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CATEGORY INSIGHT REPORT

FUN, FLAVORFUL, FABULOUS: THE WORLD OF GUMMIES

They're colorful and fun. They're sticky and chewy. Welcome to the wonderful world of gummies, which are loved by consumers young and old for a sweet indulgence or healthy dose of vitamins. Join us as we offer a snapshot of the gummy category today and what is expected.

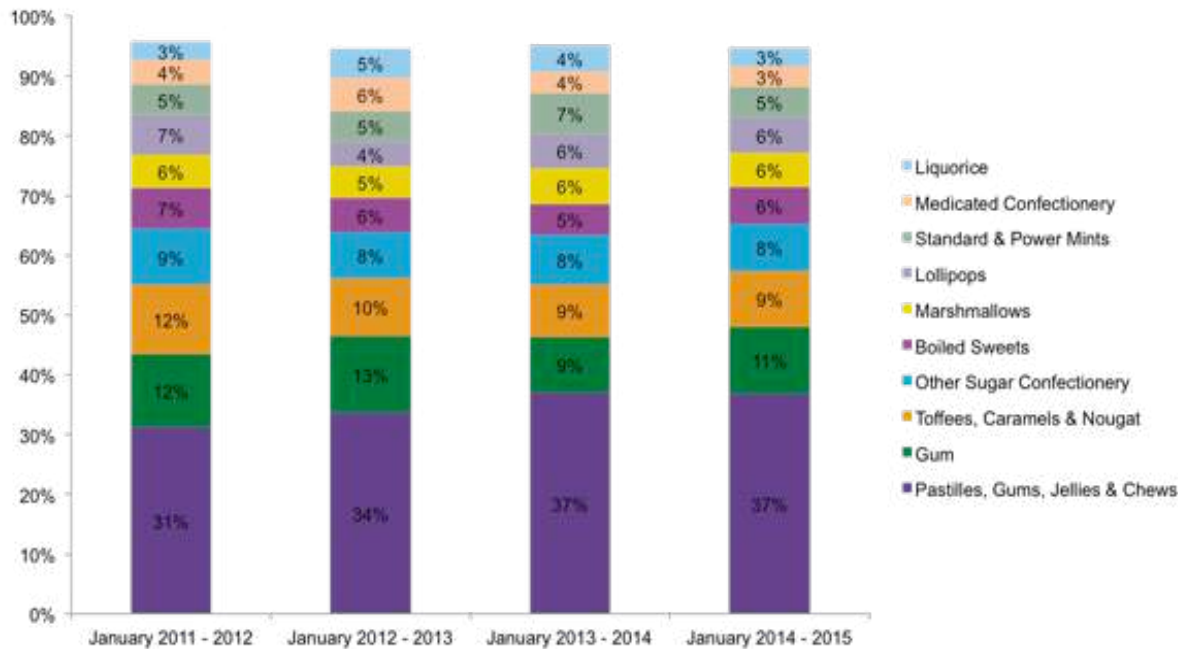


A SWEET SPOT

If anything is certain in life, one thing is: the American consumer has a pretty hefty sweet tooth. And it is a consistent one. The U.S. sugar and confectionery market is unique from most of the global market in that it is actually increasing. The category achieved sales estimates of \$11.5 billion in 2014, an increase of 2.9% from the previous year. And, with a predicted average value growth of 1.4% over the next five years, the U.S. market is ripe for innovation. This growth is the second largest in the world next to China, which saw 12% growth during the same period.¹

In the sugar and confectionery category, gummies stick to the top of the heap when it comes to new product launches. New product launches for the gummy market (defined as *pastilles, gums, jellies & chews*) in North America have been consistently the largest for the past five years with a modest growth from 31% in 2010 to an expected 37% in 2016.² Some of this growth can be attributed to the crossover of traditionally confectionery gummies to health and wellness for the use in adult and children's vitamins. Vitamin, mineral and supplement gummies grew 48.5% from 2012-2014 with vitamins having the largest share but supplements experiencing the largest increase as more users become interested in gummy formats.³

New Product Launches – North America - Sugar and Gum Confectionery





L.A.'s Sugarfina Gummies

Upscale candy emporiums starting with Dylan's Candy Bar, the more R-rated It'Sugar and L.A.'s Sugarfina are targeting the "J.Crew" mom looking to satisfy a craving and willing to spend a pretty penny to do it. This is a trend expected to continue.

