

Direct Selling *News*

Serving the Direct Selling and Network Marketing Executive

Volume 2, Issue 11 November 2006



USANA nutritional products

USANA: Prescription for Physical and Fiscal Health

by Barbara Seale

Out of disease and early death grew the dream for direct seller USANA. The Utah company develops, manufactures and sells a range of nutritional and personal-care products intended to optimize health. USANA has been so successful in its mission that in 2005 *Business Week* placed it third in its list of "Hot Growth Companies," and *Forbes* ranked it fifth among Best Small Companies. Its financial success shows that the company lives up to its slogan—Advancing Health, Redefining Freedom—for its 145,000 distributors and to customers in 12 countries who buy its products.

Founder and Chairman Dr. Myron Wentz saw his father die of heart disease and his mother fight cancer. Degenerative disease was a frequent and unwelcome visitor throughout his extended family. The young Wentz responded by committing himself to life-giving work. After pursuing advanced health-sciences degrees and achieving success as a researcher, he took the step that would help advance health worldwide. He founded USANA, a company whose very name means "true health."

Its nutritional and personal-care products are sold directly to some 76,000 preferred customers and through the direct sellers it calls associates. An international company, USANA has direct sellers in the United States, Canada, Australia, New Zealand, Hong Kong, Japan, Taiwan, South Korea, Singapore, Mexico and the United Kingdom. In October USANA announced it has received its business license in Malaysia, one of the world's top 15 direct selling markets. It will begin operations there in the first quarter of 2007.

In a world of pharmaceutical and surgical responses to cancer, heart problems and other degenerative diseases, Dr. Wentz chose nutrition as his weapon. "I became convinced that the single most effective thing we could do to prevent and even reverse degenerative disease was to give our bodies proper nutrition to resolve the essential nutrient deficiencies of our modern diet and counteract the free-radical damage from our toxic environment that is overwhelming our antioxidant defense systems," he says.

From its inception, USANA was different from most nutritional-supplement companies. "One of the key differentiating characteristics is that USANA is a company founded and based on science," says Kevin Guest, the company's Executive Vice President of Marketing. "Cellular nutrition is the key. If we have healthy cells, we'll be healthy. That principle resonates with our associates as they share the USANA message with others. From a scientific perspective, Dr. Wentz, our Ph.D.s, scientists, in-house labs, testing, new developments and innovative products—all are very attractive."

Do It Right

USANA emphasizes the importance of providing the right ingredients in its supplements—in the correct amounts, in the right balance and in the correct forms—for all age groups. "What you see in the supermarket is shelves and shelves of vitamins and supplements," Guest says. "Some companies offer a wide variety of products. But USANA offers a complete and balanced approach to nutrition, not a shopping cart. Our

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FROM DEATH EMERGED A LIFE FORCE

The USANA dream started with the death of Founder and Chairman Dr. Myron Wentz's father. When Dr. Wentz was 17, his dad died from a heart attack at the too-young age of 57. "My father's death was one of the most traumatic events in my life," he says. "I think that put a mark on me—that I was denied a father at a young age."

Mr. Wentz was revered in his rural hometown of Napoleon, N.D. "It seemed that everybody in that area had been the recipient of my father's help or generosity, or they simply had a great deal of admiration and respect for him," Dr. Wentz says. "I think that made it even harder to lose him at such a young age. But as far back as I can remember he suffered from heart disease, having to go to hospitals and long-term care facilities."

Dr. Wentz also saw other family members fight degenerative disease, including his mother, who fought and survived breast cancer in her 60s. Cancer and heart disease also claimed aunts and uncles on both sides of his family.

He decided to fight. Not just for himself and his family, but for millions. Dr. Wentz educated himself, working his way through college and earning degrees in biology/pre-med, microbiology and, finally, a doctorate in microbiology from the University of Utah in Salt Lake City—a school he chose because it boasted one of the strongest immunology departments in the country. "Rather than going the route of medical school and being a front-office practitioner, I wanted to create scientific solutions," Dr. Wentz says, "to provide the tools for medicine, rather than just use them."

Armed with academic credentials and appropriate experience, Dr. Wentz started a one-man business, Gull Laboratories. In just two and a half years he developed several FDA-approved medical diagnostic tests for viral diseases that doctors and hospitals around the world now use. But Dr. Wentz wanted more. He wanted to prevent disease through nutrition. "I knew my knowledge and expertise in growing human cells could be used to design an advanced nutritional system that could help improve people's health and quality of life," he says.

Out of that desire grew USANA. Since 1992, it has created breakthrough approaches to nutritional wellness using the same level of scientific expertise, technical brilliance and dedication that Dr. Wentz employed in pioneering viral diagnostics. Dr. Wentz's accomplishments have been driven by his urgent sense of mission.

"I have always felt that time is too short for me—that life is too short for what I feel I need to get done," he says. "I was too late to help my father. I was too late to help my mother. But I think I am making contributions that are now allowing people to live the way they were intended to live: in health. I think I am helping people live their lives to the fullest without having them cut short by premature death or illness."

group of scientists and nutritionists has put together a system of nutrition that takes the guesswork out of it. We even have a potency guarantee. As people take our flagship product, Essentials, they get the essential nutrients that the cells of the body need to be healthy and strong. They get a wide variety of vitamins, minerals and antioxidants that promote proper cellular health."

