

20 CATEGORY 17 INSIGHT



The World of Chocolate: Consumer Loyalty and Future Growth

Despite widespread health and wellness lifestyles, and a clear consumer focus on reducing sugar intake, chocolate remains popular. About 85% of U.S. consumers report buying chocolate and 93% eat it. This loyalty to the category is evident in expectations that the U.S. chocolate market will see 19% sales growth through 2020.

Contributing to this expected growth: premiumization, increased availability and higher quality offerings. Let's take a look at the world of chocolate, a regular indulgence for nearly all American consumers.

1 Flavors

Chocolate is always a top flavor in product development, and it's no exception when it comes to, well, chocolates! "Plain Chocolate" as a flavor leads chocolate launches, but there are plenty of flavor pairings, as well, with Caramel and Almond being most popular. In fact, Caramel rose 63% from 2015 to 2016. Coconut is the seventh most popular flavor we see in Chocolate Confections, having risen 77% from 2013 to 2016.



Top 10 Chocolate Flavors

01	02	03	04	05	06	07	08	09	10
UNFLAVORED PLAIN	CARAMEL	ALMOND	SEA SALT	HAZELNUT	PEANUT BUTTER	COCONUT	PEANUT	MINT	TOFFEE

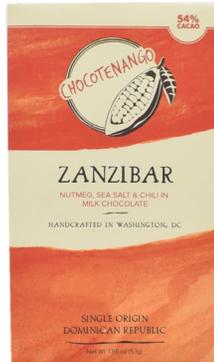
Product Launches of Note



GUYAUX FRENCH COCOA DUSTED TRUFFLES WITH FRAGMENTS OF ISIGNY CARAMEL are made of bits of Isigny cream, Isigny salted butter and Gurenade salted caramel. Canada September 2017



eatingEVOLVED DARK CHOCOLATE CLASSIC COCONUT BUTTER CUPS feature pure coconut ground to a rich consistency, similar to nut butter. It contains 22% Fair Trade ingredients, including Fair Trade cocoa, and is free from dairy, soy and cane sugar. The product is said to be the world's first coconut butter cup, and is suitable for paleo and vegan diets. US November 2016



CHOCOTENANGO ZANZIBAR MILK CHOCOLATE WITH NUTMEG, SEA SALT & CHILI contains 54% single origin cacao that is organically grown from small farmer cooperatives in Dominican Republic. The handcrafted product is free from gluten and soy. A percentage of each bar purchased to Ecologic Development Fund. US September 2017



TRADER JOE'S CHOCOLATE CARA CARA CAMELS are individually wrapped, bite-size dark chocolates with Cara Cara Orange Caramel Filling. US May 2017



M&M'S VANILLA CUPCAKE CHOCOLATE CANDIES launched for Easter 2017 and is made with white chocolate. US March 2017



KU'L ELECTROBAR features bananas, evaporated coconut water, toasted coconut and Cyprus sea salt in pure 70% dark chocolate to recover and rehydrate. US 2017

FIRST-TIME FLAVORS

Here are a few of the flavors appearing in 2017 for the first time in this time period.

- Hawaiian Black Lava Salt
- Tea
- Applewood Smoke
- Cara Cara Orange
- Cupcake
- Coconut Water

2 Claims

As consumers continue to focus on how the products they purchase affect other people, animals and the planet — we see a rise in Ethical claims in the Chocolate Confections category. Between 2013 and September 2017, Ethical (Human) claims rose from 90 products to 162, a growth of 80%. It is the largest increase we see over the time period and does not come as a surprise with the increased attention being paid to the well-being of cacao bean farmers around the world. Similarly, Ethical (Environmentally Friendly Product) increased 61% with continued growth expected this year.



TOP 10 CLAIMS



A Closer Look: Seasonal Claims

Seasonal is the second most popular claim behind Kosher, experiencing more than 20% growth from 2013 to 2016. About half of consumers purchased seasonal-themed chocolate during the holiday months of October, November and December. But the familiar gift packages have seen a decline in sales. Beth Bloom, Associate Director of Mintel Food & Drink, suggests this can be attributed to an expansion of premium chocolate offerings with packaging that makes for a nice presentation on its own. She suggests positioning assortments as shareable or sample-able, rather than to gift, could be a useful approach.

Speaking about seasonal confections as a whole, Larry Pierce, EVP, merchandising and marketing for SpartanNash grocery stores said, "There is no limit with seasonal category growth, because it allows us to continue to surprise and delight our customers and challenge our vendor partners to be creative." He also noted customers' increased interest in dark chocolate and premium offerings during the holidays.



Valentine's Day-focused chocolate launches grew 19% from 2012-16, the largest of any measured seasonal chocolates.



