

20 TREND 16 INSIGHT REPORT



The Craft of Food, Drink and Taste

Craft. It's everywhere: from the local bar, restaurant, grocer, taproom to social media like Pinterest, Snapchat, and Instagram. A descriptor used for beer, food, snacks, sweets, desserts and — oh yes, cocktails, mixers and more — craft is not just a word. It's a movement. Whether handcrafted, artisan, homemade or otherwise, consumers are drawn to craft food and beverages. Let's take a look at where the craft movement has been, and where it's taking us next.

Craft

noun \ˈkraɪt\

- an activity that involves making something in a skillful way by using your hands
- a job or activity that requires special skill

Craft Defined

The word “craft,” as it pertains to food, is hard to pin down. There are definite differences and interpretations of the word between and among consumer, manufacturers and industry. Does craft mean being completely independent from large scale producers, is it the volume produced, ingredients used or even a unique flavor descriptor?

A great place to start in getting to a definition of craft is actually the beer category. The definition for the craft brewer in the U.S. is, “small, independent and traditional” along with producing less than 6,000 barrels of beer annually. Remember when small, local brewers used to be called microbrewers? Coined by the *New York Times* in a 1983 article on a Seattle brewer, the term micro-brewery was born and became a business end goal for the small-scale brewer.¹ About two years later, Vince Cottone, a local beer writer for the *Seattle Post-Intelligencer*, referred to micro-breweries and their output as “craft breweries” and “craft beer.” That’s when the term craft was married to beer.

“I use the term craft brewery to describe a small brewery using traditional methods and ingredients to produce a handcrafted, uncompromised beer that is marketed locally,” states Cottone.

Using our knowledge of today’s consumer and blending it with Mr. Cottone’s original idea, we crafted a definition of craft that applies to both beverages and food alike:

Craft food or beverage:

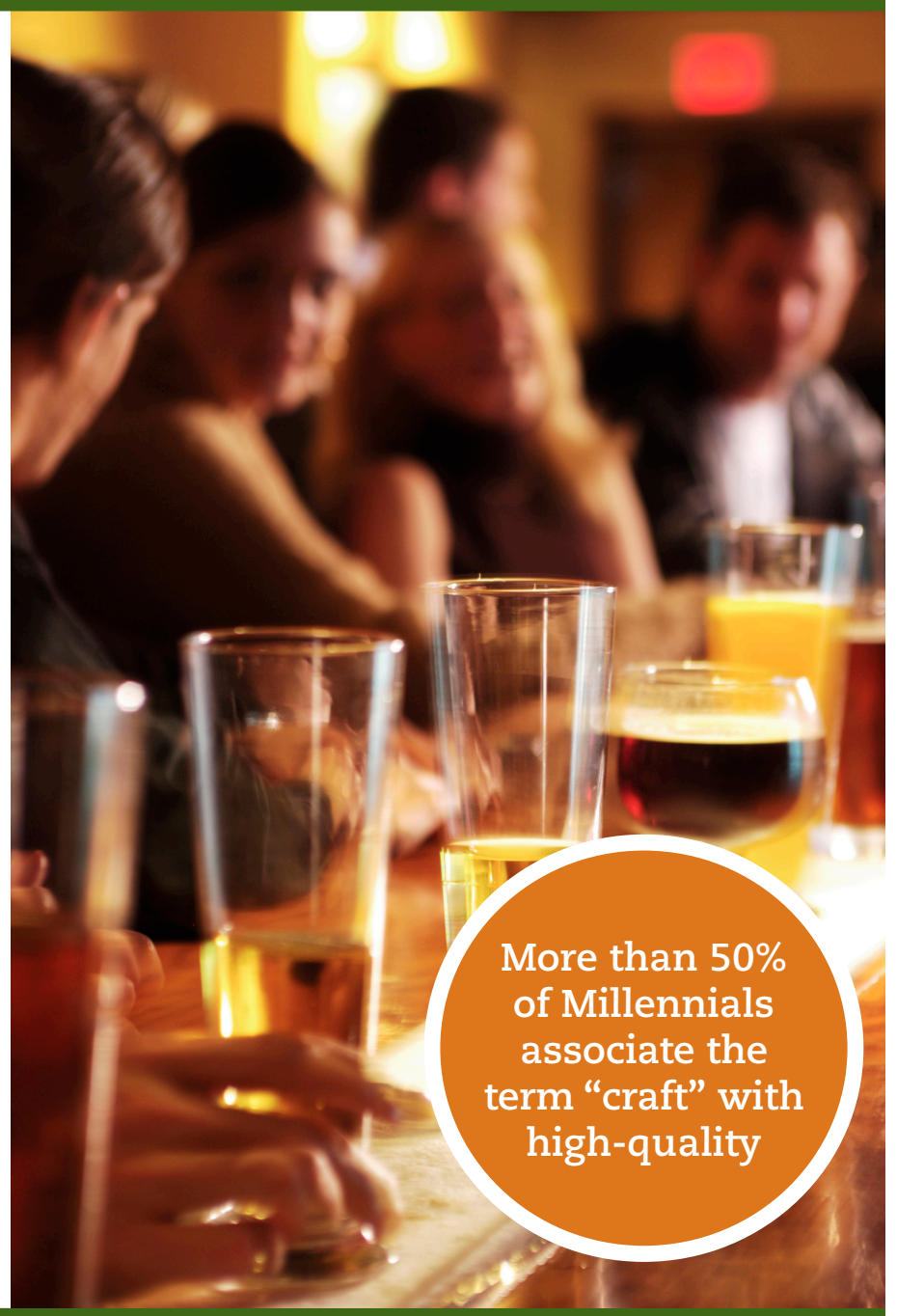
a producer who uses traditional methods and ingredients to create a handcrafted product and has a connection and understanding of the end consumer.

