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Chocolate

THE CONFECTIONERY MARKET

Premiumization Takes the Cakes

New types of chocolate like Darkmilk and Ruby present new opportunities, while sweeteners from cocoa fruit and coffee cherries boost natural appeal.

The confectionery market is large and mature but is continuing to grow modestly, reflecting ongoing consumer demand for everyday and more indulgent treats and snacks, despite rising concerns around health-related issues, particularly sugar intake. With ongoing demand and increasing levels of competition, NPD has also been very strong over the past year or so, with double-digit growth in global confectionery launches recorded by PTC Foods over the 12 months to the end of September 2019.

Market Figures

Chocolate confectionery, including bars, blocks, wrapped and unwrapped pieces and shaped and seasonal lines, dominate both sales value and NPD, with shares of nearly 59% in each case. While it grew slightly ahead of non-chocolate products (gummies, candies, mints and gum) in terms of sales value over the 2017 to 2019 period, its share of NPD remained stable. Within the chocolate subcategory, there have been some differences in activity levels, however, with the relatively small chocolate bars subcategory seeing share of confectionery as a whole rise from 3.7% in the 12 months to the end of September 2018 to 4.1% in the same period in 2019. Unwrapped chocolate pieces saw share rise from 15.4% to 15.6%, while the largest subcategory, chocolate blocks, also saw a marginal 0.1 percentage point rise to 23.6%.

Confectionery remains an affordable everyday treat that is successfully building on opportunities for premiumization for consuming on one's own, for sharing and gifting. "Indulgent & Premium" was the number two positioning for chocolate confectionery launches recorded by PTC Foods in the first half of 2019, used for 12% of NPD globally, rising to 20% in North America over the January 2018 to June 2019 period.

A Premium Appeal

In the US, there is particular interest in gourmet and artisanstyle options, often with a focus on the provenance of the cocoa, its content in the finished product and the use of upmarket additional ingredients and flavors. Premium NPD was featured in all the chocolate subcategories and across a whole range of companies, including multinationals, smaller independents and retailers in 2019. Examples of launches recorded by PTC Foods in the US include Mars-owned Ethel M Chocolates' 1981 Peanut Butter Bar in chocolate bars; retailer own-brand Food Lion/ Ahold Taste of Inspiration 72% Cacao Dark Chocolate in chocolate blocks; Ferrero Golden Gallery Signature Fine Assorted Chocolates in unwrapped chocolate pieces and Lake Champlain Chocolates' 80% Dark Chocolate Squares in wrapped chocolate pieces.

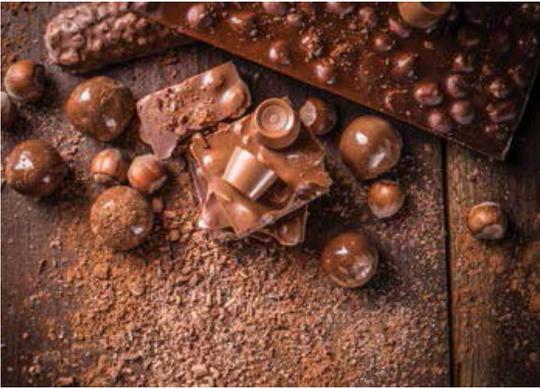


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Flavor Trends

The move to more upmarket and indulgent options is also reflected in flavor trends. While the traditional favorites – hazelnut, almond, caramel, peanut and nougat – were the top five flavors for launches recorded by PTC Foods in the first half of 2019, there was also a move to more indulgent and complex flavors. Examples introduced over this period include strawberries & cream, salted caramel, tiramisu, brownie and Oreo, as well as on-trend options such as coffee, matcha tea and sea salt.

Darkmilk Chocolate

In the past, premiumization of the market has been indicated by the growing use of dark chocolate, but the choice of dark, milk or white is now being broken down with the arrival of darkmilk choices, offering a halfway point between rich dark and smooth milk recipes. Mondelez first launched its Cadbury Darkmilk in Australia in 2017 and following its performance there launched it in Europe in the autumn of 2018. The introduction of Cadbury Darkmilk in the UK with 40% cocoa and 14% milk was positioned as having “a more grown up taste.” In mainland Europe, Darkmilk was made available under the Milka brand and in Scandinavia under the Marabou brand.

Ruby Chocolate

As well as new types of traditional chocolate, a new concept has entered the market in 2017 with the arrival of Ruby chocolate, described as the fourth type after dark, milk and white. Ruby chocolate was officially launched by Barry Callebaut in September 2017 in China after more than a decade in development. It has a unique fresh berry- fruity taste and a pink-hued color from the Ruby cocoa bean, grown in Brazil, Ecuador and the Ivory Coast.

