



Trim

Trim Insight

Nutraceuticals

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Nutraceuticals

- **Nutraceuticals** are substances that perform proven physiological functions or biological activities, derived by the techniques of pharmaceutical synthesis from plants, microbial agents and foods; it is a sector between functional nutrition and supplements
- The global Nutraceutical Market is worth **€508,07b in 2022** and is expected to reach a valuation of **€689,07b by the end of 2027 (CAGR 6,3%)**
- **Dietary supplements** market is worth **€155,9b** (30% in the Nutraceutical Market), with €4,4b from the Italian Market in 2022 which is expected to reach a valuation of **€5,5b in 2027 (CAGR 5,1%)**

Introduction

The term nutraceutical has been used with increasing frequency since the early 2000s.

The term itself derives from the combination of “nutrient” and “pharmaceutical”, **Figure 1**. In a broad sense **food, or part of a food, which provides medical or health benefits, including the prevention and treatment of disease**. In a narrower sense, nutraceuticals are substances that perform proven physiological functions or biological activities, derived through the techniques of pharmaceutical synthesis from plants, microbial agents and food.

Nutraceuticals are typically **classified as a subcategory of food instead of a pharmaceutical drug and therefore are not strictly regulated**. Their effects are less direct and aim to promote well-being while preventing disease. Pharmaceuticals seek to cure or treat disease in a smaller window of time with a more direct objective. Nutraceuticals have a lesser potency and operate over a longer period – seeking to provide more general treatment, **Figure 2**.

The market is segmented in two primary categories: **Dietary Supplements 30%** (manufactured products intended to supplement diet) and **Functional Food & Beverage 70%** (given additional functions by adding new ingredients or more of existing ingredient to promote health and to prevent disease). Firms produce on both sides of this segmentation and along different steps of the value chain.

Figure 1 – Nutraceutical Niches

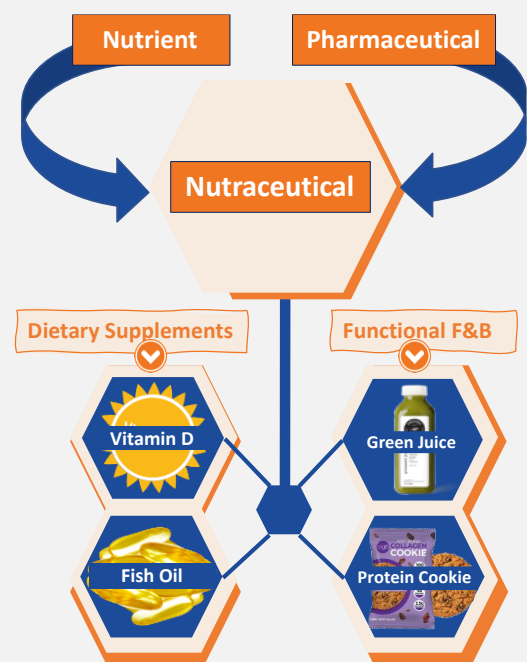
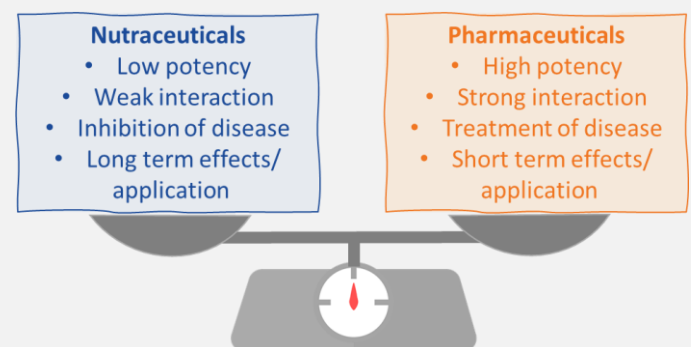


Figure 2 – Nutra vs. Pharma



Market Players

The nutraceutical world, can be divided into three macro players: Pharmaceutical, Nutraceutical, and Wide consumption which can include nutrition. Some of these players are able to offer products for different sectors. Some are **massive conglomerates, such as Nestlé, who produce generalized products to be sold in grocery stores and tread the line of being considered a general food product. More specialized players target the supplement sector of nutraceutical consumers.** Companies like Herbalife and Amway produce solution-oriented supplements such as herbal tea concentrate (claiming to restart metabolism) and market these products to consumers seeking a more comfortable alternative to pharmaceuticals, **Figure 3.** Distribution channels for specialists tend to be more direct and often online.

