



Where Is the Flavor Industry Going?

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Most advances in food processing take rather small steps. This is also true of the changes in consumer's eating habits. To properly evaluate our future, many avenues of direction of the food industry and of government must be explored.

A most interesting article* on new products stated that over the last eighteen months, 3,258 new products were introduced by 852 different companies. The leader was Campbell Soup with 69 (about half of these from Pepperidge Farm), General Foods 55, Nestles 53, General Mills 47, Consolidated Foods 46, Dart and Kraft 45, and others in descending order.

Before you get too excited, let me tell you what some of these products were. At Campbell Soup, some were frozen sandwiches: egg, cheese and Canadian bacon; chicken salad; omelet; turkey, ham and cheese; Reuben; and beef with brown sauce. That constituted six *new* items. General Foods' Birds Eye Group had fifteen new items—broccoli and cauliflower; cauliflower and red peppers; broccoli, cauliflower and carrots; broccoli, corn and red peppers; broccoli, green beans, pearl onions and peppers; broccoli florets, cauliflower florets; and on and on and on.

Category leaders in the new product development were: bread 101, baby food 44, beer 35, assorted candy (not bars or gum) 106, cheese 102, dinners 202, meat products (processed, refrigerated) 156, sauces and gravies 153. These leading items do not take much creativity on the part of the flavor industry, nor do they generate many dollar sales for us.

On top of all these figures, we have to take into account that only about 40% of the new items introduced stay out there with any longevity. The other factor is, how many are *really* new, or are they just old ones with a new twist? They might also be ones that received a 95% test preference which now allows the marketers to go out with the "New Improved Flavor" legend on the carton's front panel. Are these now new flavor sales, or merely a re-entry in a new column?

What are some of the other factors with which we contend? Consumer wants, consumer demands, regulations, government intervention, government enforcement, toxicity, nutrition, Third World economies where there is no FDA—either ours or theirs, no regulations, nor inspection, or anti-trust laws. These are but a few things whose added costs compete for our profit dollars.

*Food Engineering for October 1981



We are not moving into any lush times. We will no longer see the twenty to thirty percent sales or profit increases. However, the future is not catastrophic. There will have to be some belt tightening. Unless some of us change our ways and attitudes, we just may be among the list of casualties.

Some of the areas of sunshine before us appear to be less government regulation and lower tax rates. However, the dollars saved here will not likely offset those spent on toxicity and safety studies. While the Hatch-Helms Bill appears to realistically understand consumer and industry needs, we still continually walk in the shadow of the Delaney Clause, which no one wishes to touch. A bright ray appearing on the horizon is our now having a more objective government forum in which to make intelligent arguments worthy of consideration.

Several difficult areas confronting us in our growth are: regulations of the Environmental Protection Agency, Occupational Safety & Health Administration with its formula disclosure proposals, government's indication that no further GRAS lists will be acceptable—it wants more black and white proof.

The Flavor & Extract Manufacturers Association sits with a total annual operational budget of \$500,000. Those dollars would be exhausted with only two or three safety studies. The industry's position is difficult to defend with a lack of money. The question here is: Do we challenge and fight, or should we lay back with a low profile? The FEMA numbers about 100 active members. I would have to say they really do not know where they are ultimately going, but I would say they do care and that is why they are so active in their pursuits.

There have been a number of good ideas and concepts that have given the flavor industry strength in periods of adversity; FEMA is one of these strengths, as was the formation of the Chemical Sources Group. We have only begun to see the fruits of their endeavors.

Like the marketing and advertising groups, we too have some industry buzz words. I sincerely feel that how we react to them as individuals, and as companies, is our destiny. These words are: aseptic, microwave, retort, slow release, nutritional aspects, enzyme modified, autolyzed yeast, reaction products, enhancers, non-characterizing, organic volatiles and non-volatiles, WONF, nature identical, geriatric, and

genetic biotechnology.*

Some other buzz words have more to do with trends which need watching. These are: low sodium and salt-reduced foods, low calorie, low fat, unrefined carbohydrates, vegetable proteins and probably a few more that you could add.**

I hear that the flavors of the future are the ones that will combine the natural and artificial components with more artistic quality. They say that processed flavors—the vegetables, the hydrolysates, and such—are the continuing growth areas. More work is yet to be done on yeast as a potentiator. How about declaring our independence and synthesizing the Third World's spices? I also feel we have not, as yet, seen the last of the tomatoes, the chocolates, the vanillas and the cocoas. I am not sure what all these things mean, but let me tell you, if you and your company do not know, or do not care, you are in for real trouble.