Since its launch, the variety has been introduced in Asia Pacific, Europe, the Middle East and South Africa. Both consumer and artisan brands, including Prestat, Baci Perugina, Leonidas, Fazer and KitKat, as well as retailer own brands, such as Albert Heijn, have embraced the chocolate. Just over a year after Nestlé debuted Kit Kat Ruby in Japan and South Korea, at least eleven chocolate manufacturers presented new Ruby chocolate products, from hollows to pralines, at ISM 2019 in Cologne, Germany. In May 2019, Ruby chocolate was rolled out in the US market, although initially it was sold as Ruby couverture as Barry Callebaut sought FDA

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approval for use of the term Ruby chocolate. Launches included Ruby cacao bars and Ruby truffles. With the granting of a Temporary Marketing Permit by the FDA in November 2019, the term Ruby chocolate will be permitted on product launches, allowing Barry Callebaut to formally measure consumer acceptance in support of a future petition for such a new standard of identity.

Maintaining taste is vital in the chocolate market, but concerns over health issues are also starting to be addressed, with the development of healthier options, often combining a lower sugar content with other functional benefits.

Sweet Alternatives

Although chocolate confectionery consumers do not traditionally tend to have high levels of concern about health issues, the rising awareness of the need to reduce sugar intake does seem to be starting to influence NPD, with no added sugar, lowsugar and sugar-free claims seeing rising levels of use, although still from small bases outside the top ten positionings.

Bulk sweeteners are more often used for sugar reduction in confectionery, led by ingredients such as maltitol, sorbitol and xylitol. The industry is faced with the challenge of reducing sugar in its products without losing the sensory quality or indulgent nature of chocolate. More brands are using sugar-related claims and the use of natural non-nutritive sweeteners, such as stevia and monk fruit, is rising. Sweet proteins, like thaumatin, may also increasingly feature in chocolate.

Some brands are now using coconut sugar to replace the usual sugars, which is not only an efficient replacer in terms of function and taste, but is also perceived by consumers to be healthier. Artisan producers, such as US company Endorfin Foods, are focusing on the health benefits of coconut sugar in the production of chocolate in terms of taste, sustainability and the digestive benefits of inulin, as well as its wholefood status and the reduced sucrose content in the finished product. Its Single Origin 75% Cocoa range features just three ingredients – cacao, coconut sugar and cocoa butter – and is dairyfree, soy-free and gluten-free, as well as featuring organic and ethically traded ingredients in 100% compostable packaging. The range includes bars made with cocoa from Colombia, the Dominican Republic and Ecuador.

Cacao Fruit

The chocolate sector is also looking to cater to sugar reduction demands via other new ingredients and technological advances. The cacao fruit itself is being positioned as a superfruit, with Barry Callebaut developing WholeFruit chocolate, made from 100% cacao fruit with at least 40% less sugar, 90% more fiber and 25% more protein than most dark and milk chocolates. It is planned for launch to artisans and chefs in 2020 and to go to consumer brands in 2021.

In the meantime, cacao pulp, traditionally discarded, is being used by Nestlé as a sweetening ingredient, allowing for a single-source chocolate without adding refined sugar, but still imparting sweetness.

Nestlé Japan is now launching Cacao Fruit Chocolate KitKat individually or in an assortment box with other KitKat Chocolatory Sublime bars. The company announced the launch in November 2019 as the first product to use a unique chocolate made entirely from the cocoa fruit, using beans and pulp as the only ingredients.



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Coffee Cherries

Companies are also looking at alternative ingredients, such as coffee cherries, as a potential stealth reducer of sugar in foods containing chocolate. Upcycled coffee cherries from The Coffee Cherry Company can be used to reduce the amount of sugar in finished products by emulating flavor in highlighting the cocoa notes, such that less cocoa powder is needed. US-based Seattle Chocolates has incorporated the coffee cherry into its Coffee Fruit & Espresso bars and truffle products as an inclusion, but potential applications by chocolate manufacturers at the beginning of the chocolate-making process are also being pursued.

Accepted Indulgence

The confectionery market may be very mature in many parts of the world and under pressure from alternative snacks and treats and concerns over health issues, particularly sugar content, but it is still moving forward in terms of sales and NPD. Despite some of the innovations discussed here, most new product activity by confectionery companies is still within the confectionery mainstream, such as new formats, new flavors, or new ways to provide texture. There are also ongoing initiatives to bring more focus to bear on healthier options, including reduced sugar lines, but it is not clear how or to what extent these will influence market development.

Despite rising health concerns, consumers are not necessarily reducing confectionery consumption levels and the three leading drivers of choice remain flavor, cost and indulgence. Regardless of the health concerns of consumers, as well as health organizations and governments, confectionery remains a huge market with high levels of use and acceptability, as well as an ongoing role in seasonal celebrating and gifting.



Industry is looking to coffee cherries as an interesting addition to chocolate bars and truffles.



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