

# Confectionery Flavor Market Focuses on Innovation and Natural Solutions

Natural flavors, innovative flavor combinations and seasonal flavor profiles boost the marketplace.

Natural flavors, innovative flavor combinations, and seasonal flavor profiles are increasingly becoming a key part of the booming confectionery industry, which continues on a path of rapid global growth.

## Growth Drivers

“Within the confectionery industry, natural flavors are thought to account for a growing share, largely as a result of moves by leading confectionery manufacturers, such as Nestlé and Mondelez International, toward more natural food ingredients in certain parts of the world,” says Jonathan Thomas, principal market analyst at Leatherhead Food Research.

Although Thomas says a precise figure for the size of the natural flavors market for confectionery manufacturing isn’t currently available due to the lack of a standardized worldwide definition of the term, the confectionery market accounts for a sizable percentage of the world market for food flavors.

The global confectionery industry, as a whole, is expected to post continued revenue growth, according to market research firm Lucintel.<sup>a</sup> The firm estimates the market will reach \$176 billion by 2018, with a compound annual growth rate (CAGR) of 3% over the next five years (2013–2018). Rising disposable income, increasing awareness of health and wellness, a growing global population and higher consumer spending are driving market growth and manufacturer expansion.

For instance, The Hershey Co. recently announced it will build a new confectionery manufacturing plant in Johor, Malaysia, to meet the growing consumer demand for its products in its fastest-growing region. Meanwhile, Nestlé, during its nine-month conference call on Oct. 17, 2013, cited the company’s acceleration in confectionery, especially in Russia, the United Kingdom, Germany and France.

According to the National Confectioners Association (NCA), confectionery (chocolate, candy and gum) ranks as the fourth largest product category in overall food sales in the United States.<sup>b</sup> Confectionery retail sales have grown steadily in recent years, increasing from \$27.4 billion in 2007 to \$32.8 billion in 2012.

This growth, according to industry experts like Thomas, shows no signs of slowing down amid the popularity in natural



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flavors, as well as new mixtures like spicy and sweet, seasonal trends and overall newness.

“Most consumers worldwide are open to experimenting and trying new flavors of sugar and gum confectionery,” says Thomas.

Mintel data from 2012 suggests that almost 60% of U.S. consumers who buy into the category like to try new flavors of sweets, while 40% of their U.K. counterparts are inclined to experiment with unusual flavors, notes Thomas.<sup>c</sup> Despite this, he says relatively traditional flavors still made up the top 10 flavors of all sugar and gum confectionery products launched worldwide in 2012 (T-1).

## Back to Nature and Authenticity

Although traditional flavors rank among the top consumer choices, industry insiders say the trend is to innovate and bring a natural, real fruit-type quality to these flavors to add excitement to the category.

“Mintel data from 2012 indicates that 45% of U.S. consumers rate all-natural as very or somewhat important when purchasing non-chocolate confectionery,” says Thomas. “The claim ‘made with real fruit’ is a leading attribute when buying into the same category, which is important to 58% of U.S. consumers.”

Fruit-based varieties are an especially strong feature of the industry, adds Thomas.

<sup>a</sup>Lucintel, Global Confectionery Industry 2013-2018: Trend, Profit, and Forecast Analysis.

<sup>b</sup>[www.candyusa.com/PerformanceInsights/](http://www.candyusa.com/PerformanceInsights/)

<sup>c</sup>[www.mintel.com](http://www.mintel.com)

**T-1. Top 10 flavors in global sugar and gum confectionery  
NPD launches, 2012**

	% of sugar and gum confectionery launches by flavor
Strawberry	8
Fruit	7
Orange	6
Mint	5
Lemon	4
Multiple flavor	2
Grape	4
Cherry	3
Unflavored/plain	2
Apple	2

Source: Mintel GNPD

“These have the added advantage of increasing the perceived health and nutritional qualities of the confectionery products in question,” he says.

“With the increasing emphasis on natural confections and natural flavors in some key global markets, the challenge is to create natural flavors that deliver the intensity, the punch .... and the longer duration release that is possible with [natural and artificial] flavors,” says Charles Dodson, director of global mint product management and strategy at Wild Flavors.

In hard confectionery, customers are increasingly asking for more authentic fruit profiles, says Scott Harris, Givaudan’s segment director for sweet goods and dairy.

“[Instead of] one flavor being tropical, for instance, you’re seeing more call-outs of individual flavors: a pineapple flavor or a guava flavor,” he explains. “You’re also seeing bundling; you’re seeing [manufacturers] launch products with tropical flavors in a pack or dark berries in a pack. The ‘super fruit’ connotation has somewhat died, the terminology has run its course .... Skittles launched a dark fruit line, which is all of those darker fruits that probably would have earlier been composed of super fruits. The positioning and value has changed. So the flavors are still those that would have been characterized as super fruits, just positioned in a different way.”

## New Flavor Combinations

Pairing the old with the new has also become a hot trend in confectionery flavors. Mixtures of sweet and spicy flavors are also becoming more popular, as well as flavor combinations of different varieties of fruits.

