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Glanbia Performance Nutrition

Damien P. McLoughlin
Anthony C. Cunningham Professor of Marketing
UCD Michael Smurfit Graduate Business School, University College Dublin

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Glanbia Performance Nutrition (GPN) was the owner of the world's leading portfolio of sports nutrition brands and a division of the Irish global nutrition group Glanbia. Over the previous decade, under the leadership of CEO Hugh McGuire, GPN had acquired a portfolio of brands with combined sales of $500 million and developed a repeatable growth model that had seen sales grow to $1.1 billion. This case lays out Glanbia's decision to enter the sports nutrition business; highlights the repeatable growth model it developed around its first acquisition, Optimum Nutrition; and describes the scaling of this model through acquisition and innovation. The case concludes by presenting the challenges and opportunities that faced McGuire as he sought to respond to the challenges and opportunities facing the business.

Deciding to Enter the Sports Nutrition Business

Glanbia PLC was formed in 1997 by the merger of two large Irish dairy coops with the ambition of creating a scaled, world-class, Irish food business. Glanbia PLC was majority owned by Glanbia Coop, a traditional dairy cooperative. Investments made prior to the merger meant the new entity began life as the fourth largest dairy processor and largest pizza cheese business in Europe, with considerable international activity and diversification. Investments made in 1999 and 2000 to build a leadership position in key global nutritional segments such as whey protein isolate and lactoferrin were showing positive results in 2001 on the back of growing global demand for bioactive ingredients; however, the merger process had not been smooth, and the benefits were not evident to shareholders or to farmers. Glanbia shares were among the worst performers on the Irish stock exchange at the time, dropping from €1.52 in 1999 to just 58 cents in mid-2001. Changes in EU milk policy that were expected to lead to lower farm gate milk prices up to 2003 presented a further challenge.

Responsibility to find a new course was given to John Moloney, appointed Glanbia Group managing director in July 2001. Previously deputy managing director, he was highly regarded for his focus, drive, and ability to work with stakeholders, particularly farmers. Moloney inherited a business with 2001 sales of €2.62 billion and operating profits of €93.2 million, operating three divisions: Agribusiness, Consumer Foods and Diary Food Ingredients. Moloney sought new growth opportunities consistent with the existing nutritional growth strategy and set about shaping a team to achieve that growth. In 2003, he hired McGuire from McKinsey. A graduate of University College Dublin, 32-year-old McGuire had previously worked for Nestlè and in the confectionery industry in Ireland. McGuire's achievements were not confined to business; he also played senior rugby for a prominent Dublin club and captained the team, which twice won the Irish league. He explains his decision to join Glanbia:

> I wanted to work for an Irish company but also to truly affect strategy. Glanbia was in a tough situation; the merger had not been the success hoped for, [and] the company was under a lot of pressure and was mainly operating in commodity markets. I met with John Moloney and he knew the company needed to go in a new direction, but it was a blank sheet. What we shared was ambition, hunger, and a little capability. From this we built a gem of an idea in nutrition.

The "gem" was the adjacent clinical-nutrition market, which looked to have significant potential. Maloney's strategy was to sell customized ingredient solutions to food companies, scaling through expansion of Glanbia's manufacturing footprint internationally, acquisitions, joint ventures, and the construction of new wholly owned production facilities. McGuire's brief was to find, acquire, and integrate suitable firms. "You have to kiss a lot of frogs," McGuire explains. "I visited a potential acquisition target every week for a year, and we looked in detail at six to eight deals per year." The process worked, and in late 2004 Glanbia announced its first acquisition, Kortus, a German company specializing in nutrient premixes for clinical nutrition customers. But the acquisition search process also suggested other opportunities for Glanbia. One company they looked at was Nutrichem in Germany, owner of the Inkospor sports nutrition portfolio. Although Glanbia did not acquire Nutrichem, the high-margin products Inkospor sold led to a closer examination of the sports nutrition market.

Glanbia was already selling to sports nutrition companies, who were among the largest buyers of whey protein. The category was demonstrating impressive growth, but the most significant opportunity appeared to be at the consumer level. The competitive set was branded but had no leader brands. Users paid high prices and showed high levels of brand loyalty. Multinational food companies were not operating in the space, and most competitors were founder-managed. It was another one-step adjacency to move from clinical nutrition into sports nutrition, but for a dairy coop like Glanbia, managing a portfolio of consumer brands in a fast-growing market would have a steep learning curve.

The Sports Nutrition Market

The 2016 global sports nutrition market was valued at $10.6 billion with a projected compound annual growth rate of between 5 percent and 6 percent to 2020. North America was the largest market, accounting for 66 percent of global demand for sports nutrition products, followed by 18 percent for Europe Middle East and Africa (EMEA), and 16 percent for Latin America Pacific (LAPAC). The annual spend per person was $20.80 in Australia, $17 in the U.S. and Norway, $14.60 in Sweden, and $7.20 in the UK. In India and China, the annual spend per person was at, or below, $0.1.[1]

In general, sports nutrition products did two jobs for users: provided protein or energy. Products were sold in three consumer segments: sports nutrition, active nutrition, and health and wellness.

- Typical consumers in the sports nutrition segment were professional athletes, bodybuilders, and gym enthusiasts who observed highly regimented training schedules and were disciplined and scientific in their approach to diet. They sought to consume specific quantities of protein and other nutrients based on their body weight to improve endurance, physique, or overall athletic performance. The category was further subdivided based on nutrition timing — pre-workout, during workout, and post-workout recovery.
- Active nutrition consumers exercised on a semi-regimented or recreational basis. They engaged in a broad range of athletic activities and used supplements as part of their nutrition. Consumer behavior was driven by price, taste, and convenience in nutrition products.
- The health and wellness segment wanted to lead a healthy lifestyle and consume a balanced diet. This segment used nutrition to achieve general health outcomes such as weight management, improved energy levels, concentration, and a stronger immune system.

