

Herbalife

Founded in 1980, Herbalife International NYSE: HLF is a company that sells weight-loss and health products by multi-level marketing methods through distributorships.

Distributors make money from retailing, and a residual income from their downlines' retail sales volume. The company was founded by Mark R. Hughes, who died in 2000, at the age of 44 of a prescription drug overdose. Company history

In February 1980, Mark Hughes began selling the original Herbalife weight loss product from the trunk of his car. By 1982, Herbalife had reached \$2,000,000 in sales and opened a distributorship in Canada, its first outside of the United States. In 1986 Herbalife became a publicly traded company via NASDAQ. Independent distributors' personal vehicles could be seen on the street, decorated by decals bearing the mysterious slogan "Lose weight now, ask me how!" In 1996 Herbalife reached \$1,000,000,000 in annual sales. In 2000, Hughes died at the age of 44 from an adverse reaction to an accidental mix of alcohol and prescription sleeping pills. The company has continued to grow after his death.

In 1994, Mark Hughes started the Herbalife Family Foundation, a charity dedicated to helping children. The organization receives donations from Herbalife itself as well as individuals within and outside the company. The Herbalife Family Foundation has donated more than \$6.5 million to children's causes worldwide.

In 2003, Michael O. Johnson joined Herbalife as CEO following a 17-year career with The Walt Disney Company, most recently as president of Walt Disney International. On December 16 2004 the company had an initial public offering on the NYSE of 14,500,000 common shares at \$14/share. 2004 net sales were reported as \$1.3 billion. In April 2005, the company celebrated its 25th anniversary with a four-day event attended by 35,000 Herbalife Independent Distributors from around the world. In August 2005, Dr. Steve Henig joined the company as Chief Scientific Officer, responsible for product research and development.

Herbalife's Scientific Advisory Board is chaired by David Heber, M.D. Ph.D, F.A.C.P., F.A.C.N., who is professor of medicine and public health and the founding director of the Center for Human Nutrition in the Department of Medicine at UCLA. According to a 2004 Forbes article, Dr. Heber joined the board at roughly the same time Herbalife made a \$3 million donation to establish the Mark Hughes Cellular & Molecular Nutrition Laboratory at the Center for Human Nutrition. Louis J. Ignarro, Ph.D., a Nobel Laureate in Medicine and Distinguished Professor of Pharmacology at the UCLA School of Medicine, is also a member of Herbalife's Scientific Advisory Board.

The company operates in 62 countries with 3,500 employees and claims to have 1.4 million independent distributors.[1]

Product overview

Herbalife's product offering includes weight-management products such as Formula 1 Nutritional Shake Mix, a meal-replacement shake and one of the first products introduced by the company. Other nutritional products offered by Herbalife range from dietary supplements made from vitamins, minerals and herbs to personal care products emphasizing nutritional and herbal ingredients, such as aloe vera and vitamin C.

As of 2005, it is not immediately clear what method Herbalife's weight loss products employ, although the nutritional ingredients are listed on the product. Recent advertisements indicate that the current philosophy is one of meal replacement via diet shakes, which resembles the Slim Fast diet, except with more ingredients.

Proponents claim that the Herbalife strategy is aligned with health industry recommendations for safe weight control, eating a balanced diet, low in calories and taking regular exercise, and that their nutritional and weight management line of products facilitate this through macronutrient and micronutrient food formulas. Herbalife provides testimonials from health professionals as part of their marketing campaign.

Some of the original Herbalife weight loss products contained the active ingredient Ma Huang, an herb containing ephedrine. Herbalife stopped using ephedrine in its products after 1998 when the Food and Drug Administration (FDA) linked one of their products (Original Green) to the cardiac arrest of a 28 year old woman. The U.S. FDA banned supplements containing ephedra in 2004.[]