A few people have said that only the large companies will survive. What is large? The Small Business Administration studies generally recognize small business as the one with less than 500 employees. On that basis, there are very few of us who have 500 or more solely engaged in the flavor area. I sincerely feel it will be a long time before we see the demise of the 100 members of FEMA and the 100 or more localized flavor houses.

I do see our large houses growing in strength, with their technical expertise and machines. Growth will also occur by acquisition, or the closing of less profitable business. I do wish to point out that what they gain in size will be lost in humanity, and that means *you*.

The smaller companies will survive because of dedication to particular industries, or because of their individual flavor strengths. They may be able to have chance successes in some area of competition against the large companies, but overall, they will be much more comfortable in their own backyards.

The majority of medium-sized flavor companies are now controlled by second or third generation heirs who want out of the business because of taxes or personal reasons. They usu-

*An excellent article on genetic engineering appeared in the Tuesday, December 1, 1981, issue of the **New York Times**.

A very good article, "New Trends and Tastes," appeared in the December 7, 1981, issue of **U.S. News and World Reports.



ally conclude the solution to their immediate problem is a sale of their property. The success of the company then is whether the purchaser understands the nature of the flavor business. If the managerial roles are assumed by non-flavor experienced personnel, then destruction is eminent. An example of a successful acquisition is Mallinckrodt's approach to the management of the Fries and Fries group. I am sure we can all think of some of the less successful ventures.

A key element in all great industrial success has not been the finagler, but has been the entrepreneur. I have long thought that Florasynth's Jack Friedman, a gentleman I have yet to meet, is such a person. Years ago, he married Mexico's largest flavor user into a joint venture. Faced with closing Florasynth's Chicago facility, he entered into an agreement for producing fruit products for a large user further opening new markets for this production. Not so quietly, he convinced the French Florasynth should solely own one of France's international fragrance producers. His latest coup is to exclusively represent some of China's producers of chemicals to the United States. These are signs of a moving organization.

Wining, dining and hockey tickets are not working to sell flavors as they have in the past. Although I think we can all point to some places where these still work. Flavor companies are going to be required to present greater technical service functions in the future. The customer's product development group which now finds itself engaged in production, pilot plants, market research and other functions, has less time tied to the bench top. Customers will demand, and get, more input from the partnership of the flavorist and the applicationist. Successfully growing flavor companies will be required to know more and more about flavor interaction with the food matrix.

The future holds a constant downward pressure on price. Some large profits will become modest and sometimes marginal. This will lead to a greater scrutiny of the total work force. Budgets and forecasts of the larger companies will bear the heaviest scrutiny since the chief executive officer is now visible to the larger audience of stockholders and the outside Board of Directors. The resultant action of these pressures is becoming more evident to us today. It appears as profits fall, immediate sales cannot be realized, properties cannot be disposed of, but

personnel can be dismissed. This is a most distasteful solution by a top management who has well disguised its record of continuing errors.

How do I see the flavorists of the future? I see them with knowledge of the GRAS list and how it interacts, masters by art and by science, conversant in matters of the food industry, customer sensitive—yet not overly sensitive to the “feedback” on their flavors, quick to react and with easy-going temperaments. (If such persons could possibly exist, we could then use our DNA processes to multiply clone them to fill each company's flavorist position.)

In summary, I see the large flavor firms continuing their growth patterns. The pace of growth will be proportionately related to the mentality and entrepreneurial ability of their top management. The medium-sized organizations will experience much difficulty because of lack of funds, or mismanagement by outside and unfamiliar personnel. The small companies will continue to serve particular markets through their personal relationships and ability for immediate response to less complicated customer needs.

The large firms will find it necessary to fully respond to all industry needs through product technology and with support services. They will have to be as knowledgeable of the customers' products as they are of their own flavors. This may involve applications, sensory, texture, prototypes, market acceptance and other matters. New markets for flavor will be opened because of advancing technology and trends. There will be lower margins on these new areas through customer pressure for economy.

The successful organization of the future is not the one that will be stymied by backlogs, log jams and bureaucracy. It will be the company that not only responds and reacts immediately to customers' needs, but it will be the organization that anticipates these needs before they arise.

And lastly, I dream of seeing a total flavorist who is a composite in ability, patience, appearance, knowledge, and most importantly longevity of a DiDenova, an Ingle, a Broderick, a Merwin, a Bauer—I have not said which one—a Szpak and a Perkins.

Acknowledgement

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