

RETAILING IN CHILE

GROCERY RETAILERS

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NZTE Latam

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Key Takeaways

1

Chile has experienced substantial structural changes and economic and social development over the past three decades. The country stands out in Latin America with one of the most favorable business environments and commercial openness. Furthermore, the country stands out for the stability of its democratic system and institutional structure.

2

The COVID-19 pandemic spurred a digital transformation in the sector, but high online demand also highlighted inefficiencies such as distribution systems. This context further strengthened the position of last-mile delivery platforms, which have a high fulfillment capacity due to their business model.

3

Chilean grocery retailers are highly developed. While disinvesting from many markets in the region, the leader Walmart has Chile as a priority market. National retailers are also relevant players in Latin America. These retailers were able to adapt to the digital transformation imposed by the COVID-19 pandemic and are investing heavily in an omnichannel strategy.

4

Significant social changes, health consciousness, and demands unveil opportunities for natural, sustainable, and environmentally friendly products and services. There is a sharp and constant awareness of the impact of diet on environmental challenges.

5

Political changes and new regulations are structurally altering the business environment, specifically in some areas of the economy. This scenario is no different in Chile. Additional regulations cause costs and expenses to grow at rates faster than sales and profit. As a result, Chilean companies are looking for solutions to increase productivity and sustain their long-term profitability.

6

Investing in prototyping in the early stages of negotiations with Chilean companies can be an excellent opportunity to ensure positive results. This means openly testing products with a potential customer and accumulating data on the results. Other potential customers will be interested once the solution is tested and implemented, especially if it is one of the leading players in the market.

7

Building a network of contacts is an important step to accelerate growth in the region.

SWOT Analysis

Strengths

- Developed and tech-driven products from New Zealand companies for a market ready to implement them.
- Free Trade Agreement eliminating tariffs on most of New Zealand's exports to Chile.
- Productivity and cost-efficient processes, products, and initiatives to offset increasing costs due to fast-paced incremental regulations.
- Some of the leading retailers present in the region have headquarters in Chile. The country can be seen as a gateway for many products in Latin America.
- Leading business and political leaders are looking to New Zealand as a development model to follow, particularly when it comes to sustainable development.

Opportunities

- Retailers have planned significant investments over the next few years. The sector is taking a profound digital transformation to simplify the shopping experience and deal with inefficiencies such as logistics. Retailers are open to innovation, and a good example is the introduction of Cencosud's new business model through SPID35 stores.
- The rapid growth of e-commerce reduces many geographic barriers. Marketplaces are a great opportunity for foreign companies to expand markets as they do not require a local supply chain.
- Growing demand for premium products matching the value proposition of many of the New Zealand products.

Weaknesses

- Language and cultural barriers in the implementation of solutions and products at middle management levels.
- Networking to establish a fast-paced growth strategy.
- Complexity in large and medium companies' structures may result in the frequent slow progress decision-making process.
- Supply chain challenges to serve Chilean customers from New Zealand due to a natural distance barrier.

Threats

- Highly competitive market with several solutions and products supplied from all over the globe.
- Incremental regulations that might impact the comparatively competitive international suppliers.
- Political and legislative wavering.
- FMCG's ability to effectively compete with an accurate price segmentation strategy to a market widely concentrated in mid/low-income consumer – price-driven market dynamics.

SECTION 1

Country Overview

Chile is one of the most stable countries in Latin America. In recent decades, the country has shown consistent economic and social growth and the consolidation of its institutions. The country currently has the second-highest GDP per capita in Latin America.

Moreover, it has one of the best environments for business, ranked among the best countries in the region in indexes such as Ease of Doing Business, Corruption Perceptions, and Global Competitiveness.



Chile at a glance

Political Structure, Population, and Economy

Political Structure

Chile has a presidential government system. Current president Sebastián Piñera is both the head of state and government. The president is elected for a four-year term and appoints the cabinet. The next presidential elections are due in November 2021 and the president-elect will take office in March 2022. Chile has a bicameral political congress, with the Senate being the upper house and the Chamber of Deputies being the lower house.

Population

Chile is home to 17.6 million people. Approximately 40.5% of its population lives in the country's capital, Santiago. Due to colonization, more than 88% of Chileans come from historically European backgrounds. There are indigenous people, specifically Mapuche and Aymara, throughout the country. Chile is attracting more immigrants – particularly those from other Latin American countries attracted by the country's stable economy.

Economy

Chile has a reputation of macroeconomic stability. The economy is based largely on the mining industry. Chile is the world's largest copper producer, responsible for over one third of the global output. The country is a member of the Organisation for Economic Cooperation and Development (OECD) and The Trans-Pacific Strategic Economic Partnership (P4) between Brunei Darussalam, Chile, Singapore, and New Zealand.

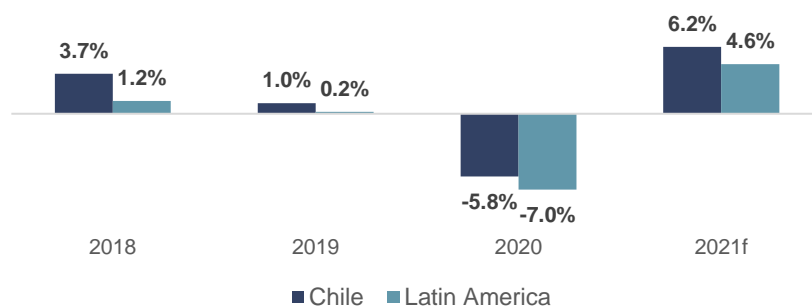


Santiago, Chile

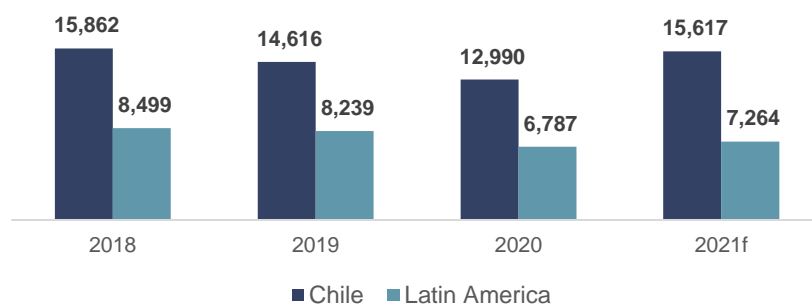
The Chilean economy has outperformed the region in recent years

Economic Structure

GDP real growth % (2018 – 2021)



GDP per capita (USD, 2018 – 2021)



With GDP of US\$252.8, Chile has the 5th largest economy in Latin America. Its GDP per capita, however, is the 2nd largest in the region, only behind Uruguay.

Most sectors of the economy were negatively impacted by the COVID-19 pandemic. Construction, transportation, and hospitality showed the biggest declines. The mining sector, on the other hand, expanded in the last year, mainly due to the increase in demand for metals in China.

Economic Sector	GDP (USD billion)	GDP Share %	GDP Growth % (2019 – 2020)
Total	252.8	100%	-5.8%
Agriculture	10.1	4.0%	-2.7%
Mining	28.3	11.2%	1.3%
Manufacturing	28.3	11.2%	-3.0%
Construction	17.9	7.1%	-14.1%
Financial Services	62.7	24.8%	-2.4%
Public Administration	47.0	18.6%	-10.1%
Retail and Hospitality	31.6	12.5%	-7.7%
Transportation	18.7	7.4%	-11.5%
Utilities	8.1	3.2%	0.2%

Source: International Monetary Fund. (2021). *World Economic Outlook*; Economic Commission for Latin American and the Caribbean. (2020). *CEPALSTAT*.

Chile is known for its stable macroeconomic conditions

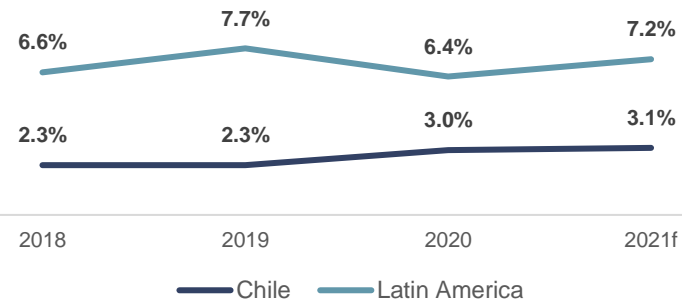
Economic Structure

Chile enjoys solid institutions and a strong macroeconomic framework. These include a prudent fiscal policy supported by a well-working inflation-targeting framework with an independent central bank.

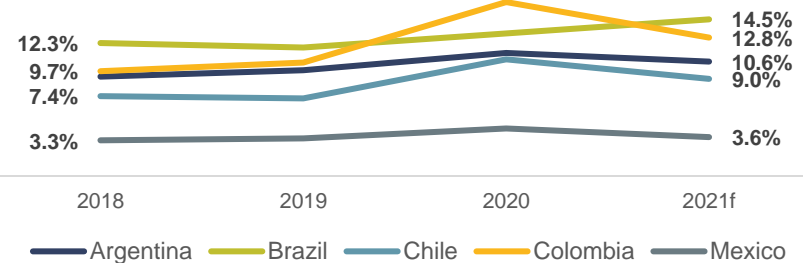
The country has historically kept inflation under control, below the region's average. The unemployment rate is also lower than in most major Latin American economies.

To mitigate the impacts of the COVID-19 pandemic on the economy, the Chilean government launched stimulus packages of up to 4.7% of GDP in 2020. The measures included one-off cash payments, deferrals of loans and mortgages, and the ability to withdraw up to 10.0% of pensions.

Inflation rate % (2018 – 2021)



Unemployment rate % (2018 – 2021)



Source: International Monetary Fund. (2021). *World Economic Outlook*.