Consumers Craft Their Own Definition

Consumers sometimes choose craft items because they believe it equates to higher quality, not that they necessarily understand its intended meaning. In the alcoholic beverage world, 59% of alcoholic beverage drinking consumers are begging for a definition of “craft” as it relates to the category; it’s clear that consumers want to know what they’re drinking.

Across the pond, while 30% of Brits don’t understand what “craft” means, 47% of them say that having a unique flavor deserves a craft claim. About 42% believe “craft” means high-quality ingredients.² Consumers want justification for a craft purchase, especially when the manufacturer is a mass-producer as opposed to small batch.³

While some confusion exists for craft, one thing remains clear — Millennials are craft consumers. More than 50% of Millennials associate the term “craft” with high-quality, along with 45% of Gen-Xers and 40% of Baby Boomers. The terms “artisan/artisanal” and “limited edition” each have more of an effect on all of these consumer groups with approximately 45% of Millennials feeling a stronger purchase motivation when these claims are applied to a product.⁴



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From the Manufacturer's Perspective

Craft food and drink manufacturers must be fully connected to the consumer. Millennials especially are drawn to the manufacturer with a great brand story and often serve as brand ambassadors, spreading the word about their favorite companies. A successful craft producer typically has a strong social media presence and depends on e-commerce sometimes as the sole business model.

A dedication to ingredient sourcing and presenting a clean label also are often seen with the craft food and beverage manufacturer as is the commitment to routinely communicating with and understanding their consumers.



CATEGORY DEEP DIVE

The World of Craft Beverages

Beer/Alcohol

Craft Beer: Worth \$20.4 billion in 2014, the U.S. craft beer market is approximately 24% of the entire U.S. beer market and is expected to reach \$36.3 billion by 2019.⁵ With the U.S. driving the market for the past 20 years or so, there are now over 3,000 craft brewers in the United States. Europe is catching up while China has approximately 1,000 craft brewers.⁶ The U.S. also is setting the example in global innovation especially when it comes to the flagship IPAs that the country is known for.

Flavors have also been integral to the success with pumpkin, citrus, coffee, chocolate and honey tempting all types of consumers. In addition, the apple based ciders have become fan favorites for those seeking a lighter experience. Despite only being 1% of the size of the U.S. beer market, cider sales are skyrocketing at a higher rate than craft beer given its gluten-free claim and sweetness profile.⁷

SEEN & SPOTTED*



Genesee Brew House Pilot Batch Salted Caramel Chocolate Porter is described as an elegant English-style porter, seductively complex with rich caramel aroma and flavors, balanced by a dark chocolate bittersweet finish.



