

Forward Thinking: Liquid Assets, Part 2

Top trends in the flavor and beverage industry.

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Editor's Note: This is the second of a two-part series. Part 1 appeared in the October 2015 edition of Perfumer & Flavorist.

What's Brewing?

American beer culture has shifted and the craft beer movement is going strong. Craft brewers are making high quality differentiated beers by experimenting with ingredients and brewing techniques to create unique flavor profiles and textures.

"Small and independent brewers are deepening their connection to local beer lovers, while continuing to create excitement and attract even more appreciators," says Bart Watson, chief economist, Brewers Association.

In 2014, craft brewers produced 22.2 million barrels, and saw an 18% rise in volume and a 22% increase in retail dollar value, according to the Brewers Association. Retail dollar value was estimated at \$19.6 billion representing 19.3% market share. IRI reported that the 2014 beer category in convenience stores grew 3.1% in dollar sales and 0.7% in case sales. The uptick in sales is being stimulated by craft beer, cider and imports, while domestic sub-premium, the second-largest segment, dropped by 3.8% in case sales from the year prior. Craft brewers have an ambitious goal to achieve 20% market share by 2020.

Manze says, "Growth within beer is coming from flavored malt beverages, craft beer, and international brands."

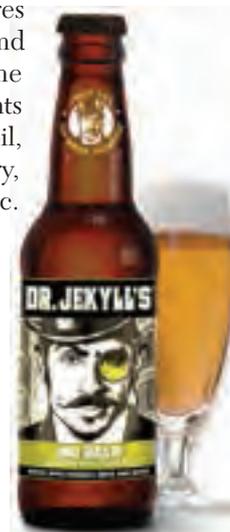
In February 2015, Nielsen surveyed 2,022 adults aged 21 and over to gauge consumers' drinking behavior and openness to try new beer, wine, and spirit brands. In line with the growing number of craft beers accessible, "almost one-third (32%) of all craft beer drinkers who buy at least several times a year have bought seven or more brands in the past year. But younger, frequent craft beer drinkers are even more brand 'promiscuous,' as 37% have purchased seven or more beer brands in the past year."

There are a dizzying amount of new craft beer launches with a variety of unusual ingredients, flavor profiles, and joint ventures. A few examples of innovative products and market activity include: Bluejacket Brewery in Washington, D.C., offers a large selection of beers in various styles and flavors, which is continually changing through "constant experimentation, innovation, and collaboration, [which] leads to delicious beers that showcase seasonality, culinary inspiration, and historic interpretation." Deschutes Brewery in Oregon is known for using obscure ingredients, such as sumac and oysters, to add depth and complexity. The brewer collaborated with renowned

Chef José Andrés to craft the **Zarabanda**, "a Spanish take on the farmhouse-style saison," with lemon verbena, pink peppercorn, sumac and dried lime. Dr. Jekyll's Beer with a "Truly Odd, Yet Oddly Delicious" tagline features three beers—**Beer Attack**, **Beer Belly** and **Bio Beer**. The slogan is fitting since the company brews with unexpected ingredients such as acai berry, acerola berry, algal oil, green tea, clove oil, ginger, maqui berry, maitake mushroom, turmeric and garlic. Rogue Beer is a pioneer in unique flavor profiles, culinary collaborations and graphic packaging. In response to the honeybee shortage and the U.S. beekeepers' loss of 42% of their bee colonies, Rogue Farms created **Honey Kolsch**. The beer is brewed from Rogue Farms barley and hops grown across from their hives with honey that is uncapped, extracted and filtered.

Rogue Ales and Pendleton Woolen Mills created an artisan collaboration with the debut of **Rogue Pendleton Pilsner**. The bottle showcases a serigraphic design which reflects Pendleton's iconic jacquard textiles. According to the press release, the synergy between the two companies was described as "both generational Oregon companies that come from small towns, both focus on innovation and product excellence, and both share a passion for creating long lasting, enduring brands."

In June, Jameson Irish whiskey announced the five American breweries they would work with for the next Jameson Drinking Buddies program. Each of the breweries were invited to the distillery in Ireland and then sent back with Jameson Whiskey barrels to create a limited edition beer inspired by "both their experience in Ireland, and their own unique neighborhood." Angel City Brewery in Los Angeles will create **Imperial Irish Ale**, while Captain Lawrence Brewing Company in New York will develop **Trans-Atlantic Red. Local Legend - Jameson Edition** will be crafted by Deep Ellum Brewing Company in Dallas, **The Smoothness** by Great Divide Brewing Company in Denver and **Jameson Whiskey Barrel Sour** by Hilliard's Beer in Seattle.



Bio beer is brewed with unexpected ingredients such as acai berry, acerola berry, algal oil, green tea, clove oil, ginger, maqui berry, maitake mushroom, turmeric and garlic.