Chile has a highly favorable business environment

Business Environment



Ease of Doing Business (2020)

Global Ranking: **59/190**
Latin America & Caribbean Ranking: **1/33**



Corruption Perceptions Index (2020)

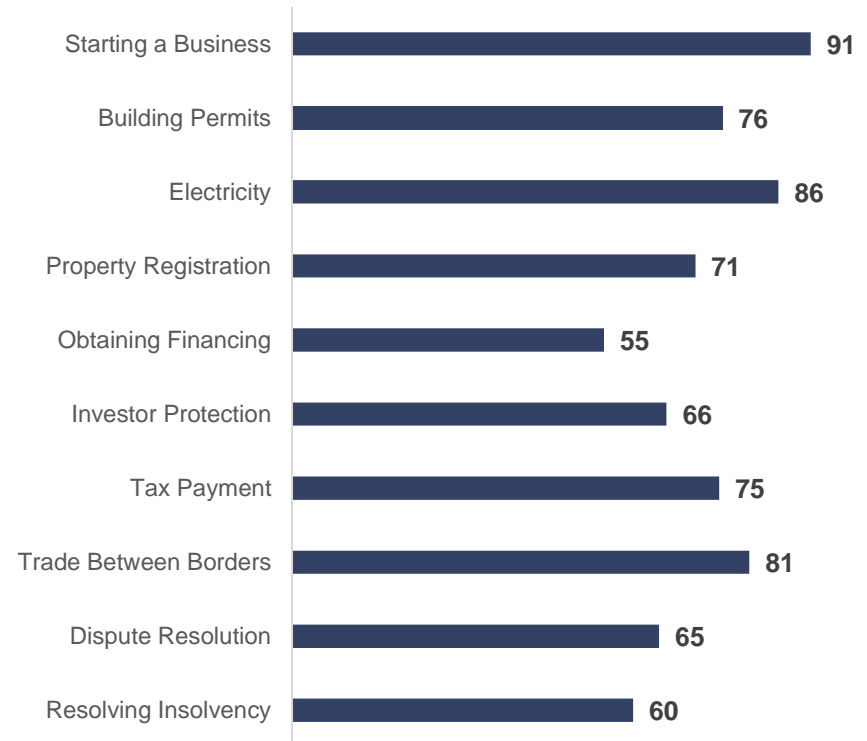
Global Ranking: **25/180**
Latin America & Caribbean Ranking: **2/30**



Global Competitiveness Index (2019)

Global Ranking: **33/141**
Latin America & Caribbean Ranking: **1/22**

Ease of Doing Business Score by Topic (2020)



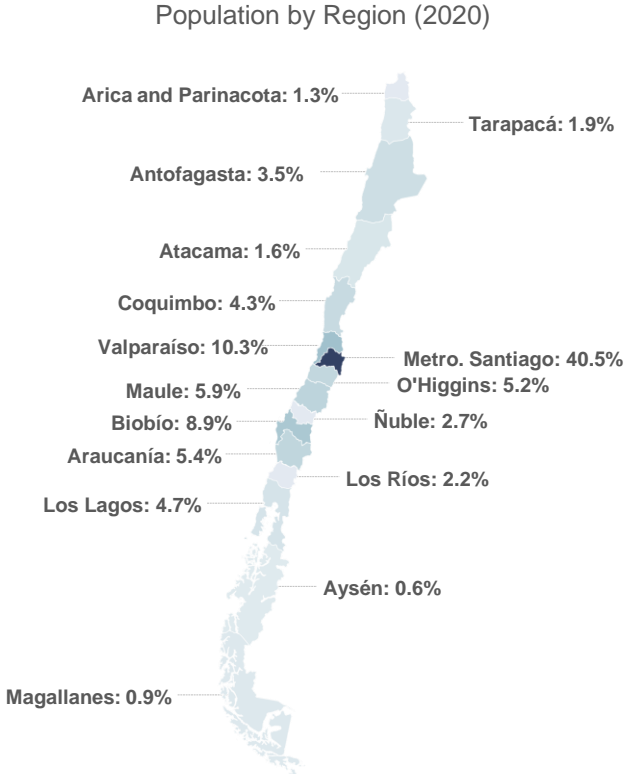
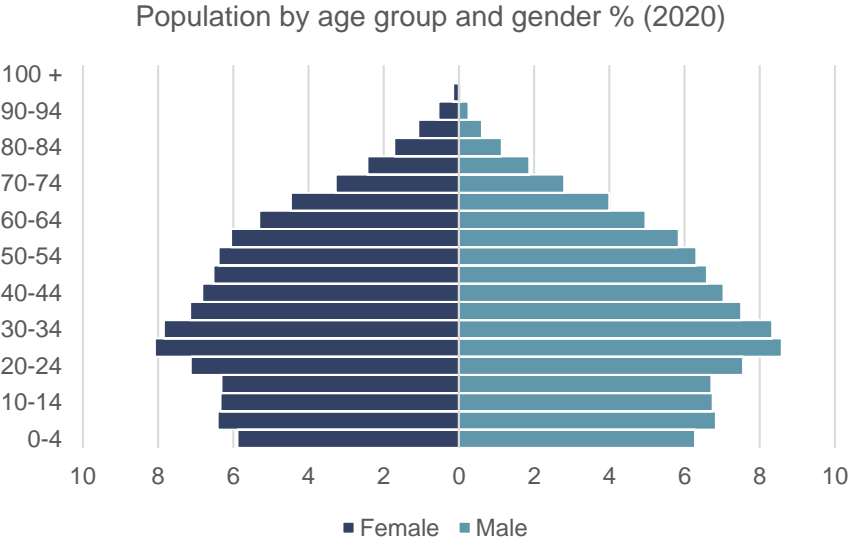
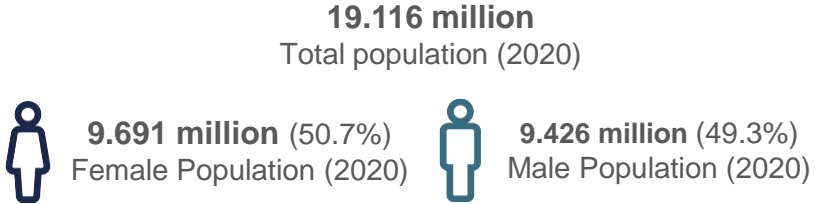
Source: World Bank. (2020). *Doing Business*; Transparency International. (2020). *Corruption Perception Index*; World Economic Forum. (2019). *The Global Competitiveness Report*.

SECTION 1

COUNTRY OVERVIEW

Population has a median age of 35 years and is concentrated in Santiago

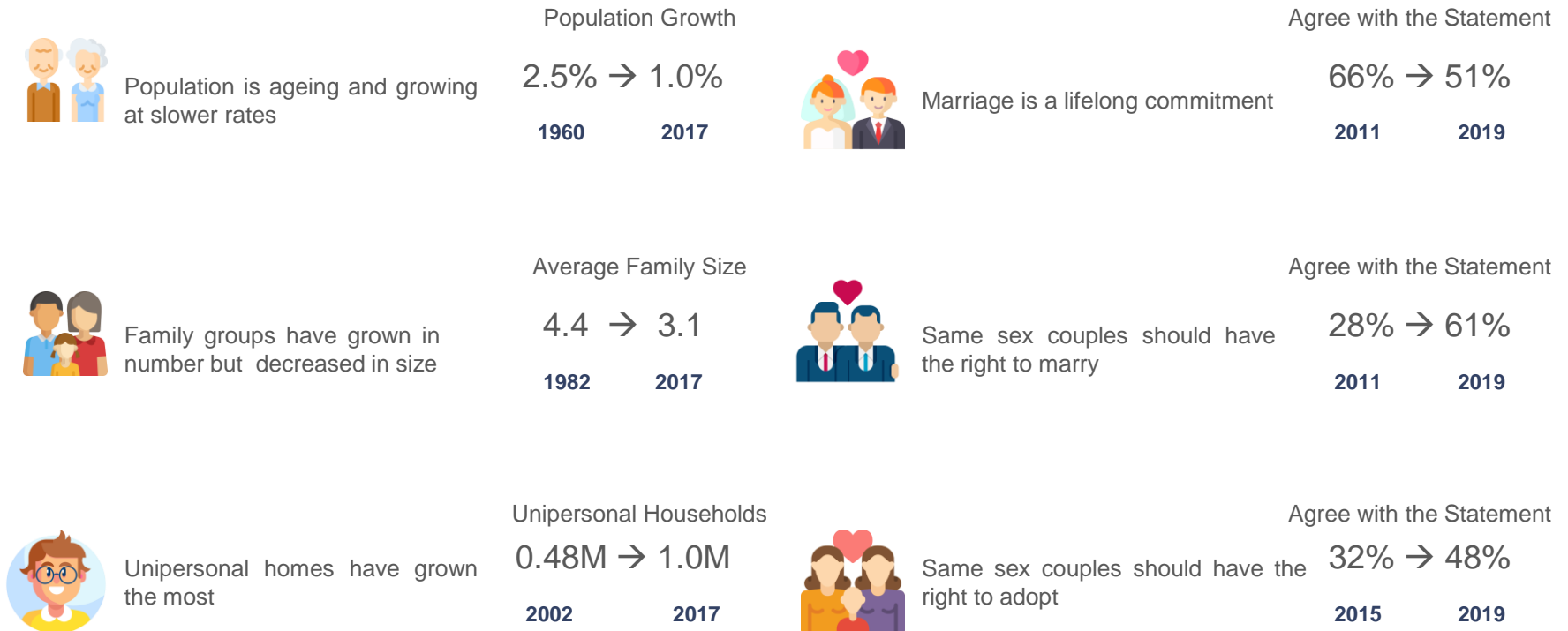
Population



Source: Economic Commission for Latin American and the Caribbean. (2020). CEPALSTAT.

One of the main changes in Chilean society is the concept of family

Chilean Families Main Changes



Source: Pontificia Universidad Católica de Chile. (2019). *Ecuesta Nacional Bicentenario*; Instituto Nacional de Estadísticas de Chile. (2017). *Censos de Población y Vivienda*.

SECTION 2

Grocery Retailers

While the COVID-19 pandemic has impacted many retailers, it has served to drive digital transformation in the sector

Leading retailers have made considerable investments to leverage their own apps and offer delivery alternatives. However, the significant influx of active players via e-commerce and higher consumer demand led to the collapse of the distribution system, with retailers and couriers unable to cope.

In this context, last-mile delivery platforms have proven their importance in the e-commerce ecosystem. Many soon realized that it would be difficult to compete with these platforms and sought to bring their partnerships closer to the last-mile delivery apps.



Chilean retail landscape

Main Trends



Grocery Retailing

- Highly developed grocery retail segment
- Four players concentrate 92.6% of sales
- Nationwide operations
- E-commerce channel growing faster than store-based retailing



E-commerce

- All sector players have invested heavily in E-commerce
- Marketplaces are still partially developed
- Disruptive players joining specialised market segments
- International players entering the Chilean market



Last-Mile Delivery

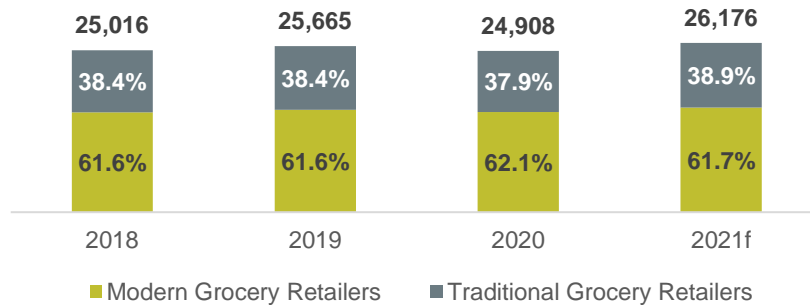
- Fast growing segment
- Internationalization
- Several startups gaining “unicorn” status
- New players constantly emerging



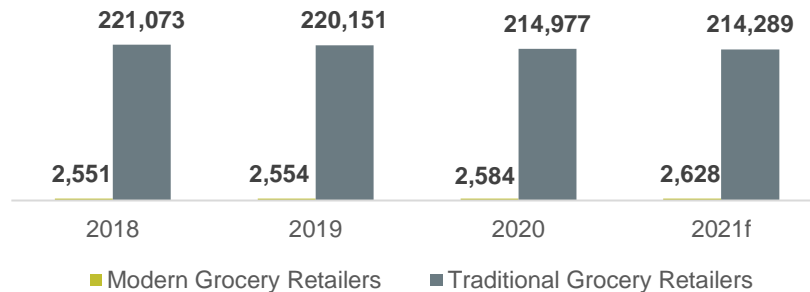
The rapid shift to e-commerce impacted brick-and-mortar retailers

Grocery Retailers

Value Sales (US\$ million, 2018-2021)



Number of Stores (2018-2021)



Channel Performance

Grocery retailers avoided more severe impacts in 2020 by being considered an essential service and having remained open even during lockdown periods. As a result, the channel retreated just 2.9% compared to 15.4% of non-grocery retailers. The results, however, were mixed between the different formats of grocery retailers.

