

Herbalife Sales Will Grow During 2013, Especially Outside of U.S.

Companies: AVP, BTH, GNC, HLF, WTW

October 25, 2012

Research Question:

Given Wall Street's skepticism of Herbalife's business model, will the company experience declining sales in the next three to 12 months?

Summary of Findings

- [Herbalife Ltd.](#) (HLF) sales will continue to be steady or grow during the next three to 12 months, according to all distributor, customer and multilevel marketing (MLM) specialist sources.
- Ten of 12 Herbalife distributors said sales increased during the third quarter year to year, and two said sales were steady. Increases ranged from 10% month to month, driven by demand from the Hispanic population in one source's area, to 40% to 65% year to year because of interest in Herbalife [Nutrition Clubs](#).
- No distributor source had complaints about support from Herbalife.
- Although all three MLM specialists expect Herbalife's sales to increase, two said future growth will take place outside of the United States, where the brand has mostly peaked.
- Two Herbalife customers said they became distributors for the discount but do not actively sell the products.

	HLF Sales for Next 3-12 Months	HLF's Support of Distributors
Herbalife Distributors	↑	↑
MLM Specialists	↑	↑
Herbalife Customers	↑	N/A
Herbalife Competitors	N/A	➔

Silo Summaries

1) HERBALIFE DISTRIBUTORS

Eleven of 12 sources expect their sales to increase during the next three to 12 months. The remaining source would not comment on sales for this period but said the company should see sales double during the next three to four years. Ten of 12 sources also said sales grew during the third quarter. Increases ranged from 10% month to month because of demand from the Hispanic population, to 40% to 65% year to year thanks to interest in Herbalife's Nutrition Clubs. The two remaining sources said sales were in line with the second quarter. Sources reported having positive relationships with and satisfactory support from Herbalife.

2) MLM SPECIALISTS

All three sources expect Herbalife's sales to grow but two said sales would stem from Asia rather than the United States, where the brand has peaked. One source said Vemma Nutrition Co. bears watching as an Herbalife competitor.

3) HERBALIFE CUSTOMERS

All three sources expect Herbalife's sales to be flat to up during the next three to 12 months year to year, and they will continue to purchase a steady amount of Herbalife products during 2013. Two sources became distributors specifically for the discount, and do not actively sell the products.

4) HERBALIFE COMPETITORS

All three sources expect their own sales to continue to grow in line with increasing demand within the overall nutrition market. Two sources said the poor economy has helped their brands to gain distributors. None of the three had heard anything negative regarding the quality of Herbalife products, and stressed that the supplement industry is regulated by the Food & Drug Administration. One source said Herbalife loads products on its distributors, while another believes the benefits of using Herbalife's products are only short-term.

Background

Hedge fund giant David Einhorn questioned Herbalife's business model on the company's first-quarter earnings [call](#) and changed the market's perception of its stock. Skepticism about Herbalife's business model persists despite the company's efforts to clarify the percentage of consumer vs. distributor sales, its [increase](#) in its share repurchasing program, and its hiring of [Lieberman Worldwide Research](#) to study its consumers' habits.

Herbalife contends its business continues to grow. On its second-quarter earnings [call](#), Herbalife increased its volume outlook and raised guidance, crediting its systemized training approach, "city by city" distribution method and continued support from long-term customers. Herbalife is gaining traction with its daily consumption business model, which has boosted overall U.S. net sales 22% year to year. Overall, five of Herbalife's six regions exceeded 15% sales growth during the second quarter year to year. Also, sources for Blueshift's May 19, 2011, [report](#) strongly believed in Herbalife's products and strategies.

CURRENT RESEARCH

In this next study, Blueshift dug deeper into the lingering skepticism over Herbalife's business model and any possible effects on the company's future sales. We employed our pattern mining approach to establish sources in five independent silos:

- 1) Herbalife distributors (12: 6 in the United States, 4 in Europe and 2 in Australia)
- 2) MLM specialists (3)
- 3) Herbalife customers (3)
- 4) Herbalife competitors (3)
- 5) Secondary sources (2)

We interviewed 21 primary sources and included two of the most relevant secondary sources focused on Herbalife employee reviews of the company and a fitness blog discussing the numerous, less-expensive alternatives to an Herbalife shake.

Next Steps

Blueshift will follow up on Herbalife sales in and outside of the United States. We will set out to confirm reports of a peak in the company's U.S. market and assess its growth cycle in Europe and Australia.

Silos

1) HERBALIFE DISTRIBUTORS IN THE UNITED STATES, EUROPE AND AUSTRALIA

Eleven of 12 sources expect their sales to increase during the next three to 12 months. The remaining source would not comment on sales for this period but said the company should see sales double during the next three to four years. Ten of 12 sources also said sales grew during the third quarter. Increases ranged from 10% month to month because of demand from the Hispanic population, to 40% to 65% year to year thanks to interest in Herbalife's Nutrition Clubs. The two remaining sources said sales were in line with the second quarter. Sources reported having positive relationships with and satisfactory support from Herbalife.

