

## How sweet it is: the wonderful world of chocolate innovation - PART 1

In this two-part series, we go inside the global chocolate industry to find out what's trending, who's innovating and where the growth opportunities lie. Part 1 has an Australian flavour while Part 2 will take us abroad with insights from Japanese and European manufacturers.

Rocky market conditions have caused some ups and downs for the global chocolate industry in recent years, however the outlook is now sweeter than it's been in a long time. Buoyed by growth in emerging markets and recovery in the US, innovative offerings from manufacturers are strong, meeting consumer desire for sensory and indulgent experiences that won't break the bank, and small comforts that can be enjoyed at home.

A 2014 Datamonitor report<sup>i</sup> says consumers are relying on "low ticket" items like chocolate to savour moments of escape from the everyday. Chocolate fits the profile of "affordable indulgence" perfectly, and most would agree that it continues to be the ultimate comfort food, often reached for during times of hardship or uncertainty. With around one billion people eating chocolate on an average day,<sup>iii</sup> it's clear that our love affair with chocolate remains strong, however it is taking some interesting twists and turns, with a plethora of broad-ranging trends emerging.

Manufacturers are responding with products that draw on inspiration from other food and drink categories, resulting in chocolate that combines with everything from beer and bacon to spices and tea. A shift towards savoury flavour combinations is noticeable right now, and there is an emerging trend of pairing chocolate with wine.

With so many diverse and at times conflicting dynamics at play, the future belongs to those manufacturers who can react and innovate fast and furiously.

### Global chocolate trends

Global spending on chocolate totalled \$90.7 billion in 2013, with the US taking out number 1 spot for market value at over \$18 billion, and Switzerland topping the per capita spend. Australia holds ninth position on both lists.<sup>i</sup>

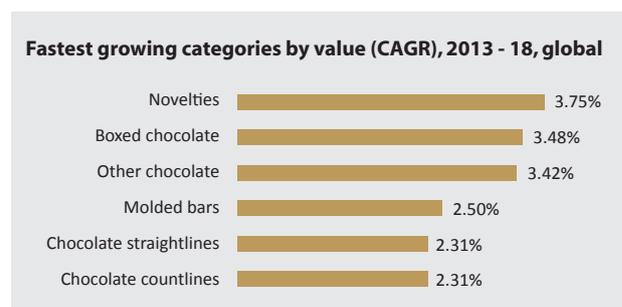
While 85% of adults in the US are buying chocolate, Mintel reports slowing sales, with only 3% growth between 2013 and 2014, however it is predicted that by 2019, the US market will reach \$25 billion.<sup>ii</sup>

Top 10 market by value (\$bn), 2013		Top 10 market by spend per capita (\$), 2013	
US	18.35	Switzerland	176.03
Germany	8.25	Norway	171.77
UK	7.87	Ireland	159.63
Japan	6.22	Austria	142.37
Brazil	6.15	Finland	130.95
Russia	5.13	Denmark	130.94
France	4.73	UK	127.32
Italy	3.40	Sweden	122.01
Australia	2.45	Australia	100.54
Poland	2.02	Germany	97.12

Source: Datamonitor Consumer, 2014

According to Datamonitor, growth is being driven by novelties which are outpacing the more traditional chocolate sub-categories, and it is predicted that future growth will be driven by European countries, as well as Asia Pacific, where novelty chocolate is particularly popular.

In Australia, the chocolate market is being driven by annual compound growth of 4.7% in premium chocolate.<sup>iii</sup>



Source: Datamonitor Consumer, 2014



### Geared for an innovative future: *One-on-one with Duck Creek Macadamias*

Fine food producer Duck Creek Macadamias knows all too well how critical innovation is to holding and growing space in the premium chocolate market.

Based in the Byron Bay hinterland of Australia, Duck Creek has been a chocolate player since the late 1980s. The then-owner began experimenting with chocolate as a means of adding value to the premium grade macadamias that he was growing on his farm.

Over 25 years later, Duck Creek's macadamia products are stocked in hundreds of gourmet delis, gift and homewares stores and independent supermarkets throughout Australia. Ranging in a national supermarket chain for one of its snack lines is expected by December and export sales to the Middle East and Asia are strong.