Discounters were the big winners because their competitive prices offering for staple products at a time of economic uncertainty. Hypermarkets could also avoid further downturns by providing a wider space for consumers to maintain social distance and a broader assortment of products.

The main trend observed in the last year, however, was the enormous shift towards e-commerce. This trend highlighted the importance of last-mile delivery platforms. Some retailers tried to launch their own apps but soon found it challenging to compete with these platforms and resorted to strengthening partnerships with last-mile delivery apps.

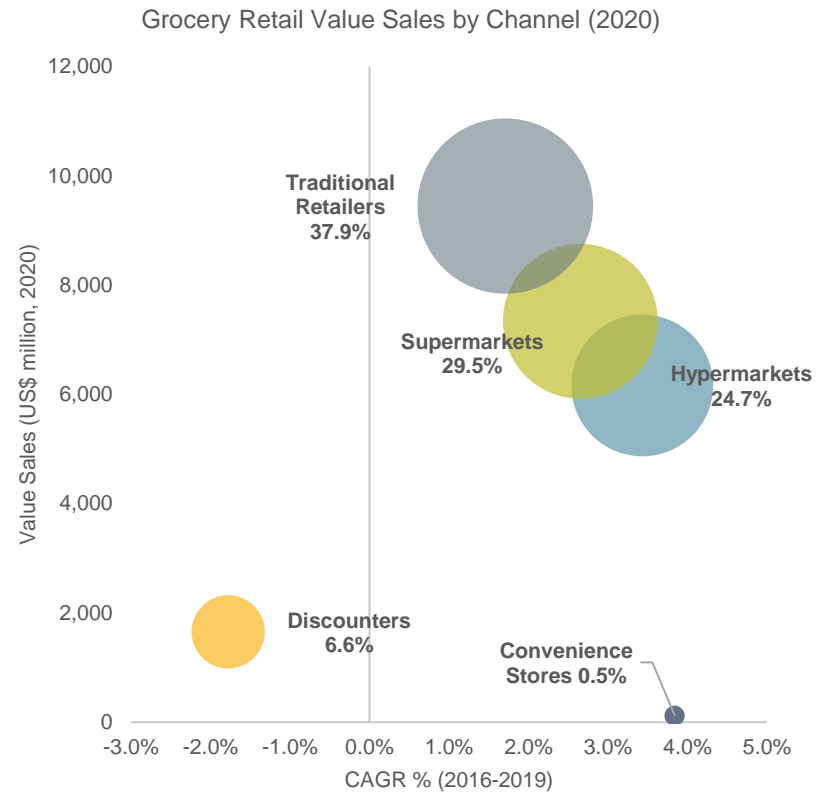
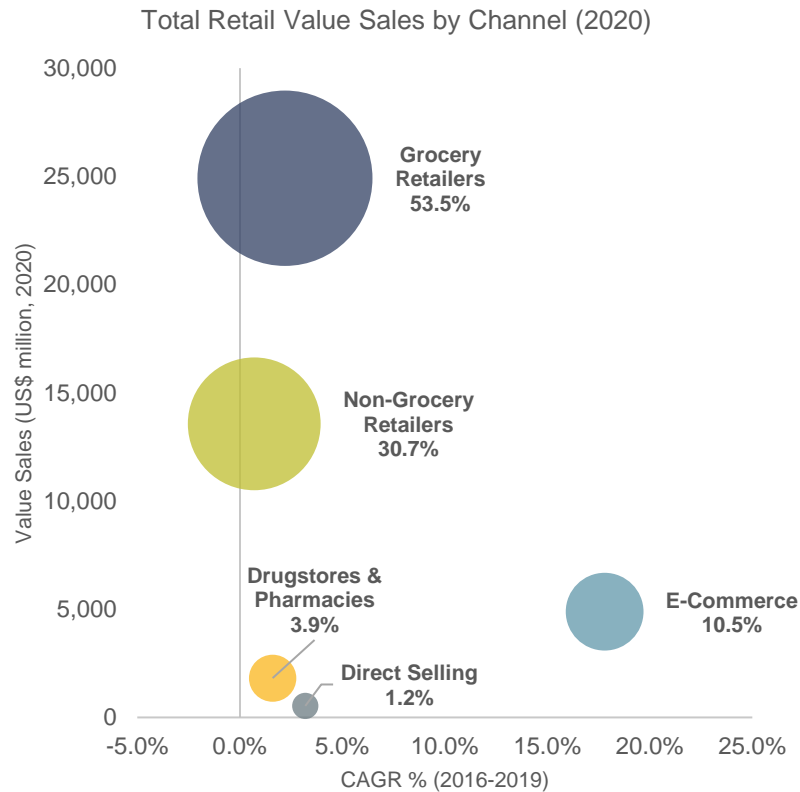
Source: Euromonitor International. (2021). *Retailing in Chile*.

SECTION 2

GROCERY RETAILERS

Groceries retailers are the main channel of Chilean retail

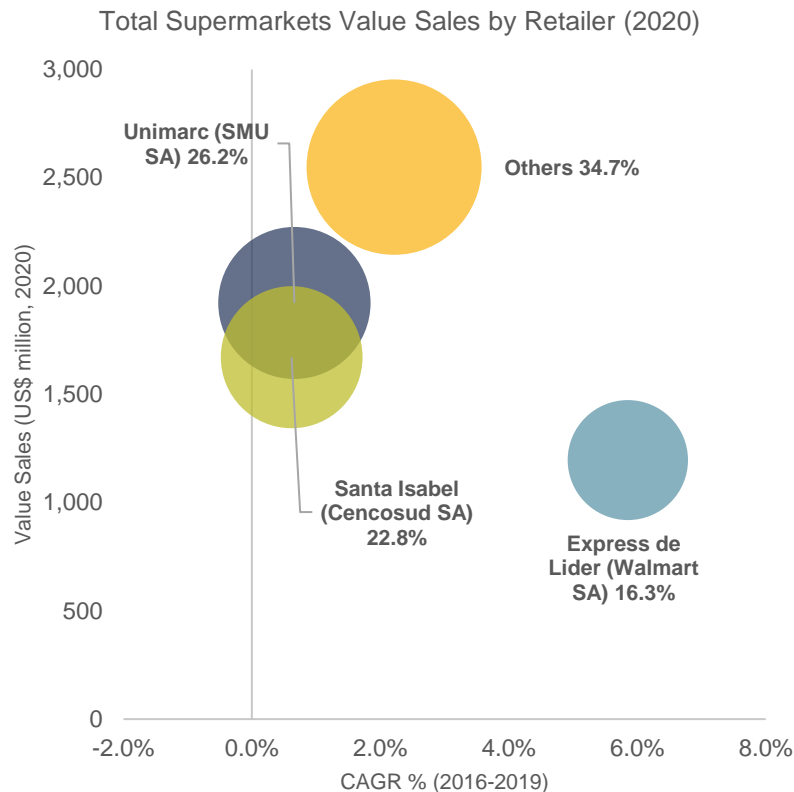
Grocery Retailers



Bubble size and the percentage indicate the market share
 Source: Euromonitor International. (2021). *Retailing in Chile*.
 Note: See appendix for channel definitions.

Small and independent supermarkets are still relevant in the channel

Supermarkets



Bubble size and the percentage indicate the market share

Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Supermarkets

Total Supermarkets Value Sales %YoY (2020): ↓ -3.9%

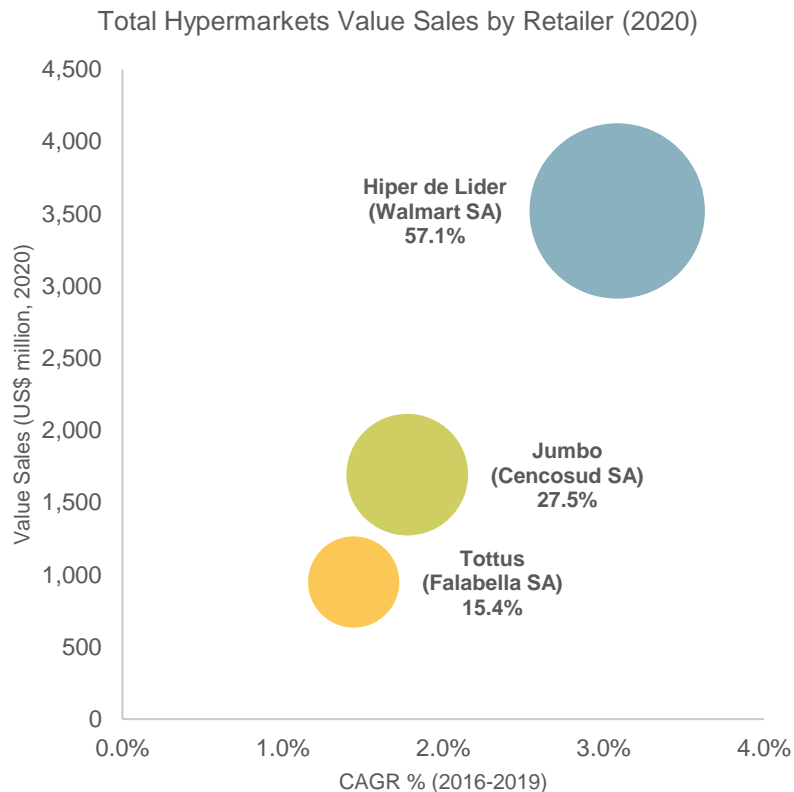
The supermarket channel in Chile has three large chains. Unimarc and Santa Isabel are the biggest, followed by Express de Lider – Walmart's brand. Smaller, independent chains also represent a significant portion of the channel. These retailers typically serve small towns and regions that don't have immediate access to the channel's large store formats.

Supermarkets are considered essential services and were not affected by the lockdowns during the COVID-19 pandemic. However, they had to implement controls regarding the number of people inside stores and reduced opening hours.

The large shift to e-commerce favored the channel's leading chains, which could leverage their national presence and warehouse network to serve consumers. On the other hand, independent chains were greatly affected since, in general, they do not have an infrastructure capable of supporting e-commerce operations. In addition, given the shortage of some categories that occurred throughout 2020, manufacturers favored the supply to the leading players.