Erie Brewing Company Final Destination India Pale Ale is described as a dangerously flavorful West coast style IPA brewed with citra and simcoe hops. It possesses powerfully sapid hop flavors with passion fruit aromas and hints of citrus and grapefruit.



Ranger Creek Small Batch Series No. 11 Apricot Sour Ale is described as a unique, seasonal single batch brew, and is handcrafted in extremely limited quantities.



Abita Bourbon Street Maple Pecan Ale has been aged for months in 100% bourbon wooden barrels used to make small batch bourbon whiskey. The handcrafted artisanal brew is said to absorb the flavor of the barrels which intensifies the taste and aroma of the sweet roasted malt and warm smooth bourbon. The nut brown ale has been brewed with pale, Munich, biscuit and caramel malts, with the addition of roasted Louisiana pecans and real maple syrup to produce a nutty flavor and sweet, full body.



Seattle Cider Co. Three Pepper Hard Cider is limited edition, brewed in small batch. This cider has an aroma of green jalapeños, combining the taste of fresh cut poblano, habanero and jalapeños peppers to offer a kick followed by a subtly sweet finish.



Rogue Fruit Salad Cider is said to be inspired by Oregon's rich fruit bounty. It is packed with cherries and plums grown on the company's own farm in Tygh Valley, Oregon. It also contains apples, pears, marionberries, peaches and apricots grown on rich Oregon soil.

* U.S. products unless otherwise noted

Craft Spirits

The spirit segment has become very craft-friendly over the past 8 years or so. While dominated by large-scale manufacturers, the liquor store has recently been inundated with craft bottles of vodka, gin, whiskey, and tequila. Plus, don't forget about handcrafted bitters, shrubs and mixers created to accompany the spirits.

With 18% of spirit launches claiming "craft" and the number of craft distilleries in the U.S. greater than 600, it's safe to say that consumers will have ample choices for their next cocktail. Just like the craft beer segment, the U.S. is setting the pace for the rest of the world which has only experienced craft representing 7% of spirit launches.⁸

Millennials are also the biggest supporters of craft spirits. The brand's story, packaging, and company values draw in Millennials, who feel an emotional tie to a smaller manufacturer vs their perception of what the larger one represents.

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Deep Eddy Peach Flavored Vodka is handcrafted in small batches. It is made from real peach juice and mixed with 10 times distilled and naturally gluten free vodka.



Dash Texas Handmade Vodka is 100% neutral spirit distilled from wheat and raisins and handcrafted in the United States from an age-old distilling tradition using the finest quality wheat. It traces its pure essence to sun roasted Thompson raisins.



Corner Creek Reserve Bourbon Whiskey is aged in new American oak. The product is distilled, aged, and bottled in Kentucky. Bottling of this whiskey is said to be limited and is lightly filtered so that it retains all the complex flavors.

* U.S. products unless otherwise noted

Carbonated Craft Soda

Craft is bubbling over into the soda market, too. Consumers are sipping handcrafted natural sodas at their favorite coffee shop or QSR, like with Starbucks' Fizzio line or Sonic's Soda Pop Shoppe featuring multi-flavored cream sodas. Despite the interest craft brings to the category as a whole, 40% of consumers believe that craft and natural sodas are too high in calories or are too expensive, presenting challenges for the category.⁹

For those consumers drawn to craft sodas, it's all about the ingredients! Real ingredients matter most to 54% of consumers followed by high quality (49%) and flavor, which takes third place (42%).¹⁰ Consumers are also interested in natural versions of their favorite soda. Interesting to note that only 1/4 value the "handmade" aspect of the craft sodas but 56% want more craft-style non-alcoholic options.¹¹

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Dr Pepper Naturally Sweetened Carbonated Soft Drink

has been added to the range. This soft drink is naturally sweetened with stevia leaf extract and real sugar, is free from artificial sweeteners and features less than half the calories of regular Dr. Pepper.



Sip Natural Craft Soda

A blend of seltzer and natural flavors like Rosemary Lime and Lavender Lemon peel, Sip blends its love for healthy herbs and barely sweet flavors that can be enjoyed on their own or mixed with alcoholic beverages for a refreshing cocktail.



