

# Direct Selling News

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affected area; and Tropical Mango-flavored Soft Chews fortified with fiber and calcium. Its major new product line included three lightly carbonated, functional beverages called HIRO. Three formulas are available, including Energy, Mobility and Vitality, all sold in 8-oz. cans. TNI told *Direct Selling News* that HIRO would unleash a new flood of sales and recruiting. Since the product introductions, the company has opened an office and product center in Queens, N.Y., complete with a product store and training facilities. Established in 1995, TNI conducts business in 30 countries.

Category creator XanGo saw 10,000 distributors fill the Salt Palace Convention Center in Salt Lake City at XanGo's October convention. Just 5 years old, XanGo spent the preceding months carefully creating the financial, I.T., manufacturing and distribution infrastructure to allow further development of existing markets and continued international expansion. In September, XanGo launched a second product, XALO™ Juice, during the opening of its market in Germany. XALO Juice combines aloe, mangosteen, grape seed and green tea in a functional beverage. Currently, it is offered only in Europe in tandem with XanGo Juice.

XanGo's European market is coming on strong, showing double-digit growth each month. The United States is still the company's biggest market, and Mexico grew rapidly into the company's second-largest market. "XanGo continues to drive monumental growth," says CEO Aaron Garrity.

## To Your Health

Wellness has long been the focus for USANA, which offers nutritional products in a variety of forms. Reflecting on 2007, Company President Dave Wentz found several reasons to feel proud. "First, I am very proud of the progress we have made with our USANA Green initiative," he says. "We have made huge strides in energy conservation, recycling, water conservation and minimizing waste. The field and employees have rallied around this cause and are having a giant impact. Second, I am excited about new technology that finally allows us to custom create nutritional packets. For years we have wanted to reduce the waste of multiple bottles and provide ease of use to customers taking numerous products. With our launch of MyHealthPak in August 2007, we are finally able to make this a reality. Third, I will always remember how well our Associates rallied around USANA in the face of unscrupulous, false allegations made by those interested only in manipulating the stock for their own gain. The loyalty and increase in efforts were amazing."

Looking ahead, Wentz says, "I think 2008 is a year of getting back to the basics as well as reinventing ourselves. Staying focused and simple can sometimes be the best reinvention. As new ideas and opportunities present themselves, we tend to take on too much and become complicated. With a volunteer army of salespeople, many working part time, they do not have the time to process all of the information, ideas, training or news. The new year has potential to be a great year if we make sure we are focused on what we do best and eliminate the things that are distractions." Wentz also says that targeting may be the answer. "We have the systems and data to make our relationship with our Associates and customers more tailored to what they really want. This is the year of focusing our messages, our products, our services and any contact we have with our consumers."

Wellness extends to care of the body's largest organ, the skin, and new direct selling company OceanGrown International (OGI) was established in 2007 to use sea-based nutrients to nourish its consumers' skin. OGI President and Founding Partner Kerry Brown says 2007 was all about momentum.

"My partner and I are amazed at the speed in which the OGI idea became reality," Brown says. "From the business plan we drafted in a basement to selling in the United States and Canada; seven months later the OceanGrown™ concept has taken off." Looking ahead to 2008, Brown says the company will focus on expanding the young company's product

line, and developing the brand and its leaders. "We know that educating the marketplace regarding our ocean actives such as astaxanthin, Irish seaweed and fucoxanthin is key to sharing this opportunity with interested consumers. Our proprietary blends will unite healthy properties of various ocean actives. OGI will also develop leaders who share our passion for this industry and want to belong to the next generation of direct sales companies."

## Home-Based Business

If another trend is as hot as health, it has to be home entertaining. Forget going out with friends; have them come over for a fun evening at your home. Using different approaches, that's what Swiss Colony Occasions and Signature HomeStyles each bank on. For almost two years, Swiss Colony Occasions has encouraged its clients to make every day a special occasion by setting out the company's line of special foods on its signature serving pieces.

"After a whirlwind first year and a half, 2008 will be a stabilization year for Swiss Colony Occasions," says company Chairman Ryan Kubly. "As a new company, we've spent quite a bit of time getting systems and processes in place. In 2008 we will focus on the basics as we move from start-up to build-up phase."

