General Overview

- Official language - Spanish
- Wide geographical range
  - Easy to grow food
- 90% urban population
  - 1 in 3 people live in Santiago
- 89% of the population has Euro-mix or European descent
Hofstede Dimensions

COUNTRY COMPARISON

- Low individualism
  - Value extended family
- High femininity
  - Interpersonal links
  - Flexible with time
- High Indulgence (same as US)
  - Desires and leisure
Food Culture

● Main meal is at lunch
  ○ Time most spent with family, friends, etc.

● Afternoon tea
  ○ 5pm-6pm, light sandwiches, cookies, beverages, etc.
  ○ Less important in urban areas

● Light Dinner
  ○ Late, around 8pm-10pm

Traditionally, it’s considered bad manners to eat while walking. The fast food industry is changing this perception.
Social Environment

Chart 5 Overview of Chile’s Social Classes

Source: Euromonitor International
Income Inequality

Income Inequality considered moderate by global standards

Income gaps are declining

2015 - Educational Reform

- Higher tax rates
- Put towards lower income households and education
- Education is becoming the number 1 expenditure
Discretionary Spending

Remains relatively high, no matter the Decile

Leisure/recreation and Education are considered the country’s most discretionary spending categories
## Economic Environment

### Main Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>18M</td>
</tr>
<tr>
<td>GDP</td>
<td>$247B</td>
</tr>
<tr>
<td>Growth rate</td>
<td>1.6%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>6.4%</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
Economic Environment

Main Industries

- Mining Sector
  - Copper, Silver, Gold
  - Mining industry laws create favorable investing environment for foreigners.
- Finance Industry
- Fishing and Agriculture
  - Fish, Bread, Fruits
Absolute Advantage

Absolute Advantage
● Copper
○ China is the main buyer of the copper exported.

Comparative Advantage
● Wheat
○ Exports to Brazil
○ Chile has better weather which allows them to be able to produce more wheat than Brazil can.
Monetary Environment

Currency System

(Chilean peso)

- Bank notes come in denominations of: 500, 1000, 2000, 5000, 10,000 and 20,000
- $1 USD = $633 CLP
- Important currency in South America
USD/CLP Currency Chart
Trade Environment

- Trade Balance: $582.8 million USD (October 2017)
- Main Trading Partners
  - Exports: 28.6% China, 14.1% US, 8.6% Japan, 6.9% South Korea, 5% Brazil
  - Imports: 24.3% China, 14.7% US, 9.3% Brazil, 4.4% Argentina, 4.2% France
Trade Environment

- **Trade Barriers**
  - Foreign Firms = Local Firms
  - Agriculture
    - USA-Chile FTA
    - Food Labeling Law

- **Foreign Direct Investment**
  - No subsidies for FDI
  - Investment Incentives
    - Tax credits, tax exemptions
    - Performance Requirements
    - Minimal government interferences in legal system
Trade Environment

- Trade Agreements: 26 agreements, 64 economies
  - 15 FTA
  - Trans Pacific Partnership (TPP)
  - Mercosur
  - European Free Trade Association (EFTA)
  - European Union
  - P4
  - Pacific Alliance
Political Environment

- Political System
  - Presidential Republic
    - Executive Branch: Michelle Bachelet
    - Legislative Branch
    - Judicial Branch:
      - 15 regions

- Political Risk
  - Political Stability
    - Chile: 60.0% (2015) & 63.8% (2016)
  - Presidential Elections
  - Low corruption
## Political Environment

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>2016 Score</th>
<th>2015 Score</th>
<th>2014 Score</th>
<th>2013 Score</th>
<th>2012 Score</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Hong Kong</td>
<td>77</td>
<td>75</td>
<td>74</td>
<td>75</td>
<td>77</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>17</td>
<td>Austria</td>
<td>75</td>
<td>76</td>
<td>72</td>
<td>69</td>
<td>69</td>
<td>Europe and Central Asia</td>
</tr>
<tr>
<td>18</td>
<td>United States</td>
<td>74</td>
<td>76</td>
<td>74</td>
<td>73</td>
<td>73</td>
<td>Americas</td>
</tr>
<tr>
<td>19</td>
<td>Ireland</td>
<td>73</td>
<td>75</td>
<td>74</td>
<td>72</td>
<td>69</td>
<td>Europe and Central Asia</td>
</tr>
<tr>
<td>20</td>
<td>Japan</td>
<td>72</td>
<td>75</td>
<td>76</td>
<td>74</td>
<td>74</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>21</td>
<td>Uruguay</td>
<td>71</td>
<td>74</td>
<td>73</td>
<td>73</td>
<td>72</td>
<td>Americas</td>
</tr>
<tr>
<td>22</td>
<td>Estonia</td>
<td>70</td>
<td>70</td>
<td>69</td>
<td>68</td>
<td>64</td>
<td>Europe and Central Asia</td>
</tr>
<tr>
<td>23</td>
<td>France</td>
<td>69</td>
<td>70</td>
<td>69</td>
<td>71</td>
<td>71</td>
<td>Europe and Central Asia</td>
</tr>
<tr>
<td>24</td>
<td>Bahamas</td>
<td>66</td>
<td>N/A</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>Americas</td>
</tr>
<tr>
<td>24</td>
<td>Chile</td>
<td>66</td>
<td>70</td>
<td>73</td>
<td>71</td>
<td>72</td>
<td>Americas</td>
</tr>
<tr>
<td>25</td>
<td>United Arab Emirates</td>
<td>66</td>
<td>70</td>
<td>70</td>
<td>69</td>
<td>68</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>27</td>
<td>Bhutan</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>63</td>
<td>63</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>28</td>
<td>Israel</td>
<td>64</td>
<td>61</td>
<td>60</td>
<td>61</td>
<td>60</td>
<td>Middle East and North Africa</td>
</tr>
</tbody>
</table>

