

I recently had the opportunity to sit down with the CEO of Melaleuca, Frank L. VanderSloot, and visit with him in preparation for the launch of the Greater Idaho Falls Chamber of Commerce's CEO Speaker Series. Since Frank will be our first speaker, I wanted to help people get to know him better and prepare them for the December event.

Melaleuca is a name familiar to most people in Eastern Idaho. This home grown company, originally founded in 1985, has grown from humble beginnings. In 2013, it hit \$1.2 billion in annual revenues, operating in 18 countries with a total workforce of roughly 3,400 people.

I recently had someone from another state ask me what Melaleuca does, and I struggled to simply answer the question. So, I asked Frank how he would describe the company. His response, *"Innovative health and wellness products provided directly to households. Really unique. One of a kind. Exceptional."*

Unique is definitely a word I would use to describe Melaleuca's business model. The company does virtually no mass market advertising outside of Eastern Idaho. That begs the question, where are all of these customers coming from? The answer – word of mouth. *"Every customer is brought by another customer. Our products have to be good enough to have customers not only using them but talking about them. That is a high hurdle. That is our standard."*

Melaleuca's success in a very competitive marketplace is also noteworthy. While a \$1.2 billion dollar company on the Idaho stage is impressive, its product competitors include companies like Proctor & Gamble, an \$83 billion dollar a year machine. *"It's a bit like David & Goliath. We have to be nimble, quicker, smarter."*

I asked Frank what is the one thing he wished people understood about his company, and after some thought he replied, *"I wish people didn't confuse Melaleuca with a multi-level marketing (MLM) company. MLM is based on a business opportunity where people are required to invest and resell. People get hurt, and lose. Melaleuca has no multiple levels of distribution. We have business opportunities that require no individual upfront investment. It is nothing like MLM."*

After the interview, I did some homework to clarify my own understanding about Melaleuca's business model. Melaleuca's business model does not match any of the legal definitions of MLM that I could find. I explored his point that Melaleuca does not have multiple levels of distribution and realized this also separates it from MLM companies. In a recent article in Idaho Falls Magazine, the BBB categorized Melaleuca as a retailer, and not a MLM, because it *"does not have multiple levels of distribution, which means its independent agents do not distribute inventory from one agent to the next,"* BBB President Dale Dixon stated. I had been told that Melaleuca's multi-tiered compensation plan is part of the confusion, however since this is a practice commonly used to reward sales teams in all kinds of companies, that wouldn't seem to fit the MLM mold either. Later in the same article, Idaho Dept. of Commerce's Jeff Sayer said

Melaleuca does not belong in the MLM camp. He wrote: *“The nuances in Melaleuca's business model create a clear distinction from the traditional multi-level model.”* I don't see any reason why Melaleuca should be confused with a MLM company. It has a totally different business model and different practices than those found at MLM companies.

When asked about Melaleuca's success, Frank answered that the company has evolved through unexpected opportunities. *“We happened to hire the right people. The right people focused on the right things. Scientists working with nutritionists, making discoveries.”* The company holds a number of patents, for innovations made both inside and outside the company. *“We don't market a product unless it really works and it is exceptionally effective.”*

Another startling discovery I made had to do with Frank's feelings about the new Melaleuca headquarters under construction along I-15 outside of Idaho Falls. When I asked him about the building, he fondly said *“I'm gonna miss Ziggys,”* referring to the fact that Melaleuca's home office on Yellowstone Hwy. for the last 23 years has been a remodeled building that originally housed Ziggy's Hardware Store. *“One of my favorite things to tell people is that we made it to \$1.2 billion in a hardware store.”*

Over that time, the company has expanded multiple times, and with each necessary expansion, it took the opportunity to rehab old, vacant commercial properties. Nine originally vacant properties throughout the region have been renovated by Melaleuca, and Frank takes satisfaction in the fact that Melaleuca has played a role in significantly improving the community.

The decision to move forward with the investment in a new building was born of necessity as operations were spread out to the point where it was affecting efficiency and collaboration within the organization.

*“I dreaded the time we knew we would have to take away from business to build the new structure...but it was needed. It had to be done right, with lots of thought. Only time will tell how well we have looked into the future.”* The excitement, however, was evident as we discussed the hub-and-spoke concept that allows for efficiency and planning for a building that will meet the company's needs for the next 50 to 80 years.

There was so much more to my discussion with Frank, and we are excited to share the same opportunity with you during our Afternoon with Frank VanderSloot as part of the Chamber's CEO Speaker Series. I hope you will join us.