

Strategic Information for the Nutrition Industry



Nutrition Business Journal

NBJ's Sports Nutrition & Weight Loss Report 2007-2008

Sports & Energy Drinks, Nutrition Bars, Weight-Loss Pills, Low-Carb Foods, Sports Nutrition Supplements and Liquid Meal Replacements: An analysis of markets, trends, competition and strategy

January 2008

Written and Researched by:

Nutrition Business Journal

New Hope Natural Media, Penton Media, Inc.

1401 Pearl Street, Suite 200

Boulder, CO 80302

www.nutritionbusiness.com

1. TABLE OF CONTENTS

1. TABLE OF CONTENTS	1
2. EXECUTIVE SUMMARY	10
2.1. ACKNOWLEDGEMENTS.....	13
2.2. RESEARCH METHODOLOGY	13
2.3. DEFINITIONS	14
3. MARKET DATA & OVERVIEW	17
3.1. U.S. SNWL & SUPPLEMENT INDUSTRY.....	17
3.2. U.S. NUTRITION INDUSTRY.....	27
3.3. HISTORICAL & PROJECTED GROWTH.....	35
3.4. OBESITY & DIABETES.....	48
3.5. REGULATORY ISSUES.....	58
3.6. PRICING.....	66
3.7. CONSUMER USAGE & SPENDING.....	68
3.8. SCIENCE.....	73
3.9. STRATEGIES.....	74
3.10. HISTORY OF SNWL.....	83
3.11. FOUNDING PLAYERS IN U.S. SPORTS NUTRITION.....	88
3.12. MERGERS & ACQUISITIONS	91
3.13. LESSER EVIL FOODS	93
4. PRODUCTS.....	96
4.1. LOW-CARB PRODUCTS	96
4.2. WEIGHT LOSS PILLS	108
4.3. SPORTS NUTRITION SUPPLEMENTS	133
4.4. NUTRITION BARS.....	159
4.5. SPORTS/ENERGY BEVERAGES.....	174
4.6. MEAL REPLACEMENT SUPPLEMENTS FOR WEIGHT LOSS.....	186
5. SALES CHANNELS & DISTRIBUTION.....	193
5.1. NATURAL & SPECIALTY SUPPLEMENT RETAIL	197
5.2. MASS MARKET	201
5.3. DIRECT CHANNELS	204
5.4. FITNESS CENTERS AND SPORTS CLUBS.....	208
6. SNWL RAW MATERIAL & INGREDIENT SUPPLY	213
7. COMPANY PROFILES.....	219
7.1. ABBOTT LABS.....	219
7.2. ALMASED.....	221
7.3. APEX FITNESS.....	222
7.4. AST SPORTS SCIENCE.....	223
7.5. ATKINS NUTRITIONALS.....	224
7.6. BASIC RESEARCH.....	226

7.7.	BDI MARKETING	228
7.8.	BETASTATIN NUTRITIONAL RESEARCH	229
7.9.	BIOPLEX NUTRITION	230
7.10.	BIOTEST LABORATORIES.....	231
7.11.	BODYONICS	232
7.12.	BRICKER LABS	233
7.13.	BSN.....	234
7.14.	BUMBLE BAR.....	236
7.15.	CELEBRITY PRODUCTS DIRECT (HOLLYWOOD CELEBRITY DIET)	237
7.16.	CHAMPION NUTRITION	238
7.17.	CHATTEM (DEXATRIM NATURAL)	239
7.18.	CHEF JAY'S (TRI-O-PLEX)	240
7.19.	CLIF BAR	241
7.20.	COCA-COLA.....	242
7.21.	COLORADO BAKING COMPANY (PEAK BAR)	243
7.22.	COUNTRY LIFE (BIOCHEM)	244
7.23.	CYBERGENICS	245
7.24.	CYTODYNE TECHNOLOGIES (XENADRINE).....	246
7.25.	CYTOSPORT	247
7.26.	DA VINCI'S GOURMET.....	248
7.27.	DEBOER.....	249
7.28.	DELICIOUSLY SLIM (BENSALEM NATURALS)	250
7.29.	ECLIPSE.....	251
7.30.	ERGOPHARM.....	252
7.31.	EXPERT FOODS	253
7.32.	FIZOGEN PRECISION TECHNOLOGIES	254
7.33.	FOREVER LIVING	255
7.34.	GLENNYS SLIM	256
7.35.	GNC PERFORMANCE	257
7.36.	GOEN GROUP (TRIMSPA, NUTRAMERICA)	258
7.37.	GRAM'S GOURMET	259
7.38.	HANSEN'S.....	260
7.39.	HEALTH & NUTRITION SYSTEMS (CARB CUTTER, THIN TABS, ACUTRIM NATURAL) ..	262
7.40.	HERBALIFE	263
7.41.	HOBARAMA (BAWLS GUARANA)	264
7.42.	HOLLYWOOD MIRACLE DIET (48 HOUR DIET).....	265
7.43.	ISATORI GLOBAL TECHNOLOGIES	266
7.44.	ISS RESEARCH.....	267
7.45.	JOSEPH'S	268
7.46.	KAIZEN NUTRITION.....	269
7.47.	KELLOGG	270
7.48.	KRAFT FOODS	272
7.49.	LA NOUBA	274
7.50.	LA TORTILLA	275
7.51.	LABRADA BODYBUILDING NUTRITION	276
7.52.	LOGIC NUTRITION.....	277

