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Gift Giving in China

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Approved by:

LaVerne E. Brabant
ATOBEIJING

Prepared by:

Wang Tong

Report Highlights:

With a history dating back more than 5,000 years, China has a highly ritualized gift-giving custom steeped in traditional values, and practices. However, with an ever expanding economy and growing number of citizens joining the ranks of the middle and upper income classes, Chinese consumers increasingly seek high-quality and safe imports to satisfy their gift-giving needs. In particular, the newly affluent has developed a taste for imported food products ranging from wine to fruit to nuts. Thanks to a reputation for high quality, US imports continue to fare well in the current market although European, Korea, and other product suppliers are making inroads. Significant opportunities exist in the China market for U.S. food and beverage suppliers willing to investigate the market and research local cultural and gift-giving traditions that may fit into a longer term successful market development effort.

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Gift-giving in China: Tradition and the Modern Consumer



Unlike many Western cultures, where gift-giving is largely unstructured, gift-giving in China can be a highly regimented and complex process. Gift-giving traditions, passed down through the centuries have defined the gift-giving culture in China today. Friends, family, and business contact gift-giving is an important custom used to maintain and establish important relationships, express concern for one another as well show respect. The time honored Chinese saying, "courtesy demands reciprocity" appropriately describes the attitude toward giving and receiving gifts. While tradition still dictates gift-giving during specific holidays, some of these the more traditional rules have been relaxed or in essence rewritten for some new to China holidays and occasions as a result of consumer exposure to international influences, etc.

Traditionally, the most common gift in China has been food. However, this is changing, and today, with rising disposable incomes gifts may now include cash, coupons, flowers, and jewelry among other items. Increasingly, the type of gift largely depends upon the occasion and the personal preferences of the intended recipients. Regional customs and tastes also influence significantly the gift-giving culture.

A recent market survey conducted in Beijing indicates the most widely desired gifts in China's Capital are cash, travel, and gym memberships. Most of the participants in the survey also stated that the giving of gifts to their parents during traditional festival periods was an important way for them to express parental respect and filial piety, two highly important values in Chinese culture. After parents, the participants surveyed ranked loved ones and bosses respectively as the second and third most important groups to give gifts to, ranking these two groups as slightly more important than both friends and relatives.

Chinese Consumers

The Chinese economy is on the rise, and continues to develop at a rapid pace with average GDP growth rates around 10.9.5 percent over the last five years with estimated per capita GDP in excess of \$2,062 in 2007. The number of millionaire households also continues to climb, and reached some 310,000 by the end of 2006 according to conservative estimates. The increasing affluence of China's high-end consumers has stimulated demand for high-quality luxury goods, a trend that has impacted the gift-giving market. The data shows China has already become the third largest luxury goods market in the world behind only Japan and the United States, with 3% of the world's total. Incomes have also increased among China's lower-income consumers, even in rural areas. For example, in 2006 rural farmers spent an average of \$358 per capita on household expenditures, and averaging an 8% increase annually since 2002. As incomes all across China continue to rise, more consumers are willing and able to spend more of their incomes on higher-quality and fancier gifts, including imported food and agricultural product items.

According to China's National Bureau of Statistics, total consumer goods retail sales reached \$42.5 billion in October 2007 in the municipality of Shanghai alone increasing by 15.2 percent over the previous year. A large portion of the jump in October retail sales was attributed to strong retail sales during *Shi Yi (National Day Holidays)* which occurs during the first week in October which reportedly reached US \$680 million.

While millions of Chinese enjoy a financially stable lifestyle thanks to the rapid growth in the economy, a recent survey reveals that many are reluctant to spend more than \$13-\$65 on a single gift purchase. Only 6% of survey respondents indicated they would be interested in purchasing gifts costing more than \$650.