The hypermarkets channel is highly concentrated

Hypermarkets



Bubble size and the percentage indicate the market share

Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Hypermarkets

Total Hypermarkets Value Sales %YoY (2020): ▼ -2.2%

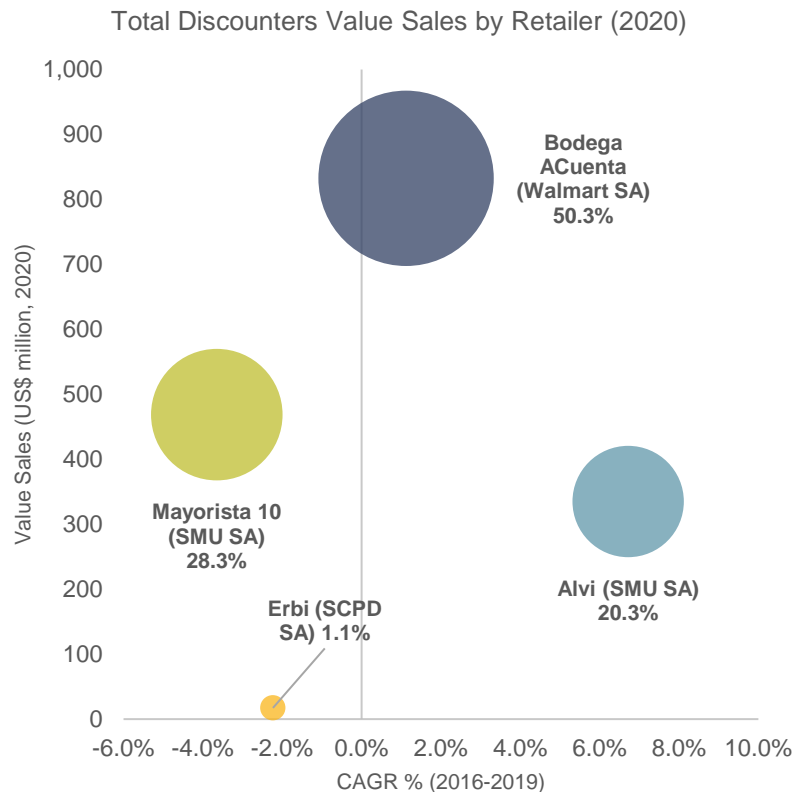
Three chains dominate the hypermarket channel. Hiper de Lider accounts for more than half of the channel's sales, followed by Jumbo and Tottus.

As with supermarkets channel, hypermarkets remained open during lockdown periods. However, because hypermarkets offer larger spaces and a greater product assortment, they have become a more attractive option for consumers seeking to maintain social distance and avoid long lines to enter the stores.

E-commerce was a significant sales driver for the channel in the last year. All leading chains have launched their own apps to facilitate the online shopping process as well as offer other delivery solutions, such as in-store car pick-ups. However, it soon became clear to these players the challenge of competing with the last-mile delivery platforms that consumers were already using for online purchases. As a result, partnering with platforms such as Cornershop, Rappi and PedidosYa has become essential for all retailers. Cencosud, for example, eliminated the 18% service charge on purchases made through Cornershop.

Discounters were the main winners in 2020

Discounters



Bubble size and the percentage indicate the market share

Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Discounters

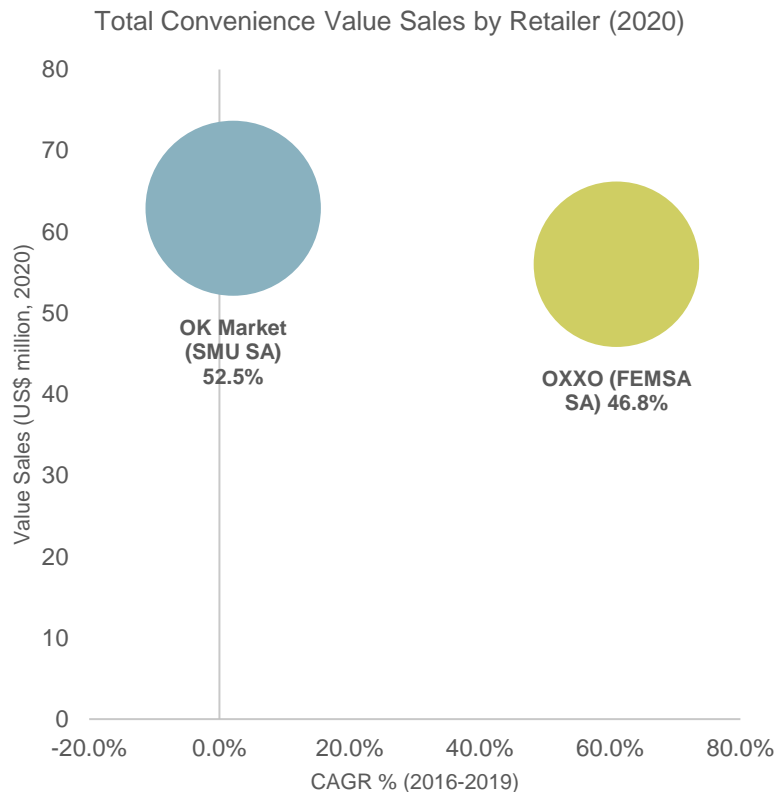
Total Discounters Value Sales %YoY (2020): ↑ +9.9%

Discounters attract consumers looking to reduce spending on staple products and access competitive price points. However, the number of outlets in the country remains low, compared with supermarkets and hypermarkets. In the context of the economic fallout of COVID-19, consumers became more cautious in terms of spending. Discounters are perceived as a good format for looking for affordable products and stocking up on staples, leading to a spike in sales over 2020.

Although the trend in the coming years is for consumers to continue seeking better prices, which positions discounters on a growth path, competition in the channel has been intensifying. Currently, the leader with approximately half of sales is Bodega Acuenta, followed by Myorista 10 and Alvi. However, last year the Colombian chain Justo & Bueno bought the small Erbi to enter the Chilean market and is expected to replicate its successful strategy in Colombia through a rapid expansion in the number of stores and very aggressive promotions.

Convenience stores were severely impacted by mobility restrictions

Convenience Stores



Bubble size and the percentage indicate the market share

Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Convenience Stores

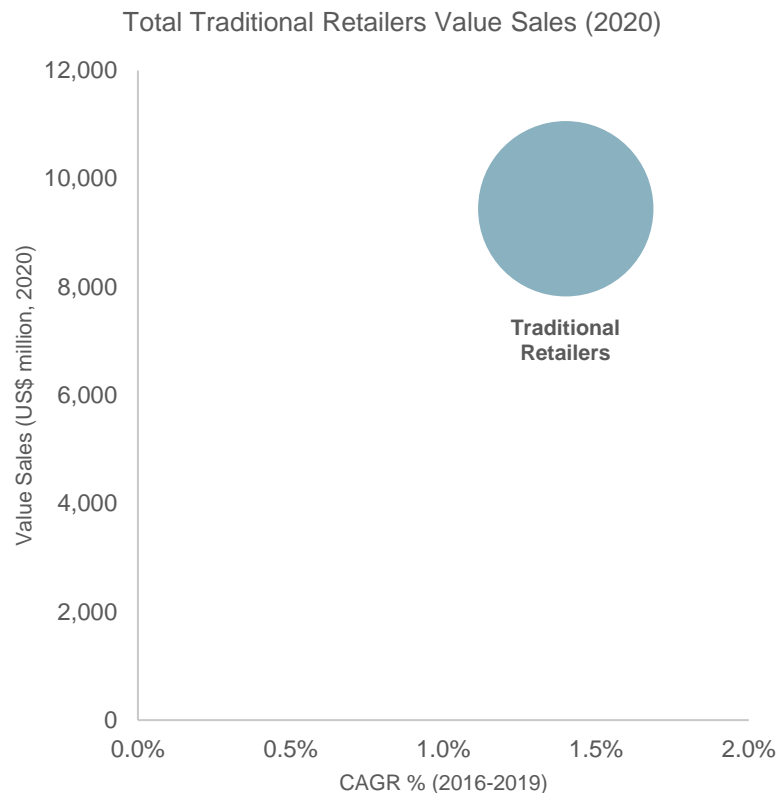
Total Convenience Value Sales %YoY (2020): ▼ **-8.5%**

Convenience stores have gained ground in recent years, mainly through OXXO's expansion strategy. Most stores are located in high-traffic areas and serve as a close-by solution for essential purchases. With the mobility restrictions imposed due to the COVID-19 pandemic, foot traffic was significantly reduced, which caused a sharp drop in sales in the last year. Convenience stores have partnered with last-mile delivery platforms to mark their online presence and mitigate the adverse effects of foot traffic decline.

Cencosud's entry into convenience stores through SPID35 will challenge the dominant OK Market and OXXO brands, as the new player plans the fast and powerful expansion of its new format. The brand promises to deliver orders in under 35mins; thus, the format stocks only around 1,600 SKUs, in line with the convenience format. The aim is to appeal to the core younger generation consumer base, especially the 18-30-year-old cohort.

The capillarity of traditional retailers is one of channel's main strengths

Traditional Retailers



Bubble size and the percentage indicate the market share
 Source: Euromonitor International. (2021). *Retailing in Chile*.
 Note: See appendix for channel definitions.

Traditional Retailers

Total Traditional Retailers Value Sales %YoY (2020): ▼ -4.3%

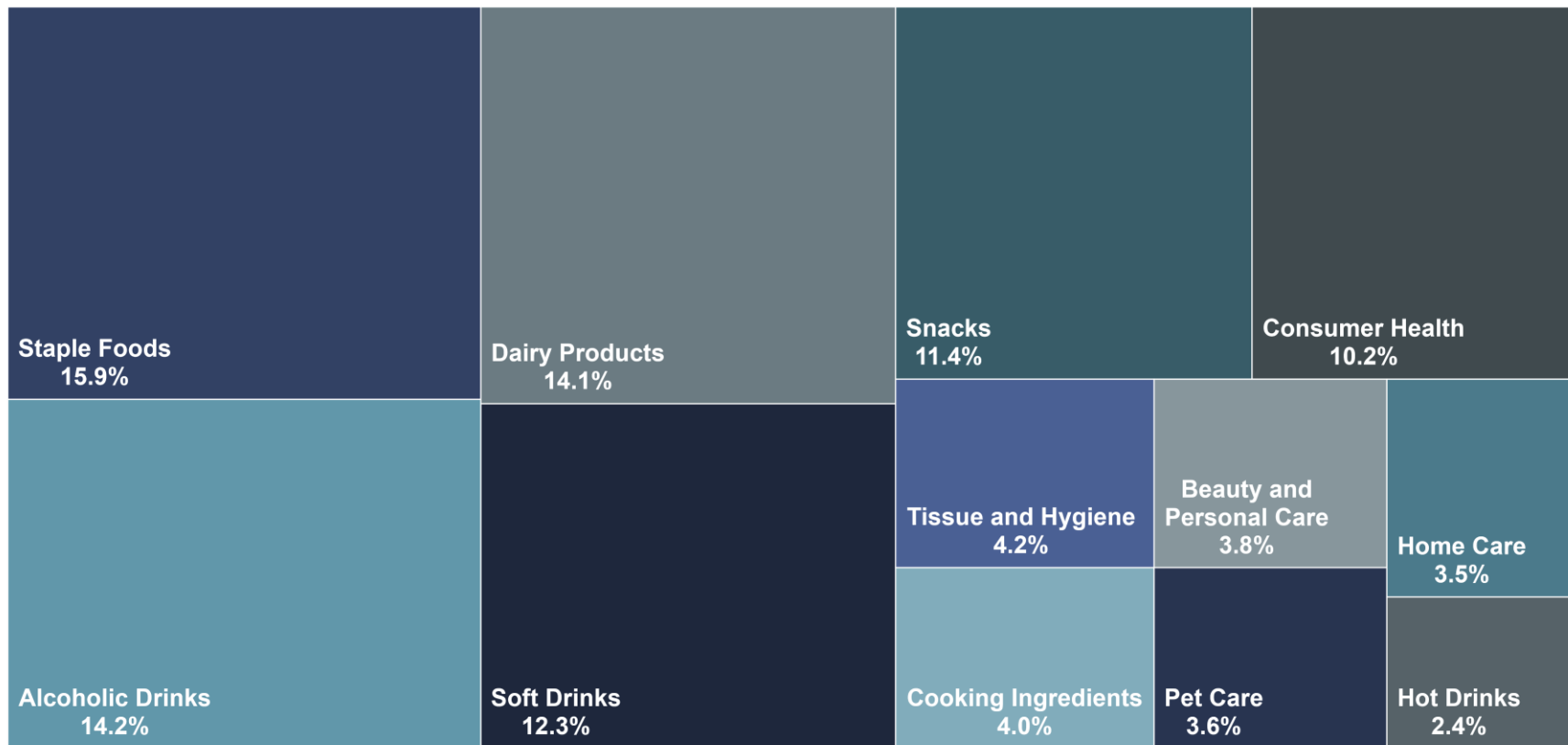
Traditional retailers are an essential part of grocery retail in Chile and throughout Latin America. The channel encompasses small family businesses generally located in less affluent areas. As much as retail in Chile is quite advanced in terms of formats and technology, traditional retailers remain a crucial part of the market as they are highly integrated into people's daily lives in the neighborhoods where they are located.