Product Launches of Note



BIJA ORGANIC CHOCOLATE BAR WITH CHERRY CHIA CRUNCH

is described as an organic, direct trade chocolate made with five ingredients, including 70% cocoa. This USDA Organic, bean-to-bar product is suitable for vegans, is free from soy and GMOs. The manufacturer claims to work directly with women's cooperatives in Dominican Republic and Peru who partner with farmers who nurture and harvest their organic cacao. They also claim to pay their workers directly, thus ensuring greater economic opportunities to help their communities and families. US August 2017



TAZA CHOCOLATE DARK BARK SEA SALT & ALMOND CHOCOLATE SNACKING THINS

feature 80% dark chocolate, contain only 6g of sugar per serving, and have been stone ground for a bold flavor. These USDA certified organic thins are free from GMO, dairy, soy, and gluten, are suitable for vegans and contain crispy, protein-packed puffed quinoa and the roasted almonds. The ingredients are sourced via Taza Direct Trade, which means face-to-face relationships with growers who respect the environment and fair labor practices. US June 2017



CHOCOLATE CHOCOLATE CHOCOLATE BLOOD ORANGE CARAMEL DARK CHOCOLATE

is made with 54% cocoa dark chocolate and described as a craft chocolate bar with bold and exotic blood oranges infused into the signature caramel. This product has been made with solar energy and ethically sourced, clean and all natural ingredients, including Fair Trade cocoa, US September 2017



DIVINE MILK CHOCOLATE TABLET WITH SPICED COOKIES

is a limited edition product containing crumbly cookie pieces wrapped in milk chocolate with a blend of spices. It is made with the finest quality Fair Trade cocoa beans from Kuapa Kokoo, a cooperative of small-holder farmers in Ghana. Canada December 2016



TRADER JOE'S DARK CHOCOLATE GINGERBREAD CARAMEL COOKIE BAR

is dark chocolate with caramel filling and gingerbread cookie crumbs. US December 2016

A Closer Look: Vegan Claims

Whether for dietary, ethical or environmental concerns, or even just an interest in new products, vegan and vegetarian dishes and products are gaining steam. From Meatless Monday to black bean burgers at Wendy's, we see plant-based and animal-product-free options having more of a mainstream presence – and that includes in Chocolate Confections.

From 2012-2016, there were 203 chocolate confections launches carrying the Vegan claim, reflecting almost 170% growth. The majority of those products were from US, but even though Canada's numbers are quite small, with only 4 products last year and 13 so far this year, it's still a steep increase.

Vegan Chocolate Flavor Spotting

Bourbon Black Tea
Hummingbird Nectar Tea
Salted Caramel Marshmallow
Coffee Crunch
Tokyo Toffee
Smoky Corn on the Cob
Spiked Eggnog
Cinnamon, Cayenne & Cherries Bar
Blackberry Sage
Cherries, Sunflower Seeds and Sea Salt Bar



Giddy Yoyo Raw Ecuadorian Heirloom Organic Raspberry Dark Chocolate

is a Fair Trade product and contains 72% cocoa. It's 100% raw and free from gluten, peanuts, dairy, soy, and refined sugar. It is suitable for vegans and positioned as "the most pure and powerful chocolate bar available." It uses only wild Ecuadorian heirloom Arriba Nacional cacao from fully ripened pods from mature trees grown in mineral rich high elevation soil and watered by rain and pure mountain springs.
Canada September 2017



Endorfin Foods Chocolate Bars

are made with coconut milk and coconut sugar. Dairy-, soy-, gluten-free. Ethically traded and sold in 100% compostable packaging. Available in flavors such as Dark Chocolate with Coffee Cardamom & Coconut Mylk and Absinthe: Dark Chocolate with Anise & Wildcrafted Mugwort.
US 2016

3 Chocolate and Health

20% of US consumers would pay more for a HEALTHIER CHOCOLATE.

As consumers continue to weigh health and wellness when making food and beverage choices, chocolate remains buoyed by customers who reach for chocolate as a permissible indulgence or select chocolates with healthier ingredient profiles, and those who know their favorite confections are not health food, but simply are not concerned about it.

What health concerns?

According to Mintel, health is not a decision-making factor for 83% of chocolate-buying consumers. When asked why they don't take health into consideration, nearly half of these consumers said it's a splurge they allow, and 20% said

they simply aren't going to give up chocolate for health. We see this refusal to compromise chocolate for health in the meager 1% of launches carrying the Sugar Free claim, despite the intense focus on reducing sugar in American diets. People want their chocolate.

Additionally, people have a broader view of how to achieve a healthy lifestyle. 23% of consumers purchase chocolate despite it being unhealthy because they manage their health in other ways, so they aren't concerned with effects of chocolate.

Matt Lloyd of Mars said in an interview with *Confectionery News*: "We continue to see health and wellness as a trend. However, what's really important for people is they can continue to treat themselves. Not only do people want healthy products, but they definitely want treats in their diet... so we'll continue to see growth in treating, as well as healthy snacks."

Health-conscious consumers & functional/healthy ingredients

About 17% of consumers told Mintel that health played a role in their confections selections and some are steering clear entirely. This has encouraged chocolate manufacturers to attempt to reach these customers by adding more nutritional value to their products through the inclusion of nuts, fruits and other ingredients with positive health credentials.

