

Americans are having a new love affair with herbal medicines. Nature's Sunshine is emerging as a kind of drugstore for this trend.

Ulcers? Try hot pepper

By Kate Bohner Lewis

IN THE MID-1960s Eugene Hughes, a devout Mormon who taught fourth grade, developed a stomach ulcer. "I swigged on that pink chalky stuff almost every day," says Hughes, a Utah native who's now 65. No help.

One day a neighbor suggested capsaicin, a spicy red pepper powder. Treat an ulcer with pepper? Hughes was ready to try anything. "I got myself up to swallowing a heaping tablespoon of the [capsicum] stuff everyday," he recalls. Turning to his wife sitting quietly next to him, he adds: "It was Kristine's idea to put the pepper in capsules for me because it tasted so bad."

Hughes says the ulcer improved, and the Hugheses decided to market their pepper capsules. Evenings and weekends they'd perch in the kitchen of their four-bedroom house in Provo, Utah, filling gelatin capsules with red cayenne, which is rich in the stuff. The owner of a tiny local health food store let them sell their capsules.

The Hugheses added other herbs to their line—chaparral for digestive

problems, for example, and golden seal, a natural antibiotic. In 1972 five of Eugene's six siblings threw in \$150 each to launch Hughes' Development Corp., later renamed Nature's Sunshine Products.

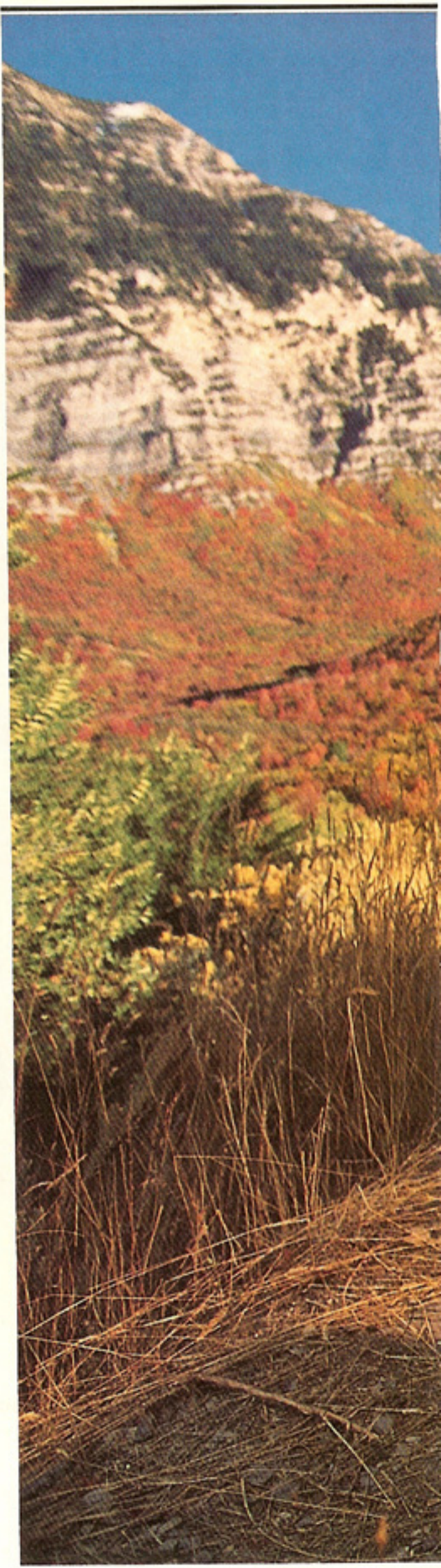
Smart siblings. This year Nature's Sunshine will sell over \$200 million worth of medicinal herbs and vitamins, 450 products in all. A public company since 1978, its 12 million shares sell for around \$23, 34 times earnings, for a market capitalization of \$285 million. The 17% stake owned by Eugene and Kristine Hughes and their kids is worth \$49 million. A sister-in-law, the widow of one of Eugene's brothers, owns 13%. The other Hughes siblings sold out years ago for handsome returns.