Dr. Wentz began USANA in 1992, and the Essentials products line was the first the company developed. It has been joined by USANA Optimizers and Macro-Optimizers. Optimizers are an extensive selection of state-of-the-art nutritional products that enable customers to tailor their nutritional program to meet their individual needs based on their age, sex, lifestyle and other considerations. Some products in the Optimizers product line support cardiovascular health. Others support skeletal/structural health, digestive health, and more. Optimizers include the company's "Active Calcium" products, which contribute to strong bones, as well as Ginkgo-PS for brain function. Macro-Optimizers are nutritional foods that include meal replacements, snack bars, energy drinks and other products. The company's newest product is TenX™ Antioxidant Blast, a fruit bar containing apples, blueberries, strawberries, raspberries and other USANA-unique ingredients. USANA claims that, ounce-per-ounce, TenX provides 10 times the antioxidant power of even the best juice products on the market and the equivalent of two servings of fruit.

Its line of patent-pending, personal-care products, which the company calls Sensé, accounts for about 13 percent of USANA's sales. The line includes preservative-free products ranging from skin cleansers and toners to a rice-bran polisher and hand-and-cuticle cream. "We found that there weren't many preservative-free products in the market," Guest says. "The skin is the largest organ of the body. The Sensé line works on cellular nutrition and health from the outside in. Healthy skin is important to the overall health of the body."

Uncompromising Standards

Throughout its international operations, USANA is committed to high standards for all its products. The formulas of USANA's 50-plus products are as close as possible to the original U.S. formulations, no matter where they're sold. And the company will only sell efficacious products, regardless of a country's standards. It delayed entry into Taiwan for several years because that country's regulations only allowed 60 mg. per day of vitamin C in supplements. USANA entered the Taiwan market only after these restrictions were changed. While USANA will modify product taste, pill sizes and some formulas, they won't change a product to the point of undermining the company's health focus.

"The integrity of the company and its products must be in place," Guest says. "We don't want to enter a market and just 'sell sand,' even though we could make money doing that. We want to deliver the high-quality nutritional products that our customers have always been accustomed to receiving through USANA. Our tagline is 'Nutritionals You Can Trust.' That trust is one of the most valuable assets we own."

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We have to live up to that trust with our associates and customers around the world.”

USANA follows pharmaceutical good manufacturing practices (GMPs) as the basis for its quality-assurance program. Pharmaceutical GMPs are federally mandated guidelines designed to ensure the quality of pharmaceutical products. Though nutritional companies in the United States are only required to follow the less-stringent GMPs for food products, USANA uses the stricter pharmaceutical guidelines to govern its manufacturing operations. This comprehensive approach to production guarantees that nutritional formulas are complete, balanced, effective, safe and convenient to use.

Delivering Health

For Dr. Wentz’s vision of improving world health to reach fruition, he had to do more than develop great products through world-class manufacturing processes. He needed a way to put the products in as many hands as possible. He realized that the usual retail distribution methods wouldn’t accomplish his goal.

“Before my product would ever make it into the home of consumers, it would have to be sold to a national distributor who would mark up the product and pass it along to a regional distributor, who would again mark it up and sell it to a retailer or another distributor, who would mark it up yet again to be finally sold to the consumer,” Dr. Wentz says.

Retailers wanted a cheap product, and most didn’t care what compromises were required to meet their price point. But Dr. Wentz cared. “I am a scientist, not a marketer,” he says. “I had no interest in making supplements like those currently available. I committed to myself, at that point, that I would never sacrifice the quality of the products for profits. If I couldn’t produce what science determined to be the most beneficial to the body, I would take the money I earned in my previous business dealings, and devote my time and attention to something else.”

When Dr. Wentz was introduced to network marketing, he saw it would be the most effective way to get his products to consumers. “I have no question that I made the right decision by launching USANA the way we did,” he says. “Not only has it delivered true health to consumers, but it has also delivered true wealth to our associates. Through no other avenue of marketing could I have achieved the kind of organization we have today in the USANA family.”

Fighting Childhood Malnutrition

For Dr. Wentz’s vision of improving world health to actually come true, he knew he needed to provide his products to those who couldn’t afford them. To do that, USANA partnered with Children’s Hunger Fund. CHF is a nonprofit organization that Forbes.com listed as the

only U.S. charity to hold a 100 percent rating in all three of its rating categories—Charitable Commitment, Fund Raising Efficiency and Donor Dependency. Because CHF shares its mission of reinforcing the importance of good nutrition from an early age, USANA makes every effort to support the organization through charitable giving and product donations. More than 99 percent of all CHF revenue goes to programs serving children in need.

“The malnutrition of children is an urgent issue,” Guest says. “USANA has an outstanding children’s vitamin called Usanimals that could help meet those needs. We offer our associates the opportunity to donate either products or cash, and we encourage them to automatically donate monthly. We’re currently in Africa, Romania, Ukraine, El Salvador and Mexico, where malnutrition is so prevalent. We’ve been able to get Usanimals to thousands of children and help get them back on the path to proper nutrition.” USANA nutritional supplements help balance local diets among those served by CHF.