7.53.	MARS (SNICKERS MARATHON).....	278
7.54.	MAX MUSCLE	279
7.55.	MAXIMUM HUMAN PERFORMANCE	280
7.56.	MD LABS.....	282
7.57.	MEDICAL RESEARCH INSTITUTE	283
7.58.	METABOLIC NUTRITION.....	284
7.59.	METABOLIC RESPONSE MODIFIERS.....	285
7.60.	METABOLIC TECHNOLOGIES	286
7.61.	MLO PRODUCTS.....	287
7.62.	MOLECULAR NUTRITION	289
7.63.	MONARCH.....	290
7.64.	MOUNTAIN BREAD	291
7.65.	MUSCLE LINK	292
7.66.	MUSCLE MARKETING USA.....	293
7.67.	IOVATE	294
7.68.	NATROL	295
7.69.	NATURADE	297
7.70.	NATURE'S BEST.....	298
7.71.	NBTY.....	301
7.72.	NESTLE	303
7.73.	NEXT PROTEINS INTERNATIONAL	305
7.74.	NOVARTIS.....	306
7.75.	NUTREX RESEARCH	307
7.76.	NUTRITIONAL TECHNOLOGIES	309
7.77.	NVE PHARMACEUTICAL.....	310
7.78.	OLYMPIAN LABS.....	311
7.79.	OPTIMUM NUTRITION	312
7.80.	PATENTHEALTH.....	314
7.81.	PEPSI.....	315
7.82.	PHARMAGENX.....	316
7.83.	PREMIER NUTRITION.....	317
7.84.	PRIME HEALTH SUPPLEMENTS (THINK!).....	318
7.85.	PROMATRIX.....	319
7.86.	RED BULL	320
7.87.	RIPFAST	321
7.88.	ROCKSTAR	322
7.89.	ROSS CHOCOLATES.....	323
7.90.	SCHWARTZ LABORATORIES	324
7.91.	SCIFIT	325
7.92.	SCITEC NUTRITION	326
7.93.	PROMAX NUTRITION	327
7.94.	STEEL'S GOURMET	328
7.95.	SYNTRAX (SI03)	329
7.96.	THERMO-LIFE INTERNATIONAL	330
7.97.	IDEASPHERE(FORMERLY TWINLAB CORPORATION).....	331
7.98.	ULTIMATE NUTRITION	333

7.99. UNILEVER (SLIMFAST)	334
7.100. UNIVERSAL NUTRITION CORP.....	335
7.101. VHT BODY	336
7.102. WALDEN FARMS	337
7.103. WEIDER NUTRITION INTERNATIONAL	338
7.104. WINDMILL CONSUMER (VITAQUEST, GARDEN STATE NUTRITION, CELEMARK)	339
7.105. WINDOW ROCK (CORTISLIM).....	340
7.106. YAMATE CHOCOLATIER.....	341

INDEX OF FIGURES

<i>Figure 2-1 US Total SNWL Sales, 1997-2013</i>	10
<i>Figure 2-2 US Total SNWL Sales by Product, 2006</i>	11
<i>Figure 2-1 US SNWL Growth, 1997-2013</i>	12
<i>Figure 3-1 U.S. Total SNWL Sales by Product, 2006</i>	18
<i>Figure 3-2 U.S. Total SNWL Sales vs. Total Nutrition Industry Sales, 1997-2004</i>	18
<i>Figure 3-3 U.S. Total SNWL Sales vs. Total Nutrition Industry Sales, 2005-2013e</i>	19
<i>Figure 3-4 US Total SNWL Sales & Annual Growth, 1997-2013e</i>	19
<i>Figure 3-5 US Total Supplement Sales & Annual Growth, 1997-2013e</i>	19
<i>Figure 3-6 US Total SNWL Sales & Annual Growth, 1997-2013e</i>	20
<i>Figure 3-7 U.S. Total SNWL Sales by Product Subcategory 1997 – 2004</i>	20
<i>Figure 3-8 U.S. Total SNWL Sales by Product Subcategory 2005 – 2013e</i>	21
<i>Figure 3-9 U.S. Total SNWL % of total sales by Product Subcategory 1997 – 2004</i>	21
<i>Figure 3-10 U.S. Total SNWL %of total Sales by Product Subcategory 2005 – 2013e</i>	21
<i>Figure 3-11 U.S. Total SNWL Sales Growth by Product Subcategory 1998 – 2004</i>	22
<i>Figure 3-12 U.S. Total SNWL Sales Growth by Product Subcategory 2005 – 2013e</i>	22
<i>Figure 3-13 U.S. Total SNWL Sales by Channel, 2006</i>	22
<i>Figure 3-14 U.S. Total SNWL Channel Sales, Growth, & % of Total, 2004-2006</i>	23
<i>Figure 3-15 US SNWL Supplements vs. Total Supplement Market, 1997-2004</i>	23
<i>Figure 3-16 US SNWL Supplements vs. Total Supplement Market, 2005-2013e</i>	23
<i>Figure 3-17 US SNWL Supplements* vs. Total Supplement Market, 2006</i>	24
<i>Figure 3-18 US SNWL Supplements vs. Total Supplement Market, 2013</i>	24
<i>Figure 3-19 US Total Supplement Sales & Annual Growth, 1997-2013</i>	25
<i>Figure 3-20 Top 30 Companies in SNWL (wholesale \$M), 2004-2006 Sales & Growth</i>	26
<i>Figure 3-21 U.S. Nutrition Industry Revenues, 2006 (\$mil, consumer sales)</i>	27
<i>Figure 3-22 U.S. Nutrition Industry Revenues, 2005 (\$mil, consumer sales)</i>	28
<i>Figure 3-23 U.S. Nutrition Industry by Product, 1997-2006 (\$mil, consumer sales)</i>	28
<i>Figure 3-24 U.S. Nutrition Industry by Product Growth, 2000-2006 & '07-'10 Forecast</i>	29
<i>Figure 3-25 Distribution of US Supplement Sales, 2006</i>	30
<i>Figure 3-26 U.S. Supplement Sales (\$mil) by Sales Channel 1997-2006</i>	30
<i>Figure 3-27 U.S. Supplement Sales Growth by Channel, 2006</i>	31
<i>Figure 3-28 Supplement Sales by Retail Category, 2006</i>	31
<i>Figure 3-29 U.S. Supplement Sales Growth Rates, Mass Market vs. Natural Food/Specialty Retail in 2000-2006</i>	32
<i>Figure 3-30 U.S. Supplement Sales Growth Rates by Channel, Mass Market Stores vs. All Supplements, 1999-2006</i>	32
<i>Figure 3-31 U.S. Supplement Sales Growth Rates by Channel, NF/Specialty Stores vs. All Supplements 1999-2006</i>	33
<i>Figure 3-32 U.S. Supplement Sales Growth Rates by Channel, Mail Order & Internet vs. All Supplements 2000-2006</i>	33
<i>Figure 3-33 U.S. Supplement Sales Growth Rates by Channel, Multi-Level Marketing vs. All Supplements 1998-2006</i>	34
<i>Figure 3-34 U.S. Supplement Sales Growth Rates by Channel, Practitioners vs. All Supplements, 1999-2006</i>	34
<i>Figure 3-35 Growth in Supplement and Nutrition Industry Product Sales, All Channels, 2006</i>	35

Figure 3-36 U.S. Supplement vs. Total Nutrition Industry Annual Sales Growth Rates, 1995-2013 35

Figure 3-37 U.S. Supplement vs. Functional Foods Annual Sales Growth Rates, 1995-2013 36

Figure 3-38 U.S. SNWL Subcategory Compound Annual Growth, 2008-2013 37

Figure 3-39 U.S. SNWL Subcategory Compound Annual Growth, 2003-2013 38

Figure 3-40 U.S. Total Supplement Sales & Annual Growth, 2005-2013..... 38

Figure 3-41 U.S. Sports Nutrition Supplement vs. Total Supplement Sales Annual Growth Rates, 1990-2013 39

Figure 3-42 U.S. Meal Replacement vs. Total Supplements Sales Annual Growth Rates, 1990-2013..... 40

Figure 3-43 Annual U.S. Consumer Sales of Supplements, 2002-2013 in \$mil..... 40

Figure 3-44 NBJ Growth Forecast in Supplement Sales: Annual Average, 2004-2013 CAGR... 41

Figure 3-45 NBJ Supplement Sales Growth Rate Forecasts by Product Category, 2007-2013 .. 41

Figure 3-46 NBJ Supplement Sales Growth Forecasts by Product Category, 2007-2013 (\$mil) 41

Figure 3-47 Distribution of U.S. Supplement Sales, 2006..... 42

Figure 3-48 Representative Pricing Comparison by Product and Sales Channel in 2006..... 66

Figure 3-49 Average Sports Nutrition Supplement Prices by Channel, 1999-2003..... 66

Figure 3-50 Average Sports Nutrition Supplement Price Growth by Channel, 2000-2003..... 66

Figure 3-51 US Sports Nutrition Supplement Pricing & Annual Growth, 1999-2003..... 67

Figure 3-52 U.S. Consumer Sports Nutrition Supplement Use, 2006 68

*Figure 3-53 Sports Nutrition Supplements Use: U.S. Consumer Type Market share, 2001-2006*68

Figure 3-54 Sports Supp Use: U.S. Consumer Type by Number of Users, 1999-2006..... 69

Figure 3-55 U.S. Consumer Supplement Use Summary, 2006..... 69

Figure 3-56 All Supplements Use: U.S Consumer Type and Market share, 1999-2006..... 70

Figure 3-57 All Supplements Use: U.S Consumer Type All Supplements by Number of Users, 1999-2007 (millions of American adults) 70

Figure 3-58 Supplements Users & Non-Users, 2007 70

Figure 3-59 U.S Consumer Weight Loss Supplement Use, 2007 71

Figure 3-60 U.S Consumer Weight Loss Supplement Use, 2010e..... 71

Figure 3-61 All Weight Loss Supplement Use: U.S Consumer Type and Market share, 2000-2004, 2007, 2010e..... 71

Figure 3-62 Weight Loss Supplement Use: U.S Consumer Type and Weight Loss Supplements by Number of Users, 2000-2004, 2007, 2010e (millions of American adults) 71

Figure 3-63 U.S Consumer Total Meal Replacement Supplement Use, 2006..... 72

Figure 3-64 Total Meal Replacement Supplements Use: U.S Consumer Type Market share, 1999-2006 72

Figure 3-65 Total Meal Replacement Supp Use: U.S Consumer Type by Number of Users, 1999-2006..... 72

Figure 3-66 U.S. Total Retail Food Industry Sales by NBJ Food Type, 2006 93

Figure 3-67 U.S. Healthy Food Sales & % of Total Retail Food Sales: 1995-2006..... 94

Figure 3-68 U.S. Lesser Evil Food Industry Sales by 8 Major Food Categories, 2006..... 94

Figure 3-69 Penetration Rate Ranking of U.S. Lesser Evil Food as a Percentage of Total U.S. Food Sales by Product: 2006..... 95

Figure 4-1 U.S. Total SNWL Sales by Product, 2006..... 96

Figure 4-2 Top Companies in Low-Carb Foods (wholesale \$M) 2005, 2006 Growth 97

Figure 4-3 Annual U.S. Consumer Sales of Low-Carb Foods, 1997-2006 in \$mil..... 98

<i>Figure 4-4 U.S. Low Carb Foods as a % of Total SNWL Sales, 2006</i>	99
<i>Figure 4-5 U.S. Low-Carb Foods vs. Total SNWL Sales Annual Growth Rates, 1998-2013</i>	99
<i>Figure 4-6 U.S. Low-Carb Foods (including low carb bars & meal supps vs. Total SNWL Sales Annual Growth Rates, 1998-2013</i>	101
<i>Figure 4-7 US Low-Carb Food Sales by Channel, 2006</i>	102
<i>Figure 4-8 U.S. Low-Carb Bars vs. Non Low-Carb Bars, 2006</i>	103
<i>Figure 4-9 U.S. Low Carb Bars & Meal Supps vs. Low Carb Foods, 2006</i>	103
<i>Figure 4-10 US Total Low Carb Sales & Annual Growth, 1997-2013</i>	104
<i>Figure 4-11 U.S. Low-Carb Meal Supps vs. Non Low-Carb Meal Supps, 2006</i>	105
<i>Figure 4-12 US Total Weight-Loss Pills Consumer Sales & Annual Growth, 1997-2013</i>	108
<i>Figure 4-13 Top Companies in Weight Loss Pills (\$M), 2005, 2006 & 2006 Growth</i>	109
<i>Figure 4-14 U.S. Weight loss pills as a % of Total SNWL Sales, 2006</i>	112
<i>Figure 4-15 U.S. Weight Loss Pills Sales by Channel, 2006</i>	112
<i>Figure 4-16 U.S. Weight Loss Pill Supp & Total SNWL Product Sales & Growth, 1997-2004</i>	113
<i>Figure 4-17 U.S. Weight Loss Pill Supp & Total SNWL Product Sales & Growth Forecast, 2005-2013e</i>	113
<i>Figure 4-18 U.S. Ephedra vs. Non-Ephedra vs. Weight Loss Pill Supps Sales & Growth, 2001-2006</i>	119
<i>Figure 4-19 U.S. Ephedra vs. Non-Ephedra vs. Weight Loss Pill Supps Sales & Growth, 2005-2013e</i>	120
<i>Figure 4-20 U.S. Weight Loss Pill Supp & Total SNWL Product Growth Trends, 1998-2013</i> ..	121
<i>Figure 4-21 US Total Weight Loss Pill Sales & Annual Growth, 1997-2013</i>	122
<i>Figure 4-22 U.S. Ephedra vs. Non-Ephedra Sales as a % of Total WL Pill Sales, 2006</i>	122
<i>Figure 4-23 U.S. Synepherine vs. Non-Synepherine Sales as a % of Non-Ephedra Pill Sales, 2006</i>	126
<i>Figure 4-24 U.S. Sports Nutrition Supplements as a % of Total SNWL Sales, 2006</i>	133
<i>Figure 4-25 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth, 1997-2004</i>	134
<i>Figure 4-26 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth, 1997-2004</i>	134
<i>Figure 4-27 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth Forecast, 2005-2013e</i>	134
<i>Figure 4-28 U.S. Sports Nutrition Supps Sales by Channel, 2006</i>	135
<i>Figure 4-29 U.S. Sports Nutrition Supps & Total SNWL Product Growth Trends, 1998-2013</i> .	135
<i>Figure 4-30 US Sports Nutrition Supplement Sales & Annual Growth, 1997-2013</i>	136
<i>Figure 4-31 Top Companies in Sports Nutrition Supplements (wholesale \$M), 2005, 2006 & 2006 Growth</i>	137
<i>Figure 4-32 U.S. Powders/Formulas vs. Sports Performance Pills vs. Prepared Drinks vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004</i>	138
<i>Figure 4-33 U.S. Powders/Formulas vs. Sports Pills vs. Prepared Drinks vs. Total Sports Supps Sales & Growth, 2005-2013</i>	138
<i>Figure 4-34 U.S. Powders/Formulas vs. Sports Performance Pills vs. Prepared Drink Sales as a % of Total Sports Nutrition Supplement Sales, 2006</i>	139
<i>Figure 4-35 U.S. Sports Performance Pills as a % of Total SNWL Sales, 2006</i>	145
<i>Figure 4-36 U.S. Sports Performance Pills vs. Total SNWL Sales Annual Growth Rates, 1998-2013</i>	145
<i>Figure 4-37 US Sports Performance Pill Sales & Annual Growth, 1997-2013</i>	146

Figure 4-38 U.S. Sports Performance Pills vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004 146

Figure 4-39 U.S. Sports Performance Pills vs. Total Sports Supps Sales & Growth, 2005-2013 146

Figure 4-40 Top Companies in Sports Powders/Pills (wholesale \$M), 2005, 2006 & 2006 Growth 147

Figure 4-41 U.S. Powders/Formulas as a % of Total SNWL Sales, 2006..... 152

Figure 4-42 U.S. Powders/Formulas as a % of Total Sports Nutrition Supplement Sales, 2006 152

Figure 4-43 US Sports Powders/Formulas Sales & Annual Growth, 1997-2013..... 153

Figure 4-44 U.S. Sports Powders/Formulas vs. Total SNWL Sales Annual Growth Rates, 1998-2013..... 154

Figure 4-45 U.S. Powders/Formulas vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004..... 154

Figure 4-46 U.S. Powders/Formulas vs. Total Sports Supps Sales & Growth, 2005-2013e 155

Figure 4-47 U.S. Prepared Sports Drinks as a % of Other Sports Nutrition Supp Sales, 2006. 156

Figure 4-48 U.S. Prepared Sports Drinks as a % of Total SNWL Sales, 2006..... 156

Figure 4-49 U.S. Prepared Sports Drinks Sales & Annual Growth, 1997-2013..... 157

Figure 4-50 U.S. Prepared Sports Drinks vs. Total SNWL Sales Annual Growth Rates, 1998-2013..... 157

Figure 4-51 Top Companies in Prepared Sports Drinks (wholesale \$M), 2005, 2006 & 2006 Growth 158

Figure 4-52 U.S. Prepared Sports Drinks vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004 158

Figure 4-53 U.S. Prepared Sports Drinks vs. Total Sports Supps Sales & Growth, 2005-2013 158

Figure 4-54 U.S. Nutrition Bars as a % of Total SNWL Sales, 2006..... 159

Figure 4-55 U.S. Nutrition Bars & Total SNWL Product Sales & Growth, 1997-2004 159

Figure 4-56 U.S. Nutrition Bars & Total SNWL Product Sales & Growth Forecast, 2005-2013 160

Figure 4-57 US Nutrition Bar Sales & Annual Growth, 1997-2013 162

Figure 4-58 Top Companies in Nutrition Bars (wholesale \$M), 2005 & 2006 & 2006 Growth 163

Figure 4-59 Top Companies in Nutrition Bars sales by Bar Type (wholesale \$M), 2006 164

Figure 4-60 Nutrition Bar Sales by Type, 2006..... 169

Figure 4-61 U.S. Sports/Energy Beverages as a % of Total SNWL Sales, 2006..... 174

Figure 4-62 U.S. Sports & Energy Drink Sales & Annual Growth, 1997-2013 176

Figure 4-63 U.S. Sports/Energy Beverages & Total SNWL Product Sales & Growth, 1997-2004 176

Figure 4-64 U.S Sports/Energy Beverages & Total SNWL Product Sales & Growth Forecast, 2005-2012 177

Figure 4-65 U.S. Sports/Energy Beverages & Total SNWL Product Sales & Growth, 1999-2006 178

Figure 4-66 U.S. Sports/Energy Beverage Sales by Channel, 2006..... 182

Figure 4-67 U.S. Sports/Energy Beverage Sales by Channel, 2004..... 182

Figure 4-68 U.S. Sports/Energy Beverages & Total SNWL Product Growth Trends, 1998-2013 183

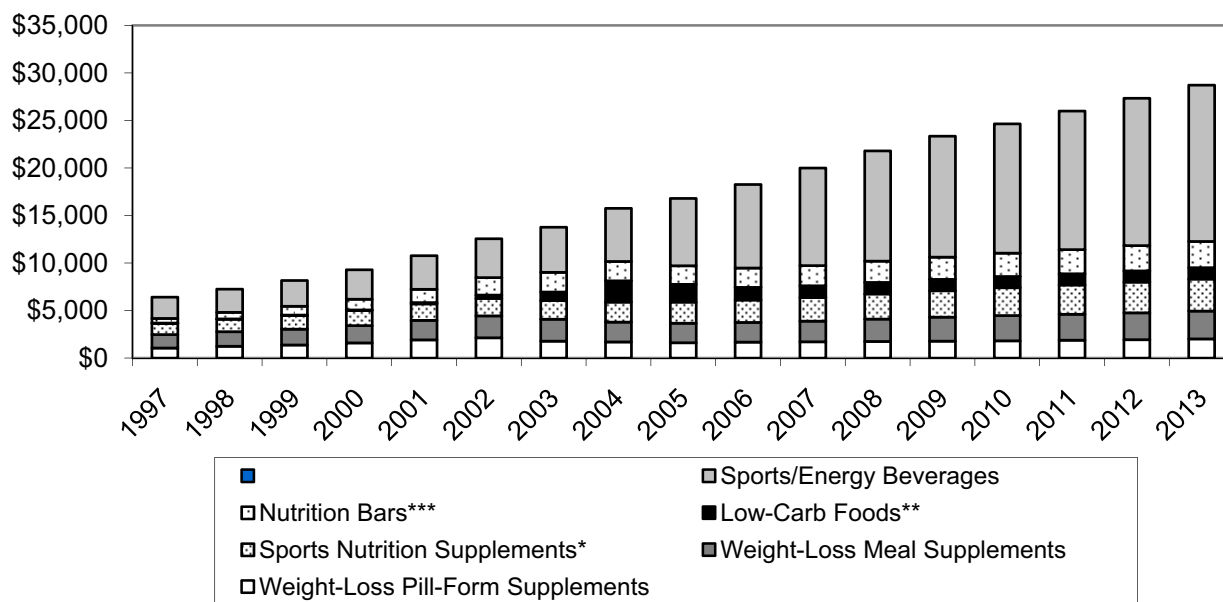
Figure 4-69 US Energy Beverage Company Sales (\$mil) & Annual Growth, 2005-2006..... 184

<i>Figure 4-70 Top Companies in Sports/Energy Beverages (wholesale \$M), 2005 & 2006 Growth</i>	185
<i>Figure 4-71 U.S. Sports vs. Energy Beverage Sales as a % of Total Sports/Energy Beverage Sales, 2006</i>	186
<i>Figure 4-72 U.S. WL Meal Replacement Supplements as a % of Total SNWL Sales, 2006</i>	187
<i>Figure 4-73 U.S. WL Meal Replacement Supps & Total SNWL Product Sales & Growth, 1997-2004</i>	188
<i>Figure 4-74 US Private Label vs. Branded Meal Supplement Sales, 2004</i>	188
<i>Figure 4-75 U.S. WL Meal Replacement Supps & Total SNWL Product Sales & Growth Forecast, 2005-2013</i>	188
<i>Figure 4-76 U.S. WL Meal Replacement Supps Sales by Channel, 2006</i>	189
<i>Figure 4-77 U.S. WL Meal Replacement Supps & Total SNWL Product Growth Trends, 1998-2013</i>	189
<i>Figure 4-78 US WL Meal Replacement Sales & Annual Growth, 1997-2013</i>	190
<i>Figure 4-79 U.S. WL Meal Supps vs. Total Meal Replacement Supps as a % of Total SNWL Sales, 2004</i>	190
<i>Figure 4-80 U.S Consumer Total Meal Replacement Supplement Use, 2007</i>	190
<i>Figure 4-81 U.S. WL Meal Replacement Supps sales by Channel: 2004-2006 (\$mil, consumer sales)</i>	191
<i>Figure 4-82 Top Companies in Weight Loss Meal Replacement Supplements (wholesale \$M), 2005, 2006 & 2006 Growth</i>	192
<i>Figure 5-1 U.S. Retail vs. Direct/Other SNWL Sales, 2006</i>	193
<i>Figure 5-2 U.S. Natural/Specialty Retail vs Retail Mass Market Sports Nutrition Supplement Sales, 2006</i>	194
<i>Figure 5-3 U.S. Sports Nutrition Supplement Sales by Channel: 2004-2006</i>	194
<i>Figure 5-4 U.S. Natural/Specialty Retail vs Retail Mass Market WL Pill Supplement Sales, 2006</i>	194
<i>Figure 5-5 US Internet Channel SNWL Sales by Product, 2006</i>	207
<i>Figure 5-6 Internet Channel SNWL Sales by Product, 2004-2006</i>	207
<i>Figure 5-7 US Private Label vs. Branded Sports Nutrition Supplement Sales, 2004</i>	209
<i>Figure 5-8 US Private Label vs. Branded Meal Supplement Sales, 2004</i>	210
<i>Figure 6-1 U.S. Supplement Industry Value Chain, 2006 in \$mil</i>	213
<i>Figure 6-2 U.S. SNWL Value Chain, 2006 in \$mil</i>	213
<i>Figure 6-3 U.S. SNWL Value Chain, 2005 in \$mil</i>	214

2. EXECUTIVE SUMMARY

The \$18.26 billion sports nutrition & weight loss market has been among the most dynamic segments of the nutrition industry—and also perhaps of the broader food and pharmaceuticals industries. The sports nutrition & weight loss (SNWL) segment is dynamic in its sales growth, in the number of company and product entries and in its seemingly ever-changing consumer demand. The SNWL segment is also dynamic, however, in its evolution from a group of fairly defined and even somewhat finite niche categories into an increasingly homogenous segment of increasingly mainstream products targeting larger and larger segments of the population. The summary chart below demonstrates this evolution in the framework of steadily increasing sales in the past years up to 2006, and the forecast for continued growth for the next five years.

Figure 2-1 US Total SNWL Sales, 1997-2013



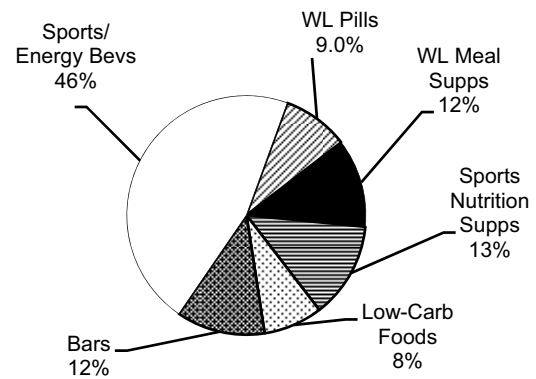
Source: Nutrition Business Journal estimates. Consumer Sales \$M, all channels. *Sports Powders/Formulas, Performance Pills, Prepared Drinks; **not including bars and meal replacements; ***some for weight-loss

A recurring theme of this report, and indeed also a significant reason why this report and the SNWL market segment was conceived and structured as it is, is that as these categories mature they are merging closer together. Companies involved in one segment are more than likely involved, becoming involved, or interested in the other segments—and all based on the demands of their growing and expanding consumer base. Many companies also feel ‘growth-constrained’ in a niche market like body building supplements or weight-loss pills, and desire to expand into larger or more mainstream categories. Similarly, many products in the six product categories of the SNWL market contain similar ingredients, science-based claims or consumer value perceptions like soy protein in sports supplements, bars and meal supplements, or low-carb elements in bars, meal supplements and low-carb foods.

Sports nutrition & weight-loss products represented \$18.26 billion in 2006 U.S. sales and grew 9% in 2006, up from 7% in 2005, but down from 15% in 2004 and 10% in 2003. NBJ forecasts U.S. consumer sales of SNWL products to growing to more than \$28 billion in 2013. Incremental sales of between \$1.3 billion and \$1.9 billion in new sales will be added to the SNWL market each year between 2008-2013, representing significant opportunity for new products and substantial growth potential for existing products or brand extensions.

Figure 2-2 US Total SNWL Sales by Product, 2006

SNWL Category	2006
Weight-Loss Pill-Form Supplements	1,686
Weight-Loss Liquid Meal Supplements	2,067
Sports Nutrition Supplements	2,350
Low-Carb Foods*	1,343
Nutrition Bars	2,028
Sports/Energy Beverages	8,780
Total	18,255



Source: Nutrition Business Journal estimates, derived from a variety of sources; *Not including bars & shakes

Particularly compelling are product segments that represent ‘preferable alternatives’ to existing larger product categories such as nutrition bars as they increasingly compete against—and are more and sometimes placed next to—candy bars in retail outlets. Similarly, sports & energy drinks have evolved from niche products to directly compete with carbonated and caffeinated soft drinks.

The low-carb packaged food phenomenon is another related example of where many products are a small market slice of their higher-carb counterparts in segments from bars to bread to beer. While many of the hundreds of newly formulated low-carb products fell out of the market in 2004 and 2005 when the low-carb bubble burst, the low-carb movement remains, though in a much diminished form. Some say it has evolved somewhat into a GI (glycemic index) movement, again indicating the dynamic and unpredictable nature of the SNWL market.

Another factor contributing to sustainable growth of SNWL products is more direct correlation of these specific products to health conditions—particularly obesity and diabetes. Firms in all six SNWL categories have applications to address what, in obesity, is often referred to as America’s greatest health crisis. Meal supplements and bars already exist designed specifically for patients with diabetes and increasingly for patients with pre-diabetes or syndrome X, and other products are following suit.

A final major factor that sustains the SNWL growth trend is what many marketers refer to as the ‘vanity’ issue. SNWL products appeal to consumers’ notions of self, self-worth and self-image allowing marketers to use positive messages to sell products and not negative messages—obesity and diabetes notwithstanding. The bikini season in summer and the New Year’s resolution diet season in January are fertile months for SNWL marketers, and during these periods, products and messages are directly tied to these vain phenomena.

The U.S. nutrition industry sales grew 10% in 2006 to \$85 billion. Supplements account for only 26% of the nutrition industry total and grew only 5.4% to \$22.5 billion in 2006. SNWL supplements accounted for \$6.1 billion in 2003 sales or 27% of all supplement sales. The contribution of SNWL supplements has fluctuated as a percentage of all supplement sales, as weight-loss pills and liquid meal replacement supplements have fluctuated. SNWL supplements made up 26% of all supplement sales in 1997 and 33% in 2002, but it appears that that percentage is settling in at around 27%.

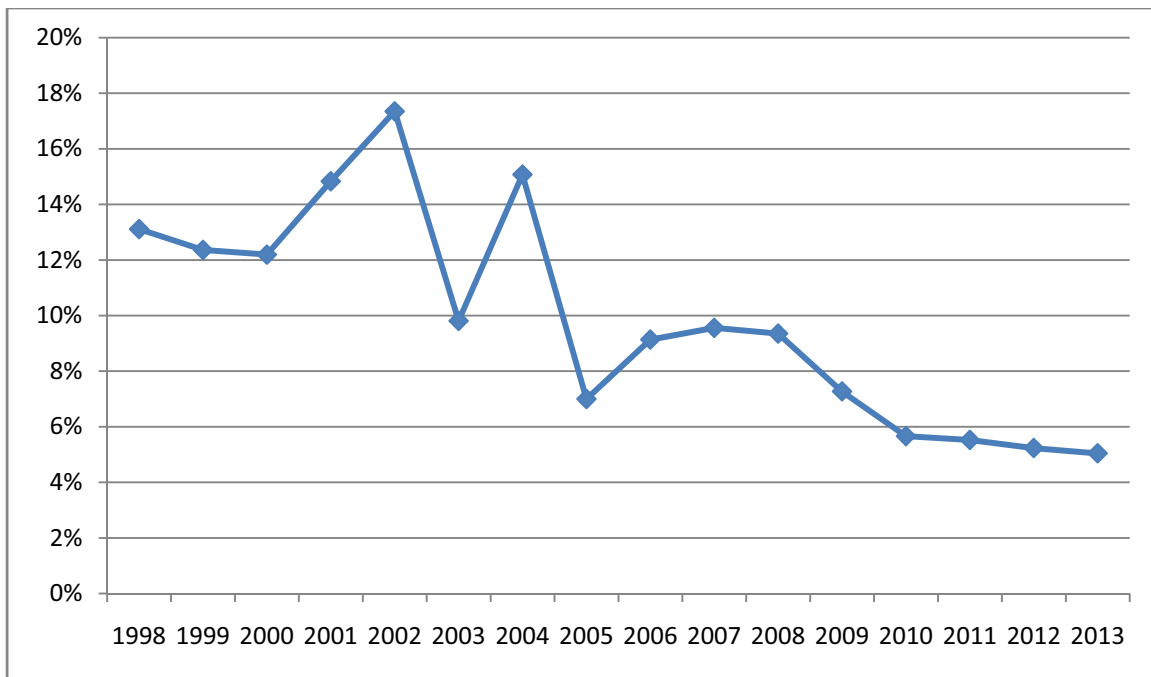
While the infrastructure of the SNWL industry is now fairly established, and its sales channels are more or less in place, the volatility of the last few years has created some uncertainty and opportunity. The banning of ephedra, the rise (and fall) of the low-carb lifestyle and the explosive growth of energy drinks have pushed niche companies more into the mainstream, where they’re meeting CPG companies like Pepsi, Coke and Unilever.

Sports nutrition companies once faced the stark reality that their historical base of products were designed for, and fundamentally appealed to, a small minority of the population. Weight-loss companies came to a similar conclusion and low-carb companies ultimately realized that their products were more a niche or a seasonal fad than firmly latched on to the American psyche. Energy drinks may be heading in the same direction with teens, but this is not yet clear.

The central challenge in the SNWL market is to move away from fad marketing and build a larger base of loyal customers. Education must be an important component. Messages and products must be more about long-term nutrition and health than just about short-term weight loss. Weight-loss companies that depend on one product must face the fact that weight-conscious Americans will increasingly embrace more active lifestyles, eat better foods and demand the benefits of weight-loss and nutrition science in more than just one product, whether it be pills, meal replacements or low-carb foods. Companies must provide consumers with an expanding variety of forms in pills, drinks, foods and educational materials to link to their desired lifestyle if they are to retain them as loyal, lifelong customers.

There is little doubt that Americans desire healthier lifestyles and healthcare. Demographic trends only confirm and enhance this demand. In 2006, the sports nutrition and weight-loss sector was healing its wounded, with all but the low-carb category delivering healthy growth. Growth will continue at rates above inflation and billions of dollars in new sales await new product and company launches. Specialty products for sports nutrition and weight loss therefore face a market demand profile of considerable scope and vast potential for the foreseeable future.

Figure 2-3 US SNWL Growth, 1997-2013



Source: Nutrition Business Journal estimates. Consumer Sales \$M, all channels

2.1. Acknowledgements

2.1.1. Authors and Sources

The principal editors of **Nutrition Business Journal's Sports Nutrition & Weight Loss Report 2006-2007** were NBJ Editorial Director Patrick Rea and Research Manager Jason Phillips. Authors of various sections and market profiles include Grant Ferrier, former Managing Editor Lynette Thwaites, Miriam Raftery and Jim Hight.

We would also like to acknowledge a number of secondary sources of information, which are cited in this report, especially SPINS (spins.com), AC Nielsen, Information Resources Inc. (infores.com), *Natural Foods Merchandiser* magazine, *Functional Ingredients* magazine and New Hope Natural Media, Whole Foods magazine (www.wfcinc.com), OTC Update and Nicholas Hall & Co., The Hartman Group and many others.

Most importantly, we thank all of the companies NBJ has interviewed since we published our first issue of NBJ in 1996 and the companies that have participated in our annual quantitative surveys over the years. Our ability to collect, compile, analyze and present data and information is a function of the cooperation of the companies in the industry, and we are grateful for their participation.

2.2. Research Methodology

NBJ's basic methodology for nutrition industry quantification has been a complete compilation and assessment of existing data on the industry, augmented by NBJ surveys and interviews. Data is compiled and analyzed at each level of the value chain: consumer spending data (Hartman and Nielsen, for instance), retail sales figures (IRI and ACNielsen for mass market and SPINS, *Natural Foods Merchandiser* and *Whole Foods* magazine for natural food store data), alternative channels (NBJ surveys on multilevel marketing, catalog, practitioner and internet sales), distributor data & interviews, manufacturer sales (NBJ surveys) and raw material supplier data (NBJ surveys). Individual company data is also collected through surveys or secondary sources. NBJ also conducts a minimum of 40-50 interviews with executives every month to capture both qualitative and quantitative information. For the SNWL Report 2007, 2006 data is included based on analysis conducted in October 2007.

NBJ's business segment survey methodology starts with an understanding of the total universe of companies in that segment and an in-depth knowledge of the top 20-100 companies in that segment. NBJ then makes every effort to ascertain annual sales of the top firms and get an adequate response from surveying the remaining populace to build a statistically valid model for that segment. Segments NBJ surveys in this detailed manner include supplement manufacturers in each category, raw material suppliers in vitamins and herbs & botanicals, MLM firms, internet sellers, catalog sellers, etc. NBJ will typically capture 60-80% of the revenues in a defined segment using this method. Subsequently breakdowns received from companies are aggregated into segment models to obtain industry or segment breakdowns by product, sales channel or other characteristic.

Sales data determined from each level of the nutrition industry value chain (see chart at beginning of the raw material section) is reconciled against the other levels so consumer sales, retail sales, wholesale sales, distributor sales and material supply sales ratios are accurate for each product area.

While NBJ has made every effort to be accurate in its data collection and presentation, it is impossible to be perfect and the authors beg your understanding of any inaccuracies that appear in this report. In addition, NBJ's data is constantly updated given best available data so that in some cases previously published data may be inconsistent with the data printed in this report. Conversely data is printed in NBJ issues after January 2008 or in subsequent reports will represent best available data as of that time. Any questions regarding data sources and/or methodology may be addressed to NBJ Editorial Director Patrick Rea or NBJ Research Manager Jason Phillips (research@nutritionbusiness.com).

2.2.1. Disclaimer

NBJ understands that some of the categorizations or analysis in this report may not agree with that of our readers. NBJ conducts a variety of surveys and interviews with companies and accesses data in many forms to help provide sales figures for as many companies as possible. These figures are used in market estimation models, but are also listed in the profile section of this report. Sales figures printed for each company is not always the result of a direct contact or response with that company, and in some cases estimates are derived from secondary sources or estimates.

NBJ has made every reasonable effort to ensure the accuracy of this report. However, information in this report is not guaranteed to be accurate and should not be construed as investment advice. Any errors and omissions are unintentional.

2.2.2. Copyright

© 2008 Penton Media Inc. New Hope Natural Media, Nutrition Business Journal, www.nutritionbusiness.com. All rights reserved. This report, or any part, may not be duplicated or reproduced in any form without the written permission of the publisher. Likewise, no part of this report may be given, lent, resold or disclosed without written permission.

For more information on duplicate copies, reproduction rights and proprietary research services, please visit www.nutritionbusiness.com.

2.3. Definitions

In attempting to define multiple cross-cutting nutrition categories like sports nutrition and weight-loss, certain definitional boundaries must be established to facilitate a reasonable qualitative and quantitative analysis. We urge you to first read all of the following definitions to better understand where the boundaries lie in sports nutrition and weight-loss to better understand the analysis contained in this report.

Sports Nutrition Supplements: Sports nutrition supplements include all pills, powders/formulas and sports supplement drinks (excluding *Gatorade*, *Powerade*, etc.) formulated to enhance physical activity, whether it be endurance, strength, speed or other athletic quests. Ingredients commonly found in sports nutrition supplements include creatine, amino acids, protein formulas, nitrous oxide, fat-burners, ribose, HMB, androstenedione and many others.

Sports Performance Pills: Pill form sports nutrition supplements. Many sports nutrition supplements come in sports performance pill form, including creatine, amino acids, nitrous oxide, pro hormones and other sports formulas.

Prepared Sports Drinks: Prepared Sports Drinks are ready-to-drink (RTD) liquid blends with similar formulations to sports pills and powders. Examples include *American Body Building* line and Twinlab's *Ultra Fuel* line, sold primarily in gyms, health food, VMS and some convenience stores.

Sports/Energy Drinks: Sports/Energy Drinks include isotonic beverages (including *Gatorade*, *Powerade*, etc.) and energy drinks (including *Red Bull*, *Monster*, *Rockstar*, etc.) formulated to replenish nutrients and provide energy to athletes and non-athletes.

Weight-loss Pills: Weight-loss pills include many products, generally formulas, specifically designed to facilitate the burning of fat and calories through increased and/or more efficient metabolism and/or digestion. Weight-loss supplements frequently include vitamins, minerals, herbs & botanicals, and specialty supplements, but most weight-loss supplements will contain one of the following: green tea, guarana root, ephedra, caffeine, CLA, ginseng, chitosan or bee products. Weight-loss supplements, as a category, is not to be confused with weight-loss consumables, a market composed of more than just weight-loss pills, tablets, capsules and softgels.

OTC Weight-loss: NBJ defines OTC weight-loss as all powders, pills and formulas used for weight-loss and not contained within the NBJ definition for Weight-loss Consumables or Supplements, that can be purchased through mass-market channels. Examples of OTC Weight-loss products include OTC diuretics, OTC satiation tablets and pharmaceutical-style, chemically-derived or ‘un-natural’ diet pills. *Alli* is an example of a brand in this category.

Lesser-Evil Foods: Lesser-Evil foods are altered from their originally manufactured state by the removal of unwanted substances: fat, calories, preservatives, caffeine, alcohol, salt, etc.

Low-Carb Foods: Foods that have had their carbohydrate count reduced or substituted.

Functional Foods: Since “functional foods” and “nutraceuticals” are essentially marketers’ terms and not recognized in law or defined in the dictionary, market researchers tend to use them inconsistently. *Nutrition Business Journal* defines functional food as food fortified with added or concentrated ingredients to a functional level, which improves health and/performance. They include some enriched cereals, breads, sports drinks, bars, fortified snack foods, baby foods, prepared meals and more.

Nutraceuticals: NBJ uses nutraceuticals as an umbrella term for anything that is consumed primarily or partially for health reasons. It covers not only functional foods but also dietary supplements, natural/organic foods and approximately 62% of lesser evil foods and 8% of market standard foods. In other words, functional foods are one *subset* of nutraceuticals, and the terms are not used interchangeably. NBJ’s definition of functional foods also includes performance foods like sports drinks and bars, “preferable alternatives” such as hypoallergenic baby foods and enriched soymilk and enriched foods like cereal, milk and yogurt.

Vitamins: Single and multi-vitamin supplements made of natural or synthesized vitamins. Vitamins are organic or synthesized substances which are essential in minute quantities to the nutrition of most animals and some plants. They act as coenzymes and precursors of coenzymes in the regulation of metabolic processes but do not provide energy or serve as building units. They are present in natural foodstuffs and sometimes are produced by the body. Products in the vitamin category include: vitamin C, vitamin E, B vitamins, vitamin A/beta carotene, niacin, folic acid, multi-vitamin formulas and other single vitamins.

Minerals: Single and multi-mineral supplements made of natural or synthesized minerals. Minerals are solid homogeneous crystalline chemical elements or compounds. Products in the mineral category include calcium, magnesium, chromium, zinc, selenium, potassium, iron, silica, manganese, boron, choline, iodine, phosphorous, copper, dolomite, multi-minerals formulas and other single minerals.

Herbs & Botanicals: Single herb or multi-herb supplements made primarily from plants or plant components. Products in this category include echinacea, garlic, ginseng, ginkgo biloba, goldenseal, mahuang, psyllium, saw palmetto, cascara sagrada, cayenne, St. John’s wort, aloe, valerian, cat’s claw, grape seed extract, primrose, dong quai, pau d’arco, ginger, cranberry, milk thistle, yohimbe, bilberry, feverfew, green tea, pine bark extract, astragalus, chamomile, hawthorn, peppermint, slippery elm, vitex (chaste tree), Ayurvedic herbs, licorice, burdock, kava kava, rose hips, senna, willowbark, tumeric, rosemary, sasparilla, kombucha, mushrooms, pygeum, hops, horse chestnut, alfalfa, black cohosh root, chlorophyll, elderberry, eye bright, gotu kola, nettle, red clover, wild Mexican yam, fo-ti, olive leaf extract, oregano, fenugreek, guarana, gymnema sylvestre, kudzu, noni/morinda, cirturs aurantium, tribulus terrestris, huperzine A, barley, dandelion, spirulina, yucca and pycnogenol.

Specialty Supplements: Supplements that do not fit into the other supplement sub-categories, including glucosamine, melatonin, probiotics, DHEA, fish oils/shark cartilage, bee products, CoQ10, 5HTP, amino acids, homeopathic remedies, SAME, chondroitin, probiotics, prebiotics, colostrum, other oils, other enzymes and other hormones.

Meal Supplements: Shelf stable liquid nutritional formulas created primarily to substitute, but sometimes supplement, a meal. Some are enteral feeding formulas and some are weight-loss formulas. Occasionally, they are sold for medical purposes to frail or intestinally challenged people. Meal

supplement products sold at retail include *Slim Fast, Ensure, Boost, EAS AdvantEdge, Pedia Sure* and a few products in direct sales networks

Nutrition Industry: NBJ has tracked what we call the Nutrition Industry since 1996 and counts in this definition sales of Functional Foods, Dietary Supplements, Natural/Organic Food and Natural & Organic Personal Care products. NBJ also analyzes the market from the perspective of nutrition product ingredient suppliers, distributors, manufacturers, marketers and retailers. NBJ's sales consumer sales analysis includes multiple sales channels, including mass, health food retail, direct sales, network marketing, e-commerce and practitioner sales.