➤ Independent Herbalife distributor, Southern California

Herbalife is on the fast track for global sales growth. Sales have risen 10% each month and are expected to maintain this growth largely because of marketing efforts, great products, and interest from the Hispanic community. The source reported having no relationship problems with Herbalife and said the company is extremely supportive of its distributors. Herbalife's [shakes](#) are the big sellers, but [skincare product sales](#) are lackluster.

- "[I think Herbalife will experience] rising sales because it constantly grows. Plus, they are constantly adding new international markets, and they distribute their products."
- "My Herbalife sales are increasing 10% a month."

- “I expect [my] sales to continue to increase 10% a month.”
- “The products are great, and that really, really helps [sales].”
- “I would not use Herbalife products myself if they were not really good. Are they better or worse [than competitors’ products?]. Not necessarily, but they are very good products. You can probably find a lot of other products on the shelf that they are comparable to. Pricewise, they are about the same.”
- “The products that sell the most are obviously the shakes. That is the core of our business, and then you have the protein powders and the rest of the stuff.”
- “The skincare products [are not] worth mentioning because those things do not sell that much.”
- “The Hispanic community is definitely taking charge [with Herbalife purchases]. That is the biggest percentage [of sales].”
- “I do not see any direct impact [from the economy].”
- “Whenever you have an issue, you call [Herbalife] and there is always someone who can answer questions. They have detailed guidelines about what to do and what not to do. ... It just makes it fair for everybody ... but you have to be careful that you stay within those boundaries.”
- “[The athlete endorsements] definitely help. They sponsor a lot of athletes and actual teams also.”
- “There is one new [competitor] company I have heard of: [Blyth Inc.’s/BTH] [ViSalus](#).”

The Hispanic community is definitely taking charge [with Herbalife purchases]. That is the biggest percentage [of sales].

*Independent Herbalife Distributor
Southern California*

► Independent Herbalife distributor, California

Sales are rising for this long-time distributor. She became a distributor after using the product and losing 25 pounds quickly. She said Herbalife has no real competitors and that its products are the best in terms of quality, research and results. The weight loss and athlete product lines are the top sellers. She applauds the company for its exceptional distributor support.

- “The company is experiencing huge momentum.”
- “There are more young people buying workout products.”
- “What competitors? We are No. 1! Best quality, best research, best client results.”
- “Herbalife has the highest compensation plan in the network marketing industry.”
- “Weight management and now sports/fitness [are the best-selling product lines] due to the obesity epidemic and more people wanting to get active.”
- “I was a customer first. I lost 25 pounds overnight. All my friends and family wanted to get the products, so I ended up in the business.”

► Independent Herbalife distributor, South Dakota

This source’s sales have increased 65% year to year, largely because she opened an Herbalife Nutrition Club. She expects her sales to rise another 20% in the coming year based on demand from single females and college students. She initially became a distributor for quick access to supplies, and said competitors’ products do not compare. Herbalife has an easy business model and provides excellent support to its global distributors.

- “[My sales have] increased, probably 65% from last year. I opened a Nutrition Club in July.”
- “I would [forecast] a 20% increase this year easily because I am still getting word of mouth out and I moved to a new town and opened my club. I am not even at the three-month mark.”
- “[I expect to generate sales growth from] single females, a lot of college students. The distributors under me are moms who have a couple of kids, in their late 20s to mid-30s.”
- “Herbalife’s sales will stay steady or rise. More and more people are choosing to have a shake for breakfast. I get three to four customers every week—they may be distributors or retail customers—and they are simply going to replace their breakfast with a shake. Those customers stay really loyal. They are not looking to lose weight, but are looking for better nutrition.”
- “[I became a distributor because] I just wanted to have stuff at home. I started out going to a Nutrition Club and ordering things, and then they were not open on the weekends.”
- “I get 25% off right now. They send you a starter kit with lots of information and free products.”
- “The price point is great. People ... say [Herbalife’s] canisters are smaller [than competitors’] for the same amount of shakes, but we do not have fillers.”

- “[Herbalife’s business model] is pretty easy. If my distributors below me sign up, they get 25% off. I get the other 25%, which rolls to me. If they get a 35% discount, I get 15%. My supervisors who are getting 50% off, I get royalty overrides from them. And then my retail customers who are signed up and want to buy products from me, I buy a product at 50% off and they buy it at full retail, and I make 50% of what they buy.”
- “Anytime I have questions or if I have a customer who comes in with a specific concern or need, I can call Herbalife. If it is a medical thing, they will connect you right to the doctors.”
- “The professional athletes, when they are endorsed and when they wear their stuff out and in magazines, you see a flux of athletes come into the Nutrition Club. It sparks their interest.”
- “[ViSalus’] [Body By Vi](#) started with body wraps on your torso or arm. They have come out now with shakes, but I know a lot of people are unhappy [with the company]. Everyone that has come to me and has left there has had nothing but complaints, but I have never used that product. Ticked-off consumers tend to exaggerate.”

► Independent Herbalife distributor, East Coast

Sales increased 15% during the third quarter and 30% during the past year. This source hopes to double business in a year by turning a part-time business into a full-time job. She will be targeting weight loss, digestive problems and sports nutrition. Herbalife is very supportive of its distributors. Occasionally, the source has checked with her home office about rumors of product recalls, but has always been assured that Herbalife products are safe.