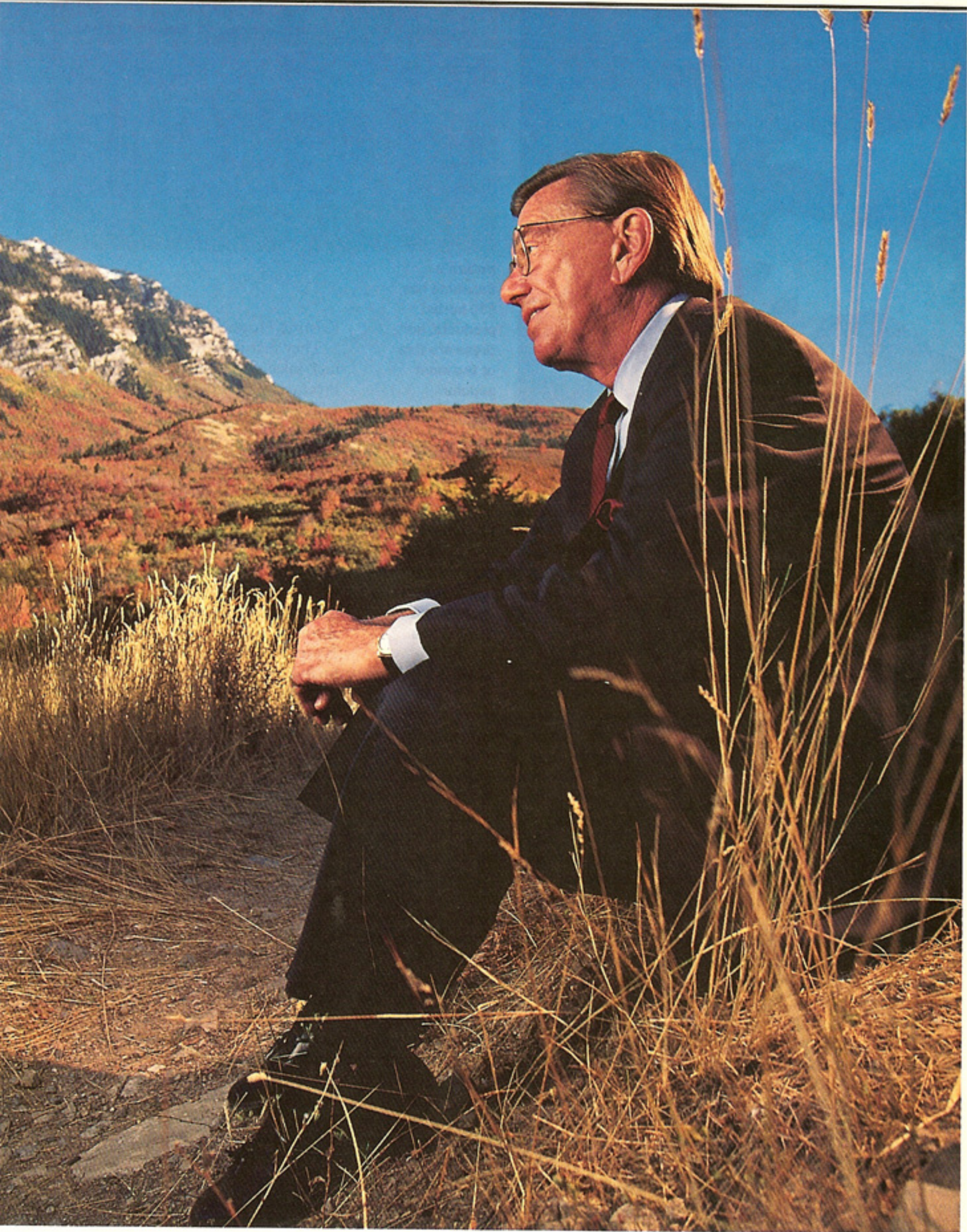
Nature's Sunshine's success owes much to the American consumer's new willingness to experiment with herbal treatments. A study published in 1993 by the *New England Journal of Medicine* found that one in three Americans has tried herbal remedies, aromatherapy, biofeedback or acu-



Scooping vitamin B complex (left); Nature's Sunshine Products' Alan Kennedy **Brought aboard because "the company was getting too large to continue to be a family business."**