So what has been the secret to Duck Creek's success to date? According to Sales and Marketing Manager Jane Duff, it's about knowing your position and owning it. "We are a premium priced product, there is no question. With an average retail price point of around \$20 for our premium chocolate covered macadamia products, we know that there are cheaper alternatives out there. But it's not something we shy away from - our product is incredible and the price is reflective of the quality the consumer will experience."

Using macadamias as the hero ingredient in their 15 chocolate products has been critical to positioning the Duck Creek brand in the premium gift-giving segment. "Macadamias are already seen as a premium product," says Duff. "Customers love their unique mouth feel and smooth, buttery taste. We have taken the best nut and combined it with the best couverture chocolate to create a truly beautiful confectionery product that people want to give. Our kernel is large and premium grade so it's an exquisite and fulfilling sensory experience."

While chocolate and macadamias have long been a winning combination, Duck Creek pushes the envelope further with the addition of other natural flavours such as mint, orange, rose, ginger and mocha. Their best selling products are those in which the macadamia nut is first honey roasted before being coated in chocolate.



Duck Creek's 'It's the Duck's Nuts' premium chocolate snacking products

"Being innovative with our product is incredibly important for us. We need to keep things fresh in order to compete in the premium gift-giving segment." Duff firmly believes that effective product and flavour innovation is done best when process and production is approached with an innovative mindset as well. "Our core product is expensive. Anything we can do through innovation to reduce our cost of goods helps to improve our profitability."

Having relied on third party processors since the brand's inception, Duck Creek recently took the leap and brought almost all of its production in house, including chocolate panning. While efficiency and the bottom line was a key driver of this decision, the need to foster more product innovation was also a factor. According to Duff, the new set-up lends itself to more experimentation with product flavours and formats. "It's a lot easier now. Playing around with new product ideas happens so much more since we brought production in house and this is going to allow us to launch new products more quickly so we don't become stagnant," she says.

A recent restaging of the brand and packaging has Duck Creek well placed to fully capitalise on its next growth phase. "Our premium chocolate range is a true gift - not just a token or an impulse purchase for oneself. Our packaging now reflects this better and has been designed to look so good that it doesn't even need to be wrapped - it already looks gift wrapped." The brand is now more reflective of its farm heritage, and has elements of humour and whimsy. And whenever an opening order is shipped to a new stockist or distributor, sampling stock is always included. "Once people try our product, they appreciate the quality and are prepared to pay a premium. Sampling does 90% of our sell-in work!" says Duff.

As for the future, Duff believes the concept of customisation holds great potential. "Consumers are increasingly demanding products and services that are tailored to their individual tastes. As a business that has hand-packed its product for many years, and with the capability to do small runs of special flavours, we are perfectly placed to offer customised product, such as DIY chocolate boxes where consumers pick the flavours they'd like included. It's definitely an area in which we can afford to be more playful than some of our competitors."



Duck Creek's 'Obsessions' premium gift-giving chocolate range

## Profiles of a chocoholic

In its report, *A taste of the future - the trends that could transform the chocolate industry*<sup>iii</sup>, KPMG describes the recovering global economy as one in which chocolate consumers have become more difficult to categorise. It singles out three core consumer groups that are exerting the greatest influence on the category right now:

The value consumer	The luxury seeker	The hybrid consumer
<ul style="list-style-type: none"> <li>Value segment: the largest in the chocolate category</li> <li>Many consumers have changed their buying habits due to the economy, opting for cheaper products or switching to value lines</li> <li>Small portions and private label popular with this group</li> <li>BUT they're not necessarily prepared to accept a lower quality standard</li> <li>In America, growth has been driven by consumers looking for premium products at a lower price</li> </ul>	<ul style="list-style-type: none"> <li>Luxury: the fastest growing chocolate market segment</li> <li>Consumers are seeking more than "just a product"</li> <li>They're looking for "one minute of pure delight - a daily luxury"</li> <li>Single-origin chocolate becoming increasingly popular: perceived to represent "quality, naturalness and health"</li> </ul>	<ul style="list-style-type: none"> <li>A cross between the value consumer and luxury seeker</li> <li>Somewhat conflicted: wants to save on groceries while simultaneously infusing life with pleasure via everyday luxuries such as premium chocolate</li> <li>Prediction: this shopper profile will become increasingly prevalent and influential as millennials increase their share of consumer spending</li> </ul>