China's Gift Market: Opportunities for US Imports

Chocolate: Sweet Gifts for Sweethearts



The high-season for chocolate as gifts takes place during the winter from approximately Christmas through Valentine's Day, with sales during this period equaling up to half the year's total sales. High-quality chocolate, especially from Europe continues to gain in popularity in the Chinese market. As is the case with fresh fruit, high-end chocolate sales prevail in spite of high-price, and quantity is not nearly as important as quality. Imported European products have made greater headway in the China market than US products, as these products are perceived as less sweet than our varieties, and are available in smaller, more attractive packaging.

Local traders involved in the candy market here are seeking new opportunities for positioning chocolate and other candies in order to boost off-season sales. Recently, in some of China's larger urban centers, including Beijing and Shanghai, a series of Do It Yourself (DIY) workshops have emerged. The workshops are designed to educate Chinese consumers how to create and design individual personalized chocolates or candies, which can then be used as special occasion gifts like weddings, etc.

Fruit: Delicious and Nutritious

Fresh fruit is a common gift in China, and is purchased for a variety of holidays, special occasions, and other events. In addition to being given as a holiday present, fresh fruit is often given to more mature or senior relatives and hospital patients. Since fresh fruit is so prevalent and widely available, only high-quality fruit is used as gifts. When selecting fruit to give as a gift, price is largely ignored, with consumers willing to pay high prices for large, smooth, unblemished fresh fruit. Imported fruit including apples, oranges, and grapes from the United States have earned a reputation in the Chinese market for superior quality and are often used as gifts rather than for daily consumption. Fruit gift baskets are extremely popular since the combination of colorful fruit, perceived health benefits, and attractive packaging is appealing to most Chinese consumers. High-end, luxury gift baskets may include other items as well such as expensive tea or imported wine.



Nuts: Not a Tough Market to Crack

In China, tree nuts are one of the most popular snacking foods and considered to be an ideal gift. As Chinese disposable income levels continue to increase so has demand for nuts and nut based products. Imports have grown dramatically with almonds and walnuts from California in particular highly-sought after by Chinese consumers. In 2006 the US was the largest exporter of almonds and walnuts to China.

During the Chinese Spring Festival many Chinese often prepare a variety of nuts, often in the shell, for visiting guests to their homes to snack on. Nuts, specifically walnuts and peanuts, also play a large role as ingredients in the traditional "eight-treasure congee" (or *labazhou*) served on the 8th day of the 12th lunar month. Although this day was traditionally celebrated by Buddhists who associate this date with Buddha's attainment of Sainthood and prepared *labazhou* in his honor, in more recent times the eating of this very special congee has become a largely secular tradition. Also, today 'Labazhou' is sometimes eaten as a special treat at other times during the year.



Another Chinese holiday that involves the use of nuts is the Mid-Autumn Festival. For this festival, moon-cakes, a traditional thin-crust pastry filled with various ingredients ranging from salted duck egg-yolks to nuts and seeds are exchanged between relatives, friends, and business contacts. In fact this has become a large and growing holiday business. In North China, the most famous variety is known as the *wu ren* (or five nut moon-cakes). This particular moon-cake recipe calls for the use of pumpkin, sunflower, and sesame seeds as well as walnuts and

peanuts. However, nuts are not only limited to Northern China's *wu ren* varieties. In recent years, a number of commercial bakeries, hotels, and restaurants have created new kinds of fillings, and nuts have proven to be a popular choice. This trend opens new doors for nuts from the US in the China market, and presents good potential market opportunities for positioning, promoting and selling these nut products.

As a general holiday gift, high-quality nuts from the United States are often mixed with dried fruit and presented in fancy packaging designed to attract Chinese consumers. Additionally, imported nuts are sometimes combined with other items such as ginseng, tea, fresh fruit and wine in upscale and often expensive gift packages. Such packages are usually sold in red boxes or decorated with red ribbons, since red is a lucky color in Chinese culture and considered appropriate for most if not all celebratory occasions.

Wine: An Alternative to Liquor

Historically, liquor has played an important role in Chinese society and culture. Today, *baijiu* (a name used to describe a variety of potent and often pungent Chinese clear grain alcohols) is often consumed during holidays, family gatherings, banquets and business negotiations. The potent bottles of this liquor are often presented to more mature or senior male relatives and friends as special holiday gifts.