A GUMMY FOR EVERYONE: THE TRENDS

Sophisticated, healthy, sweet, sour and appeals to virtually everyone, gummies appear to be the perfect vehicle not only for flavor and fun but for functional ingredients too. The trends we are seeing in the gummy category certainly are diverse and transcendent across American consumer groups.

Adult-up the confectionery category

Traditionally, 85% of candy eating young adults aged 18-24 eat gummy candy contrasted with only 33% of the gummy-loving candy eaters aged 65 and older.⁴ But gummies are finding their way into the palms of sweet-loving adults wanting to have a bite of youthful fun. Recognizing this, some forward thinking gummy manufacturers are positioning gummies as more premium. Even in the Pastilles, Gums, Jellies & Chews subcategory, which makes up about a third of the market, premium positioning comprises only 2% of launches.⁵ Usually it is the toffee, caramels and nougats with this label but the recent explosive success of brands like Maria Sharipova's, Sugarpova, are proving that adults crave gummies too. Launched in 2012, Sugarpova is climbing to the top of the sugar bowl with sales of 1.3 million bags of candy in 2013 and was expected to double in 2014 and beyond.⁶ With a hefty price point of \$5.99 a bag and unique names like *Flirty* with bright lip shaped gummies or *Cheeky* for the classic bear shape, Sugarpova has answered skeptics who thought gummies were just for kids and opens the door for more adult targeted premium gummies.



Sugarpova Gummies

FUNCTIONALLY SWEET

Whether in a vitamin or supplement, loaded with protein or as a vehicle for collagen or oral health, gummies can be more than just cute and sweet. Here is where they are functionally making a sweet statement:

VITAMINS, MINERALS, SUPPLEMENTS

Gummies have seen massive growth in an unlikely market: vitamins, minerals and supplements. While the vitamin market in general has seen a flattening in sales, the addition of gummy forms for these OTC health aids has brought a sense of fun, better flavor and an easy to take form resulting in better compliance and increased growth especially in the adult market. While tablets still make up the lion share of the vitamins segment, gummy vitamin sales increased 45% from 2012-14 and along with chews, comprise 18% of new product launches.⁷ Look for new adult and children gummy vitamin lines starring another health and wellness darling, honey. Honibie honey gummies were launched in March 2015, with an all-natural claim. Available in Canada, Honibebie puts honey front and center as both a natural sweetener and a pure source of energy with anti-inflammatory properties.

Honibe Honey Gummies



FIGURE 14: SALES OF VMS IN GUMMY FORM, BY SEGMENT, AT CURRENT PRICES, ROLLING 52 WEEKS 2012 AND 2014

Note: Sales through MULO and natural supermarkets; does not include private label items or sales through Whole Foods Market / SOURCE: SPINS

	52 weeks ending July 15, 2012 \$ million	Share of market %	52 weeks ending July 13, 2014 \$ million	Share of market %	2012-14 % change	Share change % point
Vitamin gummies	295	86.1	427	83.9	44.7	-2.2
Mineral gummies	22	6.3	33	6.6	55.3	0.3
Supplement gummies	26	7.6	49	9.6	86.4	1.9
Total, gummy form	343	100.0	509	100.0	48.5	--

PROTEIN

The American consumer's health and wellness goals are creating a willingness to consume protein in sources other than meat. This has created opportunities for alternative vehicles for protein and yep, you guessed it—the gummy format is one of them. With 86% of UK adults viewing protein as a means to staying healthy and 57% of American consumers actively trying to consume protein, the demand for broader ranges of proteins creates opportunities outside of traditional formats.⁸ While less than 1% of new sugar confectionery launches contain an “added protein” claim, U.S. based RAP Protein is hoping that their sweet stuff gets the right stuff in terms of sales and market share.⁹ RAP's Mixed Berry Flavored Gummies have a whopping 20g of protein per serving with whey protein isolate as the top ingredient. For many time-crunched consumers, that beats a protein shake any day.

RAP's Mixed Berry Flavored Gummies have a whopping **20g** of protein per serving.