Value Chain

The **production process of a nutraceutical product** starts with the procurement of the basic raw materials. These can be sourced from contract manufacturers, companies with internal production, or companies without internal production who will outsource their product to a contract manufacturer, who will then supply it back to the company once it has been manufactured. Once the finished product is obtained, it will be placed on the market and sold to the end consumer, **Figure 4.**

Raw materials are usually obtained from the Asian subcontinent (China & India). After the growth in nutraceutical products, several products are now sourced from Malaysia, Australia, Indonesia, and New Zealand. These countries are acquiring a key position in the nutraceutical market, in terms of providing raw materials or semi-finished products.

A nutraceutical product comes from the study and careful evaluation of the ingredients involved. The first phase consists in the analysis of active ingredients, quantities, and their chemical and physical characteristics. A careful evaluation of the pharmaceutical form is carried out. The R&D department follows step by step the entire product development maintaining a constant dialogue with the customer in order to meet its requests and needs. Once the optimal product for characteristics and degree of customer satisfaction is obtained the industrialization phase begins.

Once researched and formulated, Contract Manufacturers (CDMOs) pick up most of the work. **CDMOs prove to be a dominant player in this industry** as they frequently oversee the complete value chain that encompasses concept development, regulatory compliance, formulation, and production, **Figure 5.**

Figure 3 – Market Overview

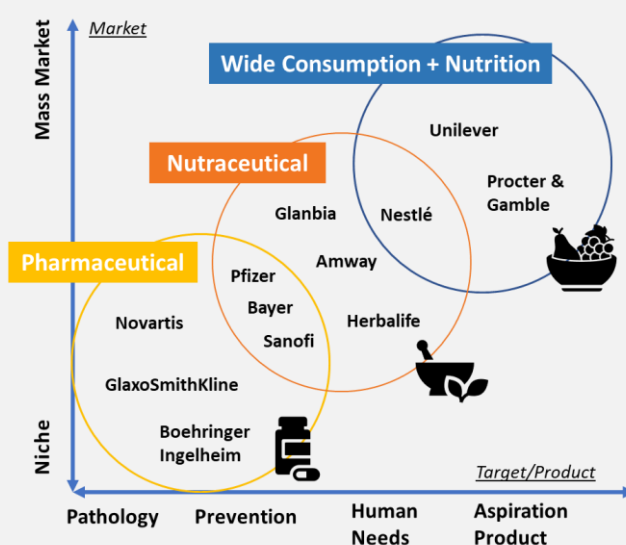


Figure 4 – Value Chain

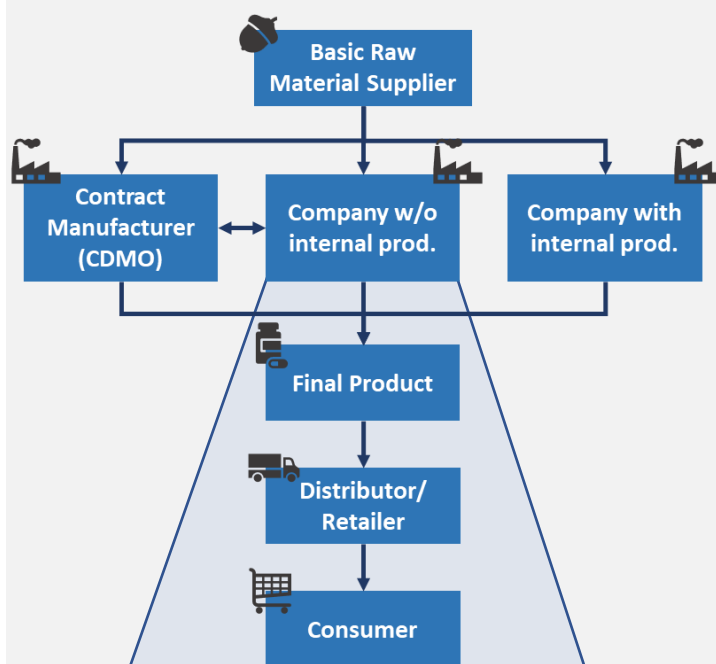


Figure 5 – Role of the CDMO



The COVID-19 outbreak revealed the vulnerabilities of the global supply chain, **highlighting the 'just-in-time' operating model**. This model, based on single-source sourcing, close collaboration, and low inventories, proved fragile during the crisis. The suspension of the flow of goods by ship and the closure of passenger flights caused delays and instability in shipments. **Although nutraceutical manufacturers were considered “essential” and were able to continue production, they faced challenges in transport and ingredient supply.** To cope with these difficulties, they adopted strategies like those of the pharmaceutical industry, ordering materials in advance to meet future demand. In addition, geopolitical issues, such as the Russian invasion of Ukraine, further compromised supply chains, with significant effects on wheat products, sunflower oil, and botanical ingredients from Russia.