Beer and tequila hybrids are in the spotlight with recent introductions from Heineken USA and Anheuser-Busch InBev. Heineken USA introduced *Desperados*, “a one-of-a-kind beer blended with tequila barrel-aged lager,” while Anheuser-Busch InBev launched *Oculto*, which means “hidden,” or “waiting to be found,” in Spanish. The hybrid beverage also combines beer infused with blue agave for a bright citrus flavor. Meant to attract younger drinkers, the bottle features a skull with eyes that glow when the bottle is cold.

Beer and ice cream is a common flavor pairing, which allows for creativity and experimentation. New Belgium Brewery and Ben & Jerry's Ice Cream collaborated on a new beer. Slated for fall 2015, the *Salted Caramel Brownie Ale* will be sold in 22 oz bottles and contains 6.3% alcohol. California's Small Batch ice cream, in Playa Provisions, creates floats made with craft brews, such as *Beer Float Maui Coconut Porter & Coffee Ice Cream*, while the Ice Cream Bar serves the *Dublin Honey*, which is made with Guinness stout, caramelized honey ice cream, Valrhona chocolate syrup, and a float of Graham's 10 year tawny port.

Beer has recently been touted as healthy, particularly for a post-workout recovery beverage. Some research studies suggest that beer can help the body rehydrate. For example, Lean Machine Ale from Canada is a low-alcohol, protein-packed “fitness” beer in four variants—*Lager*, *Lemon Ale*, *Honey Ale* and *Pepper Ale*. Across the pond, Dune Surfer claims to be a post-exercise recovery beer made with antioxidants from goji, acai and yuzu fruits. Mighty Squirrel is a new entrant, which is a “flavorful and refreshing beer” that contains added protein. The *Mighty Squirrel Original* features 5 grams of protein, while the *Mighty Squirrel Light* has 4 grams. Playing to this trend and to capture the attention of millennials, Port City Brewing in the District of Columbia hosts “Beer Yoga” sessions at their brewery with a post-class pint. Leave it to the Japanese for innovation. The newest introduction is *Precious* by Suntory, a collagen-infused beer with anti-aging benefits. The beer contains 2 grams of collagen said to have skin smoothing and hydrating properties.

Beer as a flavor profile is so popular that last year Jelly Belly debuted a non-alcoholic *Draft Beer* jelly bean, as well as a *Champagne* flavor with an iridescent finish. Bell Flavors & Fragrances developed a craft beer flavor line for the savory category, which can be used in seasonings, sauces, marinades, and batters. Flavors include *Amber Ale*, *Belgian Ale*, *Hard Cider*, *Hefeweizen*, *IPA* and *Stout*.

Christopher Warsow, corporate executive chef for Bell Flavors & Fragrances states, “The flavors are true to profile. Bell took the best examples of beers that are available at the tavern and used these as inspirations for our flavorists.”

Beer has had a long history of being used in hair care products, particularly popular in the late 1970s with the Body on Tap brand. More recent brands include *BRÖÖ* and *Duffy's Brew E.S.B. Beer* line. The newest player is Carlsberg Brewery, which collaborated with Urtegaarden, the Copenhagen-based cosmetics producer, to create the limited *Beer Beauty* series for men. Available in Body Lotion, Shampoo, and Conditioner, the products are formulated with barley, hops and yeast, which are rich in vitamin B and silicium. The beer is freeze-dried into a powder and then mixed with organic ingredients and contains 0.5 liters of real Carlsberg beer, according to the company.

Hard Cider Centric

Hard cider made from the juice of fermented apples is having a renaissance in the U.S. It's an old hat for France, Spain, and England, who have been brewing cider for centuries. Once popular in the U.S. in the late 18th century, cider lost favor to the rise of beer and then the Prohibition made it almost obsolete. IRI reported that cider sales in 2014 increased by 75.4% to \$366 million, up from \$172 million a year before.

Vermont-based Woodchuck Hard Cider launched in 1991 and had very few competitors, followed by the Angry Orchard brand that launched in 2011. Now that the market is ripe and large, beer manufacturers such as Anheuser-Busch InBev and MillersCoors want a piece. For example, in 2014 Anheuser-Busch InBev released *Johnny Apple Seed Hard Cider* while MillersCoors introduced *Smith and Forge Hard Cider*. Heineken USA introduced Strongbow Hard Apple Cider in *Gold Apple* and *Honey & Apple* flavors in 2014. In March 2015, Strongbow added a variety pack with two new flavors, *Strongbow Red Berries* with a blend of sweet, tangy mixed berries, lemon notes and crisp apples and *Strongbow Ginger* with fresh-sliced ginger and muscato notes.

Pimm's Cider Cup is a new line extension that blends Pimm's No.1 and British cider with a hint of classic Pimm's strawberry and cucumber flavors. Dubbed the Gatorade of the Hamptons, Wölffer Estates introduced *Wölffer No. 139 Dry Rosé Cider* (2014) and *Wölffer No. 139 Dry White Cider* (2013). *Aaron Burr Cider* has a different approach to cider; it's the first brewer to produce and license cider made from foraged apples. The ciders have limited availability due to the variability of apples and the terroir. California based Sonoma Cider launched *The Washboard* as the first cider in the latest Limited Run cider range that is infused with organic vanilla and real sarsaparilla root.