Traditional retailers have a similar value proposition to convenience stores, offering a close-by solution for essential purchases and are highly dependent on foot traffic. Therefore, mobility restrictions significantly impacted the channel in 2020.

On the other hand, the pandemic served as a push for the channel's modernization. Some retailers, for example, only offered cash payment options, and to reduce the risk of contamination during the pandemic, they started offering other payment methods, from credit cards to contactless digital wallets. Furthermore, last-mile delivery platforms are becoming a great ally of traditional retailers as an e-commerce alternative.

What are the main categories sold by grocery retailers?

Grocery Retail Value Sales by Category (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.

SECTION 3

Retailer Profiles

Grocery retail in Chile is highly developed and concentrated in a few prominent players. The leader is Walmart, followed by the Chilean companies Cencosud, which stands out for being an important player in several markets in Latin America, SMU and Falabella.

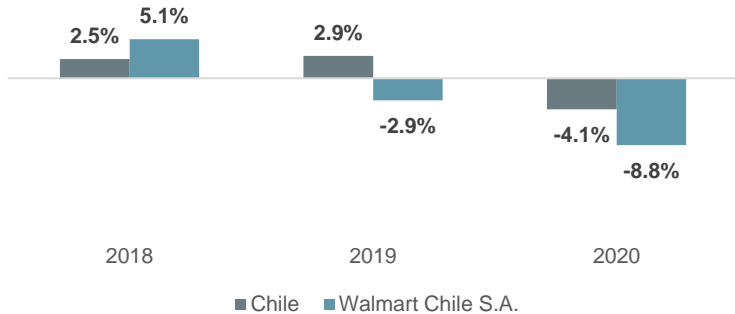
Convenience stores and Discounters are seeing new entrants challenge traditional players. In 2016, the Mexican group FEMSA launched OXXO stores in the country and already had almost half of the market shortly thereafter. More recently, the Colombian chain Justo & Bueno entered the Discounters channel through the acquisition of Erbi stores and promised to replicate the successful strategy already proven in Colombia.



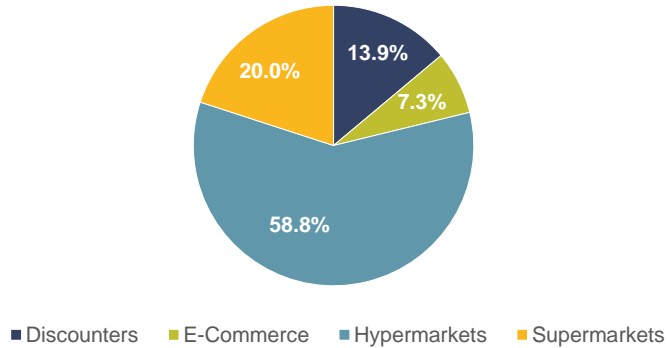
Walmart is the leader in discounter and Hypermarket channels

Walmart Chile S.A.

Walmart S.A. Value Sales Growth % (2018-2020)



Walmart S.A. Value Sales by Channel (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.
 Note: See appendix for channel definitions.

Company Profile

The Chilean subsidiary of Walmart Inc. was founded as D&S (Distribucion y Servicio S.A.) in 1958 and acquired by Walmart in 2009. Walmart is the market leader in grocery retailing, and it operates in the hypermarkets, supermarkets, wholesalers and e-commerce businesses. It is fully controlled by Walmart Inc.



Value Sales (2020): US\$ 5.98 billion



Number of Stores: 375

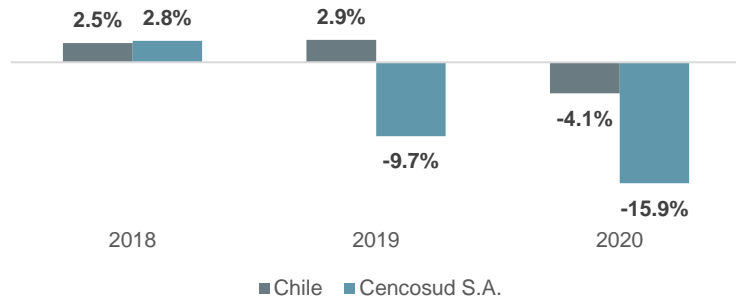
Channel	Brand	Value Sales	Market Share %	Stores
Discounters	Bodega Acounta	US\$ 832	50.3%	122
E-commerce	Lider	US\$ 436	8.9%	-
Hypermarkets	Hiper de Lider	US\$ 3,520	57.1%	94
Supermarkets	Express de Lider	US\$ 1,197	16.3%	159

Market share is calculated as the contribution of each retailer's brands to the total sales in 2020 of the channel in which they operate.

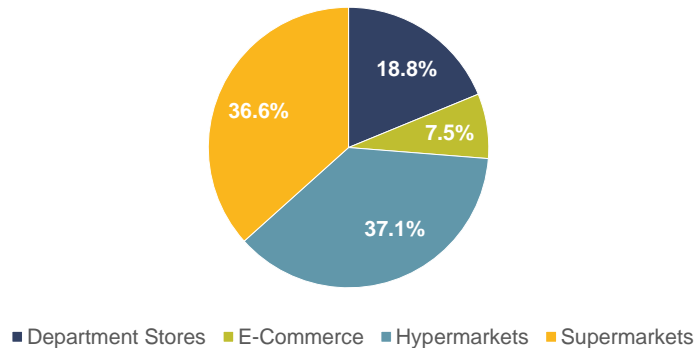
Cencosud is an important player in several Latin America markets

Cencosud S.A.

Cencosud S.A. Value Sales Growth % (2018-2020)



Cencosud S.A. Value Sales by Channel (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Company Profile

Founded in Chile in 1960, Cencosud is a conglomerate operating hypermarkets, supermarket, e-commerce, last mile delivery, shopping centers, financial services and department stores businesses. It is controlled by the Paulmann family with 53,3% ownership. Cencosud ranks as one of the top players in 5 markets in Latin America.



Value Sales (2020): US\$ 4.56 billion



Number of Stores: 327

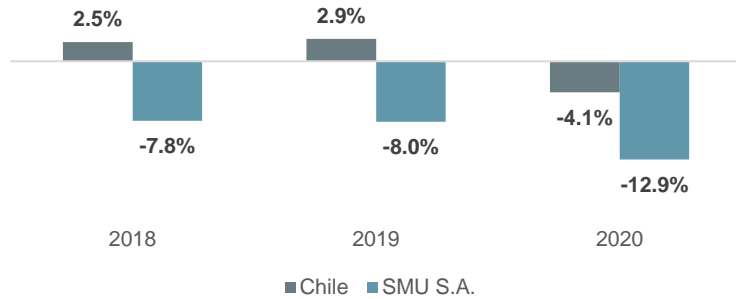
Channel	Brand	Value Sales	Market Share %	Stores
Department Stores	Paris	US\$ 758	20.3%	43
Department Stores	Johnson's Mega	US\$ 99	2.7%	37
E-commerce	Paris	US\$ 194	4.0%	-
E-commerce	Jumbo	US\$ 147	3.0%	-
Hypermarkets	Jumbo	US\$ 1,693	27.5%	54
Supermarkets	Santa Isabel	US\$ 1,671	22.8%	193

Market share is calculated as the contribution of each retailer's brands to the total sales in 2020 of the channel in which they operate.

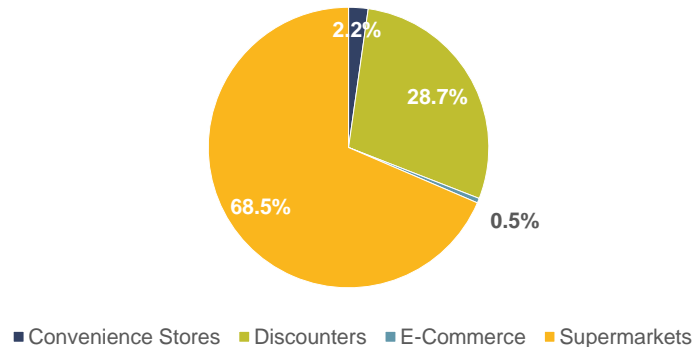
SMU has an extensive network of Supermarket stores across the country

SMU S.A.

SMU S.A. Value Sales Growth % (2018-2020)



SMU S.A. Value Sales by Channel (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Company Profile

Founded in 2008, SMU S.A. is a Chilean conglomerate operating supermarkets, discounters, convenience stores, and e-commerce businesses with operations in Chile and Peru. It is controlled by the Chilean group Saieh with 52% ownership.

SMU



Value Sales (2020): US\$ 2.80 billion



Number of Stores: 509

Channel	Brand	Value Sales	Market Share %	Stores
Convenience Stores	OK Market	US\$ 63	52.5%	123
Discounters	Mayorista 10	US\$ 469	28.3%	66
Discounters	Alvi	US\$ 335	20.3%	33
E-commerce	Telemercados Europa	US\$ 15	0.3%	-
Supermarkets	Unimarc	US\$ 1,921	26.2%	287

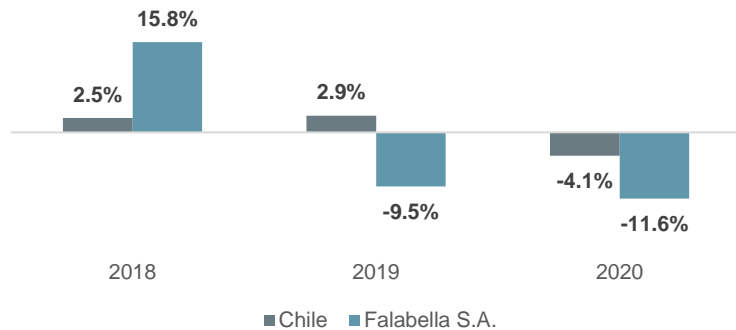
Market share is calculated as the contribution of each retailer's brands to the total sales in 2020 of the channel in which they operate.