Products were offered in four main formats: powders, drinks, bars, and pills. Globally, powders were the largest product category and accounted for approximately 64 percent of sales by value. Bars and drinks accounted for 10 percent, and 9 percent, respectively. Non-protein sports nutrition products in powder, pill, or even drink format accounted for 18 percent of sales value and were most popular among bodybuilders and professional athletes.[2]

In 2015, the U.S. market was valued at $5.4 billion and experienced growth rates of approximately 5 percent.[3] Powders accounted for 85 percent of total sports nutrition sales. Ready-to-drink products and capsules/tablets accounted for 10 percent and 5 percent of sales, respectively. Specialty stores, popular with core sports nutrition users, were the most important sales channel with 51 percent of total sales and annual growth of approximately 4 percent. Online sales accounted for 17 percent and were growing at between 15 percent and 20 percent annually. The FDM (Food, Drug & Mass) channel delivered 13 percent of total sales and was growing at 5 percent to 10 percent annually. Wholesale consumer clubs such as Costco and Sam's Club accounted for 8 percent of the U.S. market and were experiencing growth of 8 percent to 12 percent per year in 2016.

The LAPAC market was valued at $1.7 billion and was growing at approximately 5 percent in 2015. The region was challenging for manufacturers due to a variety of geopolitical issues, foreign exchange volatility, and inconsistencies in the regulatory landscape from country to country. Despite the challenges, the region held great potential due to strong consumer affinity for U.S. brands, an expanding middle class, westernization of lifestyles, and a growing interest in fitness and body image.

The EMEA market was valued at $1.9 billion. Demand in the UK and Ireland was expected to grow between 8 percent and 12 percent in 2016. France, Switzerland, Germany, Poland, and Turkey were growing at between 6 percent and 8 percent. Portugal, Spain, Italy, and Russia were expected to grow between 4 percent and 6 percent. The Nordic markets were growing up to 4 percent annually. The internet was the most important channel in the region and accounted for 39 percent of total sales. Specialty retailers and FDM channels accounted for 27 percent and 20 percent of sales, respectively. Fifteen percent of sales occurred in gyms and health clubs.

The sports nutrition market was highly fragmented and had low barriers to entry. Hundreds of smaller scale entrepreneurs offered thousands of SKUs to consumers through online channels. More than 200 brands were competing in the online protein powder category alone.[4] Uncertainty among large multinational food companies regarding how best to compete in this rapidly evolving market reduced its attractiveness, although some had invested.

Nestlè had been an early mover into the category with the 2000 acquisition of PowerBar, the largest maker of energy and nutrition bars in the U.S. with sales of $135 million. Although it expressed ambition to grow the business and build international sales,[5] the company was unable to provide the kind of attention brands such as this required to grow. Sales were estimated at $177 million in 2012,[6] and Nestlè sold the business to Post Holdings in 2014. GSK (GlaxoSmithKlein) marketed a full range of sports nutrition products under the brand name Maxinutrition. The leading brand in their portfolio was Maximuscle, which they had acquired from Darwin Private Equity in 2010 for UK£162 million /$256 million — 4.5 times sales. In 2017 GSK's newly appointed CEO announced that the sports nutrition business would be sold.[7]

The emergence and growth of the active nutrition and health and wellness consumer markets presented sports nutrition manufacturers with an opportunity to expand the consumer base beyond the niche market of bodybuilders/elite athletes. Wellness was regarded as a key consumer trend for the future: "Consumers are aware that eating habits directly influence quality of life. This was fueling unprecedented demand for healthier eating options with fitness-promoting attributes sought in supplements, beauty products, and even pet food by consumers willing to pay for them."[8] Plant-based protein powders from sources such as peas, rice, and other plant sources were also growing in popularity, particularly among consumers concerned about animal welfare and environmental sustainability, and health-conscious shoppers seeking to avoid certain ingredients such as lactose.

Online sales were growing at 17 percent in the U.S. in 2015, with the traditional leader, Bodybuilding.com, joined by Amazon.com as the joint leading online retailers of protein powders, with 32 percent of online sales each.[9] Once Amazon's other sites — Direct, Marketplace, and Subscription —were included, Amazon accounted for almost 60 percent of online protein powder purchases in 2016. The best-selling brand of protein powder online was Optimum Nutrition.

Acquiring Optimum Nutrition and Building a Repeatable Model

In 2007 Glanbia was outbid in its first sports nutrition acquisition attempt. The lessons learned were invaluable in helping Glanbia decide exactly the type of company it wanted to buy next. McGuire says:

> We wanted strong brands with scale that we could make much bigger in their own and

international markets. We didn't want to buy broken brands; they are for private equity firms. We wanted founder-managed firms where both people and products had been not been invested in. We wanted to grow our business by putting the best teams in place on the best brands and providing them with the investment capital they needed to grow.

In August 2008, Glanbia announced the acquisition of Illinois-based Optimum Nutrition for $315 million, the largest acquisition in the group's history. Optimum Nutrition was a privately owned company employing 387 people at three facilities in Illinois, South Carolina, and Florida. Founded in 1987 by brothers Tony and Mike Costello, the company manufactured and supplied a range of whey-based, premium nutritional supplements to the U.S. and global sports nutrition markets. In 2007, Optimum Nutrition generated $185 million in revenue and $32 million operating profit.[10] With brands such as Gold Standard and ABB (American Body Building), the company had a loyal following among performance and endurance athletes and bodybuilders. McGuire was enthusiastic about the potential of the acquisition:

> Optimum Nutrition fits very well with Glanbia's stated growth strategy of taking positions of scale in fast-growing parts of the nutrition market with the potential to internationalize our business. It brings Glanbia closer not only to the U.S. consumer, but to a growing population of international buyers, for whom U.S. nutrition brands are the leaders in quality, authenticity, and performance.