Cider is so popular that bars are specializing in the namesake product. *Bushwacker Cider* located in Portland, opened in 2010 and is self-described as “America's first boutique cider-only bar” dedicated to cider. Jeff Smith, co-owner says “as cider connoisseurs, we not only sell and drink them, but we also produce our own in large and small batches.” *Wassail*, another cider bar and vegetable focused restaurant, opened in New York City in March this year. Named after Wassail, the English hot mulled cider, the bar serves close to 90 varieties by draught, in bottles, and by the glass as well as apple-based cocktails.

Slovic concludes, “In the alcoholic beverage area, we are seeing an increase in hard ciders, and medium-low proof beer/malt based cocktails like Mixxtails aimed at the non-beer drinkers, or simply at somebody looking for a change in taste.”



Aaron Burr Homestead Perry is made with 100% foraged pears from the Shawangunk Ridge.

In the Mix

We are in an era of customization and savvy consumers with varying tastes want to handcraft their own drinks and cocktail mixers. Martin agrees that “customization is trending.

Manze adds, “Customization remains important as consumers desire to have it their way. Beverage manufacturers will need to better respond to consumer needs associated with customization.”

A host of new brands of non-alcoholic premade mixers and premade alcoholic cocktails are available with a multitude of flavors. Jell-O shot-like formulas, both alcoholic and non-alcoholic, are the popular application. This no “mixologist required” trend is garnering attention as evidenced in a February 2015 *New York Times*^f article and April 2015 *Newsweek*^g article.



Packaged in a unique re-usable glass shaker, Mocktails is a line of natural, RTD non-alcoholic cocktails in four varieties: Karma Sucra Cosmopolitan, Vida Loca Margarita, Sevilla Red Sangria and Scottish Lemonade Whiskey Sour.

Premade mixers have a bad reputation as being artificial, sugar-laden and generally poor tasting. With the craft and artisanal movement and trend to locally sourced ingredients, mixers are getting a makeover. Mixers are no longer frowned upon and new brands are launching flavorful, natural and even organic products. Mocktails is a line of natural, RTD, non-alcoholic cocktails in four varieties: **Karma Sucra Cosmopolitan**, **Vida Loca Margarita**, **Sevilla Red Sangria**, and **Scottish Lemonade Whiskey Sour**. Packaged in a unique reusable glass shaker, the mocktails can be imbibed straight or with alcohol. BG Reynolds in Portland, Oregon has a new line of authentic small batch Tiki Cocktail Mixers, which launched in July. Blair Reynolds, master tiki mixologist and owner of Hale Pele tiki bar, formulated **Mai Tai**, **Jet Pilot** and **Zombie Punch** mixers, which can be added to a spirit like aged rum or to soda water. Project Juice, the California manufacturer of cold pressed juices, added mixers to its juice lineup. Marketed as an alcoholic juice mixer, **Jala-Greño** and **Watermelon Berry** organic cold-pressed juices are recommended to be mixed with 1.5 oz of alcohol to produce 15 cocktails. Similar to MiO, SQZ Shot Flavors are portable liquid shot mixers and are available in four flavors: **Blue Kamikaze**, **Red-Headed Shot**, **Sex-On-The-Beach** and **Washington Apple**.

For those that want premade alcoholic craft cocktails in a bottle, there is an array of new products marketed. Harley Bauer, an original founder of Crumbs Bake Shop and business

partner Michael Glickman, founded LIQS, a line of individually packaged, super-premium, RTD mixed cocktail shots. According to LIQS, the cocktail shots are kosher, contain no artificial flavors or preservatives, and infuse 100% natural extracts with premium spirits. Ranging from 80 calories to 120 calories per serving, LIQS are offered in **Tequila Cinnamon Orange**, **Vodka Kamikaze**, **Vodka Lychee Grapefruit**, **Vodka Cucumber Lime** and **Vodka Lemon Drop** variants. Crafthouse is another line of pre-mixed cocktails, which are handcrafted all natural premium cocktails made by professional mixologists. **Moscow Mule**, **Paloma** and **Southside** are the current flavors. Daily's Cocktails, is a new line of fruit-flavored carbonated alcoholic beverages marketed to women. Available in four varieties: **Cherry Cola**, **Raspberry Ginger Ale**, **Lemon Lime**, and **Blood Orange**, the alcoholic sodas contain 5% alcohol by volume sold in 12-ounce slim cans. Another novel product is Cocktail Caviar, which was introduced in August. Burst-able pearls are made of premium vodka, natural flavors and organic ingredients and available in **Blueberry**, **Peach**, **Lychee**, **Green Apple** and **Raspberry** flavors. These signature pearls can be used in cocktails, wine or dessert, or can be served frozen and used as cocktail ice. Riding the cocktail craze coattails, Anheuser Busch InBev released Bud Light Mixxtails, a cocktail-flavored beer hybrid line offered in **Firewalker**, **Hurricane**, and **Long Island** variants. The Barcraft collection by Skyy Vodka is a three-SKU cocktail-inspired vodka range available in three flavors: **Margarita Lime**, **Watermelon Fresca** and **White Sangria**. Palm Breeze is a new sparkling alcohol spritz from Mike's Hard Lemonade. The brand is targeting millennial women and offers **Pineapple Mandarin Orange** and **Ruby Red Citrus** flavors. Capitalizing on the popularity of the Moscow Mule drink, LBK Beverages LLC released 1Kick, a canned **Moscow Mule** infused with ginger and lime. Slovis predicts that “we will be more familiarized with spirits like cachaça and pisco, as well as cocktails made with them. We'll see more fruit/flower/herbal combinations in high-proof beverages and ready-to-drink cocktails.”

