

THE INGREDIENT MARKET

A Pumped Up Sports Market for Proteins

The latest estimates on market size, prospective growth and per capita spending on key sports nutrition markets. A look at relevant consumer trends, as well as opportunities and threats for key players in the sports nutrition business are described.



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The current market size of the global sports nutrition market is US\$10.1 billion (in retail value). Protein-based products such as protein powder, protein bars and RTDs account for approximately 80% of the market, whereas non-protein products make up the remaining 20%. Currently, the US market has taken the leading position in terms of both size and forecasted growth. The US accounts for approximately 60% of global sports nutrition consumption, which equates to an overall retail value of US\$5.9 billion. The US market is further forecasted to grow at a CAGR of 8% over the period 2014-2019, which is the highest growth rate globally.

With market values of \$727 million and \$591 million, Australia and the UK respectively complete the top 3 of the strongest markets in sports nutrition. Both countries are forecasted to substantially grow at a CAGR of 5% and 8%, respectively, for the period 2014-2019. It is clear that the over-

all outlook for the sports nutrition market is very positive and is mainly fueled by a rapidly increasing consumer base.

Big Australian Spenders

In terms of per capita spending, Australia and the US take the lead. Australia shows an impressive per capita spending of US\$31, as opposed to the US market with "only" US\$18.7 per capita spending on sports nutrition products. It is noteworthy that spending in Australia has nearly doubled from 2010.

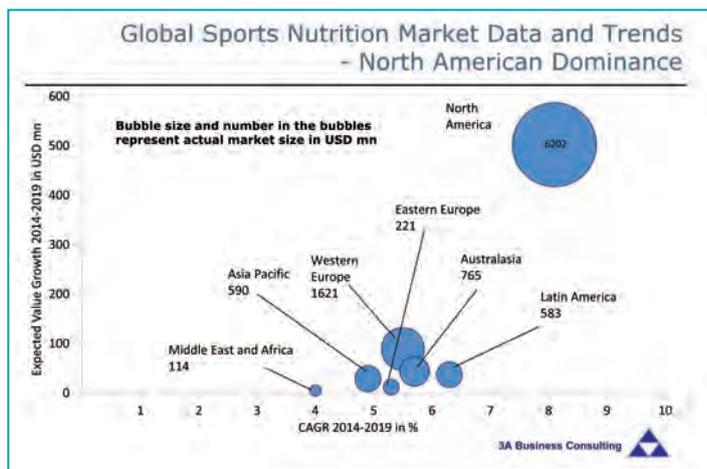
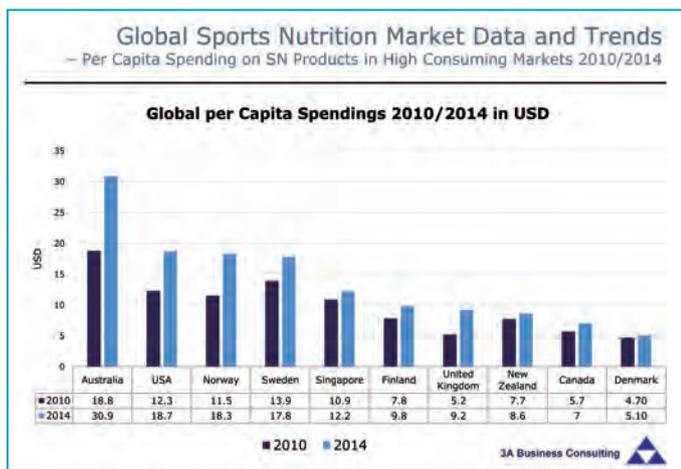
Furthermore, it is interesting to see that all countries form the Nordics are among the ten countries with the highest per capita spending on sports nutrition products. Norway with \$18.30 is ranked third just behind the US. Sweden is ranked fourth with a per capita spending of \$17.80. Also worth noticing is Finland, which is ranked sixth and just ahead of the UK. Moreover, Denmark has made a remarkable step into

the top 10.

The protein powder category remains the largest among the different product categories in sports nutrition and accounts for over 60% of all global protein product sales. RTDs and protein bars are substantially smaller and account for 20%. However, both product categories show extensive growth perspectives in certain regions, e.g. strong growth of RTDs in the UK and protein bars in Australia.

Expanding Consumer Base

The forecasted growth in the different global markets is mainly due to an expanding consumer base and a general trend to a healthier lifestyle in today's society. Sports nutrition products have taken the journey from originally serving a niche segment of athletes and bodybuilders in the 80s and 90s, to now serving a mass market of health-concerned fitness and lifestyle users.