Acquisition of a successful brand was not itself a guarantee of long-term growth. At that time the investments made by international food and nutrition companies like Nestlé and GSK were not achieving expected returns. McGuire wanted to ensure Glanbia avoided the pitfalls, and set out to deliver growth.

Glanbia had extensive experience in business-to-business markets and was able to integrate new production facilities and companies into its supply chain with relative ease. With the acquisition of the Optimum Nutrition's portfolio of successful consumer brands, new competencies were required. McGuire sought to understand exactly how Optimum Nutrition's business had been built and how it might be grown further, and to identify any obstacles to growth:

> I'm a business builder. I needed to work out how to build each acquisition. During the first 100 days after an acquisition, the most important task is to listen. People open up, identify challenges, and share their insights about the market. I went out with salespeople

> to visit customers. It's an opportunity to observe, identify key talent, and develop a deep understanding of the business. Once we have that understanding, our thoughts turn immediately to growth. Within a year of acquiring Optimum Nutrition we set a target of doubling sales through organic growth by 2015.

Strong brand equity and high levels of customer loyalty were important reasons why GPN had acquired Optimum Nutrition and its brands, but also posed a challenge to McGuire and his team: maintain brand loyalty among a highly engaged consumer base while aggressively expanding sales. This was to be achieved in a largely specialized channel environment in which consumers sought information from a variety of online sources, and word-of-mouth played a big role. Based on Glanbia's business model and what he learned in the listening phase, McGuire identified key success factors in becoming a trusted nutrition partner and uncovering brand potential.

Becoming a Nutrition Partner

GPN's mission statement was to "inspire people everywhere to achieve their performance goals." Succeeding in this mission, McGuire concluded, first required the company to become the consumer's trusted nutrition partner. For McGuire, nutrition partnership had four components: authenticity, advocacy, quality, and education.

Authenticity. GPN placed the athlete quite literally at the center of its business, with a large, well-equipped gym located in the middle of the company's office in Chicago. As a triathlete, marathon runner, and former rugby player, McGuire understood the fitness community was made up of many different tribes, from professional bodybuilders and elite athletes to recreational joggers. Regardless of the fitness subset, the consumers of nutritional supplements sought authenticity in their brands. McGuire explains:

> Authenticity in performance nutrition is about the brand story. Where did it come from? What inspired the creation of this product? What is the science behind it? Does the brand deliver what it promises? Is the brand respected in the sports and fitness community? We embraced the origin story of the brands we acquired. We ensured labelling was clear, and product claims were tested and supported. We cultivated relationships and entered into sponsorship deals with highly respected and accomplished athletes who became brand ambassadors.

GPN did not invest in TV advertising, preferring to remain consistent with the category's traditions of ads in fitness publications, in-store displays, athlete sponsorship, and an active social and digital media presence. The same thinking also influenced the decision to maintain a limited distribution strategy. McGuire was concerned that the mass-market channels could not adequately support the needs of the sports nutrition consumer and could negatively impact brand equity. McGuire continues:

> As ambitious as we were, we decided not to sell brands through FDM (Food Drug & Mass) market channels. It was important to preserve the authenticity of the brand even if that meant the loss of potential sales. Consumers didn't want to see their brand in Walmart. Buying these products is an assisted sale, and the server in Walmart can't help. These are technical products with a different competitive set and price point from the nutritional products traditionally found in supermarkets.

Advocacy. In addition to traditional digital marketing such as search engine optimization, video pre-roll ads, banner ads, and website partnerships, GPN implemented a comprehensive digital media strategy involving the Optimum Nutrition website, independent fitness blogs, and mainstream platforms such as Twitter, Facebook, Instagram, and YouTube. McGuire explains the strategy:

> People buying our products are in a process of transformation. That can mean reducing body fat percentage or increasing muscle mass. For others, it means beating their personal best over 10k. They need motivation, encouragement, and advice along the way. Before digital marketing, those needs were satisfied in the gym, or at the running club. Today, elite or recreational athletes can join expansive online communities with people of similar aspirations and experiences, hosted by brands that are helping them achieve their goal. People want to share their stories, and celebrate their achievements. They want to know what nutrition innovations are coming that can deliver results, and they are motivated to engage with our brands.

GPN expanded Optimum Nutrition's online educational content to include training tips, product education, customer testimonials, and expert advice from elite athletes on its website, Truestrength.com. By 2017 the number of unique users visiting the website grew to 6.5 million. It became a trusted forum for consumers to discuss every aspect of their training and diet. They could seek advice from experienced athletes and share stories and photographs detailing their challenges and progress.

YouTube was used to provide consumers with a variety of content ranging from product information and consumption tips, to workout routines and advice from sponsored athletes. The first videos uploaded to Optimum Nutrition's channel were short films celebrating the personal and athletic achievements of a selection of sponsored athletes. A 2015 video, "Gold Standard 100% Whey - Motivation," was viewed 7.5 million times in just two years. By 2017 Optimum Nutrition's YouTube channel had just under 80,000 subscribers, and posted videos had almost 35 million views.