The popularity of the Keurig and SodaStream with individual K-Cup-style pods has led to the creation of new machines geared toward cocktails and Jell-O shots.

Piazza notes, “The alcoholic beverage market is following the RTD beverage market with dry-blended alcoholic drinks and Keurig-like alcoholic cocktail dispensers making cocktails easy to make and enjoy.”

Bartesian launched a Kickstarter campaign in June. The Bartesian is an in-home use appliance that mixes a cocktail in seconds by inserting a flavor capsule, selecting the alcohol—vodka, gin, rum or tequila—and the strength. The company offers three classic flavors: **Cosmopolitan**, **Margarita** and **Sex On The Beach** and three signature cocktails: **Bartesian Breeze** (rum, strawberry, pineapple juice, lime juice and coconut water); **Uptown Rocks** (gin, white grape, peach, lemon juice and cilantro sprig); and **Zest Martini** (vodka, grapefruit juice and bitters). Jevo is an automated Jell-O and edible shot maker that can automatically produce 20 alcoholic or non-alcoholic shots in 10 minutes. Currently Jevo offers 20 flavor choices such as **Celebration Cake**, **Piña Colada**, **Strawberry Margarita** and **Watermelon** with new flavors expected. Similarly, Hot Rabbit by Bombshell Brands LLC developed a line of pre-packaged, RTD gelatin shots. They

^fwww.nytimes.com/2015/02/25/dining/premixed-cocktails-join-in-the-spirits-revival.html?_r=0

^gwww.newsweek.com/2015/05/08/youre-100-wrong-about-premixed-cocktails-324868.html



Inspired by popular craft cocktails, Ludlow's Jelly Shots are 30 proof, all-natural, premium, pre-packaged and ready-to-serve.

come in six flavors: **Apple**, **Cranberry**, **Grape**, **Orange**, **Peach** and **Raspberry Lemonade** and contain 10% alcohol by volume. The gelatin shots are citrus-based and are classified as a wine product by the Alcohol Tax and Trade Bureau (TTB). Ludlow's Cocktail Co. is cofounded by Freya Estreller, one of the CoolHaus gourmet ice cream sandwich maker founders, and Ethan Feirstein. The company crafted 30-proof, all-natural, premium, pre-packaged and ready-to-serve Jelly Shots. These slurpables are inspired by popular craft cocktails and include **Fresh Lime Margarita**, **Meyer Lemon Drop**, **Moscow Mule**, **Old Fashioned** and **Planter's Punch** shots. In 2014, TTB approved Palcohol (powdered alcohol) that can be added to water to make an alcoholic beverage, to be sold legally in the U.S. The controversial product received quite a bit of backlash and as of June 2015, 22 states have banned powdered alcohol. Each individual cup of Palcohol is 50 ml and 20 proof.

Craft Cocktail Revolution

The alcoholic beverage market is a hotbed of innovation with new products, unique flavors and hybrid applications. Mixologists and chefs are using alcohol as a new medium to create unusual flavors, textures and combinations of ingredients. Consumers seek new and exciting taste experiences and the growing multicultural population and younger demographics are driving consumer acceptance of this craft cocktail revolution. There is a plenitude of new line extensions and brands entering the space.

"We are seeing an increase in flavored spirits such as flavored whiskey, rum and gin, and more flavored vodkas," says Slovis. "Bitters and shrubs are growing in popularity. Bitter flavors like barbecue, Aztec chocolate and Creole are being used in old fashioned, Manhattans and Negronis," adds Manze.

Attorney Thomas Niekamp of Niekamp & Associates, LLC, who has worked for Bureau of Alcohol Tobacco and Firearms (ATF) and TTB prior to his private practice, has witnessed several different types of interesting and innovative flavors and alcoholic products.

He states, "However, with the recent explosion of the craft alcohol market, the industry has seen a rapid growth in new flavors such as Alaska Distillery's Smoked Salmon Vodka and Bacon-flavored beer by Rogue Ales. These are very exciting times for the alcohol beverage industry and the consumers. The choices for the consumers are becoming truly astounding and there's no end in sight."

Although creativity is abound, Niekamp cautions entrepreneurs entering the scene to make sure they are aware of

regulatory requirements for labeling and formulation, as well as obtaining the appropriate federal and state permits to produce alcohol.