Note: In October 2020, FEMSA announced an agreement with SMU SA to acquire OK Market stores. The transaction is subject to final confirmatory due diligence, the signing of definitive agreements, and customary regulatory and antitrust approvals and is expected to close during 2021.

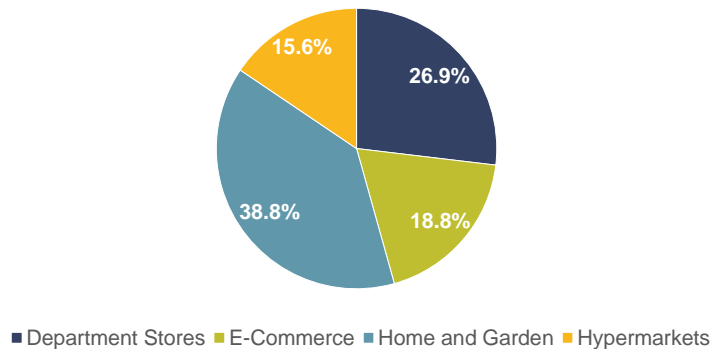
Falabella is the leader in Department Stores and Home Improvement

Falabella S.A.

Falabella S.A. Value Sales Growth % (2018-2020)



Falabella S.A. Value Sales by Channel (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Company Profile

Founded in Chile in 1889, with more than 130 years of history it is a Chilean conglomerate operating department stores, hypermarkets, financial services, home and garden specialists, shopping malls, banks, and e-commerce with operations in 7 countries in Latin America. It is controlled by the Chilean group Falabella, with 71% ownership.

FALABELLA



Value Sales (2020): US\$ 6.11 billion

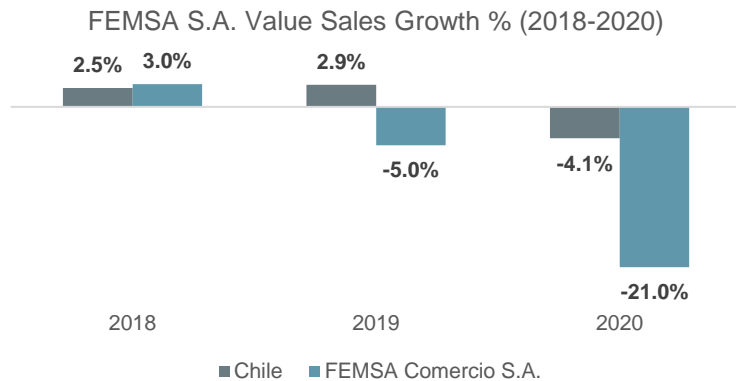
Number of Stores: 204

Channel	Brand	Value Sales	Market Share %	Stores
Department Stores	Falabella	US\$ 1,642	44.0%	47
E-commerce	Falabella	US\$ 833	17.0%	-
E-commerce	Sodimac	US\$ 205	4.2%	-
E-commerce	Linio	US\$ 46	0.9%	-
E-commerce	Tottus	US\$ 20	0.4%	-
Home and Garden	Sodimac	US\$ 2,028	31.6%	71
Hypermarkets	Tottus	US\$ 950	15.4%	68

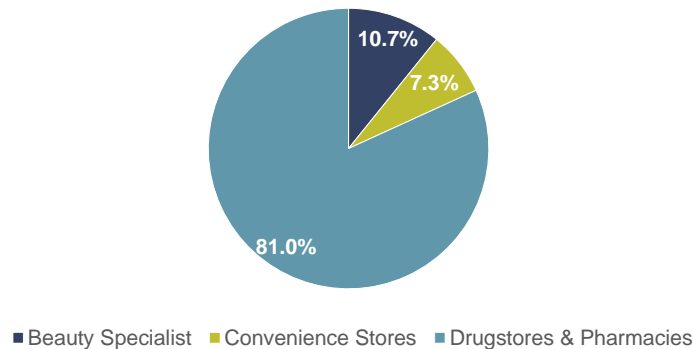
Market share is calculated as the contribution of each retailer's brands to the total sales in 2020 of the channel in which they operate.

Through acquisitions, FEMSA is expanding in multiple channels

FEMSA Comercio S.A.



FEMSA S.A. Value Sales by Channel (2020)



Source: Euromonitor International. (2021). *Retailing in Chile*.

Note: See appendix for channel definitions.

Company Profile

FEMSA is a company founded in Mexico in 1890. It is currently Coca-Cola's largest private bottler. In addition, the group holds 20% of Heineken International's operations. In retail, the company operates convenience stores and pharmacies in several markets in Latin America. In 2020, it closed an agreement with SMU SA to acquire the OK Market stores. FEMSA is controlled by a voting trust with 76.9% of the share capital.

FEMSA



Value Sales (2020): US\$ 766 million



Number of Stores: 970

Channel	Brand	Value Sales	Market Share %	Stores
Beauty Specialists	Maicao	US\$ 82	13.6%	182
Convenience Stores	OXXO	US\$ 56	46.8%	94
Drugstores & Pharmacies	Cruz Verde	US\$ 621	34.2%	694

Market share is calculated as the contribution of each retailer's brands to the total sales in 2020 of the channel in which they operate.

SECTION 4

Last Mile Delivery

The disruption caused by the advancement of technology and fueled by the COVID-19 pandemic is transforming the retail industry. As a result, new business models are emerging, and one of the main trends is the last-mile delivery services.

Current services are increasingly absorbing the trivial purchases of groceries, pet foods, and medicines, diversifying the traditional food delivery model.



Chile 2020: The ascent of last mile delivery

Business Model

Last-Mile Delivery is a business model that leverages the power of crowdsourcing, technology, and operational efficiency to execute the logistic from any given point to the customer's doorstep in an easy, streamlined and fast way.

The pandemic accelerated the penetration of the online channel in several segments. Consumers who have already used delivery as an occasional service to order meals in restaurants started to see delivery as something essential, including delivery of convenience stores, groceries, and pharmacy items.



Key Aspects:

- Crowdsourcing model.
- Grocery, food, parcels, and any kind of delivery.
- Ecommerce, Apps, and Technology integration.
- Instant delivery: 35 minutes is the current state of the art.
- Valued customer rating & feedback.
- Operational efficiencies: in-store real-time data.



SECTION 4

LAST MILE DELIVERY

Chile 2020: The ascent of last mile delivery

Main Trends

Last-mile delivery has arrived to stay. During the COVID-19 pandemic, significant challenges arose in all retailers regarding processes, technology, customer service, financial services, and delivery. As a result, significant resources were allocated to serving customers directly to their preferred locations. Several startups have found a way to be leaders in this segment, either by scaling up their businesses or partnering with large incumbents. Most of the latter are figuring out how to develop this segment to remain competitive. A great success case is seen in Spid35, developed internally by Cencosud.

Main Last-Mile companies operating in Chile



	Cornershop	Uber Eats	Rappi	PedidosYa	Justo	Spid35	Boosmap
Country of origin	Chile	U.S.A.	Colombia	Uruguay	Chile	Chile	Chile
Start of operations	2015	2016	2018	2013	2019	2021	2016
Parent company	Uber	Uber	Rappi	Delivery Hero	Justo	Cencosud	Boosmap
Partners Network		-			-	-	

