

Market Study:

**Identification & Qualification of
Agents/Representatives/Importers
in Chile**

by TradeChile

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I. Introduction

Political and social stability, together with open and competitive markets, guarantee a secure business environment in Chile. The existence of stable and transparent rules, an efficient and independent judiciary, and a dynamic and innovative private sector that constitutes the main engine of growth further enhances the country's position as the most competitive economy in the region. An extensive network of trade agreements with several other countries and trade blocks puts Chile in a privileged position as a global trader. Moreover, the country's commitment to reducing tariffs gradually until they reached 6% in 2003 places it among the world's most open economies. Chile has also developed an increasingly dynamic export base, which has grown during the last decade at an average of 10.1%. By completely overhauling the country's legal and regulatory framework from the 1970s and modeling new systems on internationally accepted standards, Chile has succeeded in creating a positive environment for international trade and investment. Market-led reforms adopted almost 30 years ago and an increasingly diversified economy with strong ties to buyers and suppliers in the Americas, Europe and Asia have given Chile a wide range of options for further growth. Prudent economic policy making has secured long-term stability unknown elsewhere in Latin America.

Chile has one of the simplest and most transparent regulatory systems in the region for trade and business. Careful review of regulations and full compliance with guidelines will ensure more successful and trouble-free operations in Chile. Chile maintains import and export licensing requirements, but they are more for statistical purposes rather than control. Only agricultural products and a few sensitive items face restrictions.

Chile's reliance on exports and its desire for market diversification have led it to seek opportunities to expand several current or potential markets. Chile joined the Asia Pacific Economic Cooperation (APEC) organization in 1994 and has expressed strong interest in ultimately becoming a full member of MERCOSUR. The country has signed bilateral trade agreements with a host of nations in various regions of the world—including NAFTA-like free trade agreements with Canada and Mexico, and recent FTAs with the EU and Korea, and in the near future with the U.S. Chile also remains an active participant in the negotiation of the Free Trade Area of the Americas (FTAA).

The government of Canada has identified Chile as one of its ten priority markets. Chile and Canada have traditionally enjoyed a positive trade relationship, enhanced by the Canada-Chile Free Trade Agreement (CCFTA) enacted in 1997. These factors, concomitant with Chile's mature business environment and the country's ideal location as a gateway to neighbouring South American markets, make it an attractive export target for Canadian companies across a range of sectors. Trade between Canada and Chile has soared since the CCFTA agreement was signed, with 90% of goods now traded

duty free. Two-way trade now totals more than \$1-billion¹ a year, double what it was in the mid-1990s. Chilean Customs reports that Canadian exports in 2000 reached \$803 million. This is compared to \$275 million reported in 1996 prior to the CCFTA being signed. Chile's sales to Canada in the year 2000 reached \$384.6 million compared with the \$90 million reported in 1996.

Canada has become one of Chile's fastest growing export markets. It had a 24% increase in sales to Canada in the first 11 months of year 2001. Canadian sales slowed, reflecting a general cutback in Chilean imports. But trade officials on both sides are confident the long-term outlook is for more expansion.

Canadian investment in Chile has increased sharply, with accumulated authorized investments of \$11.6 billion (Department of Foreign Affairs and International Trade, 2001). This makes Canada the second-largest foreign investor in Chile after the U.S. Canadian stakes are mainly in mining and other resource-related sectors such as energy (where Hydro Quebec has made a major investment). But they also include telecommunications, manufacturing, printing and financial services. The Bank of Nova Scotia's red and white signs are prominent through its subsidiary, Scotiabank Sudamericano.

The CCFTA gives Canadian exporters a significant tariff advantage over their principal competitors in the Chilean market (namely Asian suppliers), whose products are presently subject to a 6% tariff. However, all products have to pay the Value Added Tax (VAT) of 18% on CIF value. As of January 1, 2003 all Chilean products will enter Canada with a 0% tariff, which makes Canada the first market completely open to Chilean exporters.

The CCFTA also features provisions similar to those outlined in the NAFTA for Canadian service providers and investors operating in Chile. On January 1, 2000 the Double Taxation Agreement came into effect, which contributes to a more stable and fair taxation regime, easing the flow of commerce for individuals and business in both countries.

The CCFTA has become one of the most dynamic agreements signed by Chile given the expansion of its export sector and the foreign investment of Canadian origin.. For further information on the CCFTA, please refer to the following web site: <http://www.dfait-maeci.gc.ca/tna-nac/bilateral-e.asp>.

Noting the advantages that Canadian exporters have when entering Chile, it is a critical time for Ontario companies to penetrate this market, especially since Chile can be used as a springboard into the rest of South America. Chile is the second largest investor in Latin American countries. Due to the fact that Chile has actively sought out free trade agreements with other nations, including the European Union (termed an Association Agreement), South Korea and the U.S., Ontario companies will have to

¹ All monetary amounts are expressed in Canadian dollars, unless otherwise indicated.

be prepared to face stiff competition. However, penetrating the Chilean market will bring great rewards to the Ontario exporter.