Citrus directions are well accepted in alcohol particularly in vodka. Grapefruit is the sparkling fruit adding zest to recent launches such as Pinnacle Vodka **Ruby Red Grapefruit**, Skyy Infusions **Texas Grapefruit**, Svedka **Grapefruit Jalapeno** and UV **Ruby Red Grapefruit**. Even Captain Morgan launched a **Grapefruit Rum**, while Jim Beam introduced the **Citrus Highball Grapefruit** RTD highball cocktail in Japan. **Square One Bergamot** joined Square One Organic Spirits' lineup. The vodka is formulated with bergamot, orange, mandarin, navel orange, and the pulp, pith and peel of tangerine with organic ginger, coriander and juniper botanicals.

Botanicals, herbs and bitters are also popular ingredients that continue to be explored in alcoholic beverages.

"More herbal infused cocktails are trending," says Roman. "Mixologists are experimenting with botanicals, spices, herbs, citrus peels and bark."

Santa Fe Spirits, New Mexico's largest distillery, launched **Atapiño** liqueur using local ingredients—piñon (pine) nuts and ponderosa resin. To extract the essence of piñon, Santa Fe Spirits roasts the piñon nuts and soaks them in a barrel of Silver Coyote single malt white whiskey for two months. With its recent re-launch in the U.S. and consumers' renewed interest in bitters and bitter flavor profiles, **Amaro Lucano** is gaining popularity. Originally used as an after dinner digestif, this Italian bitter is making its way into cocktails to create depth and dimension. The recipe includes a blend of 30-plus high-quality herbs and essential oils. In April, La Quintinye Vermouth Royal inspired by King Louis XIV's botanist, launched its three vermouths in the U.S. **Rouge**, **Blanc** and **Extra-Dry** all share the same 12 base botanicals including artemisia (wormwood), vine flowers, angelica, iris roots, cardamom, cinnamon, cinchona (quinine bark), *Citrus aurantium* (bitter orange), ginger, licorice, nutmeg and *Quassia amara* (bitter wood). Nordic Food Lab and The Cambridge Distillery engineered **Anty Gin**. Using 100% organic grown English wheat, each bottle contains the essence of approximately 62 wood ants



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panied with Bulgarian juniper berries, wood avens (*Geum urbanum*), nettle (*Urtica dioica*), and Alexanders seed (*Smyrniolum olusatrum*) botanicals. Manze describes the development of this trend as "garden to glass" and explains that "parsley, sage, rosemary, thyme, cilantro, Thai basil, beets and celery among other ingredients are being used as garnishes, in muddles, for infused syrups, infused alcohols or smashes."

On the sweeter side, Kahlua **Salted Caramel** limited edition joined Pernod Ricard USA's portfolio. Described as "a rum for the bourbon drinkers," La Colombe developed **Different Drum**, a combination of cane sugar, Panama Geisha and Indian Monsoon Malabar coffee beans. SomPriya (Hindi for "Dear to Gods") are the makers of premium liqueur **SomruS**, the Original Indian Cream Liqueur, developed to complement

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Indian cuisine. SomruS translates to “Nectar of Gods” and is an intricate blend of eastern spices including saffron, rose, cardamom, almonds, pistachios, Wisconsin dairy cream and Caribbean rum.

Yael Vengroff, the new beverage director at The Spare Room at the Hollywood Roosevelt, says “a recent trend is to fat-wash spirits to get richer, buttery flavors without the sin.”

Vengroff’s secret is to use an unexpected ingredient of coconut oil.

Quick service restaurants (QSR) recognize consumers’ desire for alcoholic beverages and to broaden their appeal, they are beginning to serve alcohol. At the end of 2014, Starbucks announced plans to offer a “Starbucks Evenings” menu at select locations where wine, beer and small plates are served. A handful of locations in Atlanta, Chicago, Los Angeles, Portland, Seattle and the District of Columbia offer the Starbucks Evenings menu. At the beginning of 2015, Downtown Disney West Side joined the ranks and also serves wine, beer, and food. Taco Bell is opening a new concept store in Chicago’s Wicker Park neighborhood, which will also serve beer, wine and mixed alcohol freezes. Yum! Brands Inc. tested the concept in South Korea, Japan and the United Kingdom, and has plans to roll out more restaurants. San Francisco is also slated for an opening.

Flavored Whiskey on Fire

According to Rabobank’s (www.rabobank.com) “Spirits Quarterly Q1 2015” report, flavored whiskeys or whiskey-based liqueurs, was the “hottest growth segment in the U.S. spirits market” in the first three quarters of 2014. In the first 10 months of 2014, Irish whiskey and domestic whiskey, including flavored Bourbon and Tennessee whiskey, grew volumes by 3.2% and 10%, respectively, while brands categorized as other imported whiskey, excluding Scotch and Canadian, increased 41%.