The wine market in China is still in its developing stages although it is growing rapidly as incomes rise and people become aware of health benefits associated with the drinking of wine. Some Chinese, especially those with heart or blood pressure problems are moving away from drinking liquor and increasingly turning to wine as a more suitable substitute. Additionally, the consumption of wine is often perceived as being socially and culturally sophisticated, which are highly desirable traits for China's newly affluent middle and upper-income consumers. However, since grape based wine culture is still evolving in China; many consumers are not knowledgeable about wine and often rely on reputation or product brand names. Therefore, a high-quality but relatively unknown wine may be passed up in favor of a lower-quality but better known brand. Proper branding and marketing of wine products is imperative for market success.

Health Foods: A New Option

As Chinese consumers have become more affluent, they have also become more attuned to the health implications of their consumption habits. Additionally, as China's population ages, more consumers are requesting healthy or functional gifts, including certain types of imported and organic food and food products. Most gifts that fall under this classification are given to more mature relatives and friends or seniors during holidays and to hospitalized patients during their recovery period.

Certain products from the United States have successfully entered this very niche yet expanding market. One example is American or more often Wisconsin Ginseng that has been offered in the China market in a variety of forms including tea, oral solution, sliced and powder. American Ginseng is different from Chinese Ginseng and is thought to have many medicinal and health benefits. American Ginseng in traditional terms is classified as a 'cold' food but Chinese Ginseng is considered to be a 'hot' food. The uniqueness, potency and versatility of American Ginseng products have made them extremely popular here.

Advertising, a targeted marketing campaign, and the media all can play an important role in the success of health and organic foods and other 'functional' gifts. Since this is a relatively new market segment, many Chinese consumers often make purchases based on brand recognition and product reputation, etc.

Chinese Holidays

Below is a list of the important gift-giving holidays in China. Certain gifts are reserved for specific holidays, and it is important if not crucial for suppliers (exporters and producers) to learn about what type of gifts are given during different holiday seasons and special occasions. Observing Chinese gift-giving customs may increase the success of food and agricultural products from the United States being accepted as gifts.

Holidays in China	Suggested American Products	Price Range
New Year	Chocolate; Wine; Fruit	\$10 - \$55
Chinese Spring Festival: The most important holiday in China. The festival falls on the 1 st day of the 1 st lunar month, which is usually in February.	Nuts; Fruit; Wine; Chocolate; Health, Functional and Organic Foods	\$10 - \$55
Lantern Festival: This festival is held on the 15 th day of the 1 st lunar month, usually in February or March.	Nuts; Wine; Fruit	\$10 - \$35
Valentines Day	Chocolates	\$10 - \$20
Dragon Boat Festival: This festival falls on the 5 th day of the 5 th lunar month, usually in June and has been celebrated for more than 2,000 years!	Wine; Fruit	\$20 - \$55
Chinese Lover's Day: This holiday is celebrated on the 7 th day of the 7 th lunar month, usually sometime in July.	Chocolate	\$10 - \$20
Chinese Mid-Autumn Festival: The 15th day of the 8th lunar month, and usually observed in September.	Wine; Fruit	\$20 - \$55
Chong Yang Festival: The 9th day of the 9th lunar month, usually celebrated in October. This holiday is special for elders, since parental respect and filial piety are highly revered traits in Chinese culture.	Wine; Fruit; Health & Function foods	\$20 - \$55
Christmas	Wine; Fruit; Chocolate	\$10 - \$55

Other Gift-giving Occasions

Personal Gifts

Gifts exchanged between relatives and friends are considered to be personal gifts, and are usually given to celebrate or otherwise mark a momentous occasion. The Chinese also give gifts for housewarmings, births, birthdays, weddings, illnesses, and even funerals. For births, weddings, and funerals, cash is the most commonly accepted and appropriate gift. Fruit and wine are often given to people as housewarming presents, while fruit is a popular gift for hospital patients. It is unusual for people to give food for birthdays, with the exception of birthday cake and sometimes wine, depending upon the recipient.