## What's trending in the world of chocolate

### Young vs old

Datamonitor reports that consumers globally will typically consume chocolate at least a few times a month. Younger consumers are more likely to experiment with new chocolate products, and while only a small proportion of consumers are buying premium chocolate products, this group is the most experimental of all, open to unconventional ingredients and flavour combinations positioned as "affordable luxuries". However this does not mean that older consumers should be discounted. While they may be less willing to change their long term purchase habits, they are open to purchasing something different every now and again. In fact, 60% of global consumers find a product with "new and exotic flavour" somewhat or very appealing.<sup>i</sup>

### Taste and nutrition

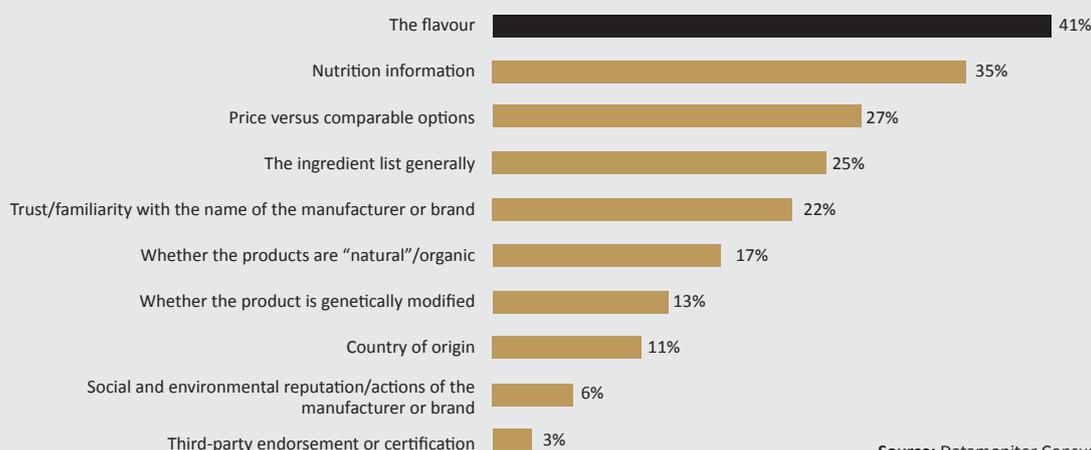
When it comes to what consumers care most about when making their chocolate purchase decision, TASTE comes out on top at 41%, followed by NUTRITION at 35%.

So while it's the sensory experience that drives the purchase decision, the pleasure-seeking is followed up closely by an interest in health and wellbeing. If nothing else, consumers have a growing awareness of the health benefits of cocoa, which is being driven by research linking antioxidants with good health<sup>i</sup>.

### Just a little bit...

Portion control is a hot topic in the health and weight management arena, and this has seen bite-size miniature chocolate offerings gain popularity, particularly when well-

Global consumers who give the highest priority to the following factors when choosing food and drinks, 2013



Source: Datamonitor Consumer, 2014

loved products are reformatted in this way. Miniatures not only help control portions, but also guilt - a key influencer of indulgence consumption.<sup>i</sup>

Bite-size offerings in resealable packs also appeal to the value-conscious shopper. In the UK, bite-size confectionery sales grew 40% between 2009 and 2013. For manufacturer Mondelez, the bite-size strategy has proven so successful, it has become one of its “four global innovation platforms”.<sup>iii</sup>



Image source: Datamonitor 2014

### The dark side

Increasingly health-conscious consumers led a huge surge in dark chocolate sales in 2013-14, resulting in a 93% increase in dark chocolate product launches. Dark chocolate now accounts for 20% of the US market. Many consumers now regard it as the “red wine” of the chocolate category,<sup>i</sup> due to its association with antioxidants, and in the US, manufacturer Hershey is trying to position dark chocolate consumption as a “lifestyle choice.”<sup>iii</sup> Some manufacturers have recently invested in developing flavanols with a less bitter taste; if successful, the appeal of dark chocolate is likely to grow even further.<sup>iii</sup>

### Trust issues lead to premiumisation

A general distrust of processed foods is fuelling demand for chocolate with ‘natural’ attributes. Manufacturers take note: pursuing this angle may be a fast-track to premiumness, with 34% of consumers believing it is reasonable to charge +10% more for products that are ‘natural’. Nuts and fruit are some of the ingredients most often used by manufacturers to achieve these objectives.<sup>i</sup>