Once the decision is made to export, knowing how to accurately identify and qualify Agents/Representatives/Importers is one of the most important steps in the process. Proceeding with the proper guidance and assistance will help increase the chances of becoming a successful exporter.

Ontario Exports Inc. (OEI) is the export development agency of the government of Ontario and can assist Ontario firms to begin to export or expand markets. As part of its effort to help Ontario companies reach foreign markets, OEI opened a representative office in Chile, represented by TradeChile, whose objective is to assist companies in penetrating the Chilean marketplace. For further information regarding the Chilean office, please contact Maureen Angus, International Market Consultant: Latin America at OEI at (416) 325-9821 or via email at maureen.angus@eoi.gov.on.ca. Contacts in the Chilean office are: Veronica Medina, Trade Advisor, vmedina@tradechile.cl and Angela Perry, Trade Advisor, aperry@tradechile.cl.

II. How to Export- The First Steps

The first step to penetrating the Chilean market is to develop a business plan that should define your company's:

- Commitment to trade with Chile, including what you are willing to provide a future partner/distributor in terms of support;
- Timing to develop the Chilean market;
- Export pricing strategy;
- Reasons for exporting;
- Methods of market entry into Chile;
- Exporting costs and projected revenues;
- Export financing alternatives;
- Legal requirements;
- Transportation method; and
- Overseas partnership and foreign investment capabilities.

Completing and analyzing the business plan will help the Ontario exporter have a clearer picture of the Chilean market and what is required to enter the market. It should also set forth specific objectives, an implementation timetable and targets to determine success.

Without proper guidance and assistance, however, this process can be time consuming and costly -- particularly for a small business. It is therefore recommended that you contact the OEI office for assistance in the exporting process to Chile. For the purposes of this study we have made the assumptions that the Ontario exporter has already formulated a business plan and performed the market research on the Chilean market which should include the identification of the following factors:

- Examination of cultural differences including language, time differences, measures, voltage, currency, etc.
- Classification of your product;
- Conversations with Ontario customers doing business with Chile;
- Researching export efforts of Canadian competitors in Chile;
- Determination of market trends and outlook;
- Definition of market conditions and practices;
- Identification of competitive firms and products.

It is important that the Ontario exporter does their homework!

The Ontario exporter can carry out market research by using either primary or secondary data resources. Primary market research should consist of gathering data directly from the Chilean marketplace through interviews, surveys and other direct contact with representatives and potential buyers. Primary market research has the advantage of being tailored to the exporter's needs and provides answers to specific questions. However, the collection of such data is time-consuming and expensive.

When conducting secondary market research, the exporter will collect data from compiled sources, such as trade statistics for a specific product in the Chilean marketplace or data on the country itself. Working with secondary sources is less expensive and helps the company focus its marketing efforts. Although secondary data sources are critical to market research, they do have drawbacks. Some of these drawbacks include: (1) statistics for Chile may be more than two years old, (2) product categorization may be too broad, (3) statistics on services are often unavailable and (4) statistics may be distorted by incomplete data-gathering techniques. In spite of these limitations, secondary research is a valuable and a relatively simple first step for the exporter to take. Secondary market research resources include: Team Canada Inc. at http://exportsource.gc.ca/index_e.cfm; Canada Business Service Centres (CBSCs) at <http://www.cbsc.org/english/>; International Trade Centres (ITCs) at <http://strategis.ic.gc.ca/SSG/ig00008e.html>; Other nation's online trade data, such as Stat-USA at <http://www.stat-usa.gov/>; The Canadian Trade Index at <http://www.ctidirectory.com/index.htm>; Canadian trade and industry associations, Industry publications, Business contacts and partners abroad, among others.

III. Identification of an agent, representative, importer &/ buyer

A. Identification of public and private sources for research and contacts

Once the Ontario exporter has clearly identified the market sector which they want to penetrate, pinpointing public and private sources such as import statistics, commercial lists, Chilean trade associations etc. will provide the advantage of being able to access crucial information required to successfully identify a suitable agent, representative, importer and/or buyer.

Chilean Customs Service keeps track of foreign trade data such as import statistics, brands, country of origin, list of Chilean companies importing, export statistics, etc. The website of Chilean Customs (<http://www.aduana.cl/>) provides the Ontario exporter with general and total import and export data including imports by origin, product and geographic area. If the exporter has the harmonized code of the product they want to export to Chile, the organization Publitecsa (<http://www.publitecsa.cl>) can provide detailed statistical data on the specific product. Publitecsa are the official editors of the Chilean Customs Service and therefore publish the Chilean Harmonized Tariff Schedule, Customs Manual, Exports, Customs Regulations, Classification Criteria, among others. Publitecsa has a database of imports and exports dating from 1995 to the present. The database is updated periodically.

This is a subscription service and the cost is US\$573 for 12 months access to the Chilean Customs database. The Ontario Representative Office in Chile (TradeChile) can also provide this service for Ontario companies on a case-by-case basis.