“In spirits, American whiskey is still the hottest category, particularly flavored whiskeys. tequila, cognac and Irish whiskey also drove growth,” says Manze. “Overall, premiumization continues and craft spirits gain momentum.”

The affinity for whiskey is further evidenced by Technomic’s (www.technomic.com) “2015 Spirits Trends in Adult Beverage” report, which stated “the real growth engine in the spirits industry today is whiskey, with straight American whiskeys expected to grow by 1.1 million cases in 2015, powered by the increased appeal of bourbon, Tennessee whiskey and rye.” Technomic’s research found that “Two-fifths (40%) of consumers report ordering American whiskey in restaurants and bars at least once a month, and slightly more than one third (35%) order flavored whiskey.” Additionally, “About one-third also report ordering Scotch, Canadian, or Irish whiskey frequently. American whiskey is also the top choice for shot or straight sipping at the bar. The whiskey craze has morphed into a strong trend that’s unlikely to falter any time soon.”

Sazerac’s **Fireball Cinnamon Whisky** that blends red-hot cinnamon with Canadian whisky, launched in Canada followed by the U.S. in 2011. It caught on like wild fire in the U.S. and kick started the flavored whiskey trend. According to IRI, retail sales went from under \$2 million in 2011 to \$63 million in 2013 to \$130 million in 2014. According to Nielsen data, cinnamon whiskey sales increased 90% to more than \$246.9 million in the U.S. for the 52 weeks ending January 31, 2015. Riding the

coattails of Fireball, other brands such as Jim Beam **Kentucky Fire** and Jack Daniels **Tennessee Fire** followed suit with cinnamon flavored products. Europe recalled the Fireball Cinnamon Whisky, but surprisingly the incident did not affect sales.

“Maple, honey and smoked flavors are seeping into whiskey,” says Roman.

Newer flavor introductions include Jack Daniel’s **Tennessee Honey**, Jim Beam **Apple**, and Raven’s Lace **Peach Berry Whiskey**. Marketed to female consumers, Raven’s Lace **Peach Berry Whiskey** is 60 proof and combines juicy peach and sweet strawberry with Bourbon whiskey. In July, Beam Suntory Inc. launched an anticipated bourbon and Scotch hybrid, Jim Beam **Kentucky Dram**. It is described as premium bourbon infused with Highland Scotch whisky that has a “smoky flavor with vanilla and oaky notes.”



Looking for the next spicy success, manufacturers are formulating new flavors in tequila. Hornitos Spiced Honey Tequila is a new addition.

Looking for the next spicy success, manufacturers are formulating new flavors in tequila. In select markets, Sazerac released **Tijuana Sweet Heat**, a tequila liqueur with gold tequila and agave nectar. Another variation on this trend is Hornitos **Spiced Honey Tequila** with “warm, spicy and caramel notes of honey paired with a spice blend that balances the citrusy, peppery and earthy notes found in the tequila.” Beam Suntory Inc. unveiled Sauza **Cucumber Chili Tequila**, its first flavored tequila. “Sweet and heat combinations are starting to gain traction outside of the food sector. They are coming out in droves within the alcohol channel and I think it’s only a matter of time before we start seeing them infiltrate the non-alcoholic side,” says O’Brien.

Package Deal

Packaging plays a significant role in the food and beverage industry. As the demand for green, eco-friendly, and sustainable products increase, consumers are paying much more attention to packaged goods materials and traceability. In addition, Transportation Security Administration’s (TSA) strict flight travel regulations are inspiring brands to create TSA-friendly beverages and kits. The craft beer movement has inspired a surge of sophisticated canned beers.

“Convenience via package size and format for every consumption occasion remains key as increasingly busy lifestyles mean consumers are seeking ease of use and portability,” says Manze. “Smaller, lighter, more easily disposable packaging is what consumers want.”

Boxed water is trending and brands such as **Icebox Water** and **Boxed Water** are packaged in sustainable and BPA free materials. The package for Icebox Water is 100% recyclable and made of pressed-paper. It contains fresh mineral-rich water from the True North Spring in Canada. In May, Boxed Water, also an eco-friendly packaged water, expanded its distribution and became available in over 400 Target stores nationwide. In June, the company announced its Banana Republic partnership. For the month of June, Boxed Water was featured in the windows of 11 flagship Banana Republic stores across the U.S. and Canada and customers received free samples of 500-ml waters. Noah's Spring Water added a re-sealable aluminum container to its line. The can is 100% recyclable and the unique re-sealable cap makes the can reusable and the aluminum keeps the water cold longer. It is currently sold at select retailers in northern California; the company plans to expand distribution across the country. The Coca-Cola Company's initiative to create a PET plastic bottle made entirely from plant materials has come to fruition. In 2009, **PlantBottle** was introduced and made from 30% renewable sources. In June, at the World Expo Milan, Coca-Cola unveiled the world's first 100% PET plastic bottle. PlantBottle uses patented technology that converts sugar cane and sugar cane processing byproducts into ingredients to create the PET plastic bottles. The company estimates that PlantBottle will be widespread by 2020 and will house soft drinks, water, juice and tea. Nestlé Waters North America (NWA) announced the launch of the remodeled 100% recycled PET (rPET) bottle for its resource Natural Spring Water. The company is committed to bottle-to-bottle recycling and has a goal to increase plastic (PET) beverage bottle recycling rates to 60% by 2018. **Kap Tap** is a new market entry that fits over the cap of a bottle and creates a hole to allow water to flow when the bottle is squeezed. As of July 1, 2015, single-use Expandable Polystyrene Foam (EPS) products including cups, bowls, plates, takeout containers and trays as well as packing peanuts are banned in New York City. Companies will have six months to comply or will be fined. It will be interesting to see how this ban will lead to creativity and innovation of new eco-friendly products that will replace EPS.