#### Products flying the ‘All Natural’ flag:



Whole Foods  
Pear &  
Almond Dark  
Chocolate,  
USA



Brown & Haley  
Cashew Roca,  
Russia

### The rise of private label

Private label offerings are gaining increasing traction. Their significantly improved quality provides a highly appealing option for the value-conscious shopper. This is placing pressure on brands to justify their price premiums. They must build brand equity through premium ingredients and manufacturing processes.<sup>i</sup>

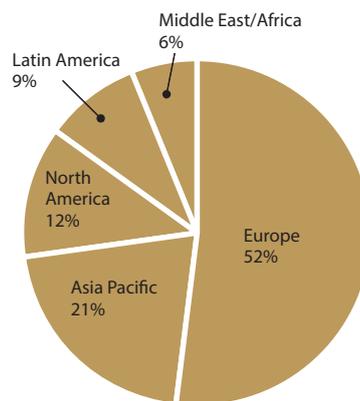
### Innovation platforms

Innovation is on the rise in the chocolate category and Mintel reports that new product launches increased 18% between 2013 and 2014.

Datamonitor suggests that innovation should be pursued vigorously by manufacturers, not only to grow the category, but to prevent an outflow of consumers turning to other categories such as ice cream or chilled desserts, in pursuit of sensory excitement from new flavours and textures.

Europe is currently leading the innovation charge, representing over half of all global product launches last year. Asia Pacific was runner-up at 21%, while all other regions make up the remaining 27%.

#### New product launches by region 2014



Source: ConfectioneryNews.com

Exciting new products on supermarket shelves is a big branch of the innovation tree. However in the world of chocolate, innovation reaches much further, encompassing a host of platforms, including taste & texture, overall customer experience, health & functionality, seasonality and sourcing and sustainability.

### Innovation platform #1: taste & texture

Generally speaking, consumers have a desire to try new flavours, and while familiar flavours are undoubtedly comforting, they can also evoke a sense of boredom. Manufacturers are responding to this call, perhaps none more so than Mondelez with its June 2015 launch of Vegemite Cadbury blocks in the Australian market; a headline-grabbing combination of its traditional milk chocolate with the infamous Australian salty spread.



Image source: Cadbury / Twitter Australia

“New product development continues to be imaginative, with more exploration of flavours and textures outside the sweet flavour tradition”, said Marcia Mogelonsky, Director of Insight at Mintel Food and Drink.

### 100 years of premium chocolate success: *One-on-one with Haigh's Chocolates*

If there's a business that knows how to thrive in a premium market segment, it's Haigh's Chocolates, Australia's oldest family-owned chocolate maker. 2015 marks a major milestone for the company as it celebrates its 100th anniversary, but unlike most centenarians, Haigh's is as fresh and energetic as ever. With a 250-strong product range, 14 retail outlets and a flourishing online store, the Haigh's brand is going from strength to strength as it embraces new market trends and more adventurous consumer tastes.



Ask anyone who has eaten a Haigh's chocolate or shopped in one of their stores, and they're likely to agree that Haigh's represents the pinnacle of chocolate luxury. Assistant Marketing Manager, Kylie Turale, believes it is the focus on quality at every point throughout the business that enables consistent performance in the premium chocolate space. "It begins with ingredients," she says. "We are meticulous about the quality standards of our cocoa beans and the nuts and fruit we use in our product. This is overlaid with the experience and artisan skills of our amazing confectioners. There really is genuine love and care that goes into the creation of every product, and customers can taste that in our chocolate."

Haigh's produces its entire range in house, employing cooking methods that have been used in the company for generations. Turale says this allows for tight control over consistency of flavour and texture profiles, ensuring their scrupulous quality standards are upheld at all times, even if it means completing some parts of the process by hand. "There are some things that machines simply cannot do as well as people, and we will never compromise on quality, so most of our products have some element of hand-finishing, whether it's the turning out, dipping or packing."

The Haigh's in-store experience has been carefully crafted to ensure that their premium product is not just in the tasting. "When a customer steps inside a Haigh's store, we want them to have a world-class chocolate experience," says Turale. "Yes we're a premium brand, but we also like to ensure that customers feel very comfortable when they're in our stores. With such a broad product range, we believe there's a Haigh's chocolate for everyone, whether they're buying a gift for someone else, or simply treating themselves. Our staff are trained to provide old-fashioned, personalised service and to treat our customers and our product with the utmost care and respect." There are countless in-store touches that reflect the brand's premium positioning. "To deliver the customer experience we pride ourselves on, we invest heavily in staff training. Our staff are impeccably presented in Haigh's uniforms and only ever handle our product while wearing white gloves. We will happily gift wrap any purchase to ensure the customer leaves the store with our product presented

exactly as they would like. It's all about premium quality, from bean to first bite."