Chilean company databases such as Mercantil (www.mercantil.cl) and the Yellow Pages (www.amarillas.cl) can be excellent sources for identifying potential counterparts. The secondary research sources mentioned in the previous section can also be useful for obtaining data.

The list of sources, with complete contact details, including government/public entities, industry associations, private institutions, can be found in Attachment I of this study.

B. ChileCompra and Codelco Databases

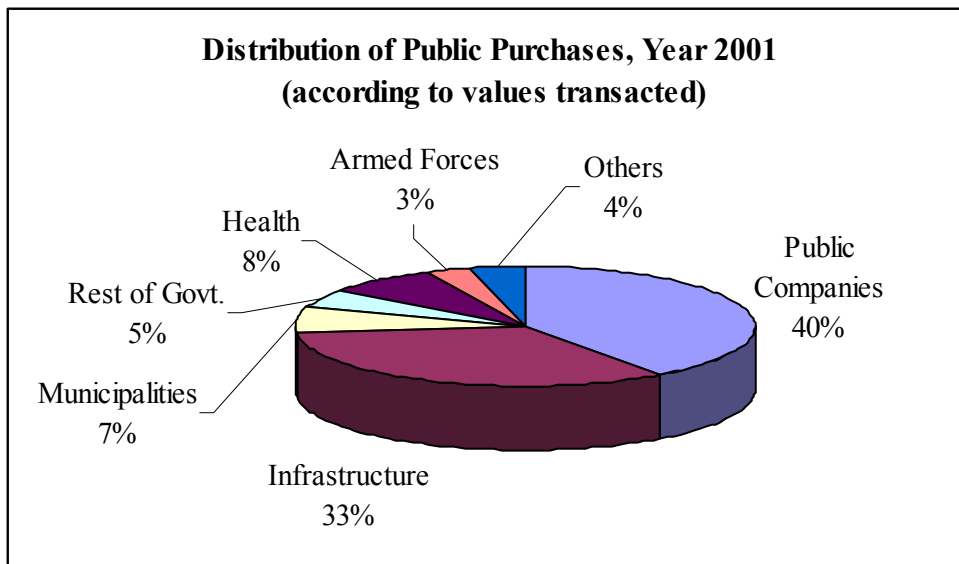
ChileCompra is the Chilean Government's E-Procurement System. This site offers a transparent and non-discriminatory means of business contact between the government and private enterprises. The website is <http://www.chilecompras.cl/home.asp>.

The purpose of ChileCompra is to inform about the purchases and leasings of the public sector and to allow companies to carry out transactions electronically. This service provides all the details regarding the goods and services that the Chilean government requires, and is designed to distribute and to maintain the information on its supply operations in an updated form, using the Internet platform.

The public purchases correspond to all the contracts that the Government issues for the acquisition of goods, services and public works, from the most complex (such as those for road construction) to simple contracts (purchase of pencils and other office items.)

Ontario exporters can register on-line to subscribe to specific information regarding the Chilean government's requirements for purchasing either goods and/or services. During the registration process the Ontario exporter has to specify the areas/sectors of interest. They will in turn receive details concerning the goods and/or services that the government wishes to purchase, via email.

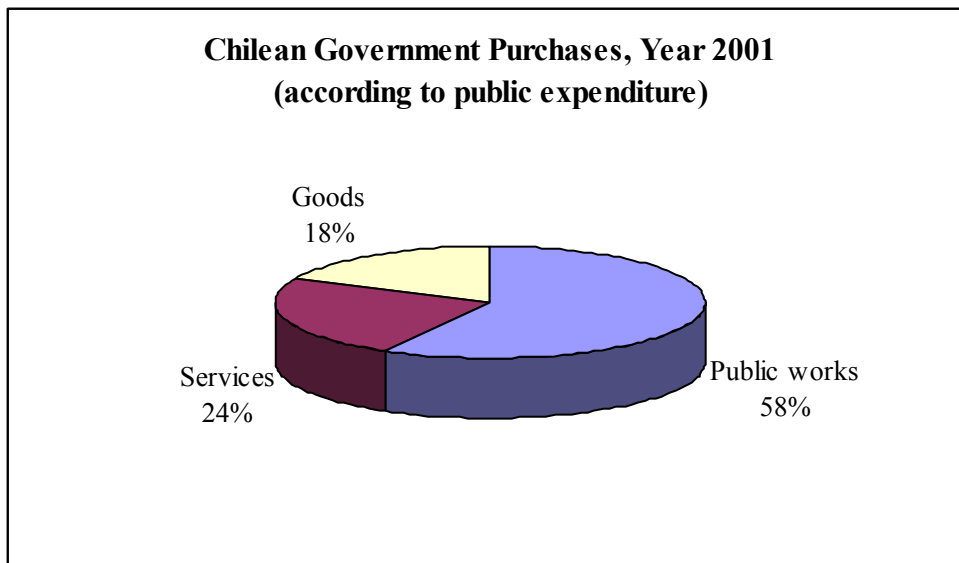
The market value of public purchases in Chile is close to US\$ 7 billion annually, distributed between the different government entities. The value of contracts from the federal government up to year 2001, without including municipalities or public companies, reached US\$ 4 billion and in terms of public cost US\$ 2.6 billion. In this regard, it is important to distinguish that the amount involved in contracts of goods and services is greater than the amount of the public cost.



