

Truly Gifted

The gifting industry in India has registered a strong growth over the past decade thanks to rising income levels and aspirations. Also aiding this growth are such factors as, on the demand side, the widening of the customer base, and, on the supply side, the offering of innovative products at attractive prices. The gifting market's size is estimated at USD 40-42 billion, with many players reporting annual growth in the range of 20-40%. It comprises corporate gifting and personal gifting, with the former making up a significant share.

Further, the market is currently experiencing a revolution, with new product innovations, both in the food and non-food segment, accompanied by attractive packaging. Non-food personal gifting, which was largely restricted to bed-sheets and small electronic items, now includes attractive candles, other home décor items, soft toys, personalized gifts, gift vouchers, artificial jewelry, artworks, etc. At the same time, food gifting has a wider ambit and includes innovative hampers for such occasions as birthday, festivals, etc. as well as various product types including fruit hampers, cookies, organic food, coffee and tea, cheese & meat hampers, wine, different types of cheese, jams and jellies, etc.

The evolution of the Indian customer has played a key role in bringing about this change, as this customer has both the willingness and the ability to pay for innovative products. The surge in economic growth, rising disposable incomes and aspirations, increasing exposure to global trends, and long distance gifting are some of the factors bringing about this shift towards premium upgrades. At the same time, personal gifting is on the rise and an ever-higher number of occasions are being added to the tally which includes not only anniversaries and birthdays, but also such ones as Valentine's day, Father's day, and Mother's day, among a long list. The consumers of today want a touch of style, uniqueness, and personalization in their gift items, in order to match their status.

A decade ago, food gifting was largely restricted to the traditional *mithai*, or sweets. But with the increasing incidence of adulteration in traditional sweets, customers are moving towards other product items which offer more consistent quality and good taste in tastefully attractive packaging. Brands have played a key role in bringing about this transition. Cadbury's, for instance, has played an instrumental role in opening up the Indian consumer to the world of possibilities in the gifting space at a time when the market was largely restricted to sweets. Its innovative products, e.g. Celebrations, extensive reach, and attractive packaging have attracted evolved consumers in India for over two decades. Having established itself, Cadbury's is now innovating to account for the growing demand for premium chocolates as gifting products. Ferrero is another manufacturer which has been successful in promoting luxury chocolates as a category in India through acquiring on-ground market understanding, ensuring extensive availability, focusing on prosperous consumers, and targeting occasions and festivities. The home-made chocolates category has also registered high growth in the past few years, largely driven by occasion-specific gifting. These are distributed both from the makers' homes and confectionery shops as well as through wholesale and retail shops. Nature's Basket, a premium food-specific Godrej chain, offers customizable food and gourmet gift hampers, which are occasion-specific and customizable. Foodhall, a Future Group company, has similar product offerings. Haldiram's, a traditional *mithai* store, realizing the opportunity in other food gift categories, now offers innovative products and hampers in chocolate, gourmet, and bakery space. Other FMCG companies, like PepsiCo, Parle, Coca-Cola, also offer innovative gift products during festive occasions, apart from their regular product offerings. Dunkin' Donuts also offers innovative gift solutions during such occasions.

Apart from innovative product offerings, brands have also used attractive packaging to bring about this transition among consumers. Most of the decisions about food gifting items take place in stores and packaging plays a key role in these fast, split-second decisions. Increasingly, companies are innovating with their packaging to underline their premium nature, adherence to food protection and safety standards, dynamism, the spirit of the occasion, etc. Given the importance of packaging in promoting sales, companies hire design teams and artists to create the right concept. Design, colors, and imagery play a vital role in this design process. PepsiCo, for instance, was successful in projecting packaged juices as a gifting item owing largely to their innovative packaging. Their other product categories, including Kurkure, Lay's, soft drinks, etc., are also available similarly.

It is worthwhile to note that only those companies which pay attention to their supply chain can reap exponential benefits during the festivity period, which is largely restricted to a month per year. The adage 'supply creates its own demand' can come true in the festive season with companies whose products are readily available scoring higher in terms of customer preference. The customer is hassled by various commitments during the festive season and the decision to buy a product is generally a quick one. FMCG companies reinforce their supply

chains to avoid delay in supplies and to readily occupy shelf space. Demand planning, inventory management, supply chain responsiveness, manufacturing agility and reliability, and logistics are some of the enablers on which the success or failure of a company depends, especially during the festival season.

Another trend, which largely mirrors other categories, is the rising importance of e-commerce in the gifting space. Large e-commerce companies like Amazon.com and Snapdeal.com have specific sections dedicated to gifting. At the same time, most players in the offline space like Ferns and Petals, Nature's Basket, Foodhall, etc. are widening their online presence to capture the online gifting space. New, dedicated gifting portals have been launched to capture this space like giftease.com, giveter.com, indiagiftsportal.com, and wishpicker.com, to name a few. The offerings on these websites include bakery products, assorted chocolates, confectionary, dry fruits, sweets, and other gourmet products, apart from other categories like flowers, jewelry, watches, etc. With rising time paucity and ever-longer distances separating families the role of e-commerce will only deepen in the future, thanks also to the rising penetration of Internet service providers.

The trends highlighted above are only expected to become magnified in the years to come, and can result in radical changes in the gifting space in terms of product offering, channels, packaging, events and occasions, customer needs, and brand innovations. It is an exciting time to be in the space and enjoy alongside customers who are also rejoicing in their happy occasions, while also innovating with them.

Authored By:

Madhulika Tiwari (Associate Director, Technopak Advisors)

Abhik Chopra (Senior Consultant, Technopak Advisors)