Ethical Soda Kombucha

Brewed in small batches using traditional fermentation practices and single-origin teas. Lavender, Raspberry and Hibiscus join the original flavors to be mixed or sipped.

* U.S. products unless otherwise noted

Craft in A Cup

Hot Beverages

When it comes to hot beverages and craft, it's all about the quality of ingredients, ethical sourcing and unique innovations. MiCacao, a new craft tea startup, takes roasted cacao shells to make their chocolate tea. Sold loose or in bags, the brand is hoping to capitalize on the health benefits of the cacao shells and appeal to those seeking an alternative to coffee. Loaded with antioxidants, vitamins, minerals and more, the tea also claims to help with a sweet tooth.

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Luna Roasters Specialty Grade Organic Estate Blend Craft Coffee is made from the best arabica coffee beans, artisan roasted in small batches to deliver the freshest coffee. The whole beans are ethically sourced from the top 2% of the specialty grade from the finest growers worldwide who have been paid fairly to invest in their communities and environments.



Minta Tea in a Box contains the equivalent of 6 (16.9 oz.) bottles with a 12-month shelf life. RTD, the product comes in six flavors including peach, raspberry, ginger, lemon and jasmine.

* U.S. products unless otherwise noted

CATEGORY DEEP DIVE

The Evolution of Craft Food

Saucy, Savory and Spicy

Craft Condiments & Sauces

Small batch purveyors of craft condiments, salsas and sauces have been spreading their personal brand of flavor for years. These days, handcrafted, craft or artisan monikers attached to their label are making the difference. From pizza sauce to mustards and salsas, consumers like provenance and fresh ingredients when it comes to their craft condiments.

The U.S. condiment market has struggled in the recent past, especially between 2009-2014, but a few brands have managed to break through. Millennials and affluent Americans are target groups for these brands as Southside Salsa has learned. Dubbing itself the “original craft salsa brand,” Southside Salsa has had success with their Hot Blonde Medium Craft Salsa which features a blonde lager in the recipe. One of the bright (and hot) spots in the condiment market is hot sauces. Whether it’s the sriracha effect or Millennials’ affinity for excessive heat, spicy pepper sauces are blowing up the category.

Many brands in the category employ the same marketing strategies as craft beers: engaging the customer through social media to generate an almost cult-like buzz and word of mouth advertising. Take for example, Victoria Armory. Part lifestyle brand, part condiment and snack venture, Victoria Armory was raised in Madrid but began her business in 2012 from her

kitchen making sauces for a school fundraiser in Miami, Florida. After selling 200 jars in 10 minutes, Victoria Armory & Co. was on its way, selling Green Chili Peri Peri, and Almond & Garlic Romesco sauces along with rosemary and parsley flatbreads and more. Committed to educating consumers through her blog and social media about effortless entertaining, Armory has crafted a whole new life and business.

Let’s not forget the jarred pasta sauce. Consumers’ consumption of pasta has remained relatively flat and sales of tomato-based pasta sauces have fallen, as has innovation.¹² However, craft brands are slowly bubbling up and are tempting taste buds with their promise of “kettle cooked” provenance. And 42% of Millennials and consumers under 35 cite natural claims as their driving factor when choosing a pasta sauce so their appreciation for craft sauces is expected.¹³

It’s clear that the market is ripe for craft sauces and condiments that have a brand to share, a story to tell and taste for fresh ingredients.

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Southside Salsa Co. Rahr & Sons Hot Blonde Medium Craft salsa comprises Rahr's Blond Lager with fire roasted yellow bell peppers.



New York based, Hawthorne Valley Farms, produces a Raw Heat Hot Sauce comprises a blend of hot chili peppers crafted on their biodynamic farm in the Hudson Valley. The raw, unpasteurized hot sauce contains probiotics, and has been naturally lacto-fermented in small batches in order to extract the essential heat of the fresh, organic chili peppers.



Oolala Red Fig Confit Chutney is now available. The product is said to be a traditional French confit, and suggested to be enjoyed with the favorite cheese, meat, fish, or just by itself on a favorite savory cracker, snack or artisan bread.



Giant Eagle Market District Italian Style Sauce Con Carne is kettle cooked in small batches. The brand is capitalizing on craft and artisan methods.