GPN used Twitter to announce new product and branded merchandise launches and promotions. Twitter was also used to share workout-related imagery from sponsored athletes and consumers, and links to blog posts or articles on training tips, recipes, and diet plans. Instagram was used to share photos and videos of athletes, products, retail marketing activity, and consumers' training results. On Facebook, GPN developed country-specific pages that in turn facilitated national marketing campaigns and localized promotion activity. Facebook also allowed consumers to connect and share tips on everything from workout routines to recipes for high-protein snacks.

Education. Fitness enthusiasts often sought advice from more experienced practitioners on a variety of topics, including equipment, frequency and intensity of exercise regimens, and nutrition. Marathon runners and cyclists discussed the optimum nutrition strategy for the days leading up to a race. Bodybuilders shared meal plans designed to maximize protein intake and reduce body-fat percentage. Health and fitness magazines and websites published articles discussing the latest developments in nutrition with varying degrees of scientific rigor. There were countless personal online blogs recording every detail of the author's fitness journey. The performance nutrition information landscape was highly fragmented. In response to the need for reliable and trustworthy nutrition advice, GPN developed an industry-leading nutrition curriculum, which was offered through the GPN Sports Nutrition School. In 2016 over 14,000 employees, customers, and consumers attended GPN's Sports Nutrition School across 120 global education sessions.

Quality. Quality challenges were a widespread problem in the sport nutrition industry. "The industry is littered with companies that grow to $50 million and fall by the wayside due to lack of regulatory compliance," explains Steve Yucknut, chief operating officer, Glanbia Performance Nutrition. Quality control had been a proud hallmark, as well as a regulatory obligation, of Glanbia's consumer dairy products and food ingredients business. McGuire discovered the same standards were not always observed at the facilities acquired from Optimum Nutrition.

> I walked through the plant and found a lot of dust and extractor fans not turned on; then I saw a Post-it note on a computer screen approving a batch of product. The person responsible for quality at the plant didn't speak fluent English. There was no paper trail. We had to change this immediately. A premium brand cannot tolerate quality problems. Rigorous product testing was implemented at all facilities.

GPN undertook a quality compliance project to clean up labels and ensure that quality complied with Glanbia standards. "Many suppliers mix their product in the bath and sell it out of the back of their cars," noted one GPN executive. "We are now leading and professionalizing the industry."

Brand Development

Glanbia's brand strategy was to nurture Optimum Nutrition's existing brand essence while fully exploring and exploiting growth opportunities. Responsibility for brand development lay as much with senior management as it did with the marketing department, explains McGuire:

> Investing in brands for a CEO means making sure we have the funds to invest. It means hiring and protecting the right people. It means staying close to the marketing team, challenging their thinking, and supporting their efforts. Most importantly, if your goal is growth, it means maintaining a strong focus on the consumer. We moved quickly to upgrade the marketing capabilities at Optimum Nutrition.

Between March and July of 2009, Glanbia undertook a four-month analysis of the Optimum Nutrition brand, engaging employees, customers, and consumers to discover the brand's DNA and understand the brand promises that had won a loyal consumer following. The Optimum Nutrition brand essence was "true strength," and the brand was recognized as high quality. The functional elements of the brand were well understood and well communicated to the target market. During interviews with consumers, many spoke of how Optimum Nutrition products were an important part of their journey toward achieving their fitness goals or physique aspirations. McGuire and his marketing colleagues saw an opportunity to engage more consumers by developing the emotional elements of the brand, he explains:

> The scientific conversation that accompanied the sale of nutritional supplements didn't encompass the emotional rewards and personal achievements of the athletic, or bodybuilding,

> lifestyle. We decided to rebalance the brand essence to express both the emotional and the functional physical benefits of the Optimum Nutrition range. New print and video materials were developed that included consumer testimonials about their journey and what success meant to them. The impact on sales was immediate. Even older brands in the Optimum Nutrition portfolio saw 30 to 40 percent increases in sales.

Innovation and New Product Development

GPN set a target of delivering 20 percent of annual net sales from products launched in the previous three years. Innovation was driven by science and guided by four macrotrends that GPN identified: health and wellness, life on-the-go, active lifestyles, and clean labeling. McGuire wanted to make innovation a core competence of the organization.

> What drives growth is new products, and creating new categories. We want our teams focused on finding, or creating, new opportunities. We have introduced innovation incentives across the business as well as a GPN Innovation Award to recognize the contribution of teams. The innovation effort has to be adequately resourced, and it's not easy to find spare intellectual and management capacity in a company that moves as quickly as ours. We developed virtual teams to drive innovation forward, taking up-and-coming talent from throughout the organization.

GPN's virtual teams were dedicated primarily, but not entirely, to new product development initiatives. Glanbia set up three innovation-focused centers of excellence. The GPN innovation process had four stages. "Scouting" involved close scrutiny of consumer behavior to understand how consumer's nutrition needs were changing, and what needs were unmet by existing products and formats. The second stage was "exploration" of the market potential of identified opportunities. The "development" stage examined how best to service a new segment or need-state (such as ready to drink protein). The final stage was "productivity," and focused on the optimization of the new product offering to maximize its effectiveness and appeal to both consumers and channel partners.

In addition to launching new SKUs for existing brands, GPN sought to expand the range of available products. Investment in new products and formats, such as energy bars or protein bites, helped GPN enter new distribution channels such as convenience stores that would not have stocked large tubs of whey protein powder. In 2010 Glanbia created a new sports nutrition category — essential amino energy powder. The product, launched within the Optimum Nutrition portfolio, offered consumers a combination of branch chain amino acids and caffeine to increase energy throughout the day and endurance during workouts, and to accelerate post-workout recovery.