- “First I was an Herbalife customer, and I had great results. The business chased me down a bit, and I became a distributor. We’ve had our business for two-and-a-half years, and it’s done well part-time. I’m just now taking the business further, and it will be my full-time job.”
- “The last quarter I was up 15%, and I expect to be up 30% from last year. As a part-time job, I might have felt the economy a bit. But now this is my full-time job, and I have taken on more Herbalife hours. I’m hoping to do double within the next year. Part-time, I was making maybe \$1,500 a month, and I hope to go up to \$4,000, maybe \$5,000 a month.”
- “I’ll increase the business by plugging both weight loss and digestive health. Sports nutrition is popular, and I’ll be targeting marathons. Some of my customers have had digestive benefits from our products, and they are walking advertisements.”
- “Herbalife does a great job at training. They are very informative, and sometimes doctors speak. They also provide great home office support.”
- “People tend to sign up as a VIP customer. They get bumped up to higher discounts if they buy so much each month. Toward the end of the month, people are calling and asking how much more they need to buy. Herbalife is updating their computer system to take high-volume orders at the end of the month, and that should make it easier.”
- “I love the freedom of being able to sell Herbalife products in different ways. You can have a home-based business and still sell out of clubs or at weight-loss challenges.”
- “I haven’t even had to use customer support. I’ve only had to return one product, for a customer who couldn’t take dairy. We just switched her product out.”
- “My top-selling product is definitely the shake. People use it for both weight loss and [for] general nutrition. The next two best sellers are the [herbal tea](#) and the [herbal aloe \[powder\]](#).”
- “[Competitors] are totally different. Their products don’t compare. I’ve tried competitor brands, and their stuff tastes terrible.”
- “[Weight Watchers \[International Inc./WTW\]](#) is really a competitor, but they are so different. I have customers on Weight Watchers who use our products along with Weight Watchers. Or maybe they follow Weight Watchers but need a boost or don’t want to pay. Weight Watchers has a wonderful philosophy, and we really work well together.”

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*Independent Herbalife Distributor
East Coast*

► Distributor overseeing several other distributors, Utah

This source expects sales for the company to rise this year, and added that he could boost his own sales if works harder at marketing to customers. He appreciates that Herbalife pays its distributors based on product moved, and said the company offers good support overall. Items have been out of stock on occasion but are delivered within a few days.

- “Because of the quality of the products and directions of most distributors, sales will continue to rise over the next three to 12 months.”
- “Most of the Herbalife products are top of the line. They have high quality and are very effective. They do cost more, but if you compare with other products of equal quality, the price is similar. Competition in weight loss is various programs like Weight Watchers because they can show a lower cost since they do not provide food. Many people use [Costco \[Wholesale Corp./COST\]](#) for some of the protein and other products. However, they are not normally on the same quality level.”
- “Most other MLM [companies] focus more on getting distributors under you rather than moving product. I like Herbalife because they pay based on product moved. You receive a portion of sales for the distributors under you. The company focuses on helping people by providing product sales more than just trying to increase the number of distributors.”
- “Herbalife has a good distributor support at the various Herbalife centers. The direct support of those over you varies by the person. Some distributors have good leaders and good trainers, while others do not have the support.”
- “My best-selling [product] has been in weight management. ... If you get a good relationship built up, you can get them into the other areas.”
- “I started using Herbalife products in 2004. I had lost 50 pounds through Weight Watchers, but at a health fair found out that my body fat was still fairly high. We determined that I had lost some muscle. I, therefore, went on daily Herbalife shake and saw the body fat adjust properly. I started working as a Herbalife distributor when I saw the benefit that I and my wife had gained. We have not worked hard at distributorship, just if people asked about product.”
- “The quality of the product is what got me into wanting to be a distributor.”
- “There have been a couple of times when I wanted to order product and they were out of stock. Deliveries have always happened within just a few days, and I have had no errors on deliveries.”
- “The [professional athlete] endorsements have helped with sales. However, if these endorsements were marketed to more of the masses, it would help even more.”
- “Being in Utah, there are always products that are coming out in MLM form to compete with some portion of Herbalife.”

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Distributor Oversees Several Other Distributors, Utah

► Independent Herbalife distributor, California

Sales remain consistent in a difficult economy. Aggressive company sales goals provide a target for distributors. Herbalife’s customer service and distributor support are exceptional.

- “Sales are pretty steady, even in this tough economy. The weight-loss shakes replace two meals a day, so the program cost is offset by the food savings.”
- “Herbalife would like to double sales in the next three to four years.”
- “More people are likely to be interested in becoming a distributor in difficult economic times, but the challenge is having enough self-discipline to succeed. People who have personal success with the program make the best distributors. They are passionate and dedicated.”
- “I give Herbalife excellent marks all the way through. Customer service is No. 1. Delivery is fast and reliable. They are also great about addressing concerns. I feel 100% supported.”
- “I was a customer before I became a distributor. I was 59 years old and had gained some weight. A friend of mine had great success with

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Independent Herbalife Distributor California

the Herbalife program, so I gave it a try. I lost 23 pounds in six weeks.”