RAP'S Mixed Berry Flavored Gummies



EatWhatever's Vegan Gel Cap



A MOUTHFUL

A Mouthful. Thinking outside the traditional formats for oral health, a savvy breath mint and gum manufacturer is utilizing gummy formats to create a gummy gel cap that is swallowed and a breath mint that is sucked on for an “all in one” duo for the times a consumer can't brush their teeth. While not consumed as a traditional gummy, EatWhatever's vegan gel cap is swallowed and the organic peppermint oil and parsley seed oil dissolves in the stomach. It's paired with a ginger mint for a double knockout to bad breath.

HEALTHY SUGAR

With rising obesity rates, there is a worldwide obsession with health and wellness, creating a quandary for sugar confectionery manufacturers. It seems we still have a way to go. In 2013, 52% of food and drink launches contained white sugar, 30% used a form of glucose or lactose, 5% lactose and 4% with artificial and/or natural non-nutritive sweeteners.¹⁰ The increase in the use of stevia extract, honey, agave and more points to increasing consumer acceptance and interest in natural alternatives for sugar. Honey's association with health and as a natural sweetening source has resulted in a market share increase of 24.2% between 2012-2014 across the sugar and sweeteners category while sugar and sugar substitutes declined for that same period.¹¹ And more options are on the way. Allulose syrup, derived from corn and found in small amounts in jackfruit, figs, raisins and wheat, touts the same browning and bulking properties as sugar with little to no effect on blood sugars. Introduced in April 2015, allulose also has 70% of the sweetness of sugar but 90% less calories which bodes well for diabetics worldwide. Who would have thought that there could be a "healthy sugars" category?

FREE-FROM

Twenty five percent of the world's confectionery consumers look for natural ingredients when indulging.¹² Confectionery powerhouses, such as Nestle, are unveiling major commitments to creating clean labels for their products. Becoming the first U.S. manufacturer to remove artificial colors and flavors from more than 250 confections, Nestle USA rolled out plans for meeting this objective by the end of 2015 while promising not to sacrifice the taste that American consumers cherish. Using annatto as a substitute for Red 40 and Yellow 5, the manufacturer is also exploring alternatives to artificial vanillin and caramel coloring. Other large manufacturers are expected to follow suit as Hershey recently announced plans to simplify ingredients in its iconic Kisses and revered Milk Chocolate.



Collagen Peptide Filled Gummies

KEEPING CONSUMERS PRETTY INSIDE AND OUT

In Europe and Asia, manufacturers have capitalized off gummies' popularity in the functional market by creating collagen peptide filled gummies that can enhance skin beauty and help improve bone health when combined with other ingredients. These gummies are a fun, sweet treat that offers big beauty and health benefits in an easy delivery format.

25%
of the world's confectionery
consumers look for natural
ingredients when indulging.

KIDS STILL WANT TO HAVE FUN

Kids love their candy as sweet, as sour as sticky as possible—the louder the better. At the 2015 ECRM Kid's Choice Awards, new gummy candies from two timeless classic companies won the highest honors. Always fun and obviously hip, Pez recently introduced a gummy format that kids crave. Called Pez Hedz Soft Candy Chews, the sticky treat comes in Hello Kitty and Bearz shapes guaranteed to bring a giggle. And not to be outdone, The Topps Company, maker of Bazooka gum and Juicy Drop, recently launched Juicy Drop Gummies combining sour sanded gummies with their signature juicy drop sour pen.



Pez Hedz Soft Candy Chews

Juicy Drop Gummies



Surf Sweets Gummies

VEGANS DESERVE GUMMIES TOO

The one million vegans in the United States want to indulge in gummies just like the rest of consumers and small manufacturers are happy to oblige.¹³ Companies like Surf Sweets offer animal-free gummies that come in a multitude of flavors, shapes and colors and DIY consumers can check out Pinterest for homemade vegan gummies to satisfy their sweet side. Using naturally sweet vegetables to reduce the sugar content of gummy candy will also help manufacturers satisfy the vegan (and non-vegan) consumers' health and wellness demands.

GUMMIES CROSSOVER

For a little touch of fun and whimsy, check out how gummies are inspiring fashion, art, home décor. Truly transcendent (and translucent!), gummies evoke playfulness, humor and happiness and above all, fun.

Gummy Glass



April 2015, The Worlds First Gummy Bed.

Created from 26,135 gummy bears, Craig's Beds creates the largest gummy bed onsite. On display at IT'Sugar Manhattan.

FashGUMista

First Alexander McQueen in 2012 and now Japanese designer Sayuri Marakumi using gummies to create dresses inspired by Prada and Chanel. What's next for the little guys?

