Nicki: Welcome to The Healthy Rebellion Radio. This is an episode of Salty Talk, a deep dive into popular and relevant health and performance news pieces, mixed with the occasional salty conversation with movers and shakers in the world of research, performance, health and longevity. Healthy Rebellion Radio Salty Talk episodes are brought to you by Drink LMNT, the only electrolyte drink mix that's salty enough to make a difference in how you look, feel, and perform. We co-founded this company to fill a void in the hydration space. We needed an electrolyte drink that actually met the sodium needs of active people, low-carb keto and carnivore adherence without any of the sugar, colors, and fillers found in popular commercial products.

Health Rebels, this is Salty Talk. And now the thing our attorney advises, the contents of this show are for entertainment and educational purposes only. Nothing in this podcast should be considered medical advice. Please consult your licensed and credentialed functional medicine practitioner before embarking on any health, dietary or fitness change. And given that this is Salty Talk, you should expect the occasional expletive.

Robb: Welcome back, friends, neighbors, loved ones.

Nicki: Hello, everybody. This is another Salty Talk for you. Back-to-back Salty Talks. This one is Salty Talk 47, and we have Craig Patterson on today. And Robb, we've had... Well, I won't say we, because it's usually an interview that you do solo.

Robb: Oh, it's we. It's we, babe. We know that this is a collaborative effort, that it takes a village and-

Nicki: All those things.

Robb: ... all that good stuff.

Nicki: But you've had Craig on before.

Robb: I think he may be the most frequent guest at the podcast. Either him or John Welbourn. I'm not sure, and I-

Nicki: Or Diana.

Robb: Actually, probably Diana.

Nicki: Probably Diana.

Robb: Yeah. Probably, Diana. Well, Diana's family. She doesn't count.

Nicki: Yeah, this is true. This is true. And you all get into all things gym ownership.

Robb: Yeah. I mean, for the folks who have listened before to Craig and conversations that we've had, still new stuff, just eye-opening metrics and numbers around the number of CrossFit gyms specifically that have changed hands. And I'll give you a little insight into this. There's 15,000 gyms in the world acknowledged by CrossFit Inc. And according to resources that Craig has in the insurance industry, of those 15,000 gyms, they have exchanged hands such that over a hundred thousand gyms have transpired.

Nicki: Got you. So in the period of time since I'm assuming, let's say 2004, 2003, the very beginning.

Robb: This is actually more recent stuff.

Nicki: More recent, okay. So it's not just-

Robb: Within a five to six-year period, effectively, all of these gyms have changed hands upwards of five times on average.

Nicki: Wow. It's like hot potato.

Robb: It's like hot potato. And I'm trying to think of an analogy in which instead of a potato, you've got something filled with feces, and you're going to be the one that it's stuck on. But I think that these gyms are critically important. The gym as primary care medicine, I still have this dream. I still see these gyms as this critically important piece of a healthcare system. I don't think CrossFit Inc knows remotely what they're up to with this stuff. They're trying to roll out some kind of business-related stuff now. And the thing is, I think all the VC wonks who were involved with CrossFit are nice people. I think the folks that they have running the business systems are nice people. I just don't think anybody has a goddamn clue really what they're doing.

Nicki: Or a vision, right? When the founder-

Robb: They don't have a vision.

Nicki: ... and granted, Greg's vision was one thing, but in order for any organization to grow and thrive and be of service and create value, there has to be a vision. And then they have to be able to articulate that and grow a team around the vision. And clearly, that has been lacking since Greg-

Robb: Greg's departure, for sure.

Nicki: ... Greg's departure.

Robb: And Greg had a lot of vision. When we talk about this, and it's a little bit of an opinion piece on my part, and also Craig's part, but I think it's very defensible, which is that Greg figured out early on that poorly run gyms spawned more gyms, period. So if you, as the gym owner had three, five trainers and they got marginally busy, but they didn't really make that much money, and then maybe you fell onto hard times because the model just didn't work. Or maybe the folks working under you just said, "Man, if I went and-"

Nicki: "I could do this better. I could-"

Robb: "... I could do this better."

Nicki: "... do this a little differently."

Robb: "I just need to flip up a shingle. And if I get a hundred people and I charge them a hundred bucks a month, man, that's real money."

Nicki: Most of these people opening these gyms have no business background, understanding of overhead-

Robb: Right.

Nicki: ... and all of the inputs and output, outflows. And-

Robb: And this is the stuff that I find absolutely... Unacceptable isn't the right term, where Greg would wax eloquent about this Wild West libertarian opportunity. "We're not going to tell you how to run your business. You just get in there and do it, you fella." And it's like, that's great, but everybody's a fucking moron when they start this. And everybody did exactly the same mistakes. And when there was an attempt at bringing about some best practices, the opportunity that HQ had was to curate that, and maybe be almost an objective third-party arbiter of this stuff. And instead, they chased us all out of town. And I get on the one hand, why. Because a gym fails, and it spawns three to five more gyms. That leads to growth that you only see in an unconstrained nuclear reaction. It's fucking amazing. And it cannot go on that long. It will flame out, and it did flame out.

