

**TRUTH**

**ABOUT**

**VISALUS**

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**31 March 2013**

<http://truthaboutvisalus.blogspot.co.uk/>

CMG Archives

<http://www.campbellmgold.com>

(2013)

(The following material is presented as received by this editor)

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### **New American Weightloss Onslaught Hits the United Kingdom (UK)**

The latest US craze has hit our shores with a vengeance not seen since the Normandy Invasion. Visalus, a 7 year old American company 80% owned by Blyth Inc a listed direct seller of Candles is already making waves with its "Body by Vi" program. I am sure you will soon be approached on Facebook or by friends down at your local pub to jump on board a 90-day challenge to shape up, and at the same time become eligible to win £000's and even get your products for free! What an offer...how can you possibly refuse?.....

Visalus is the brainchild of two young energetic American entrepreneurs Blake Mallen and Nick Sarnicola. Sarnicola and Mallen previously sold cheap telephone services for a company that has long since disappeared, but they seem to have made a happy transition to peddling supplements and weightloss. The product range was developed by Dr. Michael Siedman, an ear, nose and throat specialist with no background in nutrition or vitamins who is the author of various "Whitepapers" on the Visalus website that reflect "research" of a very dubious scientific nature. The company came very close to bankruptcy in 2008 and was \$6m in debt. The CEO at the time Ryan Blair, who was a former gang member, is credited with saving the company from ruin and leading Visalus to prosperity.



The founders have since sold 80% of their shares to publicly listed Blyth Inc., a direct seller of candles whose core business has been falling rapidly, and has desperately been searching for a second act. In 2012, Blyth tried to IPO Visalus in order to raise the finance to complete its purchase of all the Visalus equity but that attempt failed hopelessly and Moodys downgraded the Blyth stock as well as their debt to junk status.

In November 2012, a class action lawsuit was filed against Blyth on behalf of shareholders. The suit alleged that the nature and ongoing viability of strong financial results reported for ViSalus had been overstated, and that this was masking declining performance in Blyth's other operating units and product lines. The suit also alleged that Blyth and certain of its officers and directors had violated the Securities Exchange Act and issued materially false and misleading statements regarding the company's financial performance and future prospects.

A glance at the latest set of Financial Statements released by Blyth in March 2013 reveals a company that made a loss in the last quarter of 2012 and closed the year with vastly diminished cash resources. It is clearly a company under cashflow pressure, a fact that is reflected in its stock price which now languishes just above its all time low. The Visalus "boys" meanwhile are running as hard and as fast as they can to ramp up their business and keep Blyth afloat just long enough so that they might receive the final \$70m for the remaining 20% of Visalus that Blyth has committed to purchase from them.

Industry insiders back in the US maintain that Visalus is a company on the wane that has suffered sales declines in the last 2 consecutive quarters of 2012 of 33%, with the final quarter of 2012 declining by a whopping 25% relative to the third quarter. In all sales have declined from \$190m in Q2 to \$127m in Q4. That certainly lends credence to the claim that the company is on the decline. They explained how new companies like Visalus typically pump up their growth: they purchase entire organizations of distributors who literally defect from one direct sales company to another. Rumour has it that this is how Visalus turned their own fortunes around so rapidly back in 2008/9. It seems that many Visalus teams are now being made better offers by other companies looking to "purchase turnover", and they are beginning to defect at an increasing pace. Industry scuttlebutt has it that this is creating a sales problem that urgently needs to be fixed....and one sure fire way to do that is to launch the Visalus "opportunity" in new countries.

Now that you have the background, the sudden interest in the UK market makes perfect sense. In order to gin up interest in their scheme, Visalus representatives offer sales people the chance to "win a BMW" or as they put it..."join the bimmer club". This offer looks very attractive on the face of it, but

upon closer inspection, you will realize that each winning sales person would have to personally sign the car lease and would be on the hook for all future payments should their income fall below the BMW bonus level or in the event that Visalus runs into financial trouble. Given that over 90% of distributors in Visalus don't see their first anniversary, there is likely to be a glut of repossessed BMW's in the UK shortly.

In order to create a frenzy of interest among consumers, Visalus offers all kinds of promotions and prizes as inducement to enter their "Body by Vi" challenge. The most compelling of which is their 3-for-1 offer. This is an offer that allows any customer who refers 3 friends to the programme to get their products for free. As Visalus reps opine: "It allows everybody... to do it at absolutely no cost." It is of course mathematically impossible for everybody to do it at no cost. For every single person doing it at no cost, there must be at least 3 times the product paid for from others and so on in a never ending chain. There is no possible scenario where everyone gets the product for free. Of course, that would put the company out business, so that's obviously not to be expected, but this deceptive marketing ruse shouldn't be allowed. I wonder what the Office Of Fair Trading's take on this patently false marketing claim would be?

According to the FBI, at the heart of every pyramid scheme is an inducement that each participant can recoup their investment simply by inviting two or more others to join the scheme and make the same investment.

CNBC studied Visalus prior to its failed IPO and highlighted the following areas of risk: A very small number of salespeople generate most of the sales and over 50% of the sales are in the downline of Nick Sarnicola, one of the founders. This would seem to indicate that the "game is not a level playing field". Nick was probably the person best able to offer the big bonuses to those organizations willing to defect to Visalus back in 2008/9, which may have given him those seemingly superhuman recruiting abilities.

What about the Visalus products? Recently Visalus launched in Canada sparking further controversy. Visalus has made claims about their products specifically medical and nutritional claims that have caused at least two government agencies in Canada to launch investigations. It seems in their haste to find a new group of suckers...ahem..consumers, the Visalus founders forgot they need to comply with Canadian specific legislation relating to foods and supplements. The UK is a self-regulating market which means that a company like Visalus can simply launch in the UK if they feel they comply with local and EU legislation. One can't help wonder if the Visalus team has done their homework on EU and EFSA food legislation and is in compliance or if the drive for cash has simply thrown caution to the wind. For more on the Canadian controversy, here is the Canadian Broadcast Corporation report <http://www.cbc.ca/morningedition/2012/02/08/visalus-and-health-claims/>

In the end the real Visalus opportunity may simply be to pick up one of the repossessed "bimmer club" BMW's on the cheap later on this year.

As they say....caveat emptor.  
[Caveat emptor is Latin for "Let the buyer beware"]

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