The success of Essential Amino Energy led to the launch of ProteinEnergy™, a convenience powder product that combined whey protein with caffeine. Marketing materials described Protein Energy™ as "ideal first thing in the morning, late in the afternoon, or anytime you feel the need for 20 grams of quality protein stacked with 120 mg of caffeine."

The innovation process also led to the development of two new daily multivitamin products under the Optimum Nutrition brand. Opti-men™ and Opti-women™ offered consumers "a comprehensive nutrient optimization system providing 75+ active ingredients" and were focused on general health, rather than just athletic performance.

Prioritizing innovation at the senior management level, setting innovation-dependent sales metrics, and implementing a rigorous innovation process ensured GPN had a regular supply of new products as well as the capability to respond to changes in consumer needs. GPN set out an innovation agenda for Optimum Nutrition designed to expand the product range available under the Gold Standard brand, increase consumption at new occasions such as post workout recovery, and improve accessibility for international consumers.

Managing International Markets

GPN moved quickly to exploit the international potential of the brands it acquired. Optimum Nutrition held an advantage in that American brands were the most sought-after in the sports nutrition world. Justin McCarthy, GPN's head of strategy and business development, recalls the approach to Optimum Nutrition:

> Within a month of acquiring Optimum Nutrition we had established sales hubs in Singapore and London to begin the process of building it into a global brand with North American roots. Though U.S. sports nutrition brands were perceived to be of the highest quality, especially amongst Asian consumers, we did not have the scale in the EMEA territories to sustain large-scale investment in marketing. Our brands were available in over 100 countries, but we chose to focus on a more manageable pool of the 22 most promising markets.

Barry Fitzsimons, EVP, strategic business development and president, LAPAC at GPN, was tasked with understanding how the sports nutrition business worked in these countries. He says: "We developed a process that involved meeting distributors and retailers and gauging how the market performed on three criteria: affinity — Is there an inherent drive/desire for sports nutrition in the market?; availability — When a consumer wants it, can they get it legally?; and affordability — Can consumers afford the products in their marketplace?" The first markets Fitzsimons analyzed were South Korea, Australia, and India.

South Korea. Due to a complex regulatory environment, Korean consumers were not buying their sports nutrition products in stores. They were ordering online from Korean language websites in California, which had a large Korean population. Fitzsimons concluded that building local affinity was going to be difficult and tailored GPN's approach to serve the online Korean consumer:

> We concentrated on a smaller number of products and worked with Korean websites. We had great success with Costco Korea. We developed local packaging with the ingredients listed in English, so it was understood to be an American product.

Australia. The Australian sports nutrition market was dominated by local brands such as Aussie Bodies and Body Science (BSC). These brands had developed local marketing activation and sponsorship/endorsement deals with local athletes. Even though the Australian brands were successfully embedded in the local fitness community, the market was big enough to fight for share. GPN's brand portfolio was sold through distributors, but distribution was inconsistent. Distributors were not holding stock, and consumers were buying competitor offerings when distributors couldn't get GPN products. Fitzsimons was unhappy:

> We were paying too much to distributors for what they were doing. They were slow to pay, watching fluctuations in the currency, and arguing over how much they were owed. We concentrated on bypassing distributors, building relationships with retailers, and understanding unmet needs.

In response, Fitzsimons concentrated on taking the U.S. brand to ground level.

> We wanted to be the brand with U.S. heritage that was communicating with consumers at a local level. We got involved with local sports teams and events. We wanted to make the market aware we were there, and we built a direct presence through trade shows.

The success of this strategy was reflected in the 2014 decision to launch N.O.–EXPLODE™, a pre-workout product, in the U.S. and Australia simultaneously. Product was flown in and offered to retailers in blocks of 1,000 units to those promising heavy promotional support. Fitzsimons was delighted with the reaction.

> Retailers were scrambling over each other to get the product. Local media carried the story that this was our first simultaneous international product launch. Since then, our brands have been embraced by the Australian consumer. Today we have our people in all major cities, and an Australian marketing department. We went from having no presence to 35 percent share.

India. Affinity for the Optimum Nutrition brand was strong in India. Products were sold to distributors, who in turn supplied specialty retailers. Although availability was reasonably good, the limited capacity of existing channels hampered growth. "Distributors tended to be international in the space, though not necessarily big players," Fitzsimons explains. "These guys were paying with their own checkbooks, and when growth started to take off, a lot of them couldn't keep up.'"

To improve availability, in 2014 GPN changed the channel strategy. Instead of relying on distributors, the company started using importers to hold stock. A dedicated eight-person sales team was introduced to take orders that could be then be filled by distributors. Affordability was an issue for consumers, as tariffs and taxes represented 54 percent of the retail purchase price. Indian consumers were paying $120 for the same product U.S. consumers could buy for $57.99. Fitzsimons was faced with a difficult decision:

> The consumers that want the products will do what's needed, and there are enough of them to make a good business. The Indian market is growing at 20 percent. We need to consider if we hold what we have or start to address affordability and reduce price. There is also a challenge in terms of protecting IP (intellectual property) and product quality.

Talent

Many sports nutrition brands had been founded by entrepreneurs, who, when it came to talent, "always chose the cheapest option," McCarthy says. Glanbia viewed talent as a pillar for growth, and McGuire saw it as a priority for his attention.

> We now had great brands and knew we would achieve the growth we wanted if we could get really good people in to manage them. It's a challenge when you acquire an entrepreneur-founded business. Entrepreneurs don't want to be told what to do, but corporate types don't always have the passion for growth that entrepreneurs display. Other companies that acquired

sports nutrition businesses failed because they did not put their best people in place; they put tier-two people in. We never held back on that investment.

