

Business-Gift Practices



What Buyers Are Saying About The 5 Ws Of This Long-Standing Tradition

Big business in the promotional products industry comes wrapped with a bow! A 2007 study conducted by university researchers found that eight out of 10 business organizations give business gifts—utilizing everything from office accessories and home accents to entertainment certificates to attract and retain clients.

Business-to-business gift giving is an incredibly powerful sector in the promotional products industry. In 2007, U.S. organizations shelled out nearly \$6 billion for business gifts according to a study by Gfk Custom Research for the Incentive Federation. This revenue stream is a financial force in the industry that, until now, has flown quietly under the research radar.

In an effort to shed light on this extremely profitable avenue, PPAI commissioned a study that examined the buying habits (and the reasons behind them) of sales and marketing executives.

Answering the questions of who actually makes the business-gift buys, as well as what is bought, where, when and why, the research netted some interesting results.

Who?

Business-gifting is an important practice—one that is trending upward. In a 1991 PPAI-sponsored study, it was found that less than half of business organizations opted for business gift giving. In stark comparison however, in this study it seems that this professional courtesy is more the rule, rather than the exception with some 84 percent of businesses engaging in giving business gifts. However, organization size and industry did show an impact on the practice, with government, education, agriculture and nonprofits proving to be the weaker markets in this specific area.

Within the organizations themselves, respondents noted that the decisions about business gifts were made by senior-level management (53 percent), sales and marketing (38 percent) and “each unit does its own” (13 percent)*.

**Note: Percentages will add up to more than 100 percent as multiple responses were allowed in each question.*

What?

It was found that 96 percent of end buyers define a business gift in the same way suppliers and distributors do: as logoed personal-use items given out to establish good relationships and high retention rates with clients and employees. Additionally, two-thirds of respondents acknowledged that price played an important factor in how they identified these gifts.

Table 1: Business Gifts Defined By Price

Typical Gift Price Point As Perceived By Respondents	Percentage Of Respondents
0 - \$9.99	15.2%
\$10 - \$24.99	29.4%
\$25 - \$49.99	34.8%
\$50 - \$99.99	15.0%
\$100 or more	5.6%

Table 2: Gift Price As Defined vs. Price Actually Spent (% Rounded)

Respondents' Perceived Price Point That Defines Business Gifts	>\$4-<\$25 Actual Spend	>\$25-\$100 Actual Spend	More Than \$100 Actual Spend
Less than \$9	33%	6%	0%
\$10 - \$24.99	57%	19%	3%
\$25 - \$49.99	9%	48%	19%
\$50 - \$99.99	1%	26%	25%
\$100 or more	0%	2%	53%

The most highly favored business gift items fell into the office/business category (47 percent) with home items (18 percent). The most popular selection for buyers willing to spend more than \$100 per recipient was a gift certificate.

Where?

Twenty-eight percent of respondents said they turn to distributors as their go-to resource for business gifts—a sharp decline from the 1991 PPAI study, which noted a 60-percent distributor favorability with retail/wholesale outlets logging a 29-percent response rate.

Table 3: Preferred Business Gifts Source By Price Point (% Rounded)

Preferred Source	Total Respondents	>\$4 -<\$25	>\$25-<\$100	>\$100
Promo products distributor	28%	36%	25%	19%
Retail/ wholesale outlet	23%	23%	23%	26%
Other	18%	16%	18%	23%
Internet	11%	8%	13%	10%
Premium/ incentive rep	9%	6%	10%	13%
Catalogs	9%	9%	9%	10%
Advertising agency	2%	3%	1%	0%

When?

The No.1 time to distribute business gifts was found to be end-of-the-year holidays, with special occasions/events pulling in a close second.

Why?

The most common response to the question of why business gifts were given was “to thank customers,” while some noted that “damage control” was another important variable.

Table 4: Business Gift Applications

Objective	Percentage Of Respondents
To thank customers	70.0%
To build goodwill	65.9%
To develop business	49.6%
To recognize employee performance, longevity	49.6%
To generate referrals	31.3%
To influence purchasing decisions	21.6%
Customers expect them	12.2%
Other	7.5%

Worth It?

The majority of survey participants—78 percent—said they believe that business gifting was at least “somewhat effective” in achieving the goals that motivated the initial purchase. This number shoots to 91 percent when you review the category of buyers who have actually measured their business gifting results. Additionally, 57 percent claimed that the practice was either “effective” or “very effective.”

Methodology:

Some 6,000 surveys were mailed and another 15,600 e-mails were sent to individuals in the sales, marketing, advertising, promotions and human resources departments who were responsible for the purchase of promotional products. The survey netted 756 useable responses, with a 10.3 percent rate through mail and slightly less than one percent online. An accepted social science research norm was achieved with an error rate of +/-3.5 percent.