Business Gifts

Gift-giving is an important way to develop and maintain business and professional contacts in Chinese culture. Many business transactions rely heavily upon interpersonal relationships, and establishing strong ties with those one wishes to or is doing business with is critical for business success in China. Small gifts are always welcome, and are seen as a token of respect and courtesy given to one's colleagues and contacts. When giving gifts for business purposes, the gifts should usually be wrapped in fancy or decorative including red packaging. Imported items such as wine, fruit, and chocolates are ideally suited for business gift-giving purposes although increasingly other non-food items are also popular.

Marketing US Products as Good Gifts

- ❖ **Packaging:** In China, appropriate packaging is crucial when marketing a product as a potential gift item. Packaging should conform to Chinese definitions or ideals of attractiveness. Red is considered to bring luck and good fortune, while white is often associated with death and should be avoided at all costs, except for gifts specifically on the occasion of funerals.
- ❖ **Advertising:** Appropriately targeted advertising strategies and marketing campaigns are also vital for the successful promotion of gift items. Since many Chinese consumers are looking to buy imported products but are unfamiliar with many of these products (and in some cases, product categories, such as wine) they rely heavily upon brand recognition and product reputation when making purchases.
- ❖ **Quality vs. Quantity:** For gift-giving purposes it is the quality of the gift, not the quantity that counts in China. Therefore, high-end, high-quality, and luxury items often perform well in this market.
- ❖ **Gifts to Avoid:** Certain gifts such as clocks, chrysanthemums, shoes, green hats, and turtles should be avoided as they have a basket of diverse and assorted negative connotations associated to them.

Other Tips for Giving Gifts in China

When giving or receiving gifts in China, it is important to use both hands. While the receiver will most likely express gratitude for a gift, depending upon the circumstances, a recipient may refuse the gift, even if they sincerely want it, at which point the giver should insist upon giving the gift. This mandatory ritual of refusal and insistence may go back and forth for two or three rounds before the gift is finally accepted. Despite outward appearances, gifts are usually very welcome, and may support smooth business transactions, and build interpersonal relationships which are fundamental to Chinese society.

IPR Issues

FAS China established an IPR Office in 2006 to address IPR and Labeling issues related to US agricultural and food products. The aim of the Office is to provide direct assistance to U.S. industry and commodity associations and businesses, in their effort to secure registration, as well as to prevent and/or address IPR infringement with appropriate market and legal enforcement remedies. The IPR Office is located in the Agricultural Trade Office (ATO) Beijing. For additional information, contact Mr. Yuanchuan Liang at yuanchuan.liang@fas.usda.gov. Or visit the FAS China website: www.usdachina.org and locate 'IPR in CHINA/ Introduction to Trademark Registration in China' for related and detailed information. An IPR Manual published by the FAS China IPR Office in 2007 can also be found there.

Contact Information and Useful Websites:**Agricultural Trade Office, Beijing
Embassy of the United States of America**

Tel: (86-10) 8529-6418
Fax: (86-10) 8529-6692
Email: ATOBeijing@fas.usda.gov
Web: www.USDAChina.org

**Office of Agricultural Affairs, Beijing
Embassy of the United States of America**

Tel: (86-10) 6532-1953
Fax: (86-10) 6532-2962
Email: AgBeijing@fas.usda.gov

Agricultural Trade Office, Chengdu

Tel: (86-28) 8558-3992
Fax: (86-28) 8513-8698
Email: ATOChengdu@fas.usda.gov
Web: www.USDAChina.org

Agricultural Trade Office, Guangzhou

Tel: (86-20) 8667-7553
Fax: (86-20) 8666-0703
Email: ATOGuangzhou@fas.usda.gov
Web: www.USDAChina.org

Agricultural Trade Office, Shanghai

Tel: (86-21) 6279-8622
Fax: (86-21) 6279-8336
Email: ATOShanghai@fas.usda.gov
Web: www.USDAChina.org

**Animal and Plant Health Inspection Service
Embassy of the United States of America**

Tel: (86-10) 6532-3212
Fax: (86-10) 6532-5813