- “I still love the products and am in great shape at 70 years old. I know it works and I know how to get results, so I can coach other people to do the same.”
- “My focus is on the weight loss/management line. Depending on the customer, I will then introduce the other lines, like skin care or sports nutrition.”

➤ 36-year-old distributor of Herbalife products in the Netherlands

This source expects sales for Herbalife overall and for his own business to grow significantly. He believes in the company, the products and the marketing plan. His top sellers are weight-management products.

- “Herbalife will be bigger and bigger and bigger. The company will surpass the \$10 billion, the \$15 billion [mark] and more. Why, you ask? Because we all believe it.”
- “My business will increase a lot. ... We can help people to live better lives [through] the best nutrition there is and the best compensation plan in the world.”
- “With Herbalife I know that the quality is of the highest standard. With other companies, I don’t have any idea.”
- “Herbalife compensates 73% back to the distributors. ... It is fantastic.”
- “If ... 10 is the highest number to give for excellence, I would give Herbalife an 11 [for distributor support]. They always pay on time. They always give recognition for every step you make. ... They always do what they promise.”
- “Weight management is the best-selling line. Still too [many] overweight people are on the planet.”
- “I started eating the products [in] November 2003 and immediately became a distributor, so that was almost nine years ago now.”
- “[I] needed to lose a lot of weight. Being a distributor has advantages because of the wholesale prices. Later on, I saw that this would be an excellent opportunity to make your dreams come true.”

➤ Marketing manager of an independent distributor, United Kingdom

Herbalife products have risen 40% in the United Kingdom but have fallen 5% for this source year to year because of economic conditions in his town. Still, he expects sales to grow during the next 12 months. Top sellers include weight loss, energy and sports nutrition products. Herbalife offers good customer service, a good return policy, marketing groups and brand awareness. Celebrity endorsements are very effective.

- “Herbalife product [sales] are up 40% in the UK this year. The Herbalife products still sell strong, and weight loss products are the biggest sellers. It will continue to grow next year.”
- “Our sales are down 5% year to year because there is a bit of a recession in [my town] right now. But weight loss products are strong, and our sales should increase as well.”
- “Customer service in the UK is very good. Returns are very rare, one to two a year. The 30-day guarantee is always honored.”
- “Weight management is the core of their business. Energy and vitality products sell well, in addition to sports nutrition. People still have to eat.”
- “We started the Herbalife franchise 10 years ago because there is a huge demand for their products, especially weight loss products, and they have good marketing support. Weight loss challenges and fitness clubs continue to grow.”
- “Everyone who works in this business and takes our products knows they are healthy. You can see it in their hair and skin. They are so much more healthy than junk food. I have not heard of any safety issues.”
- “Obesity is an issue in the UK, and demand for Herbalife products will grow.”
- “Distributors within Herbalife form a marketing group, build brand awareness. The endorsements are an incredible help.”
- “The celebrity endorsements, especially the athletes, are very popular here. They work very well.”
- “Local competitors include [Activ8Health](#) and Golden Products [[GNLD International Inc.](#)].”

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Marketing Manager of Independent Distributor, United Kingdom

➤ Herbalife distributor, Sweden

Herbalife sales are up this fall and should continue to increase during the next three to 12 months because of consumer demand for a healthier lifestyle. Weight management and nutrition products are best sellers. The source became a

distributor one year ago because she wanted to the discount and a work-from-home opportunity. She has been pleased with the products and the company support.

- “I believe that Herbalife will experience rising sales over the next three to 12 months. People [are] going to open their eyes to what Herbalife is all about and [will] love to try it.”
- “[Sales are] better now that summer is over.”
- “I became a distributor for the products [because distributor prices are] a little cheaper and I could order what I wanted. I also wanted to make some extra money each month and work from home.”
- “I have never had problems with Herbalife products. I love them and cannot live without them. I drink two shakes a day.”
- “Herbalife products are affordable.”
- “Next year I hope to get more customers and more sales.”

► Independent Herbalife distributor, Australia

Although a relatively new user and distributor, this source has been impressed with the quality and results of the Herbalife line. Sales grew 42% year to year and continue to increase in the region. The Nutrition Club promotion is helpful in building commitment and continuing daily use. The challenging economy results in higher-quality distributor recruits. The main product lines are weight loss and nutrition. Distributors and customers are satisfied with the quality and service. Improvements in packaging would better position the brand.