Kubly says the company will focus on Party Coordinator training and leadership development in 2008 in an effort to increase the number of Party Coordinators.

Signature HomeStyles, which offers a line of stylish home-decorating and organizing items through in-home product demonstrations called Idea Shows, saw a significant increase in sponsoring in both the United States and Canada this fall. The increase came after it introduced a new program to make it easier and more affordable to start a business with the company. Executive Vice President-Sales and Marketing Tracy Burton says Signature HomeStyles will start 2008 with a record number of new representatives. It plans to get newbies off to a strong start through a new training system that was developed in partnership with the Direct Selling Women's Alliance.

"We have built our entire strategy for 2008 around a focus on dreams—encouraging our field and our employees to dream, and to find ways for Signature HomeStyles to help them achieve their dreams," Burton says. "We're offering a new level in our annual incentive vacation program to encourage part-timers to earn a trip to our convention. We're excited at the potential increase in convention attendance, as well as in sales and recruiting, which will be driven by this enhancement. Our product line for 2008 is very exciting—on-trend and with a wide variety of styles, colors and price points. And we're introducing a new organizational system, the Classic Collection, which complements our wicker baskets but will introduce home organization to a new audience."

## '08 Industry Efforts

While advocacy is always a key part of direct selling, it will take many forms in 2008. The DSA will work with its more than 500 member companies to continue its image-enhancement program. The Association also plans to offer workshops to help member companies educate themselves about the FTC's proposed Business Opportunity Rule, which DSA President Offen says seems to be moving to a slower track.

"We're optimistic about getting direct sellers out from coverage of the rule, because it's inappropriate to label us as business opportunity sellers," Offen notes. "We hope to get rid of the negative provisions that would impact direct selling companies if we are included."

Offen says the industry's strongest effort should be placed on ethics. "Ethics is what I want to push most throughout my career," he says. "We've got to walk the walk and not just talk the talk on ethics and self regulation. It's the most critical thing in our industry."



# 2007

A YEAR OF COMMITMENT,  
COMEBACKS AND CREATIVITY

by Barbara Seale

Just as the nation's economy had its ups and downs in 2007, so did the direct selling industry. It was a year when new businesses sprouted, young companies grew rapidly and veterans showed they've still got the right stuff.

For some companies, it was also a year when challenges required them to test their mettle.

Overall growth won't be known for several weeks, but Direct Selling Association President Neil Offen says he is optimistic. "We were surprised that '06 had the growth it had," he says. "Sales increased by \$1.71 billion, and the salesforce increased by more than a million people."

He noted that one of the most important industry trends he saw in 2007 was companies enforcing their own rules in the field more than they have in the past. "That's extremely important for the future of the industry," Offen says.

Mary Kay's Nathan Moore, Chairman of DSA's board of directors, challenges the industry to continue to insist on ethical behavior. "We must all ask ourselves, 'Where do we want to be in 10 years?' and then it's incumbent on this organization to stake out our position, to plant it on solid ground," he says. "It's our turn to challenge the status quo, demonstrate accountability and expect everyone to perform at the highest level."

# GOODBYE COSMETICS COUNTER, HELLO DIRECT SELLING

Two renowned dermatologists will take products they developed out of department stores and sell them in a new direct selling business in 2008.

Rodan + Fields Dermatologists, which offered clinical skincare products through the Estée Lauder Company, plans to launch the new company in March.

Drs. Katie Rodan and Kathy Fields had tremendous success with their first product, Proactive Solution acne treatment, which it sells through infomercials and on the Web. Its success transformed the two Stamford University-trained dermatologists from respected medical professionals into rock stars of the skincare world. But when they launched the Rodan + Fields Dermatologists line of skincare regimens, they found the department store wasn't the best place to help clients. They turned to veteran direct selling executive Lori Bush to help start a new business that would let them improve the skin of as many people as possible while rewarding the consultants that perform skin diagnostic surveys and explain the products to clients.

Bush was formerly a president of Nu Skin and says she is excited to return to direct selling.