Victoria Sur la Table Chianti Marinara Pasta Sauce is now available. The kosher certified product is slow simmered in small batches, and is made with 100% Italian tomatoes from Chianti, imported olive oil, Chianti wine, fresh garlic, basil and onion, sea salt, and tradition spices.

* U.S. products unless otherwise noted

A Chip off The Craft Block

Snacks

Salty snacks and beer are lifelong companions, so it's no wonder that the snack category has capitalized on the success and tenets of the craft beer industry. Like in craft beer, snack companies are working to build relationships with their consumers through social media, and share ingredient sources. Alternative carbohydrate, ancient grains, premium and protein-rich ingredients are used to help the health-conscious consumer reach their goals in addition to the non-GMO ingredients and natural flavors all of which are helping the snack category become much more than potato chips and pretzels. Often featuring veggie based, coconut or free-range proteins, the snack category is primed to become even "craftier."



Rhythm Superfoods Smoky Bacon Roasted Kale is comprised of fresh organic Lacinato kale, which is triple-washed and then roasted in a delicate oil and seasoned to perfection resulting in a satisfying crunch with homemade taste. It is high in vitamins A, K and C.

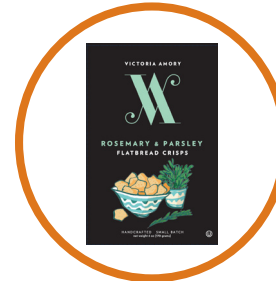


Que Pasa Organic Purple Corn Tortilla Chips are made with volcanic stone ground purple corn, quinoa and chia. These chips are described as artisan organic chips with a superfood boost that can be enjoyed as they are. They are said to be made according to old Mexican traditions, grinding whole kernel corn between hand cut lava stones from the volcanic peaks of Querétaro, to deliver superior taste and crunch. [Category Insight: Salty Snacks & Fruit Snack Mixes, February 2016]

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Made in Nature recently launched a range of Organic Toasted Coconut Chips in the US market. The range retails in flavours: Vietnamese Cinnamon Swirl, Italian Espresso, Maple Madagascar Vanilla, Mexican Spiced Cacao and Ginger Masala Chai, and are described as being delicate with a crisp, caramelized crunch. Roasted in small batches, the chips are said to be packed with fibre and 'nothing but real food and flavour'. They are also free from gluten, refined sugar, artificial flavours and GMOs. [Category Insight: Salty Snacks & Fruit Snack Mixes, February 2016]