Harris says when natural flavors are being introduced, they need to be done in a compelling and new way.

“You want to introduce new flavors, but you don’t just want to introduce a generic strawberry or a generic lemon lime,” he says. “You’ve got more individual characteristics in all of those flavors. So when I talk about strawberry, you might want a little jammy [aspect to it], ripeness and green character. You want this to be closer, even in a confection state, much more toward the natural element of what you’ve got. That being said, there’s still this whole realm of fantasy flavors that’s not going away.”

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Dodson adds that the challenge is for flavorists to create better or alternative versions to the must-have flavors in sugar confectionery that most brands use, such as grape, cherry, strawberry, orange, mint and peppermint.

Thomas says flavor combinations such as orange and chili, cinnamon and orange, salted caramel and chocolate-chili flavors are all coming up in the marketplace to some degree.

“The influence of Hispanics in the [United States], who have a long history of mixing sweet and spicy flavors, has played a part in the emergence of more sweet and spicy flavor combinations,” says Thomas. “As an example, the Jelly Belly range of jelly bean sweets was extended during 2012 with a new *Tabasco Sauce* variant.”

Harris also notes the Latin American influence in the combination of spicy and sweet flavors, and that there’s an overall interest in heat flavors in confectionery in general.

“When you get severe sourness, puckering, heat or cooling or overall tingling effects in the product, that’s giving the consumer

something to remember the experience by and to bring them back for repeat purchases,” Harris says. “Over the last couple of years, there was this [reverting back] to nostalgia. There were a lot of the old nostalgic flavors that were reappearing and ... products have been reinvented, refocused.”

He adds, “There are a lot of different confection products in Latin America that have some semblance of chilis or other heat elements that make a viable introduction into the United States.”

Meanwhile, Thomas says sour flavors are also in vogue at the moment in many parts of the world.

He notes, “In the United Kingdom, for instance, sales of sour-flavored sweets are rising by 44% per year, whereas sour chews in flavors such as grape, apple and lemon and lime were added to The Natural Confectionery Co.’s range in Australia during 2013.

The latter range was also extended with new Smoothie Chews at the same time, in mixed berry and strawberry-banana varieties. These were described as having a fruity and creamy taste.”

Tea flavor combinations also have cross-cultural appeal.

Harris explains, “We would [expect] to see the further expansion of tea profiles introducing more into confection space, whether it is chocolate or truffles or hard candies, and some combination of a mango green tea, and having it in some sort of confection.”

Wild Flavors has addressed the trend in chewing gum tablets that mix fruit and mint flavors by developing variants made of natural mint paired with pineapple, cherry and melon.

“Flavorists need to continue to be creative, to drive market innovation with new flavor systems that move the industry beyond the current approaches such as [the] combination of two to three flavors to create a new flavor sensation,” says Dodson.

## Seasonal Profiles

Seasonal flavor profiles also have been driving confectionery purchases by consumers. According to the NCA, major U.S. holidays such as Valentine’s Day, Easter, Halloween, Christmas and Hanukkah generate more than \$7 billion in seasonal sale items.

“The numbers of pumpkin variants, for instance, that have hit the marketplace this year are off the charts,” says Harris. “And in a space of confection where holidays are obviously the utmost important to that category, it’s where they get lift every



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single holiday. You’re seeing a lot more news around seasonal flavors, which could mean holiday, or just seasonal as-is, your traditional summer, fall ... [etc.]”

## Focus on Health

The health trend has transitioned beyond sugar reduction into confectionery with functional benefits.

Harris says maple is predominately a North American phenomenon, but because of everything that’s going on in the realm of taste and sweetness and sugar, natural sweeteners are becoming more popular worldwide.

He explains, “So of course you have agaves in the Southern hemisphere countries, but in North America, it’s honey and maple. So we are seeing some agave-sweetened products. But you’re seeing the first gravitation toward honey being called out, or maple being called out, because they are natural sweeteners. And there’s this ... unknown feeling going on right now in the taste space relative to high-intensity sweeteners such as stevia, or Luo Han Guo (monk fruit) and artificial sweeteners. Consumers are a little confused as to which way to go, what’s good for them, so there’s this natural gravitation towards things that they know.”

According to Dodson, more confectionery products are being introduced that claim energy benefits. Still, he says, “From a marketing perspective, [there is a] need to move the appeal of sugar confectionery from a wide range of kids-focused products to a range of adult-appeal products based primarily on new adult-oriented flavoring systems.”

Harris notes that analogs are becoming even more popular in chocolate confection, with gourmand trends such as a cheesecake profile, which some may consider as a viable alternative to an entire slice of cheesecake.

“We need to develop fat-mimicking flavors,” he adds.

However, the main trend, Harris says, is that innovative flavors reinvigorate the consumer to go back to the category.

“To some degree, it’s drawing attention and getting them back,” he says. “They spark your attention, but the expectation of the brand is that you’ll go back to their product.”



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