TSA friendly products are popping up with introductions like FlyWine and Carry On Cocktail Kit. FlyWine was introduced

last year and features super premium wines available in single serving 100 ml "Traveler" bottles.

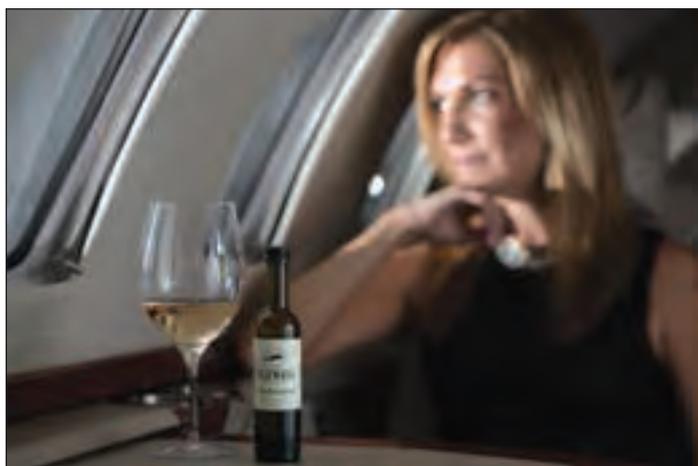
"The wines are handcrafted by credible winemakers from reputable American Viticultural Areas (AVA)," says Stephanie DeMasi, vintner/founder of FlyWine. "Each wine has a unique story and the winemakers choose a charity to which 15% of sales are donated."

The Carry On Cocktail Kits are tins that measure 3.125 in. (W) x 4.25 in. (H) x 1 in. (D) and feature all of the makings for a **Gin & Tonic** and an **Old Fashioned** cocktail except for the alcohol. The Gin & Tonic kit includes a recipe card, bar spoon, 1/2 oz jigger, tonic syrup and linen coaster while the Old Fashioned includes a recipe card, spoon, muddler, aromatic bitters, cane sugar, and linen coaster. Although not a beverage, a notable new travel product is Marmite, the British savory spread, available in 70 grams. It is reported that Marmite is the second most confiscated food at the London City Airport and the product was developed in response.

More than a decade ago, canned beers had a bad reputation, but craft beers have changed the perception. According to a July/August 2015 Imbibe magazine (*imbibemagazine.com*) article titled "So Metal Once Knocked as a Novelty Canned Craft Beer Is Growing Up," there are more than 500 breweries that can beer, ranging from nano-breweries to large brewers like Sierra Nevada. There are many benefits of cans such as they keep sunlight out and flavor in. Additionally, cans are sustainable, affordable and portable, leading the way to innovative design. Aluminum bottles, cans with pry-off lids, resealable cans and crowlers (canned growler) are the most recent inventions. Heineken and Ball Packaging Europe collaborated to develop a can that looks like the company's trademarked keg can, embossed with grooved edges around its entire body. It is said to "enhance the consumer's tactile experience and improve the handling stability." Rexam and Czech beer brand Pilsner Urquell partnered to create a range of limited edition cans with illustrations of the Czech Republic's national ice hockey players for the sponsorship of the World Championships.

Interactive Billboards

Driven by creativity and technology, interactive "drinkable billboards" appear to be the latest trend in advertising and sampling campaigns. In Indianapolis, Coke Zero and Ogilvy & Mather installed a "drinkable billboard" as part of its NCAA Men's Final Four competition sponsorship in April. The interactive billboard dispensed soda through a 4,500 foot straw that spelled out "Taste It" and led to a sampling station with six fountain spouts. Similarly, Carlsberg partnered with Fold7 and Mission Media to create a beer-dispensing billboard. The billboard was located at The Old Truman Brewery on Brick Lane in London and featured "Probably the best poster in the world" as a headline. Inside the Sao Paulo metro station, Cafe Pele and Brazilian Lew'Lara\TBWA designed an interactive billboard with a built-in motion sensor that played a contagious video of a young man yawning. The more commuters around the billboard, the more the man would yawn, causing everyone to yawn. Eventually the ad said "Did you yawn too? It's time for coffee," and Cafe Pele representatives with free espresso shots appeared. Although not an advertisement for a brand, Lima,



FlyWine features super premium wines available in single serving 100 ml "Traveler" bottles.

