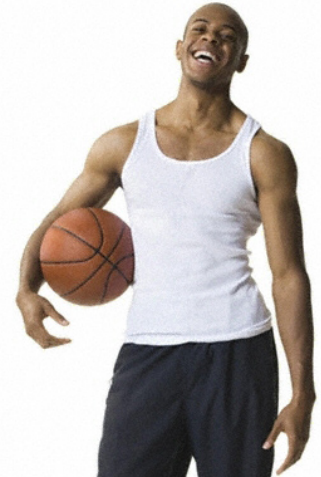




## The Business of Sports Nutrition

Sports nutrition for fitness and weight loss is a big business now, with over \$18 billion in sales in the U.S. alone. It's come a long way in the two decades since we were selling bad-tasting powders and amino horse-pills at GNC. Sports nutrition serves a small and dedicated segment of the population: 85% of the market is bought by just 5% of the population, according to Nutrition Business Journal's most recent report.



Consumer Type	Population (mil)	% of population	# of purchases per month	\$ spent per month	Annual Total (\$mil)	% of mkt
Performance Athletes	0.054	0.02%	6.0	\$ 131.65	\$ 86	4%
Heavy Consumers	0.859	0.4%	3.0	\$ 65.82	\$ 679	29%
Regular Consumers	1.9	0.8%	1.5	\$ 32.91	\$ 768	33%
Occasional Consumers	8.5	3.6%	0.2	\$ 4.39	\$ 446	19%
Rare Users	14.3	6%	0.1	\$ 2.19	\$ 376	16%
Non-Users	213.0	89%	0.0	\$ -	\$ -	0%
<b>Total</b>	<b>239</b>	<b>100%</b>			<b>\$ 2,355</b>	<b>100%</b>

Source: Nutrition Business Journal

This market concentration means that companies trying to make a name for themselves have to serve the core athletes first and foremost. The dedicated nature of the customer base, combined with constantly-evolving new science in the field, means that sports nutrition is the most exciting and dynamic field of nutrition.

## Ten Top Trends

1. Food delivery forms: Forget the grainy and bad-smelling powders of the past. Today's sports nutrition products look, taste and drink like real foods and beverages, making them much more accessible to a wider audience. Improved taste and more convenient forms will be a major driver of growth for years to come.

2. Energy drink overkill: Just how many energy drinks does the world really need? While caffeine can boost a workout and raise alertness, we just don't need the hundreds of brands of energy drinks on the current market. Watch for a shakeout.



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3. The big get bigger: Market leaders like Muscletech®, Optimum Nutrition®, and Cytosport® have the advantage of scale in buying power, product development and marketing. The notable exception is EAS, which has underperformed under Ross-Abbott ownership.

4. Science-based ingredients: Exciting research on the horizon is confirming the effectiveness of sports supplements old and new. As news validating ingredients like beta-alanine, ribose, Vitargo™, amino acids, Xanthigen™, and astaxanthin makes headlines, watch for mini-booms for formulas featuring these ingredients.

5. Serious money: Supplements maker MRI sold to Natrol. Natrol then sold to a large Indian company. Cytosport got \$45 million from TSG to grow the Muscle Milk® brand. No matter how you look at it, serious money is coming into the category.

6. Diet pills are back: Massive advertising from prescription drug Alli® has rekindled interest in the diet pill. However, with side effects like rectal leakage Alli is not for everyone. Watch for a boomlet in natural diet pills featuring CLA, green tea, and Xanthigen.

7. Retail expansion: With growth back in the category, retailers are adding shelf space for sports nutrition. This means the start of a boom/bust cycle for brands, especially in the mass channel where Twinlab™'s carnitine, for example, is up 250%. Enjoy the boom while it lasts.

8. Basics and naturals: Basics such as whey protein and creatine are the entry point into the category, and often the last product user stop taking when they scale back. Watch for strong growth in these basics as new science continues to validate their benefits and safety, and more natural versions of these products gain penetration in the natural channel. Meal supplements are growing again (modestly), after a post-low-carb hangover. Bars remain crowded, but are eking out some growth as new (and increasingly organic) product offerings displace weaker offerings.

9. Better sports drinks: Sports drinks are a category absolutely ripe for innovation. There is ample clinical proof that market leaders like Gatorade® do not have the most effective formulations, but displacing shelf space is harder than it looks. Superior offerings such as Accelerade®, Amino Vital® and other superior sports drinks in the pipeline should gain share this year, especially in the natural channel.

10. Self-inflicted wounds: The primary risks to the business of sports nutrition at present are negative press and bogus products, which often go together. Legislation is pending to list sports supplement DHEA as a banned steroid, which will certainly make the papers. Mixed and even contradicting science on the effectiveness of NO2 boosters has not stopped this category from NOEXPLODING. I remain a skeptic that water can be made “wetter”, but this hard-to-prove claim is the basis for some of the biggest sales gainers in the beverage segment. Watch for even greater regulatory scrutiny, and a crackdown on marginal players.

Evolving consumer tastes, innovative new science, strong opportunities for credible products and greater scrutiny for claims. That's the business of sports nutrition.