When filling positions in GPN, candidates were evaluated against criteria such as marketing capabilities, international experience, track record in innovation, and passion for the products and lifestyle. McGuire wants to invest only in business builders.

Business builders are excited everyday by growth opportunities they see; they are excited by risk and go from 10 feet to 1000 feet without losing a breath. They have high levels of resilience and can roll with whatever punches land on them. They are highly collaborative with strong influencing skills and the ability to solve problems on the fly. For this business they also have to be passionate about our products and brands; people in marketing roles have to be especially passionate. Many people in our business are athletes — we hire them because they are also inspired by the brands.

McGuire outlines the challenge of finding the right kind of talent:

We operate at a pace that doesn't suit everyone. We are also the industry leaders and twice the size of our closest competitor, so we can't hire from them. We learned from bad experience that the big consumer food company guys don't have what we want. Today a candidate is hired through multiple interviews with peers. We find that the wrong people start to give different answers to the same questions, and their weaknesses come to the fore.

Talent was not only about hiring good people. "We always had the ambition to be big," McCarthy explains, "so we needed a scalable management structure and built the business around a battlegroup, a senior leadership team that was for a much bigger company. This meant there was spare managerial capacity to pursue and accommodate growth." Reflecting its global ambitions, the GPN leadership team was drawn from 36 nationalities.

Growing the Performance Nutrition Portfolio

Glanbia's ambition for its performance nutrition business was to be a scaled global competitor. "We want to be a global nutrition business offering consumers brands in all formats, across all channels," McGuire explains. After the successful integration of Optimum Nutrition, McGuire and his team set about repeating the model, increasing their market presence, and growing their business through acquisition and innovation.

Acquisition: Growing the performance nutrition portfolio
In January 2011 Glanbia paid $144 million for Bio-Engineered Supplements and Nutrition (BSN), a U.S. company with 2009 sales of $135 million and profits of $16 million. Founded in 2001 and headquartered in Boca Raton, Florida, BSN had become one of the leading developers of nutritional consumer products, pioneering the pre-workout powder market, and remained the market leader in this category with the N.O. –XPLODE brand. The company also had significant sales and brand strength in the protein powder market led by Optimum Nutrition, with its Syntha-6 protein brand. In addition to helping to build GPN's product portfolio with strong brands, BSN was also shipped to 40,000 retail outlets in North America and distributed to 90 countries worldwide. After Optimum Nutrition, BSN was the largest buyer of whey protein in the United States.

In 2014, Glanbia announced the acquisition of Nutramino for $20 million. The Danish firm, led by entrepreneurs Thomas Kjaergaard and Per Jensen, had sales of $18 million. With 90 percent of the sport nutrition market in Denmark and strong sales in Sweden and Norway, the company offered Glanbia a leadership position in an important geography. Its products were a ready-to-consume range of protein shakes, powders, and bars. Nutramino's business model of providing a full-service product to gyms and fitness centers had helped it achieve annualized growth rates of 40 percent since its founding in 2001,[11] and also offered new channel opportunities for other GPN products.

Later in 2014 Glanbia purchased The Isopure Company for $153 million. The U.S.-based business had sales of $75 million at the time of acquisition with a CAGR of 20 percent between 2011 and 2014. The product range focused on ready-to-drink formats and powders sold through the specialty, direct-to-consumer, and internet channels. Founded by two entrepreneurs, Hal and Ernie, along with their cement mixer,[12] the brand positioning was to offer the cleanest and purest protein on the market. Market commentators noted Glanbia simultaneously announced plans to invest $78 million in its Idaho facility to increase production of high-end whey and lactoferrin, a specialty milk component used in a range of applications including supplements.[13]

The first new in-house performance nutrition brand GPN developed was Trusource™. Launched in 2015, Trusource was a range of protein and caffeine-based powders and drinks that could be consumed pre-, during, or post-workout to support the performance goals of athletes at every level. In a departure from the established channel strategy, the range was offered for sale exclusively through the Kroger retail food chain of over 2,700 stores in 35 U.S. states.

Glanbia acquired the "better for you" brand thinkThin in late 2015 for $217 million. The Los Angeles-based company had sales of $84 million and had enjoyed 31 percent CAGR over the previous three years. It was best known for its high protein bars. The acquisition gave GPN a scale position in that format, estimated to be worth $3 billion, as well as access to a new occasion and demographic. The brand was originally developed for the female consumer trying to increase protein consumption and eat healthier snacks, but GPN estimated men accounted for 40 percent of consumption. The company's range of high protein and fiber bars, as well as smaller "protein bites," oatmeal, and smoothie mixes, were widely distributed in retail outlets throughout the United States and online.

In early 2017, Glanbia continued the strategy of extending its reach to new customers when it acquired Body & Fit, a Dutch company founded in 1995. It specialized in direct-to-consumer sales of sports nutrition products, "better for you" snacks, and dietary supplements. The importance of the direct-to-consumer channel was evidenced in the growth of Myprotein.com, an online UK company founded in 2004. By 2015, Myprotein had launched over 2,000 products and shipped 8 million orders, and was rapidly expanding its presence in the U.S. market. Body & Fit supplied consumers in Germany, The Netherlands, France, Belgium, and Luxembourg from its Dutch distribution center in Heerenveen. Body & Fit's website sold leading sports nutrition brands such as Optimum Nutrition and BSN as well as a full range of own-label products. McGuire saw the purchase as a key European building block:

> Acquiring Body & Fit gave us an immediate presence in the direct-to-consumer channel. We'll

> invest in Body & Fit to expand its reach across Europe. At the moment, UK sports nutrition consumers spend three to four times more than consumers in Eastern Europe, so we expect to see strong growth there over the next four to five years.