Haigh's extensive range features myriad fruits, nuts, liqueurs, teas and spices. Macadamias are a hero ingredient in several Haigh's products across many categories including loose chocolates, blocks, bars, boxed assortments and chocolate confectionery. They combine with milk and dark chocolate as well as other ingredients such as coconut and toffee. Haigh's has used macadamias for over 10 years and Turale says they're a great fit with the Haigh's brand. "We use macadamias because we believe they are a premium nut, so they align perfectly with our premium positioning," she says.

Although Haigh's will always keep traditional best-sellers in its range (some have been made since 1915!), innovation is a critical growth pillar for the brand. According to Kylie Turale, the company brings out three to six new products every year. "Seasonal occasions, Easter, Christmas, Mothers' Day and Fathers' Day are key dates for us. Every year we theme these occasions differently. It's important to keep the range fresh and interesting by bringing out new flavours to complement our standard range to delight and surprise our customers," she says. "For example this year we introduced two tea variants for the winter season which we launched with our Mothers' Day collection - Dark Jasmine Green Tea Ganache and Milk Earl Grey Tea Ganache. Both have been very popular."

Haigh's approach to innovation involves staying in tune with what consumers want. Turale explains, "We actively encourage customer feedback in all our stores, and any comments are fed back to our product development team for consideration." Turale believes consumers are savvier now than ever before. "They are more knowledgeable about chocolate. They know that there are suggested health benefits associated with high quality cocoa content, and they'll seek that out. They're more interested in what goes into their chocolate - where it came from and how it was produced. Single origin is an example of this - an increasing number of consumers seem to understand what it represents."

As Haigh's looks to the future, they're keeping a close eye on the chocolate scene in Europe and the USA, with Turale explaining that overseas trends often drive product development locally. "We've been really pleased with the performance of some of our more innovative flavour combinations, such as our Lime and Chilli Grenada Single Origin. Continual experimentation and innovation is part of the Haigh's culture and is definitely a priority for us moving forward," she says.

As a new century dawns on Haigh's Chocolates, the future looks very bright indeed.

Image courtesy of Haigh's Chocolates

Figures out of the US show how critical innovation is to growing market value, with plain and unflavoured varieties experiencing a steep decline during the 2013/14 period. Conversely, products that featured nuts and nut flavours experienced an increase. Furthermore, 71% of US chocolate consumers seek out products with “mix-ins” rather than plain or unflavoured chocolate<sup>ii</sup>.

According to Mintel, key flavour and texture trends playing out in the global chocolate category include:

- **Nuts:** either straight chocolate / nut combinations, or in combination with other ingredients such as chillies, spices and seeds. Hazelnut, almonds and peanuts are currently the top nut ingredients in chocolate, however pistachios have featured more prominently in the past couple of years

- **Citrus:** experimentation with flavours other than orange. Chocolate variants with lemon doubled in 2013-14 and lemon was combined with other ingredients such as yoghurt and pepper
- **Dessert flavoured chocolate:** dessert has become an ingredient in chocolate, with crème brûlée and tiramisu chocolate varieties making their debut
- **Vegetables:** primarily a trend in Asia, manufacturers have launched variants such as chocolate covered edamame, sweet potato chocolate and chocolate covered potato chips
- **Unusual fruits:** beyond the traditional flavours such as strawberry, raspberry and cherry, peach chocolate has become popular in some countries such as Poland
- **Cereals:** granola, muesli and quinoa are being incorporated for added texture

### Aligning with the awakened consumer: *One-on-one with Chakra Chocolates*



As a yoga teacher from San Francisco in the late 1990s, Danielle Purcell would never have imagined herself as the creative genius behind a chocolate product in Australia. Yet that’s exactly how it has played out,

with her deliciously quirky Chakra Chocolates launching in April 2015.

Made from 100% organic, locally sourced ingredients, Chakra Chocolates are nuts and fruits covered in premium dark chocolate infused with orange essence. Each nut and fruit represents a specific chakra, or energy centre, running through the body.