Source: ChileCompra

The Government effects approximately 1,000,000 annual transactions, 80% of which correspond to public companies and 20% to the central government. Nearly 30,000 of these transactions are registered in ChileCompra. As of December 2002, all transactions involving more than US\$ 170 will have to be posted on the website.

There are more than 600 government entities that purchase goods. Out of this total, 200 are federal government public services, 340 are municipalities and 60 are companies and other institutions that belong to the state. The principal users of ChileCompra are federal government departments such as the Ministry of Health. Of the 30,000 national and foreign suppliers who work with the government, 90% are small to medium-sized enterprises.



Source: ChileCompra

Codelco is the world's largest copper producer and one of the industry's most profitable companies, with assets worth US\$5,819 billion and net worth of US\$2,777 billion, as of December 2000. The company belongs to the Chilean government and its main business is exploring for, developing and operating mines containing copper and by-products, the processing them into refined copper and selling them.

In recent years, the company has accounted for an average of more than 18% of the country's exports and some 4% of GNP. Codelco's contributions to the national treasury have averaged 8% of total government income.

Codelco's divisions and its central office carry out most purchasing and contracting of required goods and services in a decentralized fashion. Nevertheless, there are some supplies which, due to the large volumes consumed or their use in more than one division, are purchased centrally, thus consolidating the company's overall needs and negotiating them altogether.

Codelco's purchasing and contracting offices have access to goods and services markets around the world, focusing on those companies capable of supplying products and services for productive work or investment projects at a competitive level. In 2002, Codelco purchased US\$29,539,384 worth of supplies from Canadian companies (this amount corresponds to purchase orders to vendors in Canada).

Codelco carries out its purchasing and contracting in competitive conditions, inviting proponents to participate in private or public bids, depending on the level of competitiveness of the market, the extent of the supply or service, the amount budgeted and the deadlines involved, variables that also play a decisive role in the rules governing procedures in each case.

To participate in bids and be considered as a potential supplier for Codelco, the Ontario exporter has to sign up on-line at <http://www.codelco.cl>. The application can be made at any time, because Codelco keeps its registries permanently open to facilitate interaction with companies supplying materials and services. While there are no specific conditions for registering as a supplier or contractor for Codelco, the company maintains unique corporate records of its suppliers classified by company specialty and characteristics.

C. Advertise in Virtual Trade Commissioner

An advertisement placed in a trade journal or a listing in the Virtual Trade Commissioner can lead to inquiries from Chile. The Virtual Trade Commissioner is a personalized on-line service for clients of the Canadian Trade Commissioner Service. It is a workspace where clients can access and store information about their industry sectors and their target markets.

Registered clients can order personalized services on-line from the network of trade commissioners around the world. The content of the Virtual Trade Commissioner is determined by the industry sectors and markets specified in a client's registration profile. This service allows exporters to receive a personalized web page containing market information and business leads that match specific international business interests; request services online from the Trade Commissioners responsible for your industry in the markets of interest; receive new information related to your industry and target markets as it becomes available; deliver information on your company to the 500 Trade Commissioners in the 140 offices abroad. To register in the Virtual Trade Commissioner or for more information, visit <http://www.infoexport.gc.ca/ie-en/login.jsp>.

D. Branch Office Showroom (BOS)

The Branch Office Showroom is a cost-efficient market entry strategy for Ontario companies provided by the Ontario Representative Office in Chile (TradeChile) that wishes to expand their business operations in the Chilean marketplace.

The products/services of Ontario exporters are exhibited at the premises of TradeChile, through the use of samples, marketing material, etc.

The service also includes a brief market screening, use of an on-line tracking system, a videoconference system to “meet” with interested parties, and a virtual showroom to promote your company on TradeChile’s website.

The key components of this service include physical exposure of the Ontario company’s product/services and the dedication of a locally established Branch Manager who will gather detailed knowledge of the company’s product/service and will the Chilean market for adequate partners.



The Branch Office Showroom has been designed to enhance business opportunities through direct sales, identification of and subsequent negotiations with the most appropriate representative, distributor or agent.

For further details on this service, please contact Maureen Angus at the OEI office or directly contact the Ontario Representative Office in Chile (TradeChile) to evaluate your request.

E. Pursue Trade Leads

Rather than wait for potential Chilean customers to initiate contact, an option is to seek Chilean companies looking for the particular product you produce or service the Ontario exporter provides. The Virtual Trade Commissioners officers worldwide gather trade leads from Chilean companies seeking to buy or represent Ontario products. Please refer to the previous section discussing this topic. In addition, the secondary resources aforementioned can also be utilized for accessing trade leads. If your product is agricultural, the Agri-Food Trade Service website is Agriculture and Agri-Food

Canada's electronic service providing Chilean trade and market information for Canadian agri-food exporters <http://ats.agr.ca/general/home-e.htm>.