And this is some of the stuff that I still have a pretty good axe to grind with Greg Glassman about, which is he never believed that things were going to be as successful as what they were. And that's fine. I get it. But he could have done some of the internal work to come to terms with that, and then say, "Okay, we're going to have this period of exponential growth. What can we do on the backend of that to make this thing long-term viable, and make it successful for us as HQ, and then also for the gym owner?" And he refused to do that. He was incapable of doing that. And it's something that clearly, I-

Nicki: You still have, yes, I can tell.

Robb: ... still have a seriously spicy chapped ass about. Real quickly, so folks know what's in store, we talk about some of the other models that have been put forward, like Orangetheory, F45, which I think came out of Australia, Curves, and just that these things, the commonality with all of those is that this was a low price point, low barrier of entry to get people into the gym. And the goal was to burn and churn. And it was always in the favor of the administrative element, whoever was franchising or selling affiliates, that's who won. And that is the only person who won. The individual running the brick-and-mortar practice never won.

And Craig has an antidote to that with this Madlabs methodology. And you know what? I'm going to have to pull something up here so that we can put it in our show notes. But yeah, it's good stuff. And whether you run a brick-and-mortar gym or you just know folks who do, it's really important. And this applies to yoga and Pilates and Jujitsu, and all the rest of it. If you want the goddamn gym to be there and run-

Nicki: And provide for you and your family and-

Robb: In your community.

Nicki: In your community.

Robb: And it's about as much work to run a shitty gym as it is a good gym, only a good gym will actually pay you. And arguably, it will be less work and less stress, because you're not stressed the fuck out over it, not paying the basic bills. So anyway.

Nicki: All right. We'll jump into that conversation with Craig here shortly just after this sponsor ad. This Salty Talk episode of the Healthy Rebellion Radio is sponsored by our salty AF electrolyte company, LMNT. Hydration is crucial for health and performance, and if you find you're feeling a little less than optimal, you may need more electrolytes, particularly sodium. LMNT has all of the electrolytes you need, with none of the sugar that's common in most electrolyte products on the market. So remember, if you eat low-carb or keto, if you're an athlete, if you get muscle cramps, if you're a breastfeeding mom, if you have POTS, or even if you're just feeling a little tired and need a natural energy boost without the caffeine, LMNT is for you.

If you haven't yet heard, Chocolate Caramel Salt is back. You can now buy a 30-count of Chocolate Caramel to keep yourself both hydrated and cozy on cold winter days. You can also add a box of Chocolate Caramel to your insider bundle. Buy three boxes of any of your favorite flavors, and get the fourth box free. You can do that at drinkLMNT.com/robb. That's drinkLMNT.com/R-O-B-B.

Robb: Craig Patterson, how are you, man?

Craig: Pretty good, Robbie. How are you doing, buddy?

Robb: Good. We had a struggle session with our technology to make this thing work, so.

Craig: Classic Craig Patterson problems.

Robb: We're up and running. Craig, I don't know if it's you or Welbourn, but you two are neck and neck for the most appearances on my podcast over the years. So I don't know if that's awesome, or it shows terrible choice on both you and John's part, or what exactly.

Craig: I love John. I got to reconnect with him. He is a good guy. Did you see him, he was on that Kindig It Designs with a $200,000 car that he was setting up?

Robb: Yes. Yeah.

Craig: I thought it was a good backstory there, but we're probably not allowed to tell that one yet, are we?

Robb: I don't know. I don't know. It's fine. It's fine. But we'll be good. But I know a lot of folks that have listened to the podcast over the ages will know you, and Nicki and I do an intro/outro to these Salty Talks, so there'll be some context here, but just give folks some of your background. You've been in and around this scene for a long time, and have a really fascinating story. And you've been one of my dear friends that I'm always grateful for CrossFit for bringing into my world. So let folks know a little bit about you.

Craig: Sure, sure. Just to give it a quick one, I grew up in a small town in Canada, Gaspe, Quebec. Did an engineering degree, worked in corporate America, two Fortune 100 companies for almost a decade. Worked for a small engineering firm, started my own green building design, which was sustainability, and I did it from the math side more than the emotional side, and well, completely from the math side. And after three or four years, I sold that. And I didn't have to work for a little while, not like I could retire or anything, but just I had a breather. And I ran into Greg Glassman at a charity cancer event in Seattle. A friend of mine actually set it up, but I had no idea. And sat down and talked to Greg for seven hours.