Given the growing demand for healthy nutrition products, GPN saw great potential in plant-based powders. In the U.S., Vega, a leading producer of plant-based protein powder, had doubled its online market share to 3.7 percent of total sales value between 2015 and 2016. Vega was owned by DanoneWave, a "healthful foods" company formed by the 2017 merger of Danone and WhiteWave. Three of the top 10 best-selling protein powders online were plant-based proteins, with a combined share of total 2016 sales of 10 percent. The best-selling brand online was Optimum Nutrition, with just under 30 percent of sales.[14]

To establish a position in greens and superfoods category, Glanbia acquired U.S.-based Amazing Grass. Founded in 2002, Amazing Grass manufactured a portfolio of plan-based powders containing a variety of vitamins, minerals, and plant-based proteins that could be added to water, juice, or smoothies, and nutrient-dense organic superfood bars. Products were available in all channels, including small independent health food retailers, specialty stores, supermarkets, mass merchandisers, and online. The company's products were USDA organic, non-GMO, kosher pareve (containing neither meat nor dairy), vegan, and gluten-free. The cost of the Body & Fit and Amazing Grass acquisitions was $181 million, with the combined entities contributing sales of $99 million.

Success of a Repeatable Model

Between 2011 and 2017, GPN acquired six firms with total sales, at the time of acquisition, of just over $500 million. With each acquisition, GPN applied the same innovation model that had helped accelerate the growth of Optimum Nutrition in the United States and internationally. As a result of successful new product launches, a highly effective channel strategy, cutting-edge marketing and brand activation activity online and in-store, and an obsession with product quality, GPN doubled the sales of its acquired brands to $1.1 billion by 2016.

Hero brands in the portfolio achieved exceptional NPS (Net Promoter Scores): Optimum Nutrition, 83; BSN, 81; and Ispopure, 87. These compare to other leading brands such as Apple laptops, 76; Amazon, 69; and Mercedes Benz, 62.[15] The innovation imperative created a deep pipeline of new products that were launched on an ongoing basis across the sports nutrition portfolio. (See Figure 1 for the GPN innovation pipeline in 2016.) The brand also appeared to have successfully navigated the transition to online selling; Optimum Nutrition was the second biggest selling CPG brand online in the U.S. in 2015. (See Figure 2 for a ranking of biggest selling CPG brands online in 2015.)

Figure 1: GPN new product pipeline and launches, 2016.
Source: Company documents

Figure 2: GPN new product pipeline and launches, 2016.
Source: Company documents

Glanbia Performance Nutrition: Leading the Market

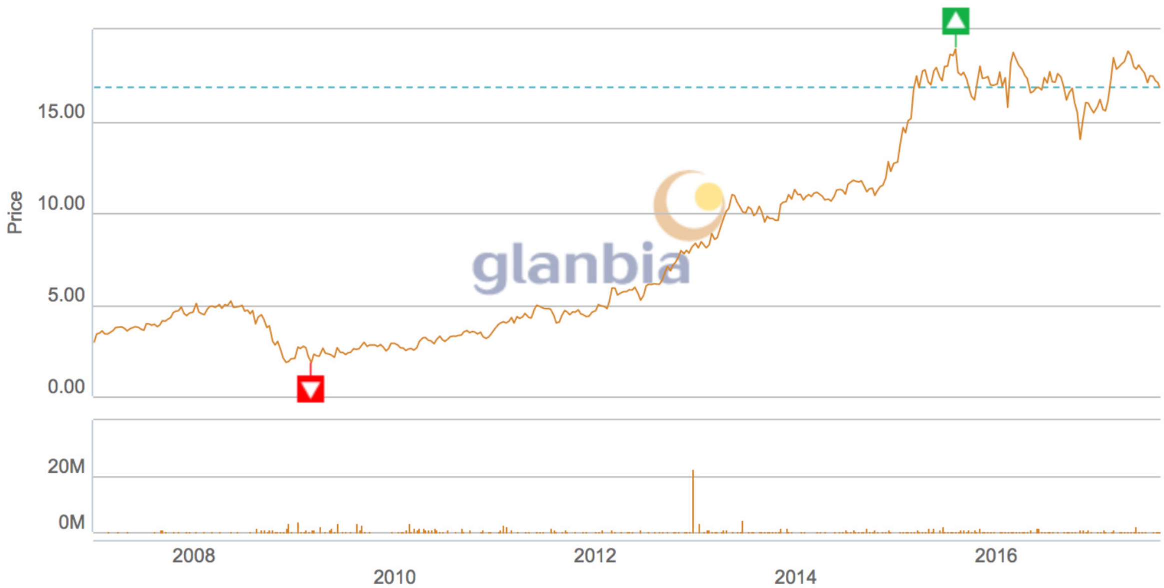
In 2015, Glanbia Group created a dedicated business unit, Glanbia Performance Nutrition. The move by CEO Siobhan Talbot, who was appointed in 2013, was intended to give investors full sight of the growth and margins being achieved in that part of the business. In 2017 Glanbia PLC concluded an agreement to sell its dairy division to Glanbia Coop, leaving the PLC to focus on three business units: Glanbia Performance Nutrition; Glanbia Nutritionals, which had grown from the nutritional strategy developed in the early 2000s to a $1.5 billion business with 9.1 percent margin in 2016; and Joint Ventures and Associates, which contained a number of alliances in cheese and ingredients.

