

# Natural Flavor Trends

Resilience despite the economic downturn, implications for the flavor industry and future opportunities for growth



In Mintel's "Consumer Packaged Goods Trend Predictions for 2010," the company's director of trends and innovation, David Jago, noted, "Post-recession, we don't expect manufacturers to reinvent the wheel. Instead, we predict ... new products will give shoppers something familiar paired with something new to better satisfy their needs. On retail store shelves, we expect today's familiar megatrends—health and wellness, convenience, sustainability—to get a fresh, new makeover." At the intersection of all of these megatrends, boosted in part by changes in EU flavor labeling rules in 2011, natural flavors continue to take center stage.

There has been a notable flurry of activity in natural flavor range launches over the last year as flavor manufacturers have positioned themselves to address customer needs for natural solutions around the world. Recently, IFF introduced a line of 2011 EU-compliant natural beef and chicken flavors for applications such as soups, sauces, bouillons, gravies, marinades, noodles, quick service foods and frozen foods in an effort to meet organoleptic benchmarks and expand health and wellness offerings.

"The new regulations present a challenge to the entire food industry in Europe, and ... some of the essential flavor ingredients presently in use for beef and chicken flavors will no longer be considered natural when the new laws take effect in January 2011," said Jos Muilwijk, IFF's head of global savory category management. "Our objective was to match the culinary-driven chicken flavors ... and the authentic beef flavors ... and do so quickly to enable customers to meet the 2011 deadline."

The company's flavorists, R&D, sensory and consumer insights, regulatory, analytical staff, process engineers, and global procurement team collaborated

on the project to produce high-impact, clean flavor profiles for boiled white meat, boiled dark meat, roast chicken, grilled chicken and fatty skin, in addition to beef flavors such as rare, marrow bone, boiled, roast, grilled and stewed profiles. In launching the line, the

company cited the need for customers to "protect their brand values while they remain natural-compliant."

Similarly, Integrative Flavors introduced natural seafood soup bases in clam, crab, fish, lobster, salmon and shrimp flavors. The "meat first" bases are made from natural and minimally processed ingredients.

Elsewhere, Comax Flavors, GSB Flavors and Virginia Dare launched ranges of natural flavors for coconut water beverages, which are

increasingly desirable in ready to drink (RTD) applications due to the ingredient's potassium content. Comax's range included black currant, lulo, lychee and yang mei. Virginia Dare's flavors included mango, orange, lemon-lime, guava, pineapple and passionfruit.


Meanwhile, when it comes to extending natural flavor solutions in the health and wellness arena, sodium and sugar reduction are key. Recently, Wild Flavors launched its natural Sea SaltTrim product for sodium reduction of up to 45% in flavor systems. The product comprises a type of low-sodium sea salt that contains high levels of potassium chloride, and a natural masking flavoring that camouflages bitter and metallic notes.

According to an official announcement, "Sea SaltTrim appears on labels as low-sodium sea salt with natural flavoring, meaning it does not require an E-number (European Union code for food additives)."

The material is intended for applications such as soups, sauces and salad dressings, frozen and canned foods, meat, cheese, salty snacks, baked goods, and vegetable beverages.



*Natural flavors now appear across nearly every category, says Mintel's David Jago, including processed food segments such as ready meals. "And," he says, "you're increasingly seeing natural flavors being [mentioned] front of pack."*



Sensient Flavors LLC also launched a line of natural flavor systems that allow for sodium reductions of 25–35% and to replace MSG. The systems encompass reaction flavors, top notes and proprietary yeast extracts and are intended for applications such as soups, sauces, entrees, side dishes and snacks.

Seeking to launch the next generation of low-calorie non-alcoholic beverages that don't sacrifice taste, Senomyx and PepsiCo formally entered into a four-year exclusive agreement regarding Senomyx's sweet enhancer and natural sweetener discovery, development and commercialization activities. At the same time, Redpoint Bio Corp. entered into a license and commercialization agreement with IFF for the commercialization of RP44, Redpoint's natural sweetness enhancer. The material is derived from the stevia plant and amplifies the existing sugary sweetness in a food or beverage, allowing for a reduced amount of overall sweetener, while retaining a clean taste associated with sugar.