And my very first cert, I ran into this smiling, dorky kid running around, bare feet, running in circles around me in his bare feet on the pavement. His name was Robb Wolf, and he turned out to be one of my forever heroes. I'm very rarely ever impressed with people's commitment and courage, when I haven't actually seen anything. I quite like it when you went up against the beast of the machine in the early days, and again, when the beast machine was just started rolling. And I didn't quite understand what you were doing at the time, to be honest. And it took me another three or four or five years to understand it. And yeah, I started a gym. I mean, I started off just training people in a park. I was actually going to go back and start another engineering firm, and I just got so fit that friends of mine were like, "What are you up to?"

And I'm like, "I'm doing this thing." And they would come and train with me, and I didn't charge them anything. And then eventually, we got kicked out of all the places that would allow us to go without a fee. And then I ended up in a personal training studio. And the studio charged me $5 a head. And I gave the $5 to the studio, and then eventually, I was like, "Well, I got to raise my rates." So I raised them from five to 10, and lost half my clients. Anyway, I was just doing personal training, and Greg was my mentor, and I would see you very often. We would talk a lot. And six to eight months later, I was in this personal training studio. I had 30, 35 clients, doing small groups, doing personal training, 10 sessions before they get into small group. And next thing you know, I'm making about $8,500 a month. The studio's taking about 1500, and that's about 27 hours a week. I was okay with that. It was actually kind of good.

Then all the personal trainers got together and threw me out, and I had to go start a gym. They threw me out, because basically we were too noisy and loud. But I mean, the real reason was their clients wanted to come train with us. I didn't want to take that. Yeah, we started our first gym in 2004 and did it all completely wrong. Everything that I was doing that was making sense and growing and building, we knew it wasn't scalable, but it was making sense. And the clients weren't leaving. And then we opened up a gym and did it the way we were told to do it. Hire pretty young girls, and give them a two-day course, and bring people straight into a group class, and run as many group classes as you can and repeat. Bring them in with a free day or a free Saturday class, or a free week, or some terribly low barrier to entry. And we almost went bankrupt.

I remember my partners at the time, Kirky Bird and Andrew Kreinen, they were awesome guys, but we went $73,000 in debt in less than nine months. I remember just looking at them, going, "Hey, something's not working here. This doesn't make any sense. None of this stuff we're doing makes any sense to me." And yeah, they agreed, and they left and gave me money to take on the debt. And yeah, as they'd say, the rest is history. We made a lot of changes.

Robb: Man, it's-

Craig: That's just a little nugget of me.

Robb: Yeah, yeah. You guys founded the first CrossFit affiliate gym in Canada, if I recall correctly.

Craig: Yeah, I was the fifth one in the world.

Robb: Yeah.

Craig: It's amazing to look back in our era there. You say from you started in 2000 and what? What would you consider you started, 2000?

Robb: We were just early 2004, so we were the fourth affiliate, and we were early 2004. And then you were just a bit later.

Craig: I was the fifth. Yeah, we were right after you, then. And Dave was the first. I mean, of those first a hundred, I mean, do you know anybody in there anymore? Is there anybody still standing? Jeremy Thiel might have something still going, but-

Robb: I don't think he's in it anymore.

Craig: No?

Robb: CJ Martin maybe, but I'm not even sure if he was in that first hundred. He was early.

Craig: Right.

Robb: But maybe CJ.

Craig: Well, CJ was working in a Madlab gym the last time. Martin's younger kid?

Robb: No, not Nicki. CJ Martin, Invictus.

Craig: Oh, yeah, yeah, yeah, yeah. No, they've gone a whole different route. They went to the Elite Games thing stuff. I think they're doing all right. Yeah.

Robb: Yeah. And I think they're largely doing well because they focused on creating games, teams, games, athletes. They found a niche within the thing that allowed them to, I believe, probably succeed separate from just simply running a brick-and mortar-gym.

Craig: Right.

Robb: Yeah. But it's interesting, Nicki and I, so we started just a hair ahead of you, and then we were in our second of what was to be four locations, I believe, within a pretty tight period of time. And we had a half-decent size class that day. We had 35, maybe 40 people, so it was pretty good energy. We had a decent number of people in there, but Nikki and I were still working physical therapy assistant jobs, basically taking that money to fold it into the gym to keep the damn thing running. And the first two years we ran the gym, we made less than $10,000 between the two of us. We were below poverty level, getting this thing going. But we sat down, I'm like, "It seems like we should have more people. Tonight was a pretty good night."

But we sat down and we counted up all of, not the flyers, but the waivers. People would come in, and they want to check out the first free class and all that type of stuff. We had over a thousand waivers, and we had less than a hundred clients. And I was like, "We are so doing something wrong." And that's when we went to a Mindbody online seminar. And they were strongly oriented towards yoga, but they just looked at what we were doing, and gave us some feedback. Like "You need multiple points of entry. You need a coach development process. You need half your income to be coming from personal training, at least." And that pulