

Strategic Information for the Nutrition Industry



Nutrition Business Journal™

NBJ's SPORTS NUTRITION & WEIGHT LOSS REPORT 2005

Weight-loss pills, liquid meal supplements, low-carb foods, sports nutrition supplements, nutrition bars and sports & energy drinks

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1. TABLE OF CONTENTS

1.	TABLE OF CONTENTS	1
2.	EXECUTIVE SUMMARY	7
2.1.	ACKNOWLEDGEMENTS.....	10
2.2.	RESEARCH METHODOLOGY	10
2.3.	DEFINITIONS	11
3.	MARKET DATA & OVERVIEW	14
3.1.	U.S. SNWL & SUPPLEMENT INDUSTRY	14
3.2.	U.S. NUTRITION INDUSTRY.....	25
3.3.	HISTORICAL & PROJECTED GROWTH.....	34
3.4.	OBESITY.....	49
3.5.	REGULATORY ISSUES	58
3.6.	PRICING	65
3.7.	CONSUMER USAGE & SPENDING	67
3.8.	SCIENCE.....	72
3.9.	STRATEGIES	74
3.10.	HISTORY OF SNWL	84
3.11.	FOUNDING PLAYERS IN U.S. SPORTS NUTRITION.....	89
3.12.	MERGERS & ACQUISITIONS	92
3.13.	LESSER EVIL FOODS	95
4.	PRODUCTS.....	98
4.1.	LOW-CARB PRODUCTS.....	98
4.2.	WEIGHT LOSS PILLS.....	123
4.3.	SPORTS NUTRITION SUPPLEMENTS	147
4.4.	NUTRITION BARS	170
4.5.	SPORTS/ENERGY BEVERAGES	184
4.6.	MEAL REPLACEMENT SUPPLEMENTS FOR WEIGHT LOSS	194
5.	SALES CHANNELS & DISTRIBUTION.....	200
5.1.	NATURAL & SPECIALTY SUPPLEMENT RETAIL	204
5.2.	MASS MARKET	210
5.3.	DIRECT CHANNELS	214
5.4.	DISTRIBUTION.....	218
5.5.	FITNESS CENTERS AND SPORTS CLUBS	220
6.	SNWL RAW MATERIAL & INGREDIENT SUPPLY	225
6.1.	CALCIUM LINKED TO WEIGHT LOSS	226
6.2.	SUPPLIERS ANTICIPATE POST LOW CARB INTEREST IN NUTRITIONAL INGREDIENTS ..	226
6.3.	WAY FORWARD FOR WHEY	227
6.4.	CONTRACT MANUFACTURING.....	229

7	COMPANY PROFILES	1
7.1	ABBOTT LABS (ENSURE).....	1
7.2	ABBOTT LABS (ZONEPERFECT)	2
7.3	ALMASED.....	3
7.4	ALPINE AIRE	4
7.5	AMERIFIT	5
7.6	ANHEUSER BUSCH	6
7.7	APEX FITNESS.....	7
7.8	AST SPORTS SCIENCE	8
7.9	ATKINS NUTRITIONALS	9
7.10	BASIC RESEARCH (ZANTREX, KLEIN-BECKER, ZOLLER LABS).....	11
7.11	BDI MARKETING	13
7.12	BETASTATIN NUTRITIONAL RESEARCH	14
7.13	BIOPLEX NUTRITION	15
7.14	BIOTEST LABORATORIES	16
7.15	BLITZ.....	17
7.16	BODY BUILDING SUPPLEMENTS (BBS)	18
7.17	BODYONICS.....	19
7.18	BREAKTHROUGH ENGINEERED NUTRITION	20
7.19	BRICKER LABS	21
7.20	BSN	22
7.21	BUMBLE BAR.....	23
7.22	CADBURY SCHWEPPE (SNAPPLE VENOM).....	24
7.23	CAPITAL BEVERAGE CORPORATION (BLUE OX).....	25
7.24	CARBOLITE FOODS	26
7.25	CARBSENSE.....	27
7.26	CELEBRITY PRODUCTS DIRECT (HOLLYWOOD CELEBRITY DIET)	29
7.27	CHAMPION NUTRITION	30
7.28	CHATTEM (DEXATRIM NATURAL).....	31
7.29	CHEF JAY'S (TRI-O-PLEX).....	32
7.30	CLIF BAR	33
7.31	CLINICAL PRODUCTS	34
7.32	COCA-COLA (KMX).....	36
7.33	COCA-COLA (POWERADE).....	37
7.34	COLORADO BAKING COMPANY (PEAK BAR)	38
7.35	COUNTRY LIFE (BIOCHEM, IRON TEK).....	39
7.36	CYBERGENICS	40
7.37	CYTODYNE TECHNOLOGIES (XENADRINE).....	41
7.38	CYTOSPORT.....	42
7.39	DA VINCI'S GOURMET	43
7.40	DEBOER.....	44

7.41	DELICIOUSLY SLIM.....	45
7.42	EAS (MYOPLEX, ADVANTEDGE).....	46
7.43	ECLIPSE.....	48
7.44	ENFORMA NATURAL PRODUCTS.....	49
7.45	ERGOPHARM.....	50
7.46	EXPERT FOODS.....	51
7.47	FIZOGEN PRECISION TECHNOLOGIES.....	52
7.48	FOREVER LIVING.....	53
7.49	GLENNYS SLIM.....	54
7.50	GNC PERFORMANCE.....	55
7.51	GOEN GROUP (TRIMSPA, NUTRAMERICA).....	56
7.52	GOLDSHIELD.....	57
7.53	G-PUSH.....	58
7.54	GRAM'S GOURMET.....	59
7.55	HAIN CELESTIAL GROUP (WESTSOY, SOY SLENDER).....	60
7.56	HANSEN'S (MONSTER ENERGY).....	61
7.57	HEALTH & NUTRITION SYSTEMS (CARB CUTTER, THIN TABS, ACUTRIM NATURAL).....	62
7.58	HEINZ.....	63
7.59	HERBALIFE.....	64
7.60	HERSHEY'S.....	66
7.61	HOBARAMA (BAWLS GUARAMA).....	67
7.62	HOLLYWOOD MIRACLE DIET.....	68
7.63	HP HOOD.....	69
7.64	IMPACT NUTRITION.....	70
7.65	ISATORI GLOBAL TECHNOLOGIES.....	71
7.66	ISS RESEARCH.....	72
7.67	JENNY CRAIG.....	73
7.68	JOSEPH'S.....	74
7.69	KAIZEN NUTRITION.....	75
7.70	KELLOGG (KASHI).....	76
7.71	KETO FOODS.....	78
7.72	KETOGENICS.....	80
7.73	KRAFT FOODS (BALANCE BAR).....	81
7.74	LA NOUBA.....	83
7.75	LA TORTILLA.....	84
7.76	LABRADA BODYBUILDING NUTRITION.....	85
7.77	LOGIC NUTRITION.....	86
7.78	LOW CARB CREATIONS.....	87
7.79	LOW CARB LIVING.....	88
7.80	LOW CARB SUCCESS.....	89

7.81	MARS (SNICKERS MARATHON).....	90
7.82	MAX MUSCLE	91
7.83	MAXIMUM HUMAN PERFORMANCE.....	92
7.84	MD LABS	94
7.85	MEDICAL RESEARCH INSTITUTE (NO2)	95
7.86	METABOLIC NUTRITION	96
7.87	METABOLIC RESPONSE MODIFIERS	97
7.88	METABOLIC TECHNOLOGIES	98
7.89	METABOLIFE.....	99
7.90	MLO PRODUCTS	100
7.91	MOLECULAR NUTRITION	102
7.92	MONARCH (ALL SPORT).....	103
7.93	MOUNTAIN BREAD.....	104
7.94	MUSCLE LINK	105
7.95	MUSCLE MARKETING USA.....	106
7.96	MUSCLETECH R&D INC.....	107
7.97	NATROL (PROLAB)	108
7.98	NATURADE.....	110
7.99	NATURE'S BEST	111
7.100	NBTY (REXALL, RICHARDSON, WORLDWIDE, METRX, XTREMETRIM) 114	
7.101	NESTLE (POWERBAR & CARNATION).....	116
7.102	NEWAYS.....	118
7.103	NEXT PROTEINS INTERNATIONAL.....	119
7.104	NOVARTIS (BOOST).....	120
7.105	NSPIRED (PUMPKORN)	121
7.106	NUTREX RESEARCH.....	122
7.107	NUTRITION 21	124
7.108	NUTRITIONAL TECHNOLOGIES.....	126
7.109	NVE PHARMACEUTICAL (STACKER, YELLOW JACKET)	127
7.110	OLYMPIAN LABS.....	128
7.111	OPTIMUM NUTRITION	129
7.112	ORGANIC MILLING (NUTRITIOUS LIVING).....	131
7.113	PATENTHEALTH (PATENTLEAN)	132
7.114	PEPSI (AMP, MOUNTAIN DEW)	133
7.115	PEPSI (GATORADE).....	134
7.116	PEPSI (SOBE).....	135
7.117	PHARMAGENX.....	136
7.118	POWERMEDICA	137
7.119	PREMIER NUTRITION.....	138
7.120	PRIME HEALTH SUPPLEMENTS (THINK! THIN).....	139
7.121	PROMATRIX	140

7.122	PURE DE-LITE	141
7.123	RED BULL	142
7.124	RHINO NATURALS	143
7.125	RIPFAST	144
7.126	ROCKSTAR.....	145
7.127	ROSS CHOCOLATES.....	146
7.128	ROYAL NUMICO (GNC, REXALL, RICHARDSON, WORLDWIDE, MET-RX)	147
7.129	SAN CORPORATION.....	148
7.130	SCHWARTZ LABORATORIES.....	149
7.131	SCIFIT.....	150
7.132	SCITEC NUTRITION	151
7.133	SPECIALTY CHEESE	152
7.134	SPORTPHARMA (PROMAX BAR).....	153
7.135	STEEL'S GOURMET	154
7.136	SYNTRAX (SI2).....	155
7.137	THERMO-LIFE INTERNATIONAL	156
7.138	TWINLAB CORPORATION	157
7.139	ULTIMATE NUTRITION.....	159
7.140	UNILEVER (SLIMFAST).....	161
7.141	UNIVERSAL NUTRITION CORP	162
7.142	VHT BODY	164
7.143	VITAMIN SHOPPE: RETAIL	165
7.144	WALDEN FARMS	167
7.145	WEIDER NUTRITION INTERNATIONAL	168
7.146	WEIGHT WATCHERS	169
7.147	WELLNESS INTERNATIONAL.....	170
7.148	WINDMILL CONSUMER (VITAQUEST, GARDEN STATE NUTRITION, CELEMARK).....	171
7.149	WINDOW ROCK (CORTISLIM)	172
7.150	YAMATE CHOCOLATIER.....	173

INDEX OF FIGURES

Figure 2-1 US Total SNWL Sales & Annual Growth, 1997-2013 7

Figure 2-2 US Total SNWL Sales by Product, 2004..... 8

Figure 3-1 US Total SNWL Sales by Product, 2004..... 15

Figure 3-2 U.S. Total SNWL Sales vs. Total Nutrition Industry Sales, 1997-2004..... 15

Figure 3-3 U.S. Total SNWL Sales vs. Total Nutrition Industry Sales, 2005-2013..... 16

Figure 3-4 US Total SNWL Sales & Annual Growth, 1997-2013 16

Figure 3-5 US Total Supplement Sales & Annual Growth, 1997-2013..... 17

Figure 3-6 US Total SNWL Sales & Annual Growth, 1997-2013 17

Figure 3-7 U.S. Total SNWL Sales by Product Subcategory 1997 – 2004..... 18

Figure 3-8 U.S. Total SNWL Sales by Product Subcategory 2005 – 2013..... 18

Figure 3-9 U.S. Total SNWL % of total sales by Product Subcategory 1997 – 2004 18

Figure 3-10 U.S. Total SNWL %of total Sales by Product Subcategory 2005 – 2012..... 19

Figure 3-11 U.S. Total SNWL Sales Growth by Product Subcategory 1998 – 2004 19

Figure 3-12 U.S. Total SNWL Sales Growth by Product Subcategory 2005 – 2012 19

Figure 3-13 U.S. Total SNWL Sales by Channel, 2004..... 20

Figure 3-14 U.S. Total SNWL Channel Sales, Growth, & % of Total, 2002-2004 20

Figure 3-15 US SNWL Supplements vs. Total Supplement Market, 1997-2004..... 20

Figure 3-16 US SNWL Supplements vs. Total Supplement Market, 2005-2013..... 21

Figure 3-17 US SNWL Supplements vs. Total Supplement Market, 2004*..... 21

Figure 3-18 US SNWL Pills & Meal Supps vs. Total Supplement Market, 2013..... 21

Figure 3-19 US Total Supplement Sales & Annual Growth, 1997-2013..... 22

Figure 3-20 Top 30 Companies in SNWL (wholesale \$M), 2001-2004 Sales & Growth..... 23

Figure 3-21 U.S. Nutrition Industry Revenues, 2004 (\$mil, consumer sales)..... 25

Figure 3-22 U.S. Nutrition Industry Revenues, 2003 (\$mil, consumer sales)..... 26

Figure 3-23 U.S. Nutrition Industry by Product, 1997-2004 (\$mil, consumer sales)..... 27

Figure 3-24 U.S. Nutrition Industry by Product Growth, 1998-2004 & '05-'8 Forecast..... 27

Figure 3-25 US Total Supplement Sales & Annual Growth, 1997-2004..... 28

Figure 3-26 Distribution of US Supplement Sales, 2004..... 28

Figure 3-27 U.S. Supplement Sales (\$mil) by Sales Channel 1997-2004 29

Figure 3-28 U.S. Supplement Sales Growth by Channel, 2004..... 29

Figure 3-29 Supplement Sales by Retail Category, 2002..... 30

Figure 3-30 U.S. Supplement Sales Growth Rates, Mass Market vs. Natural Food/Specialty Retail in 1997-2004 30

Figure 3-31 U.S. Supplement Sales Growth Rates by Channel, Mass Market Stores vs. All Supplements, 1997-2004..... 31

Figure 3-32 U.S. Supplement Sales Growth Rates by Channel, NF/Specialty Stores vs. All Supplements 1997-2004..... 31

Figure 3-33 U.S. Supplement Sales Growth Rates by Channel, Mail Order & Internet vs. All Supplements 1997-2004..... 32

Figure 3-34 U.S. Supplement Sales Growth Rates by Channel, Multi-Level Marketing vs. All Supplements 1997-2004..... 32

Figure 3-35 U.S. Supplement Sales Growth Rates by Channel, Practitioners vs. All Supplements, 1997-2004 33

Figure 3-36 Growth in Supplement and Nutrition Industry Product Sales, All Channels, 2004 34

Figure 3-37 U.S. Supplement vs. Total Nutrition Industry Annual Sales Growth Rates, 1995-2013.....34

Figure 3-38 U.S. Supplement vs. Functional Foods Annual Sales Growth Rates, 1995-2013 ...35

Figure 3-39 U.S. SNWL Subcategory Compound Annual Growth, 2005-201036

Figure 3-40 U.S. SNWL Subcategory Compound Annual Growth, 2008-201337

Figure 3-41 U.S. SNWL Subcategory Compound Annual Growth, 2003-201337

Figure 3-42 US Total Supplement Sales & Annual Growth, 2005-2013.....38

Figure 3-43 U.S. Sports Nutrition Supplement vs. Total Supplement Sales Annual Growth Rates, 1990-201339

Figure 3-44 U.S. Meal Replacement vs. Total Supplements Sales Annual Growth Rates, 1990-2013.....39

Figure 3-45 Annual U.S. Consumer Sales of Supplements, 2002-2013 in \$mil40

Figure 3-46 NBJ Growth Forecast in Supplement Sales: Annual Average, 2004-2013 CAGR..40

Figure 3-47 NBJ Supplement Sales Growth Rate Forecasts by Product Category, 2005-2013.41

Figure 3-48 NBJ Supplement Sales Growth Forecasts by Product Category, 2005-2013 (\$mil)41

Figure 3-49 Sales of US Supplements by Product, 1998.....41

Figure 3-50 Distribution of US Supplement Sales, 2002.....42

Figure 3-51 Distribution of US Supplement Sales, 2004.....42

Figure 3-52 Representative Pricing Comparison by Product and Sales Channel in 2004.....65

Figure 3-53 Average Sports Nutrition Supplement Prices by Channel, 1999-200365

Figure 3-54 Average Sports Nutrition Supplement Price Growth by Channel, 2000-2003.....65

Figure 3-55 US Sports Nutrition Supplement Pricing & Annual Growth, 1999-2003.....66

Figure 3-56 U.S Consumer Sports Nutrition Supplement Use, 200467

Figure 3-57 Sports Nutrition Supplements Use: U.S Consumer Type Market share, 1999-200467

Figure 3-58 Sports Supp Use: U.S Consumer Type by Number of Users, 1999-2004.....68

Figure 3-59 U.S Consumer Supplement Use Summary, 2004.....68

Figure 3-60 All Supplements Use: U.S Consumer Type and Market share, 1999-2004.....69

Figure 3-61 All Supplements Use: U.S Consumer Type All Supplements by Number of Users, 1999-2004 (millions of American adults).....69

Figure 3-62 Supplements Users & Non-Users, 200469

Figure 3-63 U.S Consumer Weight Loss Supplement Use, 200370

Figure 3-64 U.S Consumer Weight Loss Supplement Use, 200470

Figure 3-65 All Weight Loss Supplement Use: U.S Consumer Type and Market share, 2000-200470

Figure 3-66 Weight Loss Supplement Use: U.S Consumer Type and Weight Loss Supplements by Number of Users, 2000-2004 (millions of American adults).....70

Figure 3-67 U.S Consumer Total Meal Replacement Supplement Use, 2004.....71

Figure 3-68 Total Meal Replacement Supplements Use: U.S Consumer Type Market share, 1999-200471

Figure 3-69 Total Meal Replacement Supp Use: U.S Consumer Type by Number of Users, 1999-2004.....71

Figure 3-70 U.S. Total Retail Food Industry Sales by NBJ Food Type, 200395

Figure 3-71 U.S. Healthy Food Sales & % of Total Retail Food Sales: 1995-2003.....96

Figure 3-72 U.S. Lesser Evil Food Industry Sales by 8 Major Food Categories, 200396

Figure 3-73 Penetration Rate Ranking of U.S. Lesser Evil Food as a Percentage of Total U.S. Food Sales by Product: 2003.....97

Figure 4-1 US Total SNWL Sales by Product, 2004..... 98

Figure 4-2 Top Companies in Low-Carb Foods (wholesale \$M), 2002 -2004 & 2004 Growth.99

Figure 4-3 Annual U.S. Consumer Sales of Low-Carb Foods, 1997-2004 in \$mil..... 101

Figure 4-4 U.S. Low Carb Foods Sales by Quarter, 2003-2004..... 101

Figure 4-5 U.S. Low Carb Foods as a % of Total SNWL Sales, 2004 102

Figure 4-6 Annual U.S. Consumer Sales of Low-Carb Foods, 2005-2013 in \$mil..... 102

Figure 4-7 U.S. Low-Carb Foods vs. Total SNWL Sales Annual Growth Rates, 1998-2013 ... 103

Figure 4-8 U.S. Low-Carb Foods vs. Total SNWL Sales Annual Growth Rates, 1998-2013 ... 104

Figure 4-9 U.S. Low-Carb Foods (including low carb bars & meal supps vs. Total SNWL Sales Annual Growth Rates, 1998-2013 105

Figure 4-10 US Low-Carb Food Sales by Channel, 2004..... 110

Figure 4-11 U.S. Low-Carb Bars vs. Non Low-Carb Bars, 2004 115

Figure 4-12 U.S. Low Carb Bars & Meal Supps vs. Low Carb Foods, 2004 116

Figure 4-13 US Total Low Carb Sales & Annual Growth, 1997-2013 117

Figure 4-14 U.S. Low-Carb Meal Supps vs. Non Low-Carb Meal Supps, 2004..... 118

Figure 4-15 US Total Weight-Loss Pills Consumer Sales & Annual Growth, 1997-2013 123

Figure 4-16 Top Companies in Weight Loss Pills (wholesale \$M), 2003, 2004 & 2004 Growth 124

Figure 4-17 U.S. Weight loss pills as a % of Total SNWL Sales, 2004..... 125

Figure 4-18 U.S. Weight Loss Pills Sales by Channel, 2004..... 125

Figure 4-19 U.S. Weight Loss Pill Supp & Total SNWL Product Sales & Growth, 1997-2004 126

Figure 4-20 U.S. Weight Loss Pill Supp & Total SNWL Product Sales & Growth Forecast, 2005-2013..... 126

Figure 4-21 U.S. Ephedra vs. Non-Ephedra vs. Weight Loss Pill Supps Sales & Growth, 2001-2004..... 127

Figure 4-22 U.S. Ephedra vs. Non-Ephedra vs. Weight Loss Pill Supps Sales & Growth, 2005-2013..... 127

Figure 4-23 U.S. Weight Loss Pill Supp & Total SNWL Product Growth Trends, 1998-2013. 128

Figure 4-24 US Total Weight Loss Pill Sales & Annual Growth, 1997-2013..... 129

Figure 4-25 U.S. Ephedra vs. Non-Ephedra Sales as a % of Total WL Pill Sales, 2004..... 131

Figure 4-26 US Total Weight Loss Pill Sales & Annual Growth, 1997-2013..... 135

Figure 4-27 U.S. Synepherine vs. Non-Synepherine Sales as a % of Non-Ephedra Pill Sales, 2004..... 136

Figure 4-28 U.S. Sports Nutrition Supplements as a % of Total SNWL Sales, 2004 147

Figure 4-29 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth, 1997-2004 147

Figure 4-30 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth, 1997-2004 147

Figure 4-31 U.S. Sports Nutrition Supps & Total SNWL Product Sales & Growth Forecast, 2005-2013 148

Figure 4-32 U.S. Sports Nutrition Supps Sales by Channel, 2004 148

Figure 4-33 U.S. Sports Nutrition Supps & Total SNWL Product Growth Trends, 1998-2013 149

Figure 4-34 US Sports Nutrition Supplement Sales & Annual Growth, 1997-2013 149

Figure 4-35 Top Companies in Sports Nutrition Supplements (wholesale \$M), 2003, 2004 & 2004 Growth 150

Figure 4-36 U.S. Powders/Formulas vs. Sports Performance Pills vs. Prepared Drinks vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004..... 151

Figure 4-37 U.S. Powders/Formulas vs. Sports Pills vs. Prepared Drinks vs. Total Sports Supps Sales & Growth, 2005-2013 151

Figure 4-38 U.S. Powders/Formulas vs. Sports Performance Pills vs. Prepared Drink Sales as a % of Total Sports Nutrition Supplement Sales, 2004..... 152

Figure 4-39 U.S. Sports Performance Pills as a % of Total SNWL Sales, 2004..... 156

Figure 4-40 U.S. Sports Performance Pills vs. Total SNWL Sales Annual Growth Rates, 1998-2013..... 156

Figure 4-41 US Sports Performance Pill Sales & Annual Growth, 1997-2013..... 157

Figure 4-42 U.S. Sports Performance Pills vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004 157

Figure 4-43 U.S. Sports Performance Pills vs. Total Sports Supps Sales & Growth, 2005-2013 157

Figure 4-44 Top Companies in Sports Powders/Pills (wholesale \$M), 2003, 2004 & 2004 Growth 158

Figure 4-45 U.S. Powders/Formulas as a % of Total SNWL Sales, 2004..... 163

Figure 4-46 U.S. Powders/Formulas as a % of Total Sports Nutrition Supplement Sales, 2004 163

Figure 4-47 US Sports Powders/Formulas Sales & Annual Growth, 1997-2013..... 164

Figure 4-48 U.S. Sports Powders/Formulas vs. Total SNWL Sales Annual Growth Rates, 1998-2013..... 165

Figure 4-49 U.S. Powders/Formulas vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004..... 165

Figure 4-50 U.S. Powders/Formulas vs. Total Sports Supps Sales & Growth, 2005-2013..... 166

Figure 4-51 U.S. Prepared Sports Drinks as a % of Other Sports Nutrition Supp Sales, 2004..... 167

Figure 4-52 U.S. Prepared Sports Drinks as a % of Total SNWL Sales, 2004..... 167

Figure 4-53 US Prepared Sports Drinks Sales & Annual Growth, 1997-2013 168

Figure 4-54 U.S. Prepared Sports Drinks vs. Total SNWL Sales Annual Growth Rates, 1998-2013..... 168

Figure 4-55 Top Companies in Prepared Sports Drinks (wholesale \$M), 2003, 2004 & 2004 Growth 169

Figure 4-56 U.S. Prepared Sports Drinks vs. Total Sports Nutrition Supps Sales & Growth, 1997-2004 169

Figure 4-57 U.S. Prepared Sports Drinks vs. Total Sports Supps Sales & Growth, 2005-2013..... 169

Figure 4-58 U.S. Nutrition Bars as a % of Total SNWL Sales, 2004..... 170

Figure 4-59 U.S. Nutrition Bars & Total SNWL Product Sales & Growth, 1997-2004 170

Figure 4-60 U.S. Nutrition Bars & Total SNWL Product Sales & Growth Forecast, 2005-2013 171

Figure 4-61 US Nutrition Bar Sales & Annual Growth, 1997-2013 171

Figure 4-62 Top Companies in Nutrition Bars (wholesale \$M), 2003 & 2004 & 2004 Growth..... 172

Figure 4-63 Top Companies in Nutrition Bars sales by Bar Type (wholesale \$M), 2004 174