USANA also incorporates fund raising into its auto ship ordering system. Customers are invited to add \$10 to their auto ship order to help supply basic nutrition for an entire family suffering from malnourishment and hunger. “Getting more and more of those \$10 donations from people every month creates an ongoing source of income for Children’s Hunger Fund, rather than with a fund-raiser, where you might raise a few hundred thousand dollars, but it’s a one-time deal,” says USANA President Dave Wentz. “We get people on auto ship who donate every four weeks—paying \$10 every four weeks for a child—and that creates

a stronger, more reliable cash flow that allows the Fund to be more effective.” To date, USANA and their associates have donated more than \$3 million to CHF. “That’s proof how \$10 a month can make a difference,” adds Wentz.

In addition, Dr. Wentz has supplied the funding for medical centers in Cambodia and Uganda. The Wentz Medical Centre and Laboratory opened June 2005 in Ggaba, Uganda, and serves children and families in Ggaba and the surrounding areas. The team at the Medical Centre has had an impressive start, providing more than 2,500 doctor visits to 1,200 people in the community in its first six months.

In Cambodia, CHF has identified a network of orphan homes and community centers dedicated to providing health and nutrition to children in their areas. USANA provides nutritional supplements to help balance local diets, and Dr. Wentz recently funded the building of a medical center in Cambodia to serve the children within this growing network.

“Our relationship with USANA has enabled us to provide several thousand children with daily nutritional supplements,” says a statement on CHF’s Web site. “Many of these children have endured health issues due to malnutrition and other ailments. We have experienced incredible health improvements



Dave Wentz, USANA President, and Dr. Myron Wentz, USANA Founder and Chairman

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HEALING AND PREVENTING DISEASE AT SANOVIV

Drawing on his background in diagnostics and nutrition, Dr. Wentz created one of the most advanced medical facilities and holistic hospitals in the world, Sanoviv Medical Institute. It focuses on the root causes of illness, not the symptoms. Its team of physicians, nutritionists, psychologists and fitness experts are trained in traditional and alternative treatment and use proven, complementary medical and mind-body solutions to eliminate disease—not mask symptoms with drugs and unnecessary medical procedures.

Located just south of Rosarito Beach, Mexico, Sanoviv is a licensed medical hospital and health retreat that strives to eliminate toxins that inhibit the body's ability to heal. The Sanoviv medical team specializes in treating autoimmune and neurodegenerative diseases such as chronic fatigue syndrome, multiple sclerosis, lupus, Parkinson's disease, Alzheimer's disease and more.

From top to bottom, Sanoviv is Dr. Wentz's financial and spiritual creation. "Sanoviv is a model research, education and clinical facility where selected people with different disease entities can be studied and helped in a very controlled environment," he says. The government of Mexico agrees, viewing Sanoviv as an example of the forward-looking medicine it wants to encourage.



Sanoviv Medical Institute

"I believe this place will enable us to uncover many of the answers that we need to prevent and reverse degenerative disease in the world today," Dr. Wentz says. "Nutrition is our primary foundation. But we are also learning how to properly detoxify our bodies from all the toxic substances we've accumulated throughout our lifetimes. I'm confident that Sanoviv will become a place for health and healing like no other. I'm engaging the best scientists and practitioners to help me unlock the mysteries and find the answers that we need to combat all forms of degenerative diseases, using cancer as our most challenging objective."

among these children as a result. USANA is also a major financial contributor to CHF, enabling us to reach thousands of children and families each year."

Total Package

Its charitable outreach program is just one of several USANA attributes that attract associates. "One is that we're a public company (NASDAQ symbol: USNA). There are no secrets," Guest says. "An associate knows our track record and what they're getting into. They know they're becoming involved with a solid company that's financially sound. We'll be here for them. We also feel that our business opportunity is outstanding. Our binary compensation plan provides an extremely fair system of disbursing money. And it's seamless. In every country we're in, we have the same pay structure." Guest continues, "Our associates in the field have never stopped. We've grown because of them and their hard work. They've continued to share the message of USANA with the world. As a result, we have a strong customer base that continues to buy products month after month. They're concerned

with health and nutrition, so even economic ups and downs don't cause a variance in sales."

USANA's most recent earnings results offer proof. In mid-October, the company reported its 17th consecutive quarter of record sales. Consolidated net sales were 15.8 percent higher than in the third quarter of last year, and the number of active associates increased by 14.2 percent. Sales of USANA products have grown from \$114 million in 2001 to almost \$328 million in 2005. At the end of the third quarter of 2006 the company reported sales totaling \$278.7 million. Company executives are optimistic that USANA will deliver products that support improved physical wellness and financial health to more and more of the world.

"Our long-term future continues to be extremely bright and positive," Guest says. "We continually break sales records and watch the company grow. We have a world-class product line, a financial opportunity that we feel is the best in the industry and a salesforce with high integrity that's out there sharing a great message. In my opinion, we're only going to see more continued growth." 🌐