Global Market Growth and Forecast

The nutraceutical global market size is **expected to reach €689,07b by the end of 2027 and is expected to expand at a CAGR of 6,9% from 2019-2027, Figure 6**. The growth in consumer awareness regarding personal health and well-being as well as key factors such as the increasing costs of healthcare and the aging population are expected to drive the demand for dietary supplements over the forecast period. Turnover generated by the sale of supplements **recorded the largest growth from year 2020-2021 of +16,5%, largely impacted by the global COVID-19 pandemic**.

Some of the largest corporates operating in the market registered a decrease in revenues throughout the pandemic. However, the most useful metrics to analyse industry health are nutraceutical specialists, such as Herbalife which supplies nutritional supplements and personal care products in more than 90 countries and **operate only in the nutraceutical market**. Herbalife Nutrition registered a continuous **growth in revenues from 2019 highlighting better performances than those of large manufacturers**. Other specialists such as Amway see similar trends, **Figure 7**.

Figure 6 – Nutraceutical Global Market Value Forecast (€b)

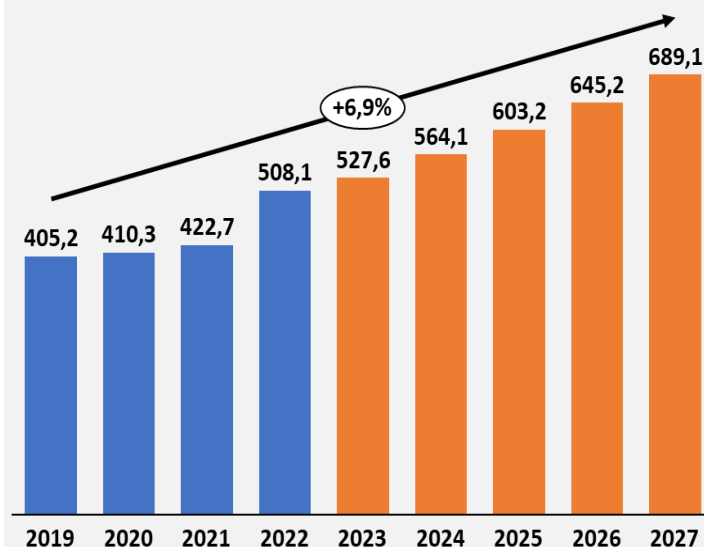
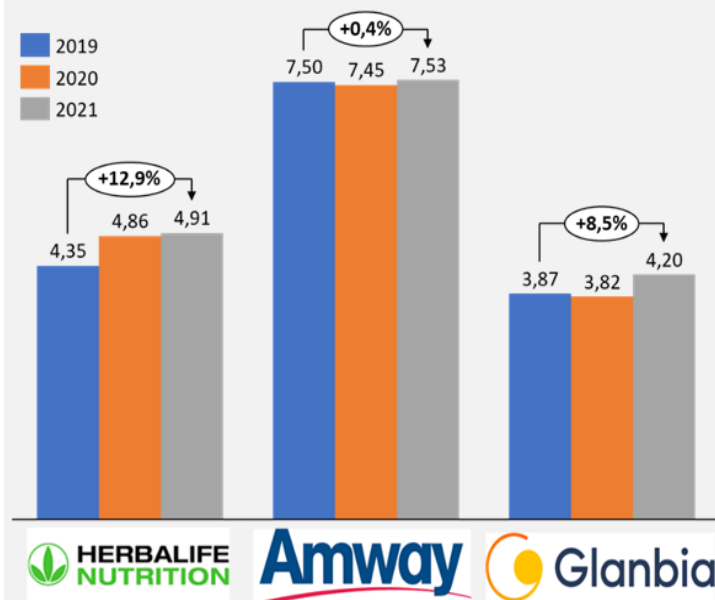


Figure 7 – Major Nutra Player's Revenues (€b, 2019-2021)



Key Drivers of Market Growth

The rise of health issues such as weight management, blood circulation, and cardiovascular health has increased demand for nutraceuticals as consumers wish to enhance their health by safe and natural means, **Figure 8**. **Increased consumer awareness and lifestyle are two key drivers of market growth as busy lifestyles and poor dietary habits are becoming increasingly present in both developed and developing countries.**

Alternative drivers of the nutraceutical market growth include protections of aging populations, rising healthcare costs and increasing role of the online distribution channel.

Developed markets in the United States and Europe are now discovering the untapped segment of customized products based on consumer health. Development of new nutraceutical products will rise to meet this growing demand among consumers.

Impact of COVID-19 on Global Nutraceutical Market

The demand for nutraceuticals prior to the pandemic showed consistent growth on a global scale with a **global compound annual growth rate of 3%, according to Euromonitor International from 2014-2019**. As a result of COVID-19, the desire of people to become more conscious of their state of health has led to **market growth in the sale of supplements and nutraceuticals of 51,2% in the U.S. in March 2020** compared to the previous year. **Europe, China, and India showed similar trends of +51%, +52%, and +53% respectively.** With consumers searching for further defense against the spread of the virus and other infectious conditions, nutraceuticals are in high demand even in post-pandemic years, **Figure 9**. This increase in demand has created generous opportunities for key players to expand the nutraceutical market and explore new regions in this sector.

Figure 8 – Global Consumer Supplement Usage (% , 2021)

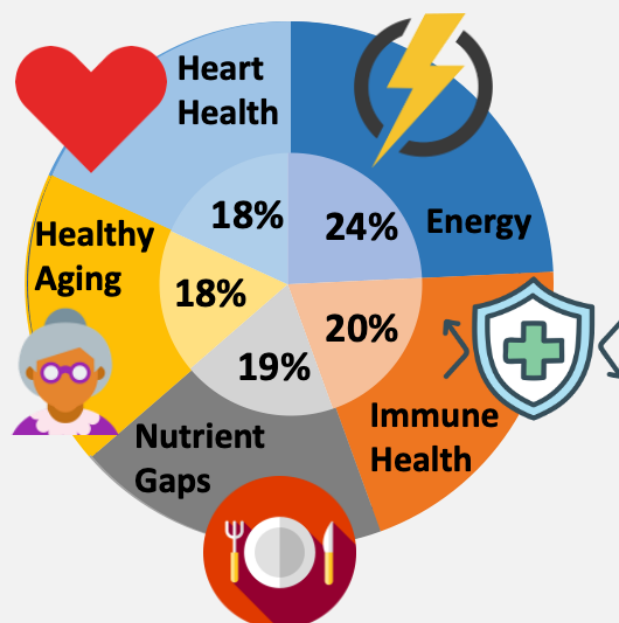
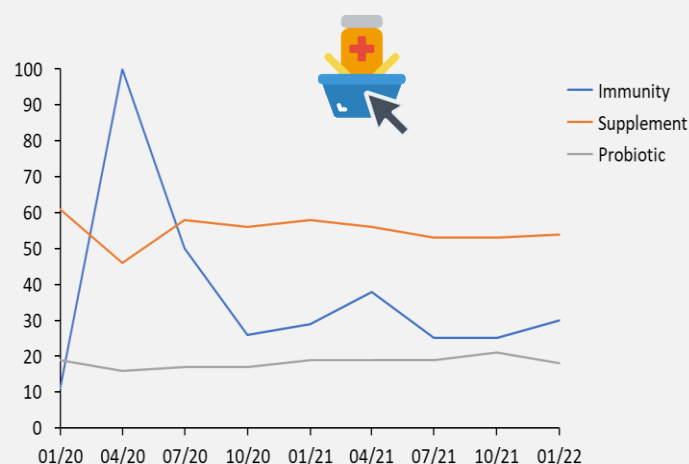


Figure 9 – Google Popularity Index, Nutra Terms (2019-2021)



Focus on Food Supplements

We define food supplements, following the Ministry of Health guidelines, as “food products intended to supplement the common diet and which constitute a concentrated source of nutrients or other substances with a nutritional or physical effect”.

These products are marketed in different forms, such as pills, tablets, capsules or dosed liquids. Dietary supplements may contain a wide range of nutrients and other ingredients, including but not limited to vitamins, minerals, amino acids, essential fatty acids, fibre and plant and herbal extracts. Dietary supplements are the sub-category of nutraceuticals with the largest weight: **about 30% in 2022 of the total global market with an expected value of 32% in 2027.**

Global Market

The global market mirrors the performance of the nutraceutical sector with continued growth at a compound annual growth rate of **7,5%**. In 2022, the market reaches a value of **€155,9b** to an expected value of **€219,9b** in 2027, **Figure 10**. The epidemic has caused in particular a surge in demand for foods and supplements with an support the immune system.

In general, people suffering from nutritional deficiencies are more likely to suffer from the complications induced by any infection or disease, and poor nutrition is one of many factors that may contribute to a weak immune response. The increase in life expectancy and the average age of the population, the growing focus on prevention and thus on the well-being derived from correct lifestyles and diet, together with the development of modern food technology, have promoted interest in food supplements and stimulated research in this area.

European Market

The european supplement market have reached a value of **€16,5b in 2022** (10,6% of Global Market) and is expected to reach **€22,3b in 2027** with a compound annual growth rate of **6,0%**, **Figure 11**. The pandemic supported market growth as it increased consumer awareness and attention to health. The demand is expected to remain high in Europe as people have become increasingly conscious of their health due to the outbreak of the virus. The main player countries: **Italy, Germany, France and Spain** cover around 60% of the market with Spain registering the highest growth in the health emergency period (2019-2022) with a **CAGR of 20,5%** despite being the player with the lowest market share among the major players, **Figure 12**. **Italy** remains the leading country with a **market share of around 26% with a value of €4,3b**. The market is highly competitive and dynamic. Various brands and niche players are leading this key market with their innovative, customizable and aesthetic offerings.

Figure 10 – Global Supplement Market Value (€b, 2019-2027)

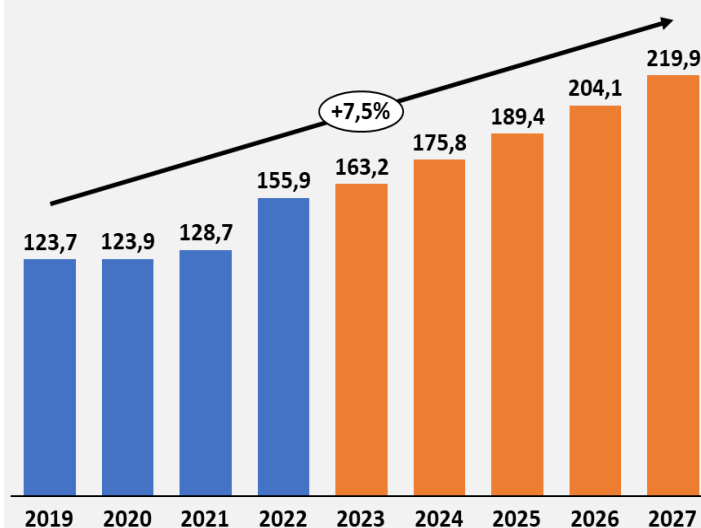


Figure 11 – Supplement Market Value Europe (€b, 2019-2027)

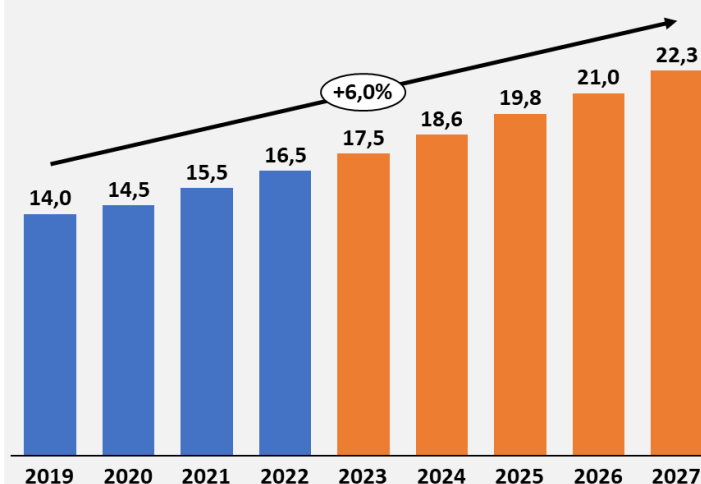
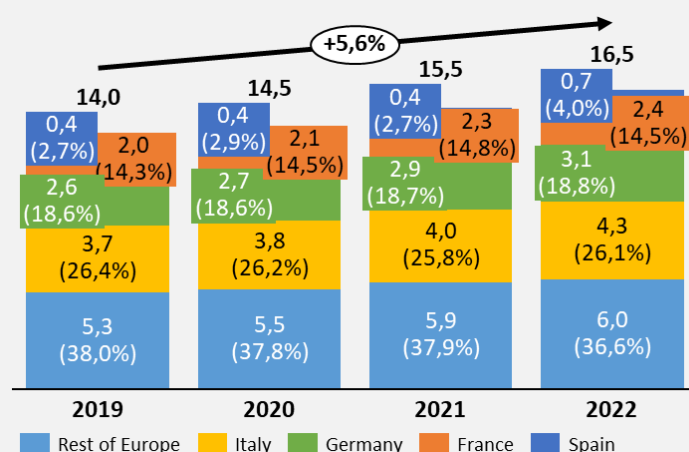