- “I have a friend who is a successful, long-term distributor. He introduced me to the business side of Herbalife. In this group ... you must experience the products to become a distributor. This is the foundation to this business. For me, the health benefits have been surprising.”
- “I have tried [Nestlé S.A./ETR:NESR] [Optifast](#) shakes ... and wasn't impressed with the taste. I had been taking [Swisse](#) men's formula vitamins but never felt substantially different. I do feel distinctly more energetic and healthy on the Herbalife products.”
- “I am aggressively growing my business. I am starting up a Nutrition Club on the daily consumption model next week. New Zealand ... is up 198% based on getting Clubs going.”
- “I am a quality product person [and previously worked in BMW marketing] and find the quality consistently high across the Herbalife product range.”
- “The challenging economy sees better-quality people in terms of background and experience. These people more open to the opportunity, which is definitely helpful for recruiting.”
- “The main advantage of the Herbalife program is the support, both from my mentor and the group. Taking and believing in the products is also a real motivator.”
- “Weight management and nutrition products are my biggest sellers. I have started to move more of the targeted nutrition range. I also sell a fair amount of [Joint Support \[Advanced\]](#), [Xtra-Cal \[Advanced\]](#) and [Tang Kuei \[Plus\]](#) to my more active clients.”
- “I am a big fan of the skincare range too, and am starting to move the products.”
- “I haven't had anyone return products on the 30-day guarantee, and I am diligent at following up.”
- “Some of the merchandise is a bit cheap in its feel. Given the variation in income and purchasing power across Asia, I suppose that low price is a driver. I think that from a brand perspective, improving the merchandise quality would be helpful in the brand's premium positioning.”
- “Our main competition is from off-the-shelf products and specialists like [GNC \[Holdings Inc./GNC\]](#).”

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*Independent Herbalife Distributor
Australia*

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*Independent Herbalife Distributor
Australia*

➤ Independent distributor, Ireland

Herbalife products are selling steadily in Ireland despite the economy. The company is well managed and supports its distributors. Consumers prefer the Formula 1 shake to lose weight. Since starting six months ago, the source has not experienced any problems with dissatisfied customers or product returns. Celebrity endorsements are important.

- “We just started out ... but we are growing.”
- “This is very much a part-time job, one to two days per week. It will never be a full-time job. I run other part-time businesses. I expect sales will increase just a little in the next three to six months.”
- “Herbalife is a good business; it is well run. They do support the people who sell its products.”
- “I haven’t had any problems with products. ... No returns.”
- “I haven’t heard of any health issues with Herbalife.”
- “The Formula 1 shake is the product I sell most. People want to lose weight.”
- “The celebrity endorsements are a huge help.”

➤ Independent Herbalife distributor, Australia

This source moved from part-time to full-time distribution, allowing for exceptional year-to-year sales growth. Difficult economic conditions are not a significant deterrent and have created more recruit interest. Weight loss products are the best sellers. This distributor is extremely satisfied with Herbalife’s support and service.

- “I began as a part-time Herbalife distributor two and half years ago because I was going through a tough time with my corporate job. I have been a full-time independent distributor for three months now.”
- “I have exceeded last year’s sales in the last three months. Big growth. This is because I am focusing on the business full-time now.”
- “It is easier to recruit associates now than in a stronger economy.”
- “Herbalife support is excellent. I am very satisfied.”
- “I am satisfied with Herbalife’s service and policies. I gave my first-ever money-back guarantee the other day.”
- “Best sellers are core program products: Formula 1 shakes, multivitamins, herbal tea, protein powder and protein bars.”
- “There is no specific demographic group of focus. If a person is serious about losing weight and getting results, they will find the money to do this.”
- “The promos, including the [Weight Loss Challenge](#), have a very American slant, and some Australians don’t like this.”

2) MLM SPECIALISTS

All three sources expect Herbalife’s sales to grow but two said sales would stem from Asia rather than the United States, where the brand has peaked. One source said [Vemma Nutrition Co.](#) bears watching as an Herbalife competitor.

➤ President of an international MLM association

Herbalife is one of the best companies in the MLM industry, and has a relatively new president, [Desmond Walsh](#). The company is growing steadily, but not as fast as some other companies and not as fast as two years ago. Herbalife’s edge is in its distributor relationships. Most of Herbalife’s future growth will come from Asia, as is true for other companies. Vemma may pose a significant challenge to Herbalife.

- “I do know quite a bit about [Herbalife]. I knew [founder] [Mark \[Hughes\]](#) when he started out of the trunk of his car.”
- “Herbalife has a fairly new president. I don’t know him personally, but I do know as Herbalife was growing they made a lot of money and that was part of the problem.” (referring to Mark Hughes’ [substance abuse](#) and death)
- “Herbalife is growing because they have done things right. ... They’ve had better growth than a lot, but they’re not the fastest growing. There are other things that make a company good.”
- “They have been in business for over 25 years, and in that time I’ve

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President, International MLM Association

never heard that they haven't paid a distributor the amount of money they were owed and on time. That's what I would judge them on. You can't judge by the products; you go by how the company does business and if they do it correctly."

- "[Herbalife is] a good company; by 'good,' I mean they treat distributors fairly. They've had a lot of distributors that have broken away from them and started their own company."
- "They have one of the largest capitalizations, in the millions."
- "They have very good products. ... They have been around for a long time. Some of the products have improved as technology has improved. On a sale of 1 to 10, I would say Herbalife is around an 8."
- "Herbalife is in Asia, and they're probably doing better in Asia than they are here because most companies are."
- "Though companies are probably holding their own, the [U.S.] distributors are not selling as much as they were two years ago."
- "There are some new companies, like Vemma of Arizona; I think it is one of the best. They do nutrition, but they've been around for a while."