GPN delivered €1.1 billion of Glanbia's revenue in 2016, margin of 16.1 percent, and EBITA of €162.6 million, a 20 percent increase over 2015. This amounted to just over 27 percent of Glanbia's total group revenue of €3.7 billion and 46.5 percent of the group's total EBITA of €350 million. From 2010 to 2015, 27 percent CAGR was achieved. GPN owned the top three sports nutrition brands in 20 countries and the number-one performance nutrition brand portfolio in the world. The total portfolio comprised 90 products offered in 1,200 SKUs that covered the full spectrum of sports nutrition needs, catering to the dedicated athletes and bodybuilders as well as recreational athletes and consumers seeking improved general health through nutrition (Figure 3).

Figure 3. GPN brand portfolio, 2017.
Source: Company documents

Geographically GPN had country managers in 23 countries and distribution to over 100 countries around the world. Growth was driven by greater understanding of the relationship among nutrition, athletic performance, and general health; an expanding middle class around the world; and successful product innovation by GPN. The impact on the share price was positive (Figure 4).

Figure 4. Glanbia share price, January 2007 to August 2017 (Euro).
Source: https://www.glanbia.com/investors/shareprice-information/share-price-chart



Following a decade of acquiring, integrating, and growing performance nutrition brands, McGuire and his colleagues showed no signs of complacency. McGuire remained hungry for further growth to cement GPN's position as global leader in sports nutrition:

> Performance nutrition means different things to different consumers. Sports nutrition has always been a very clear category for us. We have a proven track record and the best sports nutrition brands in the world. But not everyone wants to be a triathlete, or win Mr. Universe. A lot of people just want to lead an active lifestyle, improve their general health, and do so as conveniently as possible. That's a very large market, so being a "performance" nutrition business in the future is going to be about more than protein.

Challenges existed for GPN and McGuire as he looked to achieve this future.

Attracting new customers. The next phase of increasing the size of GPN's customer base relied on attracting new users and increasing share for existing brands. In developed markets, the focus was to continue launching new innovations, and to educate potential consumers on the benefits of performance nutrition products and their role in improving performance and energy levels throughout the day — whether in the gym, on the field, or in the office.

How should GPN approach the task of segmenting the market and finding the next scaled growth opportunity? Which of GPN's existing brands would be best suited to this task? Should McGuire focus on mainstream brands like thinkThin or hardcore brands like Optimum Nutrition? In markets where penetration of sports nutrition products was low, the task appeared to be simpler — continued investment in the existing growth model — but 2016 had shown some of the challenges of this. Strength in the U.S. dollar had seen automatic price rises internationally for GPN products, which were priced in U.S. dollars. GPN had never harvested prices and was able to use weakness in global dairy input prices to hold prices at a level to maintain market share. What should GPN's role within Glanbia be: a high-margin contributor with industry trend-level sales growth, or a high-share player, generating cash with lower margin?

Selecting adjacency opportunities. Over 10 years GPN had developed considerable experience in marketing to consumers as well as deep knowledge of science on nutrition and human health. While sports nutrition was a high-growth and high-margin business, at what point should GPN consider using its expertise to extend into adjacent markets, perhaps with higher growth rates but certainly greater scale, such as weight management and nutrition for older people?

Rapid growth of online channel and the power of Amazon. GPN's original success was built through relationships with specialty channels like GNC and Bodybuilding.com. As the market expanded, sales momentum switched toward online channels and Amazon in particular. Amazon was a powerful channel, accounting for 43 percent of all online sales in the U.S. in 2016, but also a powerful search engine, with 55 percent of online product searches beginning on Amazon in the same year.[16] Amazon Prime, which had 64 percent of American households as members,[17] enhanced this effect as cheaper and faster delivery costs drove shoppers to the homepage. Finally, Alexa, Amazon's speech-activated personal assistant technology, allowed the company to influence shopper choice. For example, a consumer ordering a GPN brand of protein powder using Alexa, could be offered a competing brand at a discount. GPN appeared to have learned the behaviors needed to succeed on Amazon. Tactics employed included encouraging more reviews (Optimum Nutrition had about 15,000 in August 2017 with an average rating of 4.5/5); providing content for the brand page on Amazon and paying for its position to ensure there was less space for competitor advertising; and managing inventory to ensure that orders placed could be delivered, thus protecting the brand's position in the Amazon algorithm.[18] While brands had long had to cope with the power of large retailers, Amazon's ability to understand and influence the customer purchasing journey and change purchasing behavior, combined with its scale, made Amazon a potent force in the future of GPN. Could GPN rely on Amazon as a source of high-margin sales in the future? Did it have an alternative?

Coping with competition. Competitors continued to come and go. Tony and Mike Costello, the owners of Optimum Nutrition, reentered the industry with a new firm, Nutrivo, which produced contract sport and health supplements and branded sport nutrition products under the brand Rivalus. The brand was positioned as the safe and cleanest choice for athletes like Olympians, who are subject to regular testing. In 2017 the newly appointed CEO of GSK announced that its Maxinutrition sports nutrition brands would be sold.[19] The question for GPN was how to compete effectively without damaging margins?

McGuire drank his post-workout shake from a GPN protein shaker, as thousands of GPN customers did every day. As he walked out of the company gym, he nodded acknowledgement to his colleagues who were still working out. He was excited by the talent that was in place. He had the support and investment backing of Glanbia's board. He looked forward to building the plan for the next decade of building GPN's business. What should his objectives be, and how should he set about achieving them?

Discussion Questions

1. Do you think Glanbia's diversification into sports nutrition has been a good idea?

2. How has Glanbia, described in the case as a traditional dairy coop, been able to build such as a commanding position in sports nutrition?

3. What role has talent management played in GPN's success?

4. What are the lessons from the sports nutrition market and GPN for the wider food industry?

5. What advice would you offer Hugh McGuire as he sets growth objectives for the future?

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