"When Nu Skin first approached me, I was intrigued because they gave me a great way to get cool products into the marketplace," Bush says. "Then I learned that it's not just a business. It's a passion, a lifestyle. You develop a relationship with customers that you don't get in any other channel. Many companies talk about putting the customer at the heart of the business, but it doesn't really happen. In direct selling, that's what it's all about. When I left Nu Skin, I didn't know if I could go to another direct selling company, but then I started talking to Rodan + Fields about their beliefs and their vision for the brand. They felt the brand couldn't realize its potential in the confines of a brick-and-mortar model. They wanted to reach out to many people in a more personal, compelling way. Ultimately, everything aligned. Here I am, and I couldn't be happier."

Rodan + Fields will offer its Unblemish, Reverse, Soothe, Essentials and Anti-Age product lines through consultants across the United States. Rather than a single product for a specific skin problem, Rodan + Fields Dermatologists recommends a series of targeted products used together for best results.

"Drs. Rodan and Fields know that spot treatment—dabbing things on a problem area—isn't the best way to address dermatological problems," Bush says. "People must commit to a regimen and use multiple ingredients that work together to attack problems and address underlying precipitants of conditions. The regimen approach is something they're adamant about, and that's difficult to communicate in a traditional retail environment." She says that the doctors developed the products they'll offer in the new company and have used them in their medical practice.

Leading up to the company's March 1 launch, Rodan + Fields Dermatologists has been testing its concept in a defined geographical area—one they've found difficult to limit because response has been so strong.

"We focused on people who already had an affinity to the brand, such as counter salespeople and Proactive customers, to determine whether this proposition had the interest and the legs to really work as a direct selling company," Bush says. "We expected the test to be very small. But it got much bigger much faster than we ever intended it to. That's the kind of thing you like to see in direct selling: people getting excited, buzzing. We had a difficult time maintaining the geographical constraints we set for the test. Word spread not just in neighborhoods but across the country. We had much greater participation in the prelaunch program than we ever expected."

The company launch will begin with a national tour on which Drs. Rodan and Fields will speak in eight cities initially. They'll also offer a combination skincare symposium and clinic. Then participants will hear about the business opportunity, and those who join will receive product training. Consultants who participated in the prelaunch will be offered more intense product training, as well.

"Our business model allows a lot of people to participate in it, based on their own personal goals," Bush says. "Whether it's about having great skin, or being part of the skin care industry, or getting the perspective of the doctors firsthand, or earning supplemental income or building primary income, we believe that our business allows participation and rewards at all those levels. It's an interesting learning curve for people who haven't been in the direct selling world before; but for me, it's coming home. And when it all works, it's just breathtaking."

## Walking the Talk

Enforcing rules in the field isn't always easy, as industry giant Quixtar experienced this year. Its efforts to require some of its independent business owners (IBOs) to play by the rules were met with lawsuits from distributors in the United States. And in the UK, where the company operates as Amway, regulators took the company to trial in late November as a result of the actions of two groups of its distributors. The UK Department of Business Enterprise and Regulatory Reform went so far as to ask the court to close Amway's UK company. In both cases, the company has been so determined to ensure ethics in its business that it terminated several distributors.

Explaining its actions in its media blog, the company stated, "We have fought to clean up the reputation of our company for years. We know that one of the biggest challenges our reputation faces is misrepresentation of the Quixtar and Amway businesses to others."

Amway/Quixtar vigorously defended itself and "initiated a global review of business practices to make sure we operate under the highest standards possible in all our markets," according to a memo from parent-company Alticor Chairman Steve Van Andel and President Doug DeVos.

One key action the company plans to take was announced at midyear: The return worldwide to the Amway name, which the company says is part of the effort to transform its business. The change is still several months away, but the company is devoting hundreds of millions of dollars in advertising, brand building, compensation, product development and other business improvements to the transformation.

"That's because this is—this has to be—more than just a name change," Van Andel and DeVos wrote to the company's IBOs. "We want other key elements of the transformation initiative to be in place before we invite customers in to see the new Amway." They added, "We've only ever had one goal. We want to build, consistent with our values, the biggest and most successful business we can for as many people as possible."

Despite the year's challenges, Amway/Quixtar achieved some notable recognition. *Internet Retailer* ranked it as the top retailer in the Health and Beauty category, placing 22nd overall based on Web-generated sales; *InformationWeek* ranked Quixtar 71st on the *InformationWeek* 500 list of the most innovative users of business technology, up from 147th in 2006; and it signed sports commentator, beach volleyball player and professional model Gabrielle Reece as spokesperson for the Simply Nutralite™ line of food bars, juices and dietary supplements.

