

Spice up your smoke

The current lack of high-quality leaf and changes in the tobacco landscape, such as the growing popularity of hookah and smokeless tobacco, a new gender-specific approach of tobacco products or the development of PREPs, provide a range of business opportunities for flavour manufacturers.

As the world faces a growing shortage of high-grade tobacco, manufacturers are having to make do with lower-quality grades, but are at the same time naturally unwilling to allow this development to have an adverse effect on the tastes they have so carefully cultivated over the years. Enter the flavour manufacturers, whose challenge it now is to ensure that the flavours and enhancers they develop will mean that the loyal consumers of brands will taste little or no difference, despite the increasing use of different blends by manufacturers. “More tobacco enhancers and ameliorators will be needed in order to cope with the lower quality of available tobacco and give it the required tobacco notes. In the industry, we call them functional flavours,” says Jürgen Bahr, sales director at German supplier Hertz Flavors.

Ayse Adams, director of sales at Tobacco Technology (TTI) of the US, concurs. “There is a growing tobacco shortage worldwide, which is causing manufacturers to re-evaluate their blends, so we are getting more opportunities to participate in this process. They need to maintain their final integrity and product taste, and one of the only ways they can do this is through different casings and flavours.” George Cassels-Smith, CEO of TTI, gives a specific local example. “Dark fire-cured tobacco is used in American moist snuff, but the crop is very small and, for several years, demand has outstripped supply. So manufacturers are having to compensate by using different origins and blends of leaf, and we are developing flavouring systems to compensate to ensure that the flavour of the new blends matches that of the pre-existing oral tobacco products.”

So what other trends are current in the industry? According to Adams, flavour mixtures or “combination flavours” are a hot topic. “You start smoking a cigarette and you think, ‘Oh, I’m smoking an apricot flavour’, and then you move on and think, ‘it’s not an apricot any more, it’s an orange or a tangerine’. This seems to be popular amongst younger smokers. The flavour keeps changing as you smoke. Another term for it is ‘flavour cocktails’. It’s a dynamic, evolving flavour.”

According to Jürgen Bahr, so-called fancy flavours directed at women are starting to be big business. “In previously male-dominated tobacco markets, women are increasingly picking up the habit, and the trend is to supply them with slim or super-slim products with fancy flavours. By ‘fancy’, I mean anything not traditionally attributed to tobacco, such as fruits, coffee, sweets and alcoholic drinks.”

Another development is the growing popularity of water-pipe

smoking/hookah/shisha/narghile, call it what you will, with all respondents expressing excitement at the possibilities. “Hookah has enjoyed tremendous success in recent years,” says Bahr. “Up until quite recently, its use was confined to the Middle East, but visitors to the region tried it, liked it, brought it back and now it is proliferating everywhere. The interesting thing is that this is happening without any input from the world’s major cigarette players, who have traditionally not been involved in the sector. It seems to be completely self-propelled.”

More flavours for hookahs

Bahr goes on to say that hookah is of particular benefit to his company’s business as it requires high flavour additions and is spawning the development of entirely new types of flavours that are then moving over to other segments of the tobacco market. “People are now constantly approaching us with new tastes and designs for flavours for hookah.” The traditional ▶

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double apple and rose flavours have been joined by water melon, lime, lemon, aniseed and a whole range of other exotic scents.

Adams says that she is noticing changing demographics for hookah smoking. "Outside the Middle East, it's becoming very trendy amongst the 18 to 35 age group all over the world. It's considered to be one of the most sociable ways to smoke in pubs and cafés. It's a way of getting together."

Roger Penn, group director of the tobacco business unit at Mane, France, has also been working on hookah projects for the last few years. "It's a project area we've been working in for at least six years," he says. "Its popularity in the West can be seen, for instance, in all the recent wrangling in the UK to get it exempt from the public smoking ban. To meet demand, we are expanding various tonalities and will be unveiling some new water pipe flavour extensions in the near future."

Hookah is also becoming increasingly popular in China and India and this will of course have an even more dramatic impact on its overall global consumption. It appears that hookah is one of the main fields of tobacco use driving the flavours market at the moment, and, to a certain extent, its influence is dictating what geographical areas are currently most important for the industry. All the manufacturers agree that hookah is rendering the Middle East a more important area than ever before, but its growing popularity elsewhere is making areas interesting that are otherwise seeing a general downward trend in tobacco consumption, such as western Europe and the US.

Growth in the smokeless sector

Another area of major growth for flavours is in the smokeless sector. "We've known for some time that, with all the upcoming smoking restrictions, consumer groups would be looking for a product they could use either in the open air or in the workplace," says Roger Penn. "Flavours, particularly mint- and fruit-based ones, are being

used to create brand extensions and increase product ranges. The presentation of these products to the consumer is also changing dramatically. So in terms of flavour development opportunities, flavour sales and flavour volume opportunities, I think that smokeless tobacco will be one of the more exciting areas for flavours, for the next five years at least."

Growth appears to be especially strong in North America, which has more of a tradition of using smokeless products than Europe does, apart from Sweden and Norway, of course. Africa is also being seen by some manufacturers as a potential area of growth.

George Cassels-Smith is in full agreement with Penn. "We are seeing a dramatic rise in smokeless tobacco consumption across all continents," he says. "These days, everyone is chasing a PREP, and since oral tobacco seems to be more positive than the smoking variety from a toxicological point of view, smokeless tobacco flavour projects are taking off all over. We're really seeing it in India, which has an indigenous market. We're seeing it in China, which has no indigenous market, but which will remain an area of major growth for some time to come."

Cigars are also being seen by many as a segment that holds great opportunities for flavour manufacturers. TTI is particularly noticing this phenomenon in the Asia-Pacific region. Favourite flavourings for cigars include rum, vanilla, amaretto, brandy and cinnamon. There appears to be a trend towards more exotic flavours for cigars than for cigarettes where male smokers at least tend to prefer the natural tobacco taste or flavours that enhance it, rather than 'fancy' flavours.

Consolidation expected

A matter which all flavour manufacturers are eyeing with apprehension is the possible implementation of FDA regulation that might see the banning of all flavoured cigarettes, apart from menthol ones, in the US. So how are they viewing the situation? Tom Cravotta, ►

president of TTI, points out that concern about compliance with possible FDA regulation centres on the requirement for manufacturers to create a master file that documents all components and product development work associated with their products. "All this work requires tremendous technical and administrative support with regard to the categorising product development, listing every ingredient and explaining why the ingredients are used," explains Cravotta. "This kind of detail can only be provided by manufacturers that have the infrastructure to support it, which largely excludes the smaller players. This will be quite disconcerting for the smaller players, who will probably not be able to comply, and this will undoubtedly give rise to some consolidation in the industry." Roger Penn concurs with Cravotta's view that the FDA regulations, whilst

primarily aiming at health and safety issues, will have the side-effect of making it difficult for smaller niche manufacturers to survive, making the issue as much political as health-related, a result that was surely not intended when the ideas were first drafted.

Jürgen Bahr says that his company is used to reacting to new and ever-changing legislation, so nothing that the FDA can come up with holds any particular fears for him. The only fear would be that, if flavoured cigarettes were to be banned in the United States, it could be detrimental to his business if other countries were then to follow suit. And of course, the world does have an unfortunate habit of copying the US in certain policies.

REACH, the new regulatory mandate to be implemented in the European Union, is also of concern to flavour manufacturers, but, as with the FDA regulations,

larger players are viewing it as a possible aid to industry consolidation. "Mane has been extremely proactive over the last two years in terms of getting to grips with what REACH enactment requires," says Penn, "and I consider that it will give companies like Mane, which take a serious professional attitude towards it, a tremendous opportunity to remove some of the smaller flavour companies who have not perhaps been playing the correct game in terms of regulations, requirements, etc. They will not have the personnel or capacity to enact such regulations. We will pre-register all substances we have concern about or interest in, as we already informed our major tobacco customers in April 2007, and we will act either as an individual registrant or via a consortium."

Jürgen Bahr also acknowledges the increased work load, but is confident that all the ingredients that it requires have

been or will be registered, so all of them will remain available and the company will not have to reduce the number of ingredients it uses.

The general view in the industry in Europe is that REACH will create an enormous amount of work for companies, driving up costs and prices, with no discernable increase in "protection" of customers. In the US, of course, the impact will not be so marked, but, according to Tom Cravotta, there will be indirect effects. "REACH will of course affect any exporters to the EU," he says. "We are not manufacturers of chemicals, neither are we importers from the EU. What we are therefore responsible for is securing all our sources for chemicals, so we have already asked our downstream chemical manufacturers to pre-register all the chemicals that we are using and may use in the future before the 1 December deadline. We're monitoring this



Jürgen Bahr



Tom Cravotta



Roger Penn

Photos: ci

by supplier and by component, so that we can safeguard the supply of our products to our customers in the future."

New mission for flavours

PREPs (potentially reduced exposure products) are another area that is providing the flavour manufacturers with both challenges and opportunities. "We're getting a lot of projects which

are specific to the approach the cigarettes manufacturers are using to reduce exposure," says Tom Cravotta. "These projects are very specific to a certain design, construction and blend. Filtration, ventilation, the cigarette paper, the leaf type, blending configurations and by-product type and inclusion are all tools being used by manufacturers to reduce harmful exposure. We are in close collaboration with various companies, as we aim to design flavour



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systems to correspond to whichever of these tools they are incorporating into their cigarette construction.”

Roger Penn says that the advent of PREPs has given the flavour industry a world of opportunity to recover some of the flavour characteristics that have been lost in the new design of the PREP products. “However,” he warns, “given the current climate of regulatory constraints on flavours, raw materials, etc, for the flavourist to obtain more and more flavour characteristics with less and less raw materials is going to be an increasing challenge.”

Jürgen Bahr says that the simplicity of reduced exposure products, such as additive-free, organic and low-delivery cigarettes, provides a new mission for flavours and enhancers, as does new filter design. “A wide range of new materials is being used in tobacco filters, but they have certain effects in that they of course remove certain flavour components as well. So this is another new challenge for us – to keep tobacco smoking pleasant and aromatic. In PREP products, we often feel that the tobacco is not burned, merely heated, so the flavour sensation of smoke and burnt tobacco notes is reduced or even completely missing. We therefore have to develop flavours that give back that missing taste. We are working on a range of different applications that include incorporating the flavour on the filter, inside the filter or encapsulating it.”

Tim Glogan

In essence

- ▶ Flavour manufacturers profit from the current trend towards flavoured cigarettes and cigars, smokeless tobacco, water-pipe smoking
- ▶ FDA regulation and the European REACH directive are expected to lead to more consolidation in the flavour industry
- ▶ Potentially reduced exposure products also provide opportunities for innovation in the field of flavours