F. Exhibit at Trade Shows

Trade shows are another means of locating Chilean buyers. OEI can assist the Ontario exporter with a list of relevant trade shows in the Ontario market. Chilean buyers are actively recruited by OEI, and special services -- such as meeting areas and translators -- are provided to encourage and facilitate private business discussions. For international trade shows in the Chilean market, OEI and the Ontario Representative Office in Chile (TradeChile) can assist in providing information on relevant shows in this market. This is an excellent way to market products in Chile.

G. Participate in Trade Missions

Taking part in a trade mission to Chile is yet another way to meet buyers. The OEI office, in conjunction with the Ontario Representative Office in Chile (TradeChile), organizes incoming and outgoing trade missions. All of the arrangements, from logistical issues to organization of the meetings, are handled for you in order to simplify the process of meeting prospective partners or buyers. Your company is carefully matched with potential agents and distributors on the basis of your goals and objectives in the Chilean marketplace. Being prepared for the meetings is key and the Ontario exporter should be prepared with marketing material (in Spanish if possible) and CIF prices for their products or services.

Although e-business is a growing market in Chile, it is still crucial to meet your potential counterpart face-to-face. The Chilean business culture is still personalized in this sense.

H. Contact Multilateral Development Banks

In developing countries, including Chile, multilateral development banks such as the World Bank and the Inter-American Development Bank often fund large infrastructure projects. Projects funded by these types of institutions often represent extensive opportunities for Ontario exporters to compete for project work alongside larger corporations. They can also be an excellent way to start exporting.

For further information please visit the World Bank website regarding projects in Chile: <http://lnweb18.worldbank.org/External/lac/lac.nsf/b9d1b8ac90fa2a07852567d6006adf02/3a35202d1b453d9f852567dd005f14e1?OpenDocument>.

Additionally, the Inter-American Development Bank website for Chile is:

<http://www.iadb.org/exr/country/eng/chile/>.

IV. Creation of database

After investigating potential counterparts with the relevant entities and obtaining data from the Chilean Customs database in Publitecsa, Ontario exporters should begin to compile a database of the contacts.. The contact information on each Chilean company should contain:

1. Full Name of the Company.
2. Contact Person.
3. Job Position.
4. Full Address.
5. Contact's Phone (including Country and City Calling Code).
6. Contact's Fax (including Country and City Calling Code).
7. E-mail.
8. Website.

V. How to approach the potential counterpart

A. Initial Information on Potential counterparts

Once contact information has been gather on potential trading partners, the communications can begin.

B. Preparation of an Introductory Letter

Having an appropriate introductory letter is the first formal approach that the Chilean contact will receive from the Ontario exporter; therefore it is very important to prepare a letter that provides all of the relevant information that the contact requires, while at the same time portraying a professional image. The letter should introduce the firm, establish it as a reliable supplier and should not exceed two pages. Information that should be included in the letter is:

1. Full name of the Ontario company.
2. The objective of finding end users – clients in Chile. This includes the initial research of why the company chose Chile and what their potential areas are in this market.
3. A description of the product to be marketed and a reference to the capacity of the company in overseas business (if applicable).
4. Include the web page of the foreign company for additional information.

5. Include the logo of the company in the marketing letter.
6. The president or export manager should sign the letter.
7. Scope of potential activities that the company plans to realize in the short, medium and long-term.

It is beneficial to have the letter professionally translated into Spanish since this is the official language and fewer than 30% of the Chilean population speak English. In the business environment, English is to some degree spoken and understood, but it is still not the language of choice. Additionally, Chilean letter writing is very formal and the receiving party should always be treated in the “Usted” form. Eventually product, marketing details, sales agreements and other documentation will need to be translated into Spanish.

After the introductory letter is sent (via courier or email), wait two weeks for a reply from the Chilean counterpart. If a reply is not received, then send a reminder. If no response is received, then contact the Chilean via phone to verify their interest in the product / service offered. Do not be concerned if you do not receive a response from the Chilean contact, since Latin habits differ from Canadian habits in certain ways when conducting business. Refer to the Business Culture attachment.

C. Responding to Inquiries

If the Ontario exporter is answering an inquiry, then a timely response is what will place the exporter in a favourable category. We suggest that the response should be made within two weeks from reception.

An inquiry from a Chilean company could be sent in Spanish and the response should, if at all possible, be in Spanish. Colleges and universities are excellent sources for translation.

Typically, the Chilean firm will request product specifications, information and price. Some inquiries will come directly from the end user, while other inquiries will come from distributors and agents who wish to sell the product in the market. A few firms may already be familiar with the product and wish to immediately place an order.