► MLM expert and consultant

Herbalife has an excellent business model and innovative marketing, which has allowed it to grow internationally. Its sales growth should remain steady because of global demand, but the company has peaked in the United States. The company was built upon weight loss products, which are of average quality at best. After an [FCC consent order](#), Herbalife distributors were required to recruit new customers. This change, along with strong marketing and management, gave the company its second wind.

- "Herbalife has an excellent business model. They are one of the few MLMs to successfully have a second wind."
- "[Herbalife] will likely continue on a steady growth rate. They have already expanded internationally, which is typically the driver of significant growth."
- "Their growth will depend on continued, creative and innovative marketing programs and corporate focus."
- "The Herbalife product quality is a C-, but their marketing is a solid A-. The weight-loss products are not that great, but that is the line that made them—twice."
- "Herbalife has a lot of very long-term, dedicated distributors."
- "The company may have already peaked. An exclusive, patented product that works for the majority of people would be another opportunity for significant growth."
- "The 2002 FCC consent order forced Herbalife to do business differently. In retrospect, it turned out to be a positive thing for Herbalife. Most MLM distributors are the actual customers. Following the FCC consent order, Herbalife required their distributors to recruit at least 10 new customers."
- "The challenging economy has both a positive and negative effect. People have less disposable income, but there are more people looking for an income stream. All in all, the economy is a wash."
- "The 'Lose 30 Pounds in 30 Days' was a great promotion."
- "Endorsements from professional and Olympic-level athletes are important, far more persuasive than film stars."

The company may have already peaked. An exclusive, patented product that works for the majority of people would be another opportunity for significant growth.

MLM Expert & Consultant

► MLM and business development coach in Michigan

Herbalife may have reached its maximum growth in the U.S. market, but will continue to see increased sales as it expands further into Asia and Europe. The company is solid and one of the best in the MLM business. The MLM industry always grows during poor economic times.

- "They are probably pushing their maximum [growth rate] right now in this [U.S.] market. With the overseas market, they will have some type of growth."
- "The growth is overseas. Typically, when a company is flattening or their sales peak, they open a new country to generate new volume overseas. Asian countries will be a big part of their volume. A lot of their leadership comes from Asia and Europe."
- "If there was a trend of that company slowing down or dying, they

Network marketing is becoming more than the dirty word at the kitchen table; now everybody is joining network marketing because they're looking for more money.

*MLM & Business Development Coach
Michigan*

- wouldn't be doing a billion dollars in sales. Their model is working, and their top leaders are making millions.”
- “The guy [[Michael Johnson](#)] that took over as [CEO] was with Walt Disney, and he is definitely a leader.”
- “During bad times is when MLMs thrive the most. Companies are apt to grow because the companies have more distributors.”
- “Network marketing is becoming more than the dirty word at the kitchen table; now everybody is joining network marketing because they're looking for more money.”

3) HERBALIFE CUSTOMERS

All three sources expect Herbalife's sales to be flat to up during the next three to 12 months year to year, and they will continue to purchase a steady amount of Herbalife products during 2013. Two sources became distributors specifically for the discount, and do not actively sell the products.

➤ Man in his mid-50s, southern Minnesota

Herbalife sales will not likely drop in the next 12 months. This source has been using Herbalife products for about six months and became a distributor purely for the discount. He does not actively sell the products. He plans to purchase the same amount of products next year.

- “I doubt sales will decline.”
- “I am a distributor, but I mainly use the products and do not actively sell them. Distributors get a discount.”
- “I have been using Herbalife about half a year. I do not use competitive products.”
- “I drink an Herbalife shake for lunch and also drink an Herbalife tea each afternoon. I am doing this to lose weight, and it is gradually working.”
- “I have not had a problem with Herbalife products.”
- “I plan to purchase the same amount over the next year.”
- “I have not heard of any safety issues or investigations.”

➤ Man in his early 20s, northern Minnesota

This source has used Herbalife products for a year and became a distributor to get the discounts and because of his belief in the products. Herbalife is incredibly supportive of its distributors and customers. He plans to continue to buy and sell the products and believes Herbalife's business in the region will steadily increase.

- “[Herbalife business] is booming, especially up here. Herbalife only came up here a year or so ago, and in the beginning it was not really something that people went to. I see Herbalife selling through a lot of places because of the obesity of people.”
- “As a distributor you get 30% off the products for yourself, and you get so much off the retail price for selling it.”
- “Because I am working two jobs. I have not been doing the [Herbalife] business a lot lately.”
- “They are there if you need them, and you have a 30-day money-back guarantee on products. ... When you go to these [Herbalife] meetings, it is crazy. They can be making five- and six-digit numbers in a year. There is one [distributor] making \$80,000 a month. We have clubs, wellness clubs, and people go and do their daily membership [routines] and get our shakes, aloe and tea.”
- “[The money] can be definitely substantial. It depends on how much you are willing to work through the company. The company will never fail you. The product speaks for itself. It is amazing.”
- “If you do want to become a distributor and do not want to be in the club, you can do it out of your home too.”
- “I take the [Relax Now](#) for anxiety. I buy the cologne and multivitamins. I am also on Formula One and PDM [protein drink mix], and that is for maintaining and building my muscles. ... And then I take the aloe ... and that helps me with my acid reflux.”
- “I have not had any problems [with Herbalife products].”
- “It is very rare that a product is out of stock.”
- “When you can have a shake that tastes like ice cream and gain the proper nutrition, you can feel it.”