Gummy Glass

Boiled down Haribo gummies poured over glass-encased metal frames for a brightly colored stained glass in light boxes. What a sweet view!

BRIGHT, HAPPY, UNLIMITED: THE FLAVORS OF GUMMIES

Gummy flavors are traditionally fruity, sometimes sour or multi-layered and usually targeting kids and teens. However, we are seeing gummies take a turn to the exotic and bold, inspired by food and beverage categories other than confection. Meet the classic and cutting edge flavors of gummies as we see them now and how other categories will influence gummy flavors in the future.

CLASSIC FLAVORS

From 2010-2014, cherry, strawberry, and orange were top flavors with U.S. introductions in the category, but sour looks to be edging out orange. Another favorite, blue raspberry is maintaining its hot streak. Cinnamon and spicy flavors also appear to be increasing which is no surprise given consumers' obsession with heat flavors. The antioxidant-containing blueberry is gaining speed to satisfy health and wellness objectives. And lemon, watermelon, and grape seem to be waning in consumer favor as the benefits of other flavors garner more attention.

Unique Flavors Inspired from New Product Intro's – U.S.

Carambola, Starfruit and Strawberry
Red velvet
Pineapple + tangerine
Passionfruit, maracuja + punch
Strawberry Milkshake
Maple
Grape Soda
S'mores



Meiji's Gochi Gummies

Top 20 Flavors / U.S. 2010-2015 YTD

Flavor (inc. blend) Unordered	2010	2011	2012	2013	2014	2015
Strawberry	32	35	41	52	26	8
Cherry	26	35	34	49	31	12
Orange	25	27	33	50	23	6
Lemon	24	22	30	33	16	3
Grape	15	24	22	34	15	3
Fruit	21	15	23	22	18	0
Watermelon	17	14	19	19	12	1
Apple (Green)	14	13	15	23	11	4
Sour	13	11	14	12	18	8
Raspberry	11	5	20	15	12	1
Blueberry	8	7	8	10	12	3
Peach	6	14	8	8	9	2
Blue Raspberry	7	8	5	12	10	4
Lime	7	8	10	12	4	2
Cinnamon	7	5	7	7	6	9
Berry	5	6	6	10	7	4
Apple	7	5	12	9	3	1
Tangerine	5	5	6	4	5	0
Coconut	2	6	2	9	5	1

Where Country matches USA and Date Published is between Jan 2010 and current date (May 2015) and Sub-Category matches Pastilles, Gums, Jellies & Chews

Top 20 Flavors / Global / 2010-2015 YTD

Flavor (inc. blend) Unordered	2010	2011	2012	2013	2014	2015
Fruit	246	263	329	417	392	167
Strawberry	255	267	291	344	317	160
Orange	198	206	214	229	201	80
Lemon	161	148	179	165	160	53
Grape	127	147	125	123	122	63
Cherry	97	110	110	132	128	48
Raspberry	86	107	120	108	114	29
Apple	97	87	99	97	90	36
Cola	55	57	76	99	111	44
Pineapple	70	98	76	78	83	23
Peach	68	73	65	80	90	39
Sour	41	48	56	66	93	21
Watermelon	46	44	52	71	63	17
Apple (Green)	52	49	46	61	54	28
Blueberry	38	34	39	52	63	14
Mango	34	38	44	51	56	12
Banana	36	40	42	46	41	6
Lime	29	49	44	41	34	9
Blackcurrant/Cassis	34	36	30	34	47	9

Note: Sales through MULO and natural supermarkets; does not include private label items or sales through Whole Foods Market / SOURCE: SPINS



Starburst Superfruit Flavors Fruit

Chews are made with real fruit juice of the following flavors: Raspberry & Pomegranate; Strawberry & Starfruit; Passion fruit Punch; and Blueberry & Acai.



Brach's Red Velvet Candy Corn
introduced February 2015

Globally, the top 20 flavors for new product* introduction paint a completely different picture with fruit flavors taking high honors. Similarly, citrus flavors globally are on the downtrend as in the U.S. Interestingly enough, cola, banana, pineapple and mango which appear on the global list are not mentioned on the U.S top 20 while coconut, cinnamon, blue raspberry and tangerine don't appear on the Global top 20 list.