Some of the main characteristics of the market are the following and these should be kept in mind when responding:

1. The Chilean market is extremely price sensitive (specifically when dealing with consumer products; refer to Attachment III). Having said this, with regards to certain market sectors, price has to be linked to quality. Quotes should be provided in CIF format (cost, insurance, freight). If the Ontario exporter is reluctant to provide exact prices, then reference prices should be provided while at the same time indicating that a final price will be negotiated.

2. Chile is considered to have the most open economy in Latin American. Therefore competition is very stiff and this is why the Ontario exporter should strongly consider entering the Chilean market with the most competitive prices.

Regardless of the form such inquiries take, the Ontario exporter should establish a policy to deal with them. Here are a few suggestions:

- Since Spanish is the language of choice, the exporter should expect inquiries to have grammatical or typographical errors, which may result from the writer knowing English only as a second language. Secondly, printing standards differ outside of Canada, and therefore do not consider the quality of the stationery as an indication of the wealth of the company. Despite first impressions, the inquiry may be from a reputable, well-established firm.
- The reply should provide a short, but adequate introduction to the firm, including bank references and other sources that confirm reliability. The firm's policy on exports should be stated, including cost, terms, and delivery. The firm may also wish to respond with a pro forma invoice. Chileans are cautious and will therefore request a great deal of information from their Ontario counterpart. Once again, please refer to the Business Culture attachment.
- Enclose as much information as possible regarding the firm's goods or services.
- Send the reply via courier or email if appropriate. Courier companies such as FedEx, DHL, UPS, among others have offices in Chile.
- If the company needs to meet a deadline, send the information via email or fax. E-mail is increasing in use in Chile and is an acceptable form of communication. However, if you are unsure of communicating via this means, ask the Chilean counterpart if they would mind receiving information via email.
- Please keep in mind that the OEI representative office in Chile (TradeChile) can provide assistance in every stage of the process of identifying a suitable partner.

c) Business Practices in International Selling

Companies should be aware of basic Chilean business practices that are paramount to successful international selling. This should have been covered in your initial market research of the country and for the purposes of this report; we have assumed that this has already been taken into account.

However, we will provide a list of practices that should be exercised (reference can be made to Attachment II, which discusses Chilean Business Culture):

- Keep promises. The biggest complaint from Chilean importers about Canadian suppliers is failure to maintain contact and respond in a timely manner. With regards to shipment, ensure that this is also done in a timely manner and according to the period specified by the buyer.
- Be ready to send samples. The Chilean businessperson is very tactile; consequently samples, marketing brochures, visual products are very welcomed and sought after.
- Be forceful and insistent. Canadians are well perceived in terms of their business capacity and technological expertise. This fact will help to open door for Ontario exporters, but Chileans feel that Canadians can be somewhat conservative in pursuing business and therefore should be more aggressive.
- Be polite, courteous and friendly, but avoid undue familiarity or slang.
- Personally sign all letters or include a virtual signature in emails. Form letters are not well received.

d) Building a Working Relationship

Once a relationship has been established with a Chilean customer, importer, buyer, agent, representative or distributor, it is important that the Ontario exporter work on building and maintaining that relationship. Common courtesy should dictate business activity. The exporter should keep in mind that the Chilean contact should be treated and served as well as a domestic contact. For example, the Ontario company should keep customers and contacts notified of all changes, including price, personnel, address and phone numbers.

The lack of constant communication can lead to the “ageing” of a contact. This can be more significant between Ontario exporters and Chilean companies due to the geographical distance between the two locations. For many companies, quarterly or yearly visits should be made to customers or distributors. This commitment to the business relationship, though not absolutely necessary, ensures that both the company and the product maintain high visibility in the marketplace. If the exporter cannot afford such frequent travel, it may use fax, e-mail and telephone to keep the working relationship active and up to date. In addition, The Ontario representative office in Chile (TradeChile) can provide videoconferencing services, which is the next best thing to meeting with your customer in person. This

technology allows seeing your contact in real time and can be a very cost-effective method of building a working relationship, apart from the use of fax, email and telephone.

VI. Qualification and evaluation of potential agents, importers, buyers &/distributors

A. Identification criteria for the evaluation of potential counterparts

Following the compilation of interested Chilean contacts, the next step is to qualify them by utilizing concrete data, reputation and financial standing. This is the data the exporter should try to gather on the potential Chilean counterpart:

- The company's history including the qualifications and backgrounds of the principal actors i.e. owners, managing director, CFO, etc.
- Does the company have any branch offices
- Details on adequate trained personnel, facilities, resources available to devote to your business, including the size of the sales force and warehousing facilities
- Number of employees
- Current sales volume
- Size of inventory
- Growth of company
- Marketing experience and how will the company market your product or service i.e. retail, wholesale or direct.
- Does the company have a website, product catalogue, company brochure, etc.
- Which areas or geographical territories does the company cover
- Does the company have foreign clients and are these clients competitors of the Ontario exporter, including brands represented. It is of the utmost importance to obtain references from several current clients.
- The types of customers they serve
- Product categories they carry
- What are their language skills
- Financial performance and strength
- What is the real purchasing power

The most vital factor in this process is assessing the level of interest from the Chilean company. If the company is not interested, then it is obviously not worth the exporter's time to consider that particular contact as a potential partner.