Currently ranged in a selection of specialty and health food stores and bulk suppliers primarily in regional areas of Australia, Purcell is predicting a rapid expansion with strong interest from a variety of businesses ranging from deluxe spas to resorts, yoga studios and gourmet delis.

The idea first came to her back in 1999 and initially she experimented with a few hand-made production runs. However, it wasn’t until she met Greg Reeves, Director of Macadamia Fresh (in a yoga class in Byron Bay - of course!) 14 years later that the concept grew its commercial legs.

Purcell feels it was a case of divine timing. “It’s only now that I feel the market is ready for a product like this. The idea of using food to fuel both your body and state of mind has become more mainstream,” she says.

Purcell describes her target market as “the new awakened consumer.” She says, “I don’t think this can be narrowed down to a particular age group or demographic. It’s the baby boomers who have discovered yoga. It’s the younger consumer who’s into superfoods. It’s people wanting to consume consciously and wanting to gain an understanding

of nutrition. They’re looking for something new and different, products that feel like they have a soul and a story.”

Every chakra within the body is associated with a specific colour, so Purcell selected the nuts and fruits to match. For example, blueberry chocolates represent the blue throat chakra and pistachios are for the green heart chakra. With its white appearance, Purcell chose the macadamia to represent the crown chakra, quite befitting for the ‘queen of nuts’. “All the chocolates are popular, but I must admit, the macadamia does seem to be the favourite,” says Purcell. “Everyone loves macadamias with chocolate, but our little touch of orange essence in there as well makes it really special.”

Purcell believes that the inclusion of macadamias in the product is one of the keys to helping them gain inroads in the premium gift-giving segment. “There’s just something about the quality of a macadamia - it’s not just an ordinary nut. It’s a joy, a luxury,” she says.

Purcell says she wanted to create “a clean, simple and sustainable product, with a light but conscious footprint.” The chocolates come in beautiful reusable packaging with a product information insert that doubles as a bookmark. No glues are used and every effort has been made to ensure that the packaging won’t end up in landfill.

While it’s early days for Chakra Chocolates, the feedback from consumers and the trade has been excellent. “Consumers are delighted to give and receive them and love the wide mouth jar because they can enjoy them by the handful. Retailers have been so positive about the concept and one has said he can envisage our product being incorporated with wine tastings.”

In addition to growing the brand’s distribution, Purcell has plans to launch “Just Nuts” and “Just Fruits” versions of the product, and hopes to eventually break into export markets too.

However the Chakra Chocolates journey unfolds, it’s sure to be in perfect universal alignment.

- **Artisan chocolate:** “fine” and “rare” cocoa is being used to cater to a growing interest in the “taste profile” of chocolate, similar to that of the wine industry
- **White chocolate:** a marked increase in white chocolate product launches has been noted, with a variety of innovative flavours and fillings
- **Flavour layering:** this is where all the quirky combinations come out to play: chocolate flavoured with beer, red wine, smoked BBQ potato chips, bacon and more. Chocolate is being used as the ultimate base for flavour building and layering
- **Florals:** while still early days, this is an emerging trend with products such as Wild Ophelia All Natural Southern Hibiscus Peach Milk Chocolate

### Innovation platform #2: the whole experience

Today’s consumer is more likely to have an “experience-driven” mindset, setting the challenge for manufacturers to think beyond their product and create a heightened sensory experience<sup>i</sup>. In fact, 73% of global consumers say that new experiences contribute to their feelings of wellbeing.<sup>i</sup>

The emerging trend of pairing chocolate with wine is one such example of manufacturers trying to perform on an “experiential level”. Green & Black’s Connoisseur Collection was launched in the UK and includes pairing notes, recipes and a tasting wheel “to complement every connoisseur occasion” and “help guide chocolate fans through the tricky world of wine pairing.”<sup>ii</sup>

Meanwhile in Japan, Nestlé has taken the experience challenge to new heights, launching the world’s first KitKat “Chocolatory” boutique in Tokyo in 2014. Unique both in terms of concept and the fact that it represents the premiumisation of an everyday chocolate brand, it stocks unique KitKat variants created by a Japanese chocolatier<sup>i</sup> that consumers will queue down the street to try.



KitKat ‘Chocolatory’ Boutique, Tokyo  
Source: whysojapan.com



Green & Black’s  
Connoisseur  
Collection, UK  
Source: Datamonitor  
Consumer, 2014

### Innovation platform #3: functionality & health

High levels of obesity and increasing health concerns have shifted consumer habits in recent years. For many, there is a strong interest in improving and maintaining wellbeing, and chocolate manufacturers are keen to secure a role in this landscape.