Figure 12 – European Market Division (€b, 2019-2022)



Italian Market – Regional Analysis

The Italian dietary supplement market has experienced a **compound annual growth rate of 5,1% in the 2019-2027 period, reaching a value of €4,3b in 2022** (26,1% of European Market), **Figure 13**.

Italy is one of the best development bases of the nutraceutical market, thanks to the widespread awareness of the importance of a balanced diet and a healthy lifestyle. The growing awareness of the benefits of consuming products derived from natural ingredients among Italian consumers will have a positive impact on the supplements market in the coming years. **With 58% of the adult population in Italy using food supplements, the role of nutraceuticals in supporting health in the country is securely established, Figure 14.** The upward market trajectory displays a resilient industry – able to adapt to the consistently evolving needs of a culture that sleeps less and stresses more each year.

Probiotic supplements are projected to grow at the fastest pace due to wider positioning including as immunity boosters and even mental health aids rather than only as digestive health support, **Figure 15**. The landscape is diverse as it embraces current trends while still sustaining old favorites such as multivitamins.

In Italy, there is a widespread recognition among clinical professionals that food supplements play a primary role in healthcare, affecting the growth of the dietary supplements sector. Primary care physicians tend to recommend dietary supplements to patients to compensate for minor health problems.

Doctors and pharmacists play a significant role in the Italian market as around 80% rely on them for advice before purchasing a new supplement.

Figure 13 – Italian Supplement Market Value (€b, 2019-2027)

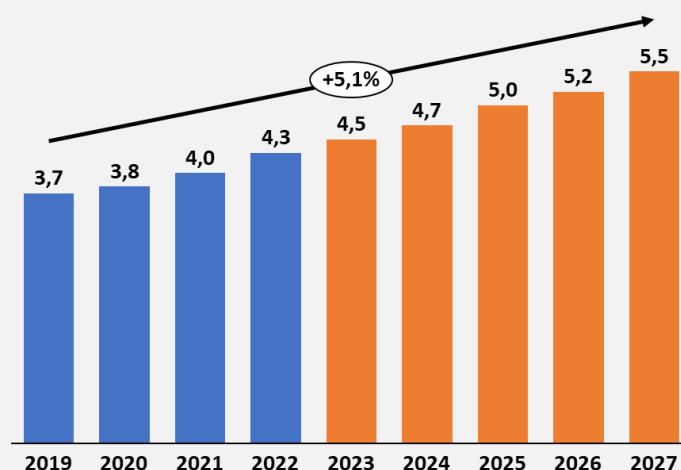


Figure 14 – Italian Adult Supplement Use (m people, 2021, %)

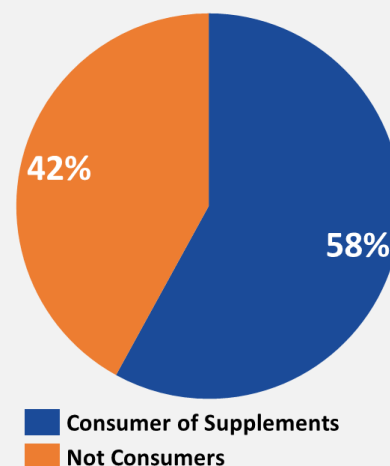


Figure 15 – Most Popular Supplements in Italy

Category	Amount €m (2022)
Probiotic supplements	398
Mineral supplements	234
Vitamins	201
Tonics	198
Lipid control supplements	172
Immune function supplements	157
Insomnia and mental well-being	144
Cough products	134
Laxatives	134
Antacids and anti-reflux	124

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