Visit www.transparency.org/cpi for more information
Legal Environment

Pros

- Ranked #2 in transparency and ease of doing business in Latin America
- Ease of doing business ranked #57 out of 190 worldwide
- Takes just days to register a business
  - Can be done online

Cons

- Corporate tax rate to be raised from 20% in 2014 to 25% in 2018
- Elimination of tax breaks to reinvest profits tax-free
- Highest energy costs in the region
<table>
<thead>
<tr>
<th>Table 1 Indicators of Business Environment: 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Doing Business Rank (out of 190)</td>
</tr>
<tr>
<td>Starting a Business</td>
</tr>
<tr>
<td>Time (days)</td>
</tr>
<tr>
<td>Procedures (number)</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
</tr>
<tr>
<td>Time (days)</td>
</tr>
<tr>
<td>Procedures (number)</td>
</tr>
<tr>
<td>Getting Electricity</td>
</tr>
<tr>
<td>Time (days)</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
</tr>
<tr>
<td>Tax Rate</td>
</tr>
<tr>
<td>Total tax rate (% profit)</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
</tr>
<tr>
<td>Strength of minority investor protection index (0-10)</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
</tr>
<tr>
<td>Time (days)</td>
</tr>
<tr>
<td>Cost (% of claim)</td>
</tr>
</tbody>
</table>

Source: Euromonitor International based on the World Bank
Size and Growth of the Industry

- Per capita expense of 144 dollars in Chile, which is 6th in the world.
- The current size of the market in Chile is 2.445 million dollars and makes it 6th as well in the world.
- Growth in the full-service restaurants is at a slower rate while fast food restaurants have witnessed a strong increase in sales.
- There is a continuing slowdown in chained operators otherwise, with steady growth despite economic difficulties.
Trends in the Industry

● Chileans are more than ever willing to try new restaurants.  
● Chileans are preferring restaurants that offer a more gourmet approach, different kinds of cuisines and offer better and more comfortable venues.  
● There has been an increase in latin american cuisine due to the increase of immigrants from neighboring countries.  
● The working class doesn’t have much time for lunch breaks so fast food is becoming more popular in recent years.
Competitive Environment

• The leading company in fast food chains in Chile is Gastronomía y Negocios S.A. They have more than 250 stores and over 70 franchises. The reported annuals sales are over 150 million dollars a year.

• There has been an overwhelming growth in Peruvian Restaurants, specially in the country’s capital, Santiago. Of every three restaurants opening, one is Peruvian.
Conclusion

- In general it is fairly easy to start a business in Chile but there are many points to take into consideration when opening a restaurant.
- There are many permits that you have to obtain. Some permits vary depending on the Town Council.
- There are also permits from the agricultural service and health service that are needed, as well as a permit for selling alcohol.
- With all the competition and legal factors opening up a casual dining restaurant would be recommended in Chile as long as it offers something different than what is already present.
Works Cited

http://www.heritage.org/index/country/chile

https://www.indexmundi.com/chile/economy_overview.html


http://www.pitlanemagazine.com/cultures/major-industries-of-chile.html

http://www.xe.com/currencycharts/?from=USD&to=CLP&view=10Y


http://online.culturegrams.com.ezproxy.library.unlv.edu/world/world_country.php?cid=33

http://www.portal.euromonitor.com.ezproxy.library.unlv.edu/portal/analysis/tab
http://www.hofstede-insights.com/country-comparison/chile,the-usa/
Works Cited

https://tradingeconomics.com/chile/balance-of-trade

https://www.export.gov/article?id=Chile-Trade-Barriers

https://www.state.gov/e/eb/rls/othr/ics/2015/241516.htm

https://www.uschamber.com/sites/default/files/styles/article_gallery/public/00_TRADE_think178022088_US_Chile.Flags_800x533.png?itok=n9p14Tw8

https://www.direcon.gob.cl/en/

https://www.export.gov/article?id=Chile-Trade-Agreements


https://upload.wikimedia.org/wikipedia/commons/thumb/0/02/Portrait_Michelle_Bachelet.jpg/1200px-Portrait_Michelle_Bachelet.jpg