K'ul brand is a perfect example with their tag line "Chocolate is not candy. Chocolate is food." They position their chocolate as "good for you" and their website states, "Chocolate is a superfood we add ingredients to such as peanuts, pumpkin seeds, raisins, cherries, and pomegranates, which provide unique nutritional elements to forge a truly functional food."



A 2017 report by the European Society of Cardiology found dark chocolate enriched with extra virgin olive oil to be associated with lowering risk factors for cardiovascular disease.



Berries and Fruit

Berries/Fruit and chocolate are natural flavor pairings, and berries have antioxidant properties making them easy additions to bring a health halo to confections while still maintaining the all-important indulgent — and familiar — flavor consumers want. (Versus, say, seaweed.)



Albanese Dried Blueberries in Milk Chocolate

are made with real whole dried blueberries. The product is described as sweet, rich in antioxidants and wrapped in a generous layer of milk chocolate. US April 2017



Croque Cerise Super Fruit Dark Chocolate Covered Dried Tart Cherries

are said to contain more nutrients and compounds than most fruits and are an excellent source of antioxidants of benefit to the cardiovascular system. They also contain melatonin to help with sleep. Canada September 2016



Truth in Snacks Dark Chocolate Banana Slices

are described as fantastically flavorful and creatively crisp. The kosher certified freeze dried product is free from gluten and GMO, and contains 70% cacao. US April 2017



Quinoa

Quinoa has been a popular ingredient to up the health factor of indulgent recipes, allowing people to satisfy their sweet tooth while avoiding the sugary deep end. We've spotted recipes such as Chocolate Quinoa Breakfast Bowl, Fudgy Salted Quinoa Brownies, Dark Chocolate Quinoa Pudding, Sea Salt and Dark Chocolate Quinoa Energy Balls, and a plethora of chocolate quinoa cookies, cakes and muffins.

This has now transferred from the kitchen into confections with quinoa appearing in a variety of launches, bringing crunchy texture and a boost of protein to the category. And protein, as we've seen, is appealing to a range of consumers from parents and office workers needing an afternoon energy boost to athletes and dieters. (Chia is another ingredient providing both crunch and protein to chocolate confections.)



7th Street Confections Raspberry & Quinoa Dark Chocolate Thins

are made with real fruit. The GMO-free product is described as tart-sweet raspberries, nutrient-packed quinoa, and rich dark chocolate.

US August 2017



Unreal Dark Chocolate Crispy Quinoa Gems

are made with crispy quinoa covered in smooth dark chocolate. The candies are made with Fair Trade ingredients, are colored by veggies, and contain nothing artificial or GMOs. The kosher and vegan product contains 72% cocoa and is made with sustainable ingredients.

US August 2017



Turmeric

Anyone following health and wellness enthusiasts on Instagram has certainly seen the recent increase in mentions of turmeric as colorful photos of the golden smoothies, lattes and cold pressed juices fill their feeds. Promoted as an anti-inflammatory, turmeric is often spotted paired with ginger, lemon and curry flavors. In chocolate, we see many of these same combinations, with additions of coconut and other warm spices like cardamom and nutmeg.



Trader Joe's Golden Spiced Milk Chocolate Bar

contains a warming blend of spices such as curry and turmeric, coconut and crisped quinoa.
US January 2017



Theo Coconut Turmeric Chocolate Clusters

are non-GMO verified. The product is USDA organic certified, an excellent source of iron, and contains 50mg of cocoa flavanols per serving.
US March 2017



Vosges Haut Chocolat Turmeric Ginger Dark Milk Chocolate

features a golden milk blend of a crunch of Sri Lankan coconut, and a warm, musky, and slightly bitter aromas of turmeric, ginger, fenugreek, cardamom, nutmeg and black pepper. The premium product is processed with renewable wind energy.
US January 2017



Probiotics

Here's an area where we know there is a market (21% of consumers would drink more non-dairy milk if it contained probiotics, and 19% of US bottled water consumers' ideal bottled water contains probiotics.), but we don't see it reaching into the chocolate category much yet.

A recent study published in the journal *Biocatalysis and Agricultural Biotechnology* found that when incorporated in chocolate, good bacteria's chances of surviving the stomach and reaching the intestines are increased. Ohso chocolate bars, which contain probiotics, promotes this newly discovered benefit of chocolate on its packaging: "Delivers live bacteria 3x more effectively than in dairy products."



Solgar Ohso Good Chocolate Orange Belgian Chocolate Bar with Probiotics contains around 1 billion *Lactobacillus* and *Bifidobacterium* in each bar. It is said to deliver live bacteria three times more effectively than dairy products. US July 2016

Chocolate, The Permissible Treat

Chocolate eaters in general are not kidding themselves into thinking chocolate is a health food. They enjoy the indulgence and remain loyal to the category. This has buoyed Chocolate Confections sales despite health and wellness concerns, but product developers are wise to respond with innovative and groundbreaking new chocolate confections that allow for celebration, while providing more healthful, good quality choices.

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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