[Herbalife business] is booming, especially up here. Herbalife only came up here a year or so ago, and in the beginning it was not really something that people went to. I see Herbalife selling through a lot of places because of the obesity of people.

Herbalife Customer, Minnesota

- “I have not heard of anything else that would compete with Herbalife.”
- “I have used competitors’ products, [including] Body by Vi, and it did not have a good aftertaste. It was really gritty.”

➤ **Woman in her mid-40s, northern Minnesota**

Herbalife’s sales will not drop. The company attracts many customers in the source’s town, and offers fitness plans and new shake ideas. Although Herbalife is more expensive than its competitors, its products are more appealing in taste and texture. This source has enough Herbalife products to last her six months, but she will continue to purchase the same amount year to year. Her distributor is pleased with the company’s business model.

- “[The Herbalife store] is a very popular place in our town. They incorporate fitness principles along with new shake ideas, which draw more people.”
- “[My Herbalife contacts] are impressed with the business model, and sales keep increasing.”
- “I have never been a distributor. I am not interested in the paperwork it involves.”
- “Herbalife is more expensive than other protein shake products out there, but the taste is much better. No one comes close to the taste and texture that Herbalife products offer.”
- “I have enough [Herbalife] products to last for the next six months.”
- “[I have] never had any problems with Herbalife products.”

4) HERBALIFE COMPETITORS

All three sources expect their own sales to continue to grow in line with increasing demand within the overall nutrition market. Two sources said the poor economy has helped their brands to gain distributors. None of the three had heard anything negative regarding the quality of Herbalife products, and stressed that the supplement industry is [regulated](#) by the Food & Drug Administration. One source said Herbalife loads products on its distributors, while another believes the benefits of using Herbalife’s products are only short-term.

➤ **Owner and manager of a competitor’s independent distributorship in the South**

This source said Herbalife is unethical because it dumps products on distributors and sells some distributorships solely for money. Still, the source had not heard of problems with Herbalife product safety. This source’s own business has increased in the low double digits every year and has not been hindered by the economy. In fact, the source has had trouble keeping up with demand. Celebrity endorsements are beneficial in this business.

- “The Herbalife business isn’t as ethical as I would like to see them.”
- “Herbalife likes to try and flaunt their business. Their involvement with distributors is one of product loading. They load up their distributors with different products, which is hard for the distributor and not profitable. They also sold distributorships for money. Our whole business is to help distributors be profitable. We make all our profits on sales.”
- “I haven’t heard of any problems with safety of Herbalife.”
- “Our sales have been up in the low double digits every year for the past few years. More recently it’s been increasing more, and we have insurmountable difficulty handling everything.”
- “The economy hasn’t bothered us at all. Even our local sales have been good. And it has probably helped our company. When people are out of work, they look for alternatives, a distributorship. It costs pocket change to get started. If you spend a few dollars, you’ll make a whole lot more.”
- “Anyone who has celebrity endorsements, it will help their sales. We have celebrity endorsements, and people notice.”

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*Owner & Manager
Competing Independent Distributor
South*

➤ **Vemma distributor, Iowa**

This source said her business has grown 30% since she started with Vemma two years ago. She expects this pace to continue because of the effort she puts into selling. The economy has prompted more people to look for creative ways to

make money. She thinks Herbalife will keep growing because people want its quick weight-loss fix. However, living on shakes and supplements is not sustainable; she said she has converted former Herbalife users to Vemma's program, which based on five small meals a day, exercise and a liquid mineral supplement.

- "Herbalife will continue because people still think they're going to get a quick fix. That's the mentality of American people."
- "I do know people on Herbalife. I've had a couple that have switched to Vemma because taking all the pills and eating once a day doesn't teach them anything. Once they stop taking the products, they put all the weight back on. With our company, you follow the food plan, and it teaches you how to change your eating habits."
- "Our sales are increasing. ... I've been on the product for 3.5 years and in the business for two years. ... I've had about a 30% increase."
- "I do think it will keep growing at 30% in the next three months. I do because you have to find builders and people who are just as excited and motivated as you are. I live in a very small town, and I have to reach out to surrounding towns. One of my future goals is to be in other countries. Our product is in other countries as well so I could meet them as well as travel."
- "I've seen growth since 2011."
- "The economy is not impacting sales or recruitment. I think it's because the opportunity is so big that people are seeing they can make extra money with a little investment and there's no contract or fee to sign up."

➤ Co-owner and manager of a competitor distributorship, West Coast

Sales of sports nutrition and body building products have increased nearly 18% year to year. The economy slowed sales for a while, but demand is warming up. The source has not heard any complaints about Herbalife products, and does not consider the company a competitor.