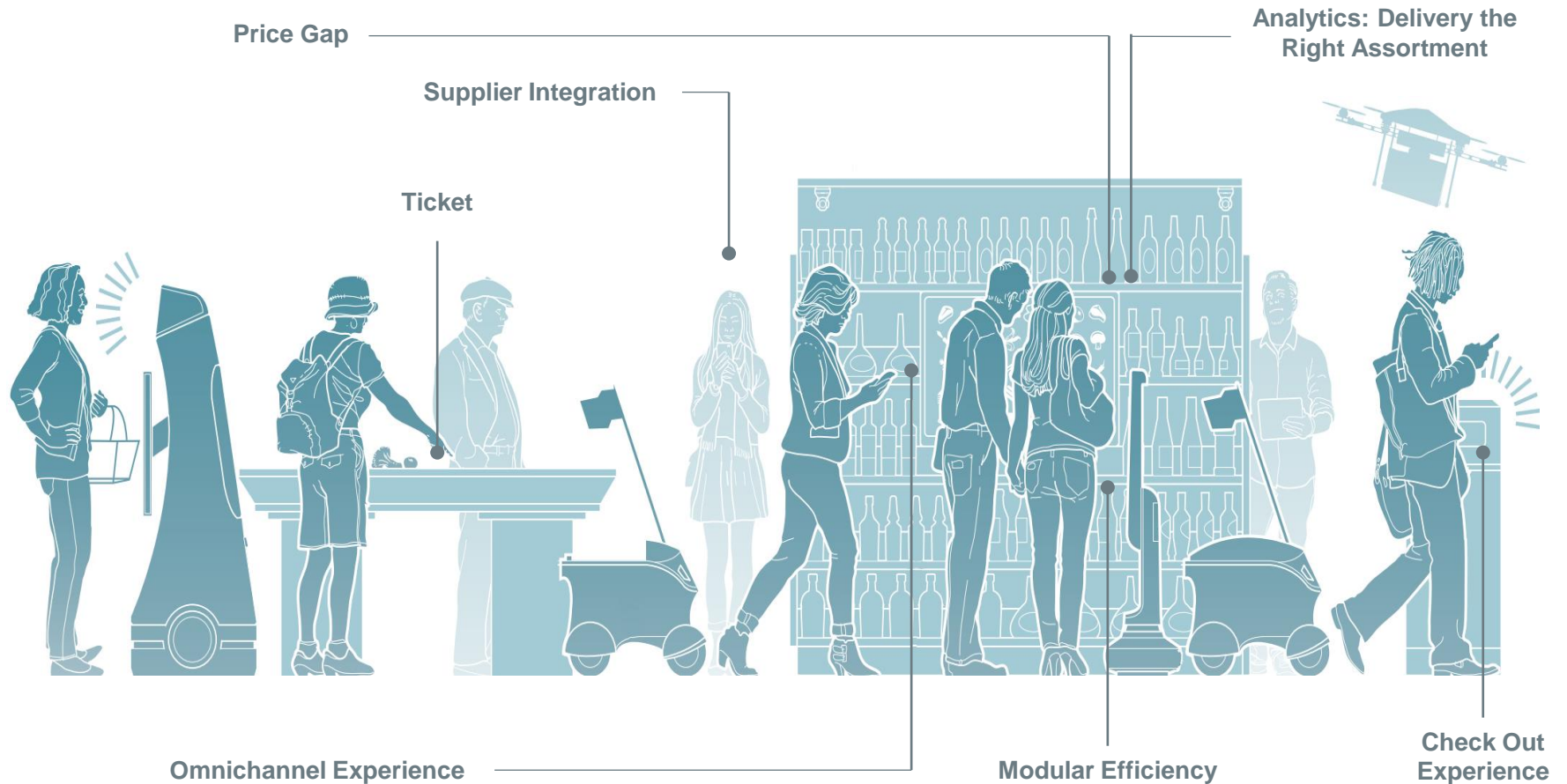
SECTION 5

Retail Trends



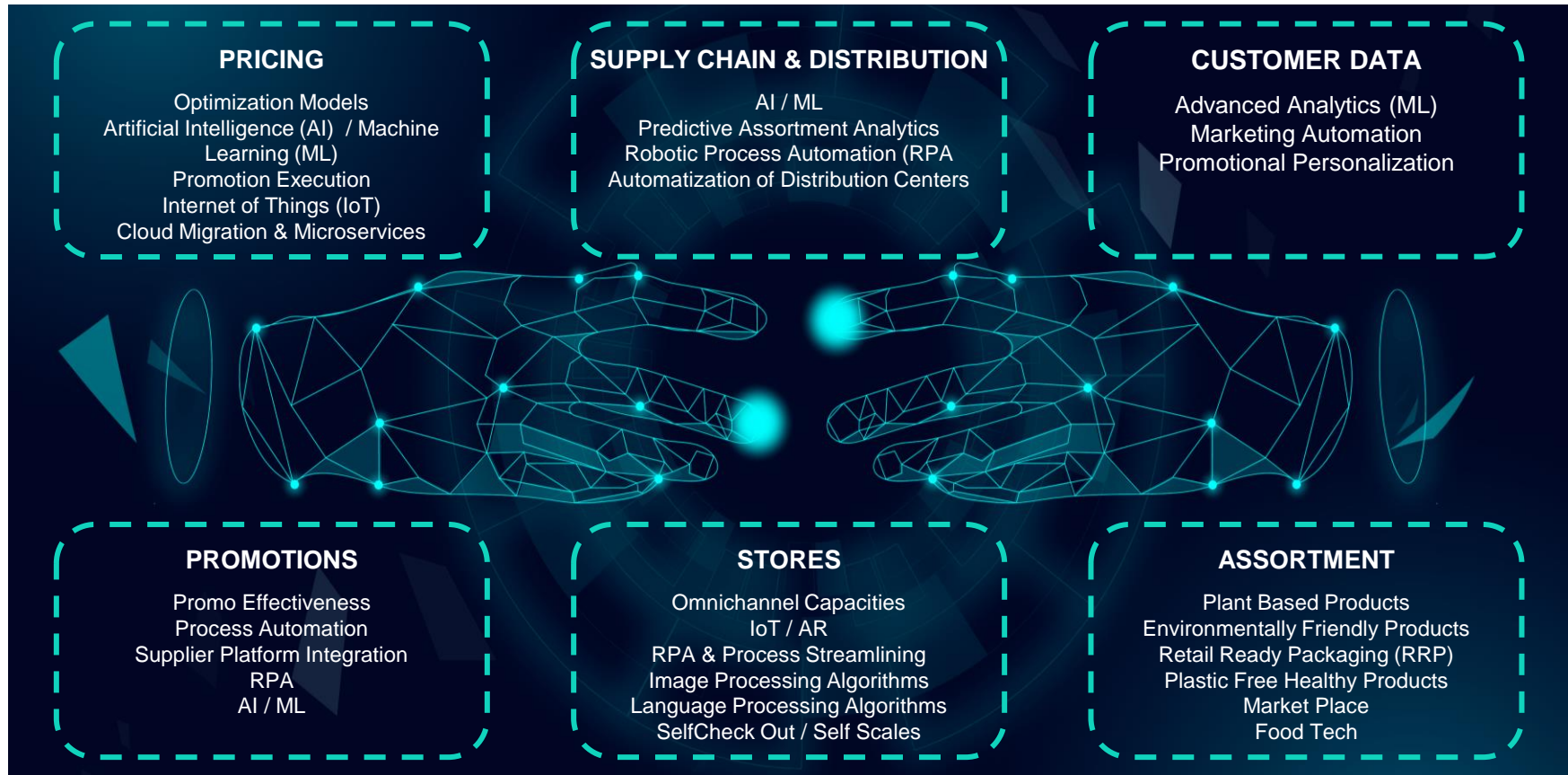
Customer experience is at the core of retailers' strategy

Customer experience



Organizations are prone to innovate to address challenges

Technology trends in retail



The omnichannel revolution

Walmart

Investment plans

Following a surge in online demand at the start of the pandemic, Walmart announced it was investing US\$50 million in e-commerce initiatives in 2020 and 2021.

Walmart terminates alliance with Cornershop

After trying to acquire the platform in 2018, in June 2020, Walmart announced the end of its partnership with the last-mile delivery platform Cornershop. Since then, the retailer has been investing in a delivery service through its own Líder app. Walmart has been developing its BOPIS (buy online, in-store pickup) initiatives. At the end of 2020, 179 of its stores in Chile had pickup collection points. For added flexibility, Walmart also offers home delivery through both platforms.

Distribution Centers & Dark Stores

In September 2019, Walmart opened its El Peñón distribution center in Chile. At the cost of \$180 million, this was Walmart's largest-ever investment outside of the US. Additionally, to manage the increased demand for online orders seen in 2020, Walmart is developing dark store/supermarket hybrids. In December 2020, it launched its first 100% omnichannel supermarket. The store in La Reina has a separate warehouse that is used for processing and picking online orders.



El Peñón distribution center

The omnichannel revolution

SMU

Investment plans

In September 2021 SMU provided an update to its strategy, which has a strong focus on developing its omnichannel capabilities. It plans to invest US\$73 million by 2022.

Launch of new online channel

In October 2021, SMU launched its ecommerce proposition, having invested US\$4.2 million in developing and launching a new website and app for Unimarc. The online service currently serves 37 communes in Greater Santiago. SMU will extend its coverage to 16 regions and 25 cities by 2022.

Logistics and express deliveries

In the coming months, SMU will open its first fully automated micro fulfilment center in Santiago. This will support a more efficient operation model, speeding up the picking process for larger shop by approximately 87%. To offer customers express deliveries, SMU has partnered with Rappi and PedidosYa. It currently offers express deliveries in 11 regions (fulfilled from 191 stores), with plans to increase this to 16 by 2022.



Unimarc app launch

The omnichannel revolution

Cencosud

Investment plans

In January 2021, Cencosud announced plans to invest US\$1.8 billion through 2023, of which US\$300 million would be allocated to investments in technology, logistics, and e-commerce.

Introducing 35-minute grocery delivery

In May 2021, the retailer began rolling out Spid35 – a 35-minute delivery service. Rapid deliveries are made possible by using its own dark stores and strategic partnerships with some of the region's largest last-mile delivery platforms.

In cities where Spid35 is currently available, the product mix consists of approx. 1,100 items across ambient grocery, bread, fresh produce, cold beverages, snacks, confectionery, ready meals, personal hygiene, and home cleaning products.

Cencosud is opening a mix of standalone dark stores and micro fulfillment centers (MFCs) to support its rapid delivery strategy. MFCs use surplus space in existing stores, which is repurposed to create dedicated areas for picking and preparing online orders.



SPID35 store, Los Castillo

The end of traditional retail?

Technology is enabling suppliers to engage directly with consumers

There are a few trends that are enabling FMCG suppliers to develop their own e-commerce capabilities in order to become more competitive, closer to the consumer and more profitable:

1. Fast paced scaling of digital channels & reduced logistics costs.
2. Specialized workforce available to establish an e-commerce operation.
3. Higher Gross Profits from traditional retailers.

These characteristics have set a perfect environment for FMCG suppliers to establish Direct to Consumer (D2C) business models, especially for those brands already known by Chilean families or with high value products:



Coca Cola Chile
www.micoca-cola.cl

LA BARRA

CCU Beer Company
www.labarra.cl

CONCHA Y TORO
DESDE 1883

Concha y Toro
www.descorcha.com

Despensa
Contigo.cl

Nestlé
www.despensacontigo.cl



ICB
www.icbatucasa.cl

ensu
casa.cl

Agrosuper & Others
www.ensucasa.cl



Unilever
www.unileverfoodsolutions.cl

Mercado
Carozzi

Carozzi
www.despensacontigo.cl

Marketplace: a platform enabling wider assortment

Wider assortments from all over the world

Technology has enabled retailers to offer a wider assortment of products, freeing themselves from the limitations imposed by physical space. The business model adopted by most marketplaces is a commission on every transaction made through their platforms. Marketplaces may or may not handle the fulfillment of their suppliers.



Health & Lifestyle: customers demanding new segments

Assortment is quickly adjusted according to consumer expectations

Consumers are more aware of the impact of products on their health and the planet. That is a significant change, and it will not recede. New market segments will continue to emerge to meet the specific needs of consumer groups.



Responsible Sourcing

Awareness of production and working practices is already established and gaining more and more demand for information. This trend provides a competitive edge for suppliers with high production standards.



Fresher Consciousness

Customers are looking for fresh products coming directly from the source with increased information on agriculture practices and characteristics.



Plastic Free & Zero Waste

Products looking to serve environmentally friendly customers are gaining space on the shelves at increased speeds. Single-use plastic products are retreating, giving space to new actors that can fill those spaces. More vital legislation is being passed and executed in this sense. One of them is known as "Ley Rep."



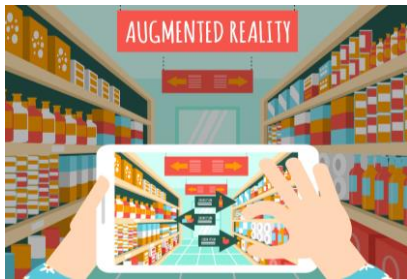
Plant Based Products

There is a critical inclination from customers to move away from animal-based products. First, due to the consciousness of a healthy diet, and second, more awareness has come around the impact on the planet of animal-based protein consumption in the last few years. NotCo. is the flagship of this model, recently acquiring Unicorn status.

Health & Lifestyle: customers demanding new segments

Assortment is quickly adjusted according to consumer expectations

Consumers are more aware of the impact of products on their health and the planet. That is a significant change, and it will not recede. New market segments will continue to emerge to meet the specific needs of consumer groups.



Product Enhanced Experience

In the era of information and customer experience focus, there is an increased effort to give customers an enhanced purchasing experience through incremental information on assortment looking to unify physical and digital worlds.



Retail Ready Packaging

Not really a trend but a permanent reminder that productivity has to be on the agenda to keep a competitive value proposition.



Private Labels Program

All retailers keep into their priorities the permanent development of Private Labels. This is a longstanding effort to maintain a competitive approach towards sales and profitability.



Refill to Eliminate Plastic

A strong trend that is taking hold is the rollout of technology to non-traditional products using refill machines that will eliminate the need for plastic packaging. Although traditional examples are nuts and candy, non-traditional would include detergents, milk, beverages, crops, dairy, and several other opportunities.

Chile passed a law providing for mandatory use of warning stamps

Mandatory Front-Labeling Requirements

Chile implemented in June 2016 Law No. 20.606 on Nutritional Composition of Foods and its advertising ("Labeling Law"). This law mandates the use of "HIGH IN" warning stamps on foods high in sugars, sodium, saturated fat, or energy, making it easier to identify these products. Likewise, products with stamps cannot be sold in schools, cannot be advertised in the mass media when children are most present, cannot contain toys or figures that attract minors, and many other restrictions to limit its promotion to children under 14 years of age.