## Evolution of Natural Flavors Worldwide

"It's a trend that we've seen growing in some markets for several years now," says Jago of the market for foods and beverages touting natural flavors. Yet not all categories are as prepared for the switch as others, exemplified by the technical hurdles facing more complex flavor categories.

"Natural flavors started out in categories ... where specialists were more important," says Jago of early adopters. "As bigger companies got involved, quite obviously it's spread. Some areas are more advanced in natural flavor usage than others. Natural flavors have always been relatively more important in the Western European markets, for example, than they have in the United States or other parts of the world. It's an ongoing trend."

The "Consumer Packaged Goods Trend Predictions for 2010" report notes that, "Consumers are hungry for nutrition facts. However, people feel confused and skeptical about different companies' nutrition symbols—indeed, in the [United Kingdom] nearly half (45%) of consumers find nutritional labels too cluttered. In response, more manufacturers will opt for clean, clear facts on front-of-pack statements in 2010."

Jago adds, "The legislation—the labeling rule changes—we see coming through in [the European Union in] 2011 are really just reflecting a simplification from the point of view of the consumer of what's already been happening over quite a long period of time."

Of course, he adds, the movement of natural flavors into various food and beverage categories has always been at the mercy of technical hurdles. "Natural flavors started out in categories where formulations are simplest, because it's easy to do," says Jago. "Some of the beverage categories with fairly simple formulations were some of the earliest movers in naturals. The categories that picked up on it next were the ones that had perhaps more of a bias toward child or family usage—things like cookies, breakfast cereals, and

confectionery to some extent, although it's been slow to move into some [confectionery] areas." He adds, "It started out, as much of these things do, among smaller specialist companies with quite a high nutritional profile, for instance those targeting children, because it becomes quite a sensitive area there in terms of natural versus artificial flavors and colors."

Since then, he says, "It's picked up and expanded as consumers increasingly see natural as the main focus because they perhaps see [natural products] as 'better for you' in some way." Here, perception is everything. "Most consumers now would consider natural, additive-free and natural colors as being part of the health and wellness picture," says Jago, echoing findings of the consumer packaged goods trend report, which noted, "Poised as the next major health movement, sodium reduction is finally ready to take hold. Indeed, 35% of UK consumers now consider low salt content when buying food. The key difference, says Jago, is that 'sodium reduction is being pushed by food companies and health organizations, not by consumers.' This could mean slow adoption of the 'less salt' mantra by shoppers, even as the food industry moves ahead." As recent industry launches have shown, whatever the consumer desire for salt reduction, any solution must be natural.

In places like the United Kingdom, private label brands have pushed the envelope on natural flavor offerings. As the consumer packaged goods report noted, "Private label 'brands' are starting to look a lot more like brands. As consumers cut spending because of the recession, smart marketers ramped up promotions for their private label lines. Many shoppers now equate private labels with national brands and value them as such. In 2010, low cost, high quality private labels will thrive."

"The major retail groups in the United Kingdom really got behind the idea of more natural formulations early on, going toward more natural flavor usage, natural color usage, additive-free formulations generally right across their private label offer—every part of the store, every aisle," says Jago. "They started to strip out additives, artificial flavors and colors from products and it became quite a strong marketing message. It's becoming quite hard in some private label products to find marketing that doesn't talk about natural colors and flavors on front of pack; it's become very common."

Given the confluence of factors, the growth in natural flavors is now a matter of record, says Jago. "Now, in terms of natural flavors we're seeing in the European region, you're seeing them in pretty much every category, penetrating right through all processed food categories, including complex things like ready meals. And you're increasingly seeing natural flavors being [mentioned] front of pack."

Despite this, he concedes, "Cost is a huge issue behind this. The trend started to reach its peak in the European region a couple of years ago. It's still growing in other parts of the world with some strong trends toward natural flavors generally, but it has taken somewhat of a slow-down over the last 12–18 months as a direct result of the [economic] downturn. We've seen companies perhaps

focusing a little bit more on value and on cheaper ingredients generally. Some of the ingredients we had seen shrinking in usage in food products started to come up again. So you have things like high fructose corn syrup (HFC), for example. It is not really as well known in European regions as it is in the United States. Those consumers aren't really aware of it. It is a bit of a negative, but we've actually seen an increase in the use of HFC in products just in the last year in European markets because it's cheap. But that's probably a temporary blip; I wouldn't expect that to be a long-term trend."