GLOBAL INSPIRATIONS: SPOTLIGHT ON ASIA

Beverage inspired gummies calling on milk, sodas or Muscat flavors are popular in Asia. Unique flavors like corn, prune, lychee, and pomegranate are making a splash as well. And if they have a cooling or fizzy sensation all the better. More is better in the world of gummies.

CROSS-CATEGORY FLAVORS

CLASSIC FLAVORS

ALCOHOL

Move over pina colada and daiquiri, meet Hefeweizen and draft beer inspired jelly beans by innovator Jelly Belly. In true Jelly Belly fashion, these flavors can be mixed and matched to create unique beer “cocktails” without the buzz. Beer sangria (2 draft beer + peach) anyone? Dark spiced rum mixed with cola delights at Sugarfina and they’re shaped like ice cubes!

GUMMY FUTURECAST: The popularity of ciders in the craft beer segment has the potential to influence the varieties of apples and other fruits that will make their way into your next gummy bear. The stone fruit and sour cherry ciders would make heavenly gummies that would appeal to adult consumers as well. Salted Belgian chocolate ales would also make an amazing creamy gummy.

BREAKFAST / MEALTIME / DESSERT:

With Jelly Belly recently introducing Pancake and Maple Syrup flavored jelly beans, does this mean mealtime gummies are not far behind? We already have seen red velvet cake and marshmallow gummies but we are rooting for hot fudge and peanut butter as well. Sugarfina’s Apple Pie flavored gummies sound like a sweet treat as well.

GUMMY FUTURECAST: How about a fermented flavored gummy reminiscent of a favorite kimchi? While it might be a sticking point for some consumers, the potential health benefits could be worthwhile for others.



Jelly Belly's Draft Beer Jelly Beans



Haribo's Happy Cola Candies



Haribo's Oranginas



Brach's Caramel Macchiato Candy Corn



Bissinger's Apricot Green Tea Gummies



Annie's Bunny Fruit Flavoured Snacks

BEVERAGES

Caramel Macchiato flavored candy corn is just the beginning. Look for pink lemonade gummy fruit snacks by Annie's and Bissinger's Apricot Green Tea Gummies. Haribo also has soda inspired shapes and flavors like Coke and Lemon Lime and internationally beloved Orangina.

GUMMY FUTURECAST:

With the U.S. consumers coffee and tea obsession and increased education and knowledge of what they drink, expect to see cold-pressed coffee gummies or those made with specific gourmet bean and tea varieties to satisfy the connoisseur. Kombucha gummies are always a possibility too.

American's love of all things coconut will be translated into gummies as well. Using coconut water, coconut sugar and natural coconut flavors will make a gummy that is sure to please the most discriminating health conscious consumer.

Botanicals are big in beverages and we predict these flavors to make their way into gummies. Flavors like ginseng, chrysanthemum, lemongrass and granadilla (a type of passion flower) could be a real winner in a gummy format.

Electrolyte enhanced waters and energy boosting ingredients are finding favor in post workout beverages, so why not in a post workout gummy? Look for added electrolyte candy like potassium or infusions from reishi (an adaptogenic mushroom which helps improve the immune system). We might even be motivated to work out more if we could finish with candy.



SWEET/SPICE + HEAT :

Watermelon with peppers are being seen in gummies in Mexico while ginger is a spicy hit possibly due to its digestive qualities and status as cocktail king in the Moscow Mule. Whether balanced with sweetness or in some cases, even milk, ginger is a rock star in gummies.

SNACKS / BARS:

Why can't gummies be inspired by bars or chips? With all of the functional ingredients making their way into bars and snack chips, we expect chia and flaxseeds to be on the ingredient list for gummies. Seeds would be perfect additions to a healthy gummy concept creating a fun vehicle for fiber and protein that is almost stealth-like.

CONCLUSION

STICKING FOR SUCCESS

No matter how they are shaped, gummies are going to stick around for years to come. Gummies are iconic but versatile enough to appeal to the adult consumers' sophisticated tastes with an enormous amount of fun. While having a huge impact on the vitamin market with their easy to consume format, gummies also have the ability to revert the most finicky consumer back to childhood in one bite. At the end of the day, if staying healthy can have an element of fun and indulgence, it's a winning concept.

FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market.

Our flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

CONTACT OUR SALES SERVICE DEPARTMENT at 630.578.8600 to request a flavor sample or visit www.fona.com.

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