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Vitamin World learns to stand on its own

Aisha Al-Muslim
Vitamin World, the Holbrook-based retail chain formerly owned by NBTY Inc., has learned in the past 16 months the excitement and stress of being on its own.

The retailer was sold in February 2016 by Ronkonkoma-based vitamin and dietary supplement company NBTY, since renamed Nature’s Bounty, to a Manhattan-based private equity firm for about $25 million. The investment firm, Centre Lane Partners LLC, owns 90 percent of Vitamin World and the remaining 10 percent is owned by Vitamin World executives.

In effect, Vitamin World became a new company with a nearly 40-year-old brand. The specialty retailer had to build a corporate team, establish a business operating process from scratch, and find new manufacturers for its private-label products.

“We basically had to separate from them,” Vitamin World’s president and chief executive Michael Madden said. “That is like mom and dad suddenly kicks you out of the house, and all you got is your clothes and your car, and you have to say, ‘OK, where am I going to live?’

Moreover, the separation occurred at a time when the major players in the $41 billion vitamins, supplements and sports-nutrition industry, such as GNC and Vitamin Shoppe, have been under pressure from discount and online retail competitors, and from studies critical of supplements’ contents and effectiveness.

But standing on its own has
For a New Start

Retailer Vitamin World is going it alone in a competitive field

VITAMIN from A41

invigorated Vitamin World, Madden said.
“I actually thank NBTY every day for letting us go,” he said. “Because now we can be a self-standing entity and actually grow and become a retailer like we are, instead of being an extension of a manufacturer.”

A newly formed company “creates a lot of autonomy and less bureaucracy” than a publicly traded company, said Gary Swiman, president of Compass Regulatory and Compliance Advisers, an affiliate of Jericho-based Grassi & Co. that provides consulting and other services to financial firms. There is also “a lot fewer levels of management, and it invigorates the employees.”

Started with a kiosk

Vitamin World, a retailer of vitamins, nutritional supplements, sports nutrition and beauty products in the United States, began in 1976 with a kiosk in upstate Williamsville. The company was incorporated and owned by Nature’s Bounty since 1977.

It sells its products, such as its popular Joint Soother supplement and store brand multivitamins, through its 339 retail stores and online.

Last year, Nature’s Bounty said it was selling Vitamin World to focus on its United Kingdom-based health and wellness retail chain, Holland & Barrett.

Nature’s Bounty, which manufactures Nature’s Bounty brand vitamins and Puritan’s Pride brand supplements, among others, also planned to shrink its contract manufacturing and private-label business.

“Our strategic focus is squarely on building our brands,” Nature’s Bounty spokeswoman Jodi Katz said last week.

Madden, a corporate turnaround expert, was hired as president and chief executive of Vitamin World in May 2016. He had spent more than 40 years in retail, including: 13 years with Toys R Us, where he served as president of U.S. operations; two years as president and chief operating officer of entertainment retailer Trans World Entertainment; three years with entertainment retailer Musicland as president and chief operating officer; and five years as chief executive at national distributor Argix Logistics.

In 2011 he decided to retire from Argix because he was fighting cancer and had a brother who had brain cancer. After beating the cancer, he ran his own consulting company to help troubled businesses.

“Every now and then I would get a call, somebody was in trouble and they would ask me to come in as an interim CEO to help things turn around,” Madden said.

Turnaround experts such as Madden normally get hired when a company is facing financial trouble, said Robert Devine, consulting partner of Grassi & Co. who runs the Grassi Performance Institute. They assess the financial status of a company and make suggestions about changes to personnel and corporate strategy.

Vitamin World’s sales decreased nearly 11 percent to $208.1 million in fiscal year 2015 from its recent peak of $233.5 million in fiscal 2013, largely due to store closures, lower same-store sales, and declining mall traffic. Six years ago, Vitamin World operated 443 stores.

Until last year, Vitamin World’s financial results were public because Nature’s Bounty had debt that was publicly traded. It stopped reporting its financial results when Nature’s Bounty refinanced its debt. Vitamin World executives declined to disclose the company’s most recent revenue.

Layoffs, store closures

After the separation from Nature’s Bounty, Vitamin World laid off 140 people, the vast majority was tied to the closure of 50 underperforming stores. The company now has about 1,500 employees, including 91 working in its Holbrook headquarters.

For Karen Noebel, who worked for Nature’s Bounty for 23 years, including 14 at Vitamin World, having new bosses was unnerving.

“When the split came I was a little sad... because I am leaving my life as I know it,” said Noebel of Nesconset, Vitamin World’s customer relationship manager. “But with a little bit of time, then I started to feel good about the change. I mean, we were finding our own way. It’s really exciting.”

Vitamin World brought in several executives to fill roles that didn’t exist previously, including chief merchandising officer — a position filled by Vincent Mariani, former senior vice president of retail operations of GNC — and a chief financial officer, chief operating officer, information technology officer and supply chain officer.

The company also created in-house teams for marketing, e-commerce, production, merchandising, customer service and human resources.

The downside of being bought by private equity firms is that because they look to monetize their investment within eight or 10 years, “in some sense you are always for sale,” Swiman said. “You don’t have the stability to always be
owned by the same company.”

To raise funds for reinvesting in the business, Vitamin World sold its 10.92-acre property at 4320 Veterans Memorial Hwy, in Holbrook in December 2016 for $16.55 million to Fairfield, New Jersey-based real estate firm Accordia Realty Ventures, according to the company and property records. In return, Vitamin World signed a lease for the building that expires in February 2018. The company will relocate its headquarters within a 5-mile radius, Madden said. Nature’s Bounty has been manufacturing Vitamin World’s more than 670 store-brand products as part of a two-year agreement that ends in February 2018. Vitamin World has since found seven new manufacturers that are producing its capsules, tablets and powders, and it plans to stop using Nature’s Bounty by September.

Vitamin World will continue to carry Nature’s Bounty’s products, such as Doctor Organic beauty products, in its stores.

No. 3 player in marketplace

While Vitamin World is trying to find its footing as a stand-alone retailer, it continues to face competition from GNC with its nearly 9,000 locations globally, and Vitamin Shoppe with its more than 700 stores. Vitamin World is the No. 3 player in the marketplace. GNC, Vitamin Shoppe and Vitamin World are feeling competition from retailers such as Walmart, Target, BJ’s Wholesale Club, Costco Wholesale and Amazon, experts said. The nutritional supplement market has also been hit with bad publicity about its products.

In February 2015, New York Attorney General Eric T. Schneiderman ordered Walmart, Walgreens, Target and GNC stores to pull store-brand herbal supplements off their shelves after DNA tests showed few or none of the listed herbs were in the products. The findings included Nature’s Bounty-manufactured supplements sold at Walgreens and Walmart.

“Any talks of regulation or flawed ingredients can affect the whole industry,” said Seema Shah, a senior retail analyst for Bloomberg Intelligence.

Last year, Nature’s Bounty and others reached an agreement with the attorney general to implement new quality control measures for its herbal supplements.

“The number-one focus is to ensure that the customers know that our products are of the highest quality ingredients,” Vitamin World chief merchandising officer Mariani said. “We have rigorous testing methods... to meet label claims.”

Veronika Ilyuk, a marketing professor at Hofstra University whose expertise is in the health and well-being in-