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Nutrition Business Journal®
Strategic Information for the Nutrition Industry

NBJ's Supplement Business Report 2011

An analysis of markets, trends, competition and strategy
in the U.S. dietary supplement industry

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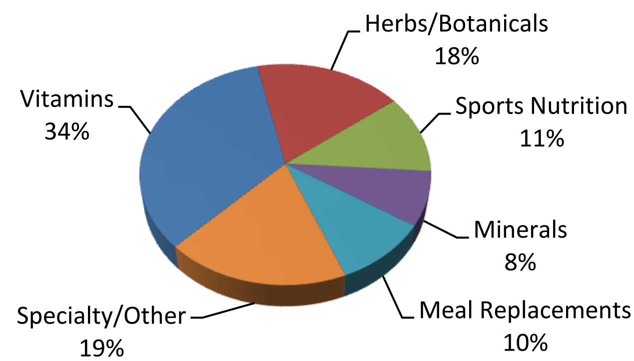
1. EXECUTIVE SUMMARY

Dietary supplements grew 4.4% in 2010, reaching $28.1 billion in sales. Despite the addition of $1.2 billion in incremental sales to the industry, peer categories across nutrition—notably, natural & organic foods—evidenced more impressive growth rates that begin to raise more serious questions about consumer perception of the risks and benefits involved in supplementation. Nutrition categories driven by high science and marketed heavily along health claims performed about half as well in 2010 as categories more aligned with pure, clean, whole foods held at arm's length to the advances in food science.

It is worth noting, however, that the larger macrotrends toward prevention, self-care and holistic approaches to wellness remain systemic vectors of growth for dietary supplements—4.4% annual growth still dramatically trumps the anemic 0.7% growth in the larger food industry in 2010.

Figure 1-1 U.S. Dietary Supplement Sales by Product Category in 2010



Source: Nutrition Business Journal *estimates.($mil., consumer sales)*

As *Nutrition Business Journal* assesses the current marketplace for supplements, in search of mitigating factors to more robust growth, the clear front-runner here is innovation. Or rather, the lack thereof. Category-expanding product development that opens entirely new consumer markets remains scarce right now. To paraphrase Scott Steil of **Nutra Bridge**, a sales & marketing firm that represents a small core of patented, branded, scientifically-proven ingredients such as *7-Keto*, things haven't looked this bad in over a decade. When it comes to true innovation at the ingredient and finished-product level, the picture was bleak enough—given the prolonged economic downturn, struggling job market, struggling housing market, and early signs of inflation in raw materials—before the **Food & Drug Administration**'s issued its long-awaited New Dietary Ingredient guidance in July.

The fallout from this guidance remains uncertain, and will stay uncertain for some time. Leading trade associations across the industry are thick in the process of gathering comments from members, coordinating efforts and presenting as unified a front as possible to FDA. Of primary concern? Language and posturing from FDA that raises the bar on notifications to include finished products of all combinations and stripe. Some estimates from within the industry peg the impact of this requirement alone at 55,000 additional notifications to FDA, an agency currently staffed with about 10 regulators to handle them. Additional concerns that surfaced from the guidance include ingredients once thought to be grandfathered under DSHEA now rendered "new" by modern extraction technologies, as well the ultimate classification of synthetic botanicals and probiotic species and strains.

The supplements industry does contain evidence of smaller innovations—new delivery formats, new combinations of popular ingredients, new (and successful) approaches to branding with simpler and quieter packaging—but *NBJ* finds the greatest cause for optimism in companies at the highest-end of quality engaging the pharmaceutical industry in novel ways. **Thorne Research**'s recent partnership with **Helsinn Group** out of Switzerland to create an oncology division and provide supplement solutions for cancer support provides clear evidence of the potential here for innovation in business strategy and partnering.

Within the supplements industry, the real microtrend news is, well, no news—no new blockbuster superfruits, no new vitamin D, no new health scares on the level of H1N1, no clusters of scientific research to propel a single ingredient forward. Specific microtrends that surfaced in our reporting over the past year would also include:

- Problems at **Walmart**, as the mega-retailer pulled back on in-store merchandising and over-rationalized its supplement inventory. *NBJ* estimates a sales decline of 4% in 2010, with competitors in chain drugstores and club stores stealing share.
- The trend toward boosting bioavailability raises the specter of toxicity for many lines of product, but leading scientists in the space seem more concerned about nanotechnology's creep into manufacturing as a greater potential health risk.
- The clear winners in supplements are clustering around wholefood-based products. **NOW Foods** is making strategic shifts within its portfolio to bolster whole foods themselves, as well as wholefood-based supplements. "For sophisticated supplement buyers and consumers, I do see a movement away from processed and artificial supplements toward more whole-food supplements," says Thomas Aarts of **Nutrition Capital Network**. NSA's Juice Plus+ is a big winner here in the multi-level marketing space, and big manufacturers such as **Garden of Life**, **New Chapter**, **Standard Process** and **MegaFoods** are displaying a sharp awareness and response to this trend in the core market.

The **2010 Supplement Business Report** is a running compilation of 15 years of continuous research by *NBJ*. This report was designed to deliver U.S. dietary supplement sales data and analysis necessary for companies to thrive in the current economy, and to make the most of future market opportunities.

In this year's report, you will find:

- Sales quantifications through 2010 and growth forecasts through 2017 for *NBJ*'s six supplement categories: vitamins, minerals, herbs & botanicals, specialty supplements, meal replacement and sports nutrition supplements
- New this year: Forecasts through 2017 for individual supplements such as Vitamin D and Calcium
- *NBJ*'s Top 100 Dietary Supplements in the U.S. ranked by sales
- Analysis and forecasts for every distribution channel (mass market retail, natural & specialty retail, multi-level marketing, direct media, practitioner and Internet) in each product category
- A breakdown of 2010 supplement, OTC and prescription sales estimates by 17 *NBJ*-defined health categories, including mood, immunity and gastrointestinal health
- Company case studies and expert interviews with CEOs and thought leaders within the U.S. dietary supplement industry
- SWOT analyses for more than 80 industry leaders, plus fully updated profiles of an additional 50 companies