Peru, has two notable interactive roadside billboards. Inspired by the country's 98% humidity and the need for clean drinking water, in 2013, researchers at Universidad de Ingeniería & Tecnología and Mayo Publicidad designed a billboard that generates drinking water out of air. The billboard is engineered with a reverse-osmosis system, air filters, a vapor condenser, a carbon filter and a cold tank. In April this year, using the same technology, researchers at Universidad de Ingeniería & Tecnología created the **Air Orchard billboard**, which grows hydroponic lettuce as well as produces fresh water for the local community.

The Times Are A Changin'

The flavor and fragrance industry is in a continual state of change as new rules and regulations are being set. From ingredients being banned and clean labeling initiatives to meeting consumers' demands and expectations, flavor suppliers and food and beverage manufacturers are universally facing new challenges.

"Some of the challenges are the new developments and ever changing requirements for Non-GMO and organic products as well as consumers' desire to eliminate 'artificial' ingredients from their diets," says Slovis.

In response, Comax Flavors keeps up-to-date with new food and food ingredient regulations and "helps their customers comply with product and label regulations whenever they need changes in their formulations."

Piazza expects that many flavors and finished market products will need to be reformulated because of the new PHO regulations.

"Future beverage flavors will need to be made in compliance with stricter gluten-free and non-GMO regulations," she says. "Organic-compliant and natural flavor components of known origin will also become increasingly commonplace."

As seen in other categories, Manze foresees an increase in claims such as all natural and Non-GMO Project compliance.

Roman adds, "The types of challenges Flavor & Fragrance Specialties face are competition, pricing, masking off-notes and functional ingredients as well as staying ahead of the trends, which seems to be moving quickly."

Regardless of regulations, consumers expect new great tasting beverages.

"Like consumer tastes, preference and expectations, the beverage industry is in a constant state of change," states O'Brien. "Keeping pace can be a challenge, but FONIA International has a streamlined turn-key system to get their customers to market faster with consumer winning products."

Similarly, Givaudan recognizes their customers' need for speed and the need to build better flavor and liquid solutions. To ensure that faster development times are achieved and to reduce the number of iterations to create a target-flavor profile, Givaudan has invested in market research, explains Martin: "Using a very robust sensory and consumer understanding methodology, Givaudan is able to identify, capture, and translate consumer preferred flavor profiles."

Driven by consumers' desire for speed and convenience, Starbucks initiatives such as a mobile ordering delivery service and express format stores are all good examples of how fast the market is moving.

Fast Forward

The beverage market is dynamic with many segments, flavor profiles, technologies, packaging, and interactive brand communication. The diverse category provides new creative opportunities and challenges for flavor suppliers, consumer packaged goods, and the food service industry.

Health and wellness is an overarching trend affecting all aspects of the flavor and fragrance industry. Driven by global access to information, hyper-aware savvy consumers are scrutinizing ingredients in their consumer products including food, beverage and personal care items. Without giving up taste or mouthfeel, consumers seek and demand dynamic multipurpose beverages with complex flavors. Brand authenticity, transparency and sustainability including packaging are becoming important decision factors for consumers.

Martin concurs: "Beverage manufacturers will need to better respond to consumer needs associated with customization, clean labels, and environmentally friendly packaging."

Led by the craft beer and coffee movement, and evidenced by the activity in soda, premade mixers and cocktails, expect to see more artisanal beverages across all platforms. Consumers want quality products that are healthier and incorporate sugar alternatives and use more natural and organic ingredients. Functional products are where the market is headed. Anticipate more bottled water, fortified protein beverages, tea and matcha, and hybrid beverages with multifunctional claims.

"Category blurring and hybrid beverages and beverages with functional benefits that offer consumers variety will increase," predicts Manze.

Martin sees an increase in consumers' need to balance their consumption and choose between indulgent and functional drinks based on taste or refreshment. Alcohol is a popular medium for creativity and experimentation. Flavored whiskeys and hybrid alcohols that use unusual ingredients will continue to be produced offering consumers a wide and eclectic range of unique, flavor profiles.

"Consumers today continue to crave connection with flavor, which supports their gravitation to flavors and ingredients with unique or interesting origins, varieties or history, including the recent growth in ancient and revived flavors," says Martin.

Being equipped to respond to the fast moving beverage market is important and flavor suppliers are investing in new systems and technology. For example, H.B. Taylor Co. is in the midst of doubling its spray dry capacity and developing fluidized bed drying and agglomeration capabilities. With these investments in manufacturing assets, Piazza believes that the H.B. Taylor Co. "is well positioned to develop and manufacture a dynamic range of flavor systems and ingredients for the beverage industry."

Meanwhile, Manze says, "FONIA International Inc. is continually creating flavor systems and solutions in response to challenges that arise from new ingredient trends. These new developments allow FONIA's customers to create products that utilize on-trend ingredients, while still meeting consumer expectations."

Like all food and beverage categories, she concludes, "taste is still king!"

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