- "Compared to last year, we are definitely up—maybe 12% ... quarter to quarter and at least 16% to 18% year to year. I don't think we are up 20%, but we could get there next year."
- "Business is up for several reasons. I'm into body building, and I've been bringing in speakers. They excite the customers and get them started. Once you get hooked, it is hard to stop. It is a real high. And it helps to know what you are talking about. I talk the talk and walk the walk."
- "The store did feel the economy for a while there. I was a customer at the time, and you could tell that people weren't buying as much."
- "Celebrity endorsements are big, very big, especially the athletes."
- "Housewives selling to housewives—that always works. I really couldn't comment on how Herbalife runs their business. I haven't heard any complaints."
- "I don't think of Herbalife as a competitor. They mostly sell weight-loss products and skin care. ... Even if Herbalife was to get into sports nutrition in a big way, I still think we'd be catering to different types of customers. It depends on what type of shape you want to get into. Lose weight, you go to Herbalife. Build muscle, you come to us."
- "Weight loss is a big field, so I imagine that Herbalife does well with their products."
- "Nothing stands out about problems with Herbalife products, but the FDA is always out there. You have to know the products you promote, have to feel good about them and use them yourselves."

Secondary Sources

Our first secondary source offered reviews of Herbalife from its current and past employees. Working for Herbalife offers flexibility and a sense of helping others' health, but creating a customer base can be slow. Our second source stressed that weight loss can come from any type of lower-calorie meal and often at a lower price than Herbalife shakes.

➤ Oct. 17 Herbalife [reviews](#) on Glassdoor.com

Past and present Herbalife employees gave the company mostly positive reviews. Pros included the company's quality products, work flexibility, and the ability to help others become healthier. Cons include a slow startup period for creating sales growth as well as promises of employment. Below is a sampling of posts.

Current Employee, Crosby, TX

- “Pros—As an Independent Distributor, you get to set your own level of work. The products are of the highest grade and they work great. You get to help others improve their health and find a better way of life. The startup cost are approximately \$58 USD and you get 25% up to 50% off the products. If you are self motivated, you can build your Independent Distributorship as large as you would like. The company is publicly traded on the NYSE and is doing very well. You can learn more at <https://www.goherbalife.com/deanweis/en-US/Page/5>.”
- “Cons—Your business may grow slowly, but if it is growing, remember, you still making more money. And you still save with your discount. It is a business and you will only get out of it what you put into it.”

Current Employee, Edmond, OK

- “Pros—Good money, few hours, easy to do, easy to use.”
- “Cons—Getting started is super confusing, but once you get the hang of it, your only problem is trying to find clientele. Once you’ve established some clients, it’s super easy.”

Former Employee, Los Angeles

- “Pros—There are NONE with this sham company.”
- “Cons—Bait and switch job promises—lure you on with promises as a fulltime employee, then ensure you’re cut months after the so-called probation period so they don’t pay benefits or unemployment. They do this by making you go thru their temp agency during the ‘probation period.’”
- “They periodically get rid of tenured employees every year to reduce costs. They work you overtime with no benefits. Incredible amount of back stabbing. The list is endless—stay away!”
- “Advice to Senior Management—They won’t listen—not while they’re paying David Beckham \$5 million/yr to wear their logo.”

Getting started is super confusing, but once you get the hang of it, your only problem is trying to find clientele. Once you’ve established some clients, it’s super easy.

*Current Employee
Herbalife Reviews on Glassdoor.com*

► May 3 [HardCoreBodyBuildingLife.com post](#)

The blogger stated that any kind of lower-calorie meal replacement and exercising one will result in weight loss, and often at a lower price than an Herbalife shake.

- “People that take Herbalife replace one meal per day with a shake and by taking the shake they get what I call the ‘Supplement Placebo Effect.’ ... Since they are taking Herbalife, they feel more motivated to work out so they go to the gym or go running and burn an extra 200 calories a day. Now, if you were consuming 2,200 calories a day before Herbalife, and started replacing your meals with the shake and exercising then you would be at around 1,850 calories. ... Below the recommended 2,000. With those numbers you would definitely lose weight.”
- “So does Herbalife really work? Yes it does, BUT any other meal replacement would also work. Instead of paying the ridiculous prices of Herbalife you can probably replace your meals with a protein bar, protein shake, chocolate milk, a salad, Slim Fast, Ensure, or anything else that has a small amount of calories.”
- “Cons about taking Herbalife: 1. Herbalife is ridiculously expensive. 2. Most Herbalife bar owners don’t know what they are doing and add fattening ingredients to their shakes. 3. If your Herbalife shake is blended for too long then your shake would contain lots of bubbles which would give you gas.”
- “To conclude, Herbalife is not a bad product and it does work, but any person that really knows about nutrition and is conscious about spending money would not take it. I would recommend that you don’t fall for the hype of this product and try something else. Either change your diet, or just replace your heaviest meal with something lean. And of course ... exercise more.”

So does Herbalife really work? Yes it does, BUT any other meal replacement would also work. Instead of paying the ridiculous prices of Herbalife you can probably replace your meals with a protein bar, protein shake, chocolate milk, a salad, Slim Fast, Ensure, or anything else that has a small amount of calories.

HardCoreBodyBuildingLife.com Post

Additional research by Pam Conboy, Cheryl Meyer, Maria Hunt, Renee Euchner and Erica Franklin

Herbalife Ltd.

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