The subsequent list provides a more detailed analysis of the queries that should be contemplated and answered:

Size of Sales Force

More than 80% of Chilean companies are considered small to medium sized (SME); therefore this has to be kept in mind when taking into consideration the size of the sales force.

- How many field salespeople does the representative or distributor have?
- What are the short- and long-range expansion plans, if any?
- Would it need to expand to accommodate your account properly? If so, would it be willing to do so?

Sales/Import Record

Import and sales volume trends provide valuable information on the Chilean company's ability to represent the Ontario company's products effectively.

- Has sales/import growth been consistent? If not, why not? Try to determine sales volume for the past five years, as this will provide a reliable pattern.
- What is the average sales/import volume per outside salesperson?
- What are its sales objectives for next year? How were they determined?

Territorial Analysis

According to the latest census, the Chilean population has reached 15 million and approximately 40% are located in the Metropolitan Region of Santiago. This signifies that Santiago is also considered the most important industry hub and it is also where most companies have their headquarters. There are other important cities throughout Chile, such as Viña del Mar/Valparaiso, Concepcion and Temuco where specific industry sectors are located. For example, the forestry and fishing sectors are concentrated in the region of Concepcion.

- What sales territory does it now cover?
- Is it consistent with the coverage you desire? If not, is it able and willing to expand?
- Does it have any branch offices in the territory to be covered?
- If so, are they located where your sales prospects are greatest?
- Does it have any plans to open additional offices?

Product Mix

- How many product lines does it represent?
- Are these product lines compatible with yours?
- Are there any potential conflicts of interest?
- Does it represent any other Canadian firms? If so, which ones? (names and addresses)
- If necessary, would it be willing to alter its current product mix to accommodate yours?
- What would be the minimum sales volume needed to justify its handling your lines? Do its sales projections reflect this minimum figure? From what you know of the territory and the prospective representative or distributor, is the projection realistic?

Facilities and Equipment

The warehousing and logistics markets have changed significantly during the last five years permitting companies to have more efficient and uncomplicated access to storage and distribution systems. This means that Ontario exporters entering the Chilean market do not require their own logistical support and can hire these services on the ground.

- Does it have adequate warehouse facilities?
- What is the method of stock control?
- Does it use computers? Are they compatible with yours?
- What communications facilities does it have (fax, email, videoconference, etc.)?
- If your product requires servicing, is it equipped and qualified to do so? If not, is it willing to acquire the needed equipment and arrange for necessary training? To what extent will you have to share the training cost?
- If necessary and customary, is it willing to inventory repair parts and replacement items?

Marketing Policies

In terms of marketing, Chilean companies like to obtain assistance, whether this is receiving material or funds for promotional purposes. Structure of salaries, will vary from company to company and industry to industry. Generally, employees receive incentives for achieving sales goals. The tendency is not to have a high basic remuneration and to be compensated with bonuses.

- How is the sales staff compensated?
- Does it have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific product lines?
- How does it monitor sales performance?
- How does it train its sales staff?

- Would it pay or share expenses for its sales personnel to attend factory-sponsored seminars?

Customer Profile

Obtaining information on the customers of the Chilean companies is critical to finding out about their own seriousness and capabilities. The catch phrase “tell me who you are running around with and I will tell you who and how you are” is definitive in this case. The customer says a lot about you.

- What types of customers is it currently contacting?
- Are its interests compatible with your product line?
- Who are the key accounts?
- What percentage of the total gross receipts do these key accounts represent?

Principals Represented

- How many principals is it currently representing?
- Would you be its primary supplier?
- If not, what percentage of the total business would you represent? How does this percentage compare with other suppliers?

Promotional Thrust

The company’s promotional activity will open up the market, so a concerted effort must be made in this area. The Ontario exporter must be willing and able to provide marketing material and samples to the Chilean counterpart in order to conduct a serious promotional campaign. There will be some cases where the samples will have to be sold to counterparts and this can be negotiated directly between the two parties.

- Can it help you compile market research information to be used in making forecasts?
- What media does it use, if any, to promote sales?
- How much of the budget is allocated to advertising? How is it distributed among various principals?
- Will you be expected to contribute funds for promotional purposes?
- How will the amount be determined?
- If it uses direct mail, how many prospects are on the mailing list?
- What type of brochure does it use to describe the company and the products that it represents?

All of the criteria mentioned above are dependant on the particular product and/or service that the exporter wants to bring to the Chilean market. Therefore, in some cases these criteria will not apply.

The exporter should be aware that obtaining all of this information could be a difficult since Chileans can be reluctant to provide information that they may consider to be confidential. Furthermore, as previously mentioned, Chileans are cautious. Therefore, a good way to assess the interest level of the party in question is their commitment to providing as much of this information as possible and have that information be of quality.