Innova reported a 42% increase in “active health claims” by chocolate and cocoa companies between 2012 and 2013.<sup>iii</sup> Manufacturers are responding to the call for more health-friendly chocolate products by substituting unhealthy ingredients (e.g. replacing sugar with Stevia), adjusting portion sizes and crafting their marketing messages to focus on ingredients that have genuine health benefits.<sup>iii</sup>

According to US company Good Cacao, chocolate is the perfect medium for delivering health-related benefits. Founder Paul Frantellizzi says, “Chocolate is a phenomenal delivery mechanism for functional ingredients,” and his company’s Coconut Omega-3, Lemon Ginger Immunity and Weight Loss Mandarin Orange dark chocolate are great examples of this.<sup>iii</sup>

Meanwhile in Croatia, supplement firm Milsing claims that chocolate is a more stable delivery mechanism for probiotics than tablets or capsules. The company recently launched a probiotic chocolate called Chocowise, and also produces the product for private labels. This product joins the company’s existing functional chocolate line-up that includes caffeine and B-fortified chocolate.

### Innovation platform #4: seasonality

Seasonal events are major drivers of chocolate sales globally. In the US, manufacturers are extending Halloween and Easter to occupy entire seasons of autumn and spring. In Europe, Halloween is being marketed strongly, as this is an under-developed occasion in many European markets. Sporting events such as the Superbowl and World Cup soccer have become lucrative marketing calendar fixtures, promoted as opportunities for sharing. In Japan, Valentine’s Day and White Day prompt the major seasonal spikes<sup>iii</sup>.

In emerging markets, chocolate manufacturers are increasingly taking advantage of cultural nuances to grow seasonal sales. Special chocolate products are being produced for gifting and sharing in China during the autumn Moon Festival while in India, traditional gifts of jewellery and sweets are being dropped in favour of chocolate during the Hindu festival of Diwal<sup>iiii</sup>.



M&M’s Pumpkin Spice US  
Source: Datamonitor Consumer,  
2014

### Innovation platform #5: sourcing & sustainability

The chocolate industry is currently battling an imbalance between supply and global demand for cocoa, with Mars reportedly concerned that “demand could outstrip supply by more than 1 million metric tons by 2020.”<sup>iii</sup> Manufacturers are turning to innovation to confront this issue, investing in the development of higher yield beans, developing sustainable farming practices and working closely with farmers to implement them<sup>iii</sup>.

A by-product of these innovative programs is the creation of credible and engaging product backstories around ingredient sourcing, feeding growing consumer demand for products that are produced ethically and sustainably.

According to KPMG, consumers want to trust the brands they’re buying and this presents a golden opportunity for manufacturers to innovate for a more sustainable supply chain, be completely transparent with the consumer, and build brand equity in the process. The Duck Creek experience is testament to this. A large part of their brand narrative revolves around the use of locally grown macadamias and this resonates with the domestic market, which has a high regard for the Byron region, and in their export markets, where Australia is regarded as a place of clean and green production.

### Coming soon: PART 2

Stay tuned for the second and final instalment of this in-depth look at the global chocolate industry when we will look at emerging markets, share insights from Japanese and European manufacturers and investigate predictions on what’s next in chocolate.

<sup>i</sup> Datamonitor Consumer, *Consumer and Innovation Trends in Chocolate 2014, Boxed chocolate, countlines, straightlines, molded bars, novelties, and other chocolate*, August 2014

<sup>ii</sup> Bruce, A, *Beer flavoured chocolate on its way, says Mintel*, confectionerynews.com, 13/04/2015

<sup>iii</sup> KPMG International, *A taste of the future - the trends that could transform the chocolate industry*, June 2014

<sup>iv</sup> Langley, S, *Chocolate innovation takes off globally despite sales growth slow down*, ausfoodnews.com.au, 15/04/2015

<sup>v</sup> Mogelonsky, M, *Chocolate Innovation: The Top 10 Trends Driving the Global Chocolate Confectionery Market*, Mintel.com, 25/04/2014

<sup>vi</sup> Nieburg, O, *Probiotics more stable in chocolate than pills, says Milsing*, confectionerynews.com, 02/06/2015

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