Limits of content of calories, sodium, total sugars and saturated fats:



Solid Food

June 2019

Nutrients	1 st Phase	2 nd Phase	3 rd Phase
Calories	350 (kcal/100g)	300 (kcal/100g)	275 (kcal/100g)
Sodium	800 (mg/100g)	500 (mg/100g)	400 (mg/100g)
Sugar	22.5 (g/100g)	15 (g/100g)	10 (g/100g)
Saturated Fat	6 (g/100g)	5 (g/100g)	4 (g/100g)



Beverages

June 2019

Nutrients	1 st Phase	2 nd Phase	3 rd Phase
Calories	100 (kcal/100ml)	80 (kcal/100ml)	70 (kcal/100ml)
Sodium	100 (mg/100ml)	100 (mg/100ml)	100 (mg/100ml)
Sugar	6 (g/100ml)	5 (g/100ml)	5 (g/100ml)
Saturated Fat	3 (g/100ml)	3 (g/100ml)	3 (g/100ml)

SECTION 6

COVID-19 Impact on the Retail Industry



The COVID-19 pandemic imposed changes for the entire retail industry

Main Trends

1. Accelerated Omnichannel Challenges:

Long Term Impact

Customers worldwide have been moving back and forth from the physical to the digital space. As back as 2019, all retailers had in their plans an increased investment in their Omnichannel experience. COVID-19 put these plans into a severe test, and most of the industry failed. The massive home delivery demand that came with the Lockdowns through the e-commerce channels showed the cracks in the design, processes, technology, and specialized workforce. Those who adapted faster and better were awarded market share gains.

Opportunities: Startups and solutions than aim towards an enhanced Omnichannel experience, merging physical stores and digital commerce interaction are highly valued.

2. Increased Operational Costs:

Mid Term Impact

The pandemic brought several measures to protect the health of associates and customers, to prevent the spreading of the virus, and at the same time keep operations active. In this sense, obvious preventive costs skyrocketed, along with the enforcement of store closures, shifts changes to protect high-risk individuals.

Opportunities: productivity technology, measures and processes which would enable companies to return to previous profitability levels.

3. Sales & Inventory Forecasting:

Short Term Impact

The COVID-19 crisis brought, among different challenges, severe volatility in sales and inventory management due to the stochasticity of the demand, the unpredictable lockdowns, and the permanent disruption on the supply chain of goods. As a result, previous forecasting models failed in the necessary accuracy, and the need to adapt using technology was required.

Opportunities: better forecasting models and technology solutions to account for this increased volatility brings profitable opportunities in terms to return to necessary standards of Inventory management, sales and timely delivery of goods.

The COVID-19 pandemic imposed changes for the entire retail industry

Main Trends

4. Remote Work:

Long Term Impact

As with the rest of the World, one of the critical capabilities that allowed companies to continue their operations was the previous trend of working from home or remote work. Some companies had already adopted, to some extent, similar working dynamics; others were caught way behind.

Opportunities: Several tech solutions are already in place to support the day-to-day operations (Zoom, Teams, Meet, Microsoft 365). However, there is still plenty of room for other tools to improve overall business coordination, productivity, and customer experience.

5. Last Mile Delivery:

Mid Term Impact

As stated before, last-mile delivery development obeys a powerful trend: customers want their products whenever they want, wherever they are. The Pandemic accelerated this trend, so it is expected to see an unceasing growth of platforms and services responding to and around this trend.

Opportunities: Expansion of Last Milers to D2C by developing supply, operations, and inventory capabilities that are the current foundations of the incumbent retailer's value proposition.

6. Dark Stores / Pick Up:

Mid Term Impact

E-commerce experienced significant growth in sales. The channel is expected to continue to expand in the coming years, increasing its weight in the P&L. Heavy investment efforts will continue to be allocated into streamlining the overall physical network to support broader assortments, same-day delivery, and omnichannel capabilities.

Opportunities: Data Management, Insights, Tech capabilities, Cloud Computing, AI.

The COVID-19 pandemic imposed changes for the entire retail industry

Main Trends

7. Lockdowns & Restrictions:

During 2021 and likely during 2022, some mobility restrictions will persist. Few countries have managed to keep COVID-19 and new variants transmissions under control. This will vary its severity depending on the effectiveness of current and future versions of vaccines to the upcoming mutations.

Short Term Impact

Opportunities: New and more effective measures, products, or processes would enhance the barriers towards virus containment in different operations to secure associates' health, customers, suppliers, and the essential continuity of operations in a "new normal" scenario.

8. Permanent Online Transference:

As mentioned with the Omnichannel experience, the digital business has changed for the better. The outstandingly great demand that followed social and mobility restrictions put a prize and a challenge over e-commerce platforms. Customers accelerated their transition towards digital channels, behavior which is unlikely to reverse. This change brings the same opportunities that today's old retail adage named 'location, location, location' will shift to 'Experience, experience, experience.'

Long Term Impact

Opportunities: Faster, better, and broader technology opportunities that seamlessly integrate into the physical business.

6. Dark Stores / Pick Up:

In the pandemic world, the larger formats are resisting much better the lousy weather. The wider assortment, inventory capabilities, and space to integrate Last-Mile shoppers helped withstand the pandemic's adverse effects. People, before the pandemic, were already visiting less and less the small supermarket formats, hitting these especially hard once the restrictions were in place. As a result, the average ticket and traffic decreased.

Mid Term Impact

Opportunities: Innovation in the store, AR /VR, IoT, enhance digital experience within the store.

SECTION 7

Appendix



Channel Definition

Grocery Retailers

Grocery Retailers

Retailers selling predominantly food/beverages/tobacco and other everyday groceries. This is the aggregation of hypermarkets, supermarkets, discounters, convenience stores, independent small grocers, chained forecourt retailers, independent forecourt retailers, food/drink/tobacco specialists and other grocery retailers.

Convenience Stores

Chained grocery retail outlets selling a wide range of groceries and fitting several of the following characteristics: Extended opening hours Selling area of less than 400 sq meters Located in residential neighborhoods Handling two or more of the following product categories: audio-visual goods (for sale or rent), foodservice (prepared take-away, made-to-order, and hot foods), newspapers or magazines, cut flowers or pot plants, greetings cards, automotive accessories. Sales data excludes foodservice sales.

Discounters

Discounters are retail outlets typically with a selling space of between 400 and 2,500 square metres. Retailers' primary focus is on selling private label products within a limited range of food/beverages/tobacco and other groceries at budget prices. Discounters may also sell a selection of non-groceries, frequently as short-term special offers.

Hypermarkets

Hypermarkets are retail outlets with a selling space of over 2,500 square meters and with a primary focus on selling food/beverages/tobacco and other groceries. Hypermarkets also sell a range of non-grocery merchandise. Hypermarkets are frequently located on out-of-town sites or as the anchor store in a shopping center.

Supermarkets

Retail outlets selling groceries with a selling space of between 400 and 2,500 square metres. Excludes discounters, convenience stores and independent grocery stores.

Traditional Grocery Retailers

Traditional grocery retailing is the aggregation of those channels that are invariably non-chained and are, therefore, owned by families and/or run on an individual basis.

Channel Definition

Non-Grocery Retailers

Non-Grocery Retailers

Retail outlets selling predominantly non-grocery consumer goods. Excludes retailers selling predominantly food, beverages and tobacco, as well as fuel, automotive and parts.

Apparel and Footwear Specialist Retailers

Outlets specializing in the sale of all types of clothing, footwear, accessories such as costume jewelry, belts, handbags, hats and caps, hosiery or a combination of these (stores selling handbags only are included).

Electronics and Appliance Specialist Retailers

Retail outlets specializing in the sale of large or small domestic electrical appliances, consumer electronic equipment (including mobile phones), computers or a combination of these.

Health & Beauty Specialist Retailers

Beauty specialist retailers are chained or independent retail outlets with a primary focus on selling fragrances, other cosmetics and toiletries, beauty accessories or a combination of these.

Home and Garden Specialist Retailers

Home improvement and gardening stores are chained or independent retail outlets with a primary focus on selling one or more of the following categories: Home improvement materials and hardware, Paints, coatings and wall coverings, Kitchen and bathroom, fixtures and fittings, Gardening equipment, House/Garden plants Home improvement, gardening stores, home furniture and furnishings, Homewares, Floor coverings, Soft furnishings, Lighting

Department Stores

Outlets selling mainly non-grocery merchandise and at least five lines in different departments, usually with a sales area of over 2,500 sq meters and arranged over several floors.

Leisure and Personal Goods Specialist Retailers

This is the aggregation of bag and luggage specialists, jewelry and watch specialist, media product stores, pet shops and superstores, sports goods stores, stationers/office supply stores, traditional toys and games stores and other leisure and personal goods stores.

Channel Definition

Drugstores & Pharmacies

Drugstores

Retail outlets selling mainly OTC healthcare, cosmetics and toiletries, disposable paper products, household care products and other general merchandise. Such outlets may also offer prescription-bound medicines under the supervision of a pharmacist. Drugstores in Spain (Droguerías) also sell household cleaning agents, paint, DIY products and sometimes pet products and services such as photo processing.

Pharmacies

Retail outlets selling prescription-bound medicines under the supervision of a pharmacist and as its core activity (other activities include sales of OTC healthcare and cosmetics and toiletries products).

Channel Definition

E-commerce

E-Commerce

Sales of consumer goods to the general public via the Internet. Please note that this includes sales through mobile phones and tablets (i.e. m-commerce). E-commerce includes sales generated through pure e-commerce websites and through sites operated by store-based retailers. Sales data is attributed to the country where the consumer is based, rather than where the retailer is based. The definition of e-commerce is agnostic as to where actual payment takes place; if an order is initiated online, it is considered to be an e-commerce transaction, even if the order is ultimately paid for in-store (or elsewhere). As a result, all 'click-and-collect' and 'collect-at-store' transactions are counted as e-commerce sales. E-commerce excludes sales of: (a) Consumer-to-consumer (C2C) and business-to-business (B2B) sales, although please note that sales between businesses and consumers (i.e. B2C sales) on sites such as eBay are included; (b) Sales of motor vehicles, motorcycles and vehicle parts; (c) Tickets for events (sports, music concerts, etc.) and travel; (d) Sales of travel and holiday packages; (e) Revenue generated by online gambling sites; (f) Returned products/unpaid invoices; and (h) Internet sales from direct selling companies, as these are tracked in Direct Selling market size/shares.



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We employ 600 people, have over 200 private sector partners and draw on a global network of thousands more.

We have people based in 50 offices, working across 24 time zones and 40 languages to support New Zealand businesses in over 100 countries.

Our global presence lets us deliver value to the businesses we support, through our unique know-how (knowledge and experience) and know-who (networks and connections).

Our know-how and know-who is expressed in our Māori name: Te Taurapa Tūhono.

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We provide customised services and support to ambitious businesses looking to go global. We help them build their capability, boost their global reach, connect to other businesses and invest in their growth. We also connect international investors with opportunities in New Zealand through a global network of investment advisors.

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