	2%
JAPAN	0.7	3%	0.0	0%	0.0	1%	0.0	0%	0.0	1%	0.0	1%	0.0	1%	0.0	0%	0.8	2%
OTHERS	2.0	8%	1.4	17%	0.4	13%	0.1	2%	1.0	40%	0.1	5%	0.2	30%	0.6	42%	5.7	12%
USD	25.8		8.5		3.4		3.3		2.4		1.4		0.8		1.3		47.0	
%	55%		18%		7%		7%		5%		3%		2%		3%		100%	

Source: Aduanas de Chile

Key Suppliers

As mentioned earlier, local production is very limited. Currently, 54 percent of the national sporting goods demand is satisfied by China, 14 percent by the United States, 9 percent by Taiwan, 8 percent by Europe, and 15 percent by other countries. Most of the suppliers are, in fact, European or American brands (Adidas, Puma, Nike, Wilson, etc.) that manufacture in Chinese plants due to their relatively low cost of labor.

Prospective Buyers

Department stores (Falabella, Ripley, Almacenes Paris), Supermarkets (D&S, Jumbo), retailers, specialized stores.

Market Entry

To enter the Chilean sporting goods equipment market, U.S. companies can choose a well-reputed distributor or an agent who will take responsibility for the “after sales service”, a very important aspect for almost all end-users. Strong marketing and promotion will help establish a presence in the market.

A market research done by *Kronos Research* in 2005, indicated that 58% of consumers prefer to buy sporting goods in Department Stores. The Free Trade Agreement (FTA) with the United States made most of the sporting goods imported into Chile pay zero duty, or are being decreased substantially until they reach zero duty.

Market Issues

Chile has Free Trade Agreements (FTAs) with the United States, the European Union, the European Free Trade Area, Canada, Mexico, Colombia, Venezuela, Ecuador and South Korea. The country also has bilateral investment treaties and/or trade agreements providing for duty-free trade in most products with Mercosur (Argentina, Brazil, Paraguay, and Uruguay) and other countries in Latin America, Asia and Africa.

The U.S.-Chile FTA came into effect on January 1st, 2004.

- The FTA immediately eliminated tariffs on almost 90 percent of U.S. products imported into Chile and more than 95 percent of Chilean exports to the United States. Tariffs on all products will be eliminated within 12 years.
- Bilateral trade in all goods grew by 33 percent the same year, reaching almost US\$8 million.
- Elimination of Chile’s six percent general tariff has made U.S. products significantly more competitive, as they had been losing ground to other countries with which Chile already had preferential trade agreements.

Obstacles

U.S. exporters of certain hunting equipment need an Export License (fire arms & ammunitions). For rifles and bullets an Export License should be requested to the State Department. For shotguns and sights an Export License should be requested to the U.S. Department of Commerce.

Local owners of gun shops, manufacturers and importers of ammunition consider that the new Chilean law “Control of Firearms and Explosives” will hurt their business. To buy hunting cartridges or bullets users need to request a Purchase Order (http://www.dgmn.cl/documentos/armas/tasas_derecho_2006.doc) and pay US\$9, allowing them to buy 100 cartridge units, with a limit of 1,000 cartridges per year (before 2004, the maximum allowed was 3,000 per year). As for bullets, the Purchase Order costs US\$9 for 50 units, with a maximum allowed of 500 per year.

Trade Events

ProTiempo Libre
IX Outdoors and Leisure Time Trade Show
November 9-12, 2006
Espacio Riesco
Santiago, Chile
Contact: José Miguel Soto-Luque
E-mail: jmsl@interexpo.cl
Web Page: www.protiempolibre.cl

Note: This trade event is held twice a year

Resources & Key Contacts

Comité Olímpico de Chile
Website: www.coch.cl

Chiledeportes
Website: www.chiledeportes.cl

Federación Chilena de Golf
Website: www.chilegolf.cl

Federación Chilena de Andinismo
Website: www.feach.cl

Federación de Tenis de Chile
Website: www.federaciondetenisdechile.cl

Mall Sport
Website: www.mallsport.cl

For More Information

The U.S. Commercial Service in Santiago, Chile can be contacted via e-mail at: claudia.melkonian@mail.doc.gov,
Phone: (+56 2) 330-3312; Fax: (+56 2) 330-3172 or visit our website: www.buyusa.gov/chile.

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