Once you have this background information and are comfortable about proceeding, then obtain a credit report about their financial position. The Ontario Representative Office in Chile (TradeChile) has access to a financial entity, Dicom, which provides credit and financial reports on Chilean entities and individuals. The Ontario exporter has to subscribe to this service, which can be quite costly. Additionally, the reports are in Spanish and the content is quite elaborate. As part of TradeChile's assistance, we can provide a value-added service that will provide the exporter with the information in a user-friendly manner.

B. Prioritizing the evaluation criteria

When prioritizing the above considerations for each potential counterpart the exporter has to review their objectives in the Chilean market, the target market for their product/service and differentiate between short-term and long-term goals. The company can then generate a type of "Score card" for each trade lead in each of the questions listed above. The criteria could be rated in a scale of 1 to 5, where 1 is considered of the greatest importance to you and 5 is of least importance. This method will provide the exporter with a clearer picture of which potential trading partners are most likely to be the right fit for their company.

The factors considered to be critical when choosing a Chilean partner are:

1. Financial situation of the Chilean company
2. Knowledge of the Ontario company's products and services
3. Knowledge of the growth trends in the Chilean market. Due to the fact that the Chilean economy is so open and dynamic new players are frequent, it means that traditional players often lose market share. The Chilean company should be abreast of these changes.
4. Compatibility of the product/service. If the Chilean company represents other international players, then the Ontario exporter must ensure they are not in direct competition to their product/service.
5. The Chilean company's ability to reach government contacts and/or decision makers.

C. Selection Process

The prioritizing method described above will allow the exporter to zero in on potential trading partners with the most capabilities, resources and potential. Once this list is ready, you are ready to move on to the last steps of the process in qualifying and identifying your “Best Match.”

VII. In-depth Evaluation of the Selected Counterparts

The Ontario exporter is now ready to choose their partner in Chile. This final evaluation process has to be meticulously carried out and this implies meeting with the potential candidates in Chile. This opportunity should be taken to observe first hand the size, condition, and location of offices and warehouses. In addition, the exporter should meet with the sales force and try to assess its strength in the marketplace. This opportunity should also be taken to discuss the final issues with regards to an agreement: commission, payment and finance terms, exclusivity clause, escape clause, warranties, promotional support, technical support, training of sales force, etc.

With regards to exclusivity, the Chilean counterpart will try to insist on this and the Ontario exporter should be careful. The reason for this is that the size of the market is considered to be relatively small (population of 15 million). Nearly 40% of the Chilean population is concentrated in the Santiago Metropolitan Region and almost all businesses are situated there or have offices. However, the Ontario exporter has to ensure that the Chilean company has the capacity to act at a national level rather than just the Metropolitan region of Santiago because some industry sectors have their hubs in the regions. Also, Chile is approximately 4,000 km. long and this will influence the capacity for a distributor to cover the whole length of the country.

If the Chilean contact insists on having exclusivity, the exporter should seriously consider this, but only if they have the capacity to carry out all of the requirements needed.

It is important to not get tied down to the first contact or interested party. This can be very risky in the sense that if the counterpart does not do a good job, it could result in being left out of the Chilean market for a long time. Also, it is very complicated to break an existing contract in Chile, so make your decision carefully.

We recommend that the Ontario exporter select a small to medium-sized Chilean company that is dedicated to their product/service, rather than a large partner who might not be able to pay full attention and be completely dedicated to the Ontario company.

If traveling to Chile is unfeasible then the interview process can be carried out by a trusted Canadian contact in Chile and also via videoconferencing services. In both of these alternative scenarios, the Ontario Representative Office in Chile (TradeChile) can provide assistance.

Once the Ontario exporter is ready to negotiate and formulate an agreement with the chosen counterpart, it is crucial to consult an attorney with experience in international trade and exporting. Once again the OEI office and The Ontario Representative Office in Chile (TradeChile) can assist with this process.

The Ontario exporter must also be mindful of registering trademarks. Chile belongs to the World Intellectual Property Organization and patents, trademarks, industrial designs, models and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). However, Chile's intellectual property regime is not WTO/TRIPS compliant. Industrial designs and models are protected for a non-renewable period of ten years. The registration of trademarks is also valid for renewable periods of ten years.

A common problem faced by foreign companies trying to begin operations in Chile is that other individuals or companies may already have their trademarks. Chilean courts have been supportive in cases where the trademark has been "stockpiled" but gone unused, but less so in cases where investments were made in use of the trademark. In either case, proceedings can be lengthy (2-4 years) and expensive (\$5,000-\$10,000+) with a low success rate. The foreign firm should make a business decision whether to take legal action or to negotiate with the party who registered the trademark. Therefore, a trademark should be registered as soon as the Ontario exporter/investor has any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries, and trademarks may be perpetually registered in periods of ten years at a time. Ontario firms wishing to register their trademarks should do so at the Ministry of Economy, Departamento de Propiedad Industrial (Industrial Property Department), Moneda 970, P. 1, Santiago, Tel: (56-2) 6883124.

IX. Contact List

For a detailed contact list of public and private sources, please refer to Attachment I of this document.