In order to serve the newer consumer segments of women, seniors, and body weight concerned consumers, FMCG companies need to be innovative and understand their target consumers. Evidence of such efforts can be found in the increased trend of FMCG companies investing in established sports nutrition companies. Recently, Glanbia Plc acquired Nature's Best Isopure and Hormel Foods acquired Cytosport. These are just two of a series of mergers and acquisitions occurring in 2014.

Moreover, it is expected that the growth of the sports nutrition market will attract further investment from deep-pocketed players throughout the

to satisfy the needs of the new mainstream consumer. In order to capitalize on the expansion of the consumer base, meeting consumers halfway by incorporating familiar and clean formats and convenient retail channels such as online retailing will become increasingly important.

Key Players and Outlook

A total of six companies on the sports nutrition market hold a market share, which is higher than 2%. The Irish company Glanbia Plc is the global leader, with a market share of 13.6%, followed by Hormel Foods Corp. with 7.4%. The two top brands of Glanbia Plc are Optimum Nutrition and BSN, which

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wider FMCG universe wanting to get their "slice of the pie." The resulting benefits from augmented investments in the sports nutrition sector are product innovations aligned to consumer needs, more sophisticated manufacturing and increasing multi-channel distribution as well as innovative marketing activities. All together, these trends should fuel further market growth.

From an overall consumer perspective, it can be seen that the increasing migration of new consumers to the sports nutrition category is not only expected to fuel growth for the category itself, but also change within the category, in order

together account for \$1.2 billion in retail sales values. Furthermore, Hormel Foods Corp. has very successfully established its brand Muscle Milk, showing an overall retail sales value of \$533 million in 2014.

The company Muscle Pharm Corp. has shown an impressive development in the past and has made its way into the top sports nutrition companies. Founded in 2009, CEO and founder Bradley J. Pyatt has made Muscle Pharm a strong player in sports nutrition (see box on page 30).

On top of the value estimations, it is estimated that the total global consumption of sports nutrition products in vol-



› Optimum Nutrition has launched its second "Lead the Whey" flavor contest where fans vote online to select the winner. The contest will determine which new flavor will be added to the whey protein brand: mango, chocolate-dipped banana or blueberry cheesecake.

ume terms for 2014 as well as for 2019. Volume is forecast to grow 7.1% CAGR. The overall estimated global consumption volume for sports nutrition products in 2014 is broken down to estimate the respective volume shares for the different product categories as well as for protein ingredients used in total and per product category.

These calculations are done for several of the key markets in sports nutrition. Global protein demand is estimated at approx. 300,000 +MT in 2014 and with whey based proteins as the prime source of supply.

Looking into the next four-year horizon, the market for sports nutrition is expected to continue its strong growth. The market growth is driven by increasing health concerns such as weight management, but more importantly, by the shift of sports and performance products from niche to mainstream products.

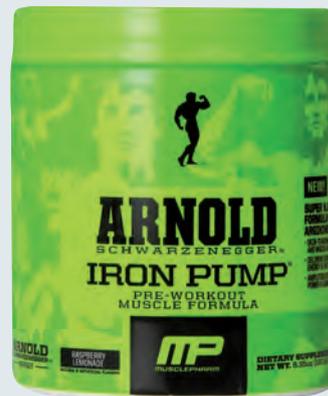
Target groups are now the more mainstream segment of

health-concerned consumers rather than just athletes and sportsmen.

New product development concerning protein continues to go from strength to strength, with protein claims evident for a wide variety of food and beverages. Time will show whether companies will be able to keep up with the pace of the market, the continuously changing environment and increasing competition, and government regulations for ingredients and additives in sports nutrition products. The market for sports nutrition is still young and vibrant and is definitely worth monitoring in the future. ▼

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► Muscle Pharma Rises to a Global Player



As one of the fastest growing companies in sports nutrition, Muscle Pharm has transformed itself from a small start-up to a global player in half a decade. In a brief case study by 3A Business Consulting, it is identified, which internal resources and capabilities have been key to the outstanding success of Muscle Pharm.

The results have revealed that innovation and acquisition have merely been sources of competitive parity but not the key reasons for the outstanding performance during last five years. The competitive advantage leading to this rapid growth has really been Muscle Pharm's ability to create a strong network of trustworthy and popular influencers/spokespersons such as Arnold Schwarzenegger, who are strongly promoting the Muscle Pharm brand among the target groups. Muscle Pharm has further succeeded in tying these influencers to the company and its products over the long run and thereby created the foundation for a possibly sustainable competitive advantage. ▼