## Comeback Kids

Despite enduring the loss of two company presidents during the year and a reduction in its workforce, the growth plan that basket maker Longaberger launched in 2007 under then-new President Jim Klein showed impressive results. Klein left the company in July and was replaced by company veteran Jim Gimeson, who announced his departure in December. Tami Longaberger, Chair of the Board and CEO, stepped back in as President. But if turbulence at the top slowed the company down, the numbers didn't reflect it. Recruiting was up 60 percent; December sales were up 25 percent compared with December 2006; guest traffic to its Ohio basket-making facilities increased by 20 percent, perhaps encouraged by the opening of the first Longaberger Factory Store; and partner events around the country drew 70,000 Longaberger Home Consultants and customers. Supported by the launch of free personal Web sites for all Home Consultants, online sales exceeded company expectations.

"The response from our sales field has been overwhelming," Longaberger said. "They're excited. They're energized. All the trends are moving in the right direction, as evidenced by significant improvements in leading indicators across the board. We have momentum to carry into the coming

year, and, as we all know, in direct selling companies positive momentum can move mountains."

Longaberger has no plans to slow its growth in 2008. In January it plans to launch myDream by Longaberger, a new and more robust incentive and rewards program, and to simplify its monthly promotions and its product line, issuing a comprehensive catalog twice a year. Its consultants will emphasize core products such as baskets and accessories, and other products will remain available to customers both online and at the Ohio Homestead.

Avon's transformation plans showed results, too. Andrea Jung, Avon Products Chairman and CEO, led the company through a painful delayering that saved the company \$200 million by removing eight layers and 4,500 management associates worldwide. The move also put Jung face-to-face with her representatives and customers.

"We've invested all those savings—and the savings from centralizing our manufacturing and marketing—to serve the representatives and the brand," Jung says. "And I believe that is the biggest driver for why our turnaround is delivering results."

Year-end earnings weren't available at press time, but Avon reported that third-quarter total revenue grew 14 percent, with all six operating regions contributing to its revenue growth. Product sales rose 16 percent, and the number of active representatives increased by 10 percent. As the world's largest direct seller, Avon has almost \$9 billion in annual revenue.

## Powerful Proposition

One of the year's biggest success stories was Ignite, the Dallas-based electric power direct seller. After almost three years of offering electric power in Texas, the company has recruited more than 100,000 Independent Associates, and the first of those has reached the million-dollar earnings level. The second million-dollar earner is expected in 2008. The company itself approached the billion-dollar revenue mark in 2007.

"We've had an incredible 2007," says company Founder Chris Domhoff. "To see the effects of our compensation plan, specifically our residual income, really deliver some life-changing income to the Independent Associates—that's at the top of my list." He credits the powerful combination of network marketing and the deregulation of the energy industry for the company's rapid success.

Ignite also won awards in 2007. The company and its energy-provider, Stream Energy, were recognized by *The Dallas Morning News* as the area's 51st-largest privately held company, based on revenue and employee growth. It was also the runner-up in the Rising Star category of the Platts Energy Awards, which recognizes companies that grow extremely quickly. It was also selected by the Greater Dallas Chamber of Commerce for a Momentum Award and received the Greater Dallas Chamber's award for local employment growth.

Domhoff says the company will continue to grow rapidly in 2008 by expanding its presence.

"Our goal was to build a strong base of Associates and customers in Texas, and we have done exactly that," he says. "We'll continue to do so in '09, but it's time to bring the opportunity to other areas of the country that embrace energy deregulation. That's what I'm most excited about. We hope to be in three additional states by the end of 2008."

## Getting Juiced

One of the industry's hottest growth areas is the wellness sector, which includes nutritional beverage companies. Companies in that group continued to thrive. Tahitian Noni introduced several new products: a limited-edition blend of its TAHITIAN NONI® with black currant; Tahitian Noni® Noni Leaf Spray, which contains a proprietary blend of noni leaf juice and noni leaf extract that offer relief to distressed skin without touching the