## Consumer Perception

Meanwhile, Jago notes that consumer perceptions of "natural" remain unfocused. "It's really ill-defined," he says. "Most consumers struggle to define what they mean by [natural]. We have tried to get to it, like many other companies, in terms of consumer research [to] understand what they mean by it. The closest you can get to it is: consumers see natural as being something that is derived from a plant source, primarily. So you're talking about something that's as close to a vegetable or a plant as possible."

"Having said that, consumers have really got very little understanding of to what extent that plant or vegetable source might be manipulated or processed to actually turn it into a flavor," Jago adds. "You might see a food flavor bracketed as natural and derived from a plant source, but actually it is many steps away from the original source." The natural label, he says, "assures a consumer that it did start out as something grown in nature, rather than 'grown in a laboratory.' That's what it comes down to. I think consumers simply see natural as the opposite of 'chemical' and 'laboratory.' Their perception is it's something that's a little less processed. Of course that's not always the case."

When asked about fermentation and biological processes in the minds of consumers, Jago says, "That's something that I think consumers never really came to grips with anywhere. That's going to bypass the great majority of consumers. There are very few people who understand that. That's a food industry [rather than] consumer-facing issue. So therefore it comes down to labeling and how those things can be described on the label, which is why this legislation is trying to do away with the idea of nature identical and perhaps create two [clear] groups of natural and artificial. It's trying to clear up the confusion. That seems to be what the legislators are basing it on—a very broad definition of consumer understanding. You're bringing it down to the most basic level you can get. I appreciate they're more complex than that, but that's what I think it's going to come down to [for the consumer]."

## The Future: Transparency, Emerging Markets

When asked if concepts of transparency are likely to spread beyond Europe, Jago says, "Yes, absolutely. We talk about [flavor labeling] in terms of transparency, which is very much growing everywhere. We're seeing it in terms of new products coming to market, we're seeing in terms of reformulation of existing lines as well. For the



most part if you look at examples of products that have come out in that area already, they still tend to be smaller companies. Most of the multinationals are not really that closely behind it.”

However, he notes some of the top consumer products companies have a dipped a toe in the transparency market. “If you look at exceptions like Nestlé’s chocolate product lines in Europe, the ingredient statement talks about the ingredients in quite a different way. They’re required to list the ingredients in order of importance, obviously, but then they’re bracketed saying where they come from and what they do. So, it will say something like ‘emulsifier [from soy plant source] binds ingredients together.’ That’s explaining to the consumer what it’s doing and where it comes from. I think we’re going to see a lot more of that.

“I think bigger companies right now are quite wary of doing that [more broadly] until it’s clear what the labeling changes are,” Jago continues. Despite this, examples continue to emerge around the world, including the launch of lines like Yoplait *Simply GoGurt* or the Pillsbury *simply...* cookie dough line.

“Products like that [are sold] alongside regular versions and have much cleaner labels. They talk about where the ingredients come from a lot more than the regular product does, and it goes some way toward a transparent level of labeling. It’s a trend that’s still relatively small, but certainly it’s a trend for the future that’s not going away as you see bigger companies getting behind it.”

And yet, even as natural and transparency concepts expand in the developed world, developing markets present serious technical challenges as evidenced by far fewer such launches in key markets where flavor manufacturers and their customers are pursuing future growth. “I think it will come to those markets, but it will take a long time, predictably,” says Jago. “We’re starting to see it already in fast-developing markets like Brazil, where you’ve now got retail structures and brands gearing up for the very fast growing middle class, which are really quite different in terms of composition, labeling, packaging—everything—than the regular mass-market lines. Over a period of time, that will start to phase down through wider distribution channels and other mass-market products. It’s going to take a long time, and cost, of course, will be the major [issue].”

In markets such as India and China, such growth will be more difficult. “I think it’s worth watching what some of the big [consumer goods multinationals] are doing in those markets,” says Jago. Some of these companies have substantial businesses in key emerging markets, he says, and many prefer to adopt global policies. If just one or two top multinationals in a given market were to pursue natural flavor or labeling transparency initiatives, the landscape would change instantly, Jago explains. “That could provide a huge impetus in the ... market for other companies to follow.”