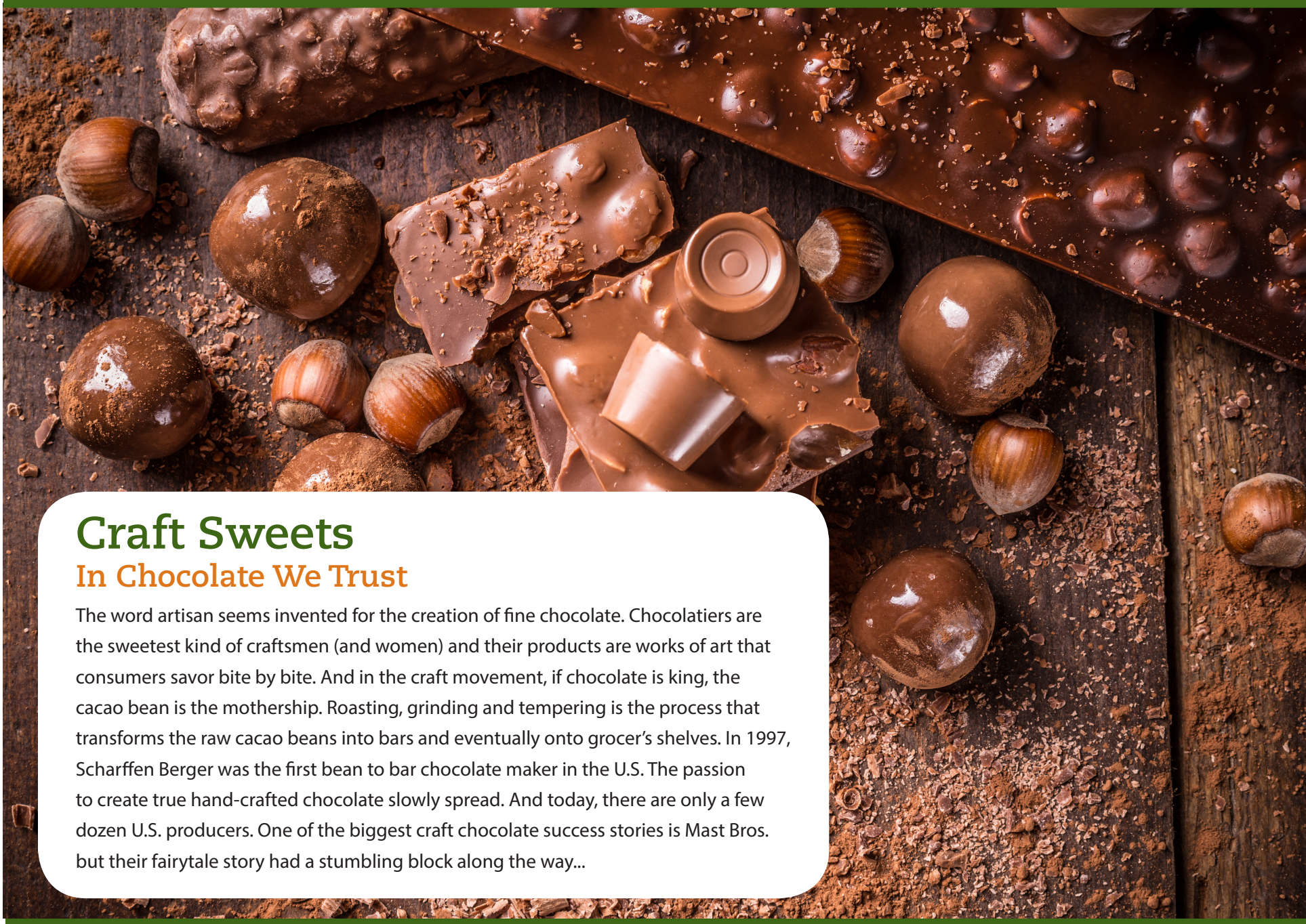
Victoria Armory Mediterranean Rosemary and Parsley Flatbread chips make it easy to entertain. Effortlessly.



Kettle Brand Krinkle Cut Dill Pickle Potato Chips are now available. This certified kosher product is made from all natural, real food ingredients, using the finest potatoes, natural oils and craft cooking methods, and is said to have bold flavor and a hearty crunch.



Think Jerky is created by famous chefs including Chicago's Gale Gand and Matt Noost, Food Network host and farm to table expert who are committed to developing a healthy snack that has the nutritional profile to back it up. Free range turkey and non-GMO ingredients that are gluten-free and paleo friendly are 100 calorie packs in flavors like sriracha honey, sweet chili and Thanksgiving.



Craft Sweets

In Chocolate We Trust

The word artisan seems invented for the creation of fine chocolate. Chocolatiers are the sweetest kind of craftsmen (and women) and their products are works of art that consumers savor bite by bite. And in the craft movement, if chocolate is king, the cacao bean is the mothership. Roasting, grinding and tempering is the process that transforms the raw cacao beans into bars and eventually onto grocer's shelves. In 1997, Scharffen Berger was the first bean to bar chocolate maker in the U.S. The passion to create true hand-crafted chocolate slowly spread. And today, there are only a few dozen U.S. producers. One of the biggest craft chocolate success stories is Mast Bros. but their fairytale story had a stumbling block along the way...



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Meet the Mast Brothers

Rick and Michael Mast began experimenting with chocolate in their tiny Brooklyn kitchen in 2007. Bean to bar producers from the very beginning, the Iowa-born Mast brothers spent a year cultivating and creating the bean to bar process that became a craft movement. And like many craft brands, their story is what made their brand. Whether it was the transporting of their hand-selected beans via sailboat, their long beards or Midwest beginnings, the Mast Bros. had a story to wrap a brand around and they did just that. With hip specially designed in-house papers for wrappers and luscious chocolate, Mast Bros. chocolate bars won consumers over by the millions.