Photographs by Aczyk/Murphy





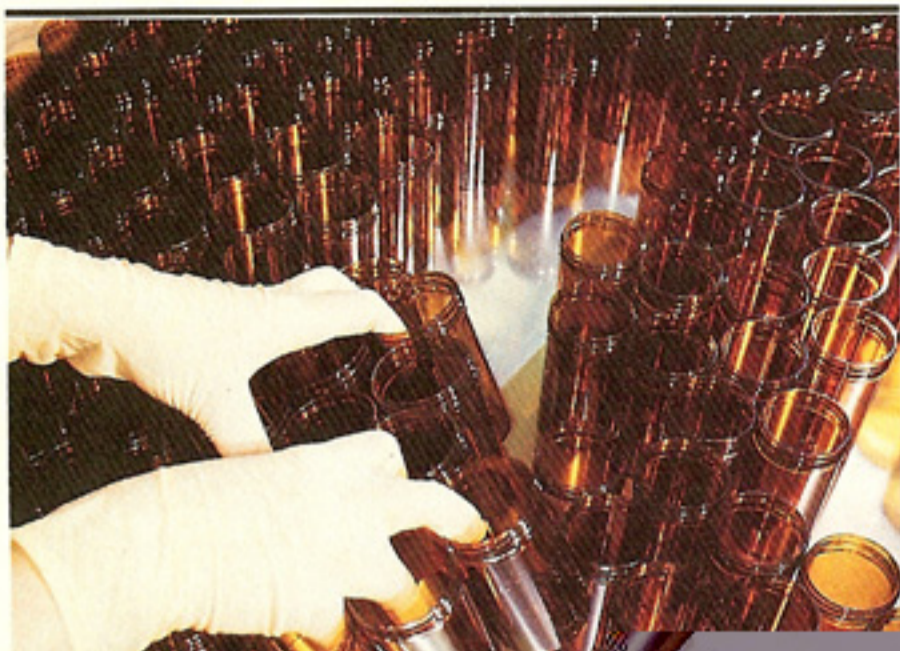


Photo: Getty Images

Type of herb	What it does for you	Cost per monthly dose
Papaya enzyme	Aids digestion	\$17.10
Ginkgo	Increases circulation and boosts memory capacity	\$32.76
Ma huang	Aids weight loss	\$13.86
Garcinia	For additional energy	\$11.77
Licorice root	Eases sore throat	\$12.42

Nature's Sunshine has 450 herbal



Pill bottles
Does Uña de Gato (literally, "cat's claw") really boost the immune system?

ure. The market for vitamins, minerals and herbal supplements hit \$1 billion last year. Herbal supplement sales alone increased over 20%. Says food analyst Matthew ... of Boston's Adams, Harkness & ...: "This growth will continue, at ... an even greater clip." ... through an army of 291,000 full-time independent reps, Nature's Sunshine means to get its share. ... its herbs and vitamins door-to-door in all 50 states and 9 foreign countries. One layer of sales reps recruits another layer and so on. This is the standard multilevel direct sales model. The beauty of these multimarketing companies is that they ... a huge number of salespeople at almost no out-of-pocket cost to the company, save commissions. ... recruit a lot of hustling salespeople for you, too, can get rich. John Ritchason, a 20-year Nature's Sunshine veteran based in Bakersfield, made over \$1 million last year,

mostly from commissions on the sales made by the 60 groups of people he recruited. There aren't many like Ritchason, of course, but Nature's Sunshine makes sure potential recruits learn of Ritchason's good fortune. Nature's Sunshine is more scrupulous than many such outfits which often make the salespeople buy the merchandise they push, and whether they sell it or not is the salespeople's problem. But with Nature's Sunshine the company itself, not the independent sales reps, carries the inventory. Customers, prodded by a sales rep with a 29-page catalog, can order their goods from the sales rep or sign up as distributors and get their goods directly from the company. Eugene and Kristine Hughes did something else smart. They brought in a professional to run the company in 1989, when sales were stuck at the \$52 million level. "We realized the company was getting too large to continue to be a family business," says

... sales reps big overrides on the sales made by reps they recruited. He also gave the reps new products to sell. The company's biggest seller these days is something called Uña de Gato (literally, "cat's claw"); its proponents claim it will enhance the immune system and increase circulation. Another popular product, papaya enzyme, is sold as a digestive aid. Ma huang is a Chinese herb that supposedly helps people lose weight (see chart, above). The Food & Drug Administration regulates herbal remedies as foods, not drugs, which means that as long as the supplements are safe, companies don't need to prove that they are effective. Some of the products are ideal for direct selling. "If a woman wants something to help ease premenstrual syndrome, she's much more apt to tell someone she's familiar with in the privacy of her own home," says Kennedy. "It [direct sales] isn't right for every product, but it's right for ours." Kennedy, 64, owns stock in the company worth \$6 million and intends for it to grow. He's building Nature's Sunshine organizations in Mexico, Japan, Brazil and Venezuela, where the numbers dazzle him. "India has a middle class of 250 million," he says wistfully of their next target. "Business is already booming in Mexico. We've got 15,000 reps in Brazil. When they make money," he adds, "we make money."

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