Figure 4-64 U.S. Low-Carb Bars vs. Non Low-Carb Bars, 2004 176

Figure 4-65 Nutrition Bar Sales by Type, 2004..... 179

Figure 4-66 U.S. Sales of Low-Carb Bars vs. Non Low-Carb Bars, 1997-2004 183

Figure 4-67 U.S. Sales of Low-Carb Bars vs. Non Low-carb bars, 2005-2013..... 183

Figure 4-68 U.S. Sports/Energy Beverages as a % of Total SNWL Sales, 2004..... 184

Figure 4-69 US Sports & Energy Drink Sales & Annual Growth, 1997-2013 184

Figure 4-70 U.S. Sports/Energy Beverages & Total SNWL Product Sales & Growth, 1997-2004 185

Figure 4-71 U.S Sports/Energy Beverages & Total SNWL Product Sales & Growth Forecast, 2005-2012 185

Figure 4-72 U.S. Sports/Energy Beverages & Total SNWL Product Sales & Growth, 1997-2004 186

Figure 4-73 U.S. Sports/Energy Beverage Sales by Channel, 2004..... 187

Figure 4-74 U.S. Sports/Energy Beverages & Total SNWL Product Growth Trends, 1998-2013 188

Figure 4-75 US Energy Beverage Company Sales (\$mil) & Annual Growth, 2003-2004..... 189

Figure 4-76 Top Companies in Sports/Energy Beverages (wholesale \$M), 2003 & 2004 Growth 190

Figure 4-77 U.S. Sports vs. Energy Beverage Sales as a % of Total Sports/Energy Beverage Sales, 2004 191

Figure 4-78 U.S. WL Meal Replacement Supplements as a % of Total SNWL Sales, 2004..... 194

Figure 4-79 U.S. WL Meal Replacement Supps & Total SNWL Product Sales & Growth, 1997-2004..... 195

Figure 4-80 US Private Label vs. Branded Meal Supplement Sales, 2004..... 195

Figure 4-81 U.S. WL Meal Replacement Supps & Total SNWL Product Sales & Growth Forecast, 2005-2013 195

Figure 4-82 U.S. WL Meal Replacement Supps Sales by Channel, 2004..... 196

Figure 4-83 U.S. WL Meal Replacement Supps & Total SNWL Product Growth Trends, 1998-2013..... 196

Figure 4-84 US WL Meal Replacement Sales & Annual Growth, 1997-2013 197

Figure 4-85 U.S. WL Meal Supps vs. Total Meal Replacement Supps as a % of Total SNWL Sales, 2004 197

Figure 4-86 U.S Consumer Total Meal Replacement Supplement Use, 2004..... 198

Figure 4-87 U.S. WL Meal Replacement Supps sales by Channel: 2002-2004 198

Figure 4-88 Top Companies in Weight Loss Meal Replacement Supplements (wholesale \$M), 2003, 2004 & 2004 Growth 199

Figure 5-1 US Retail vs. Direct/Other SNWL Sales, 2004 200

Figure 5-2 US Natural/Specialty Retail vs Retail Mass Market Sports Nutrition Supplement Sales, 2004 201

Figure 5-3 US Sports Nutrition Supplement Sales by Channel: 2002-2004 201

Figure 5-4 US Natural/Specialty Retail vs Retail Mass Market WL Pill Supplement Sales, 2004 201

Figure 5-5 US Internet Channel SNWL Sales by Product, 2004..... 217

Figure 5-6 Internet Channel SNWL Sales by Product, 2002-2004 217

Figure 5-7 US Private Label vs. Branded Sports Nutrition Supplement Sales, 2004 221

Figure 5-8 US Private Label vs. Branded Meal Supplement Sales, 2004..... 222

Figure 6-1 U.S. Supplement Industry Value Chain, 2004 in \$mil..... 225

Figure 6-2 U.S. Sports Nutrition Supplement Value Chain, 2004 in \$mil 225

Figure 6-3 U.S. SNWL Value Chain, 2004 in \$mil..... 226

Figure 6-4 Top Contract Manufacturing Protein Powder Suppliers, 2004 232

2.1. Acknowledgements

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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 2005, interim 2004 data is included based on analysis conducted up to June 2005.

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 June 2005 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 Editor Grant Ferrier or NBJ Research Manager Katja Rauhala (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

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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.

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.

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, sasarilla, 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 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.