Fast forward to December 2015. Daniel Craig, a Dallas-based blogger uncovered information that refuted the Mast Bros. claims that they “are 100% bean to bar;” they used couverture Vahlrona in the early days of their business, failed to disclose it and also took credit for creating the craft chocolate movement.

“Their brand is ‘one of authenticity, one of care, obsession, commitment, integrity, transparency, all of that, Mr. Craig said, adding, ‘This was all a facade.’”¹⁴ While Mast Bros. has suffered an image blip, the handcrafted story, along with the famously wrapped chocolate bars, is one consumers are still buying. Plans to build a 65,000 square foot chocolate brewery/headquarters are underway at Navy Yard in Brooklyn, where they will join several other craft companies and produce a non-alcoholic chocolate beer.

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Sir Charles Pop Stoppers Dark Chocolate Coated Puffs are hand crafted chocolate coated puffs that are made with sea salt and dark chocolate (US)



Dulcinea (Pittsburgh) Craft Chocolate's single origin Madagascar 70%



Map Chocolate (Oregon) Secret Garden Bar with 70% dark chocolate, dried plums and cardamom



Ethereal Confections (Woodstock, Illinois) 80% Ecuador Single Origin with notes of banana, walnut and toffee.

Packaging Highlights

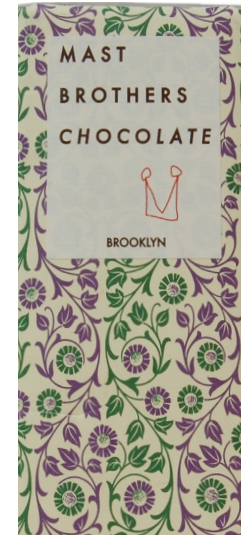
One of the big draws for consumers with craft food and beverage is the entire brand and what it represents. A big component of that is the packaging. It's the pretty package representing a story to draw consumers in. Here are a few packages from craft brands that we know have turned a few heads:



The cut-out eyes on the label of this blue agave blended beer glow in a darkened bar.



Mast Bros. Dark Chocolate with Dried Cranberries



Mast Bros. Almond Chocolate



Mast Bros. Olive Oil Chocolate



For the prepster... clean, fresh.



But does packaging really inspire sales? Ask Russian River Brewing Company, the brewer of Pliny the Elder, touted to be the best beer in the world and winner of American Homebrewer Association's "best American beer" for seven straight years.¹⁵



Cat Lady Preserves labels are a perfect blend of art and information created by a jam maker who also happens to be an artist.

One Crafty World

Finally, we wanted to touch upon what is happening in craft food and beverage across the globe. Globally craft beer represents 21% of innovation and more countries are getting involved into the market.¹⁶ In Italy, brewers are weaving traditional winemaking techniques into the creation of craft beer like the brand D'Uva, which blends the must from the Freisa grape to add a sweet note and tannins. Another category experiencing strong growth in Europe is nut butters and spreads. The nut spreads segment has seen almost twice the amount of product launches between 2013-15 up to 13% from 6%.¹⁷

As more and more craft food and beverage products are created and small companies become engulfed by big ones, the need to define terms like craft and artisan becomes pressing. While the U.S. arguably is the birthplace of craft beer, the country hasn't developed specific parameters that define any terms related to craft food and beverages, some of which has previously been discussed. However, in Ireland, the Food Safety Authority set about defining marketing terms that will help guide the consumer's understanding of these claims:¹⁸

Artisan: Food must meet all of the following criteria: food is made in limited quantities by skilled craftspeople; the processing method is not full mechanized and follows a traditional method; made in a micro-enterprise at a single location; and ingredients used in the food are grown or produced locally where seasonally available and practical.

Traditional: Must meet at least one of the following criteria: the food is made to an authentic recipe which can be proved to have existed without significant modification for at least 30 years or does not deviate substantially from the traditional food processing method associated with a certain type of food.

As Ireland sets the example, will the rest of the world follow?

FONA CAN HELP YOU CRAFT YOUR BRAND

Knee-deep in a new craft food or beverage project or just in the early phases? FONA's technical team can help develop your application with our natural flavors and consumer insights. Ready for your brand's story to start with a happy consumer?

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at 630.578.8600 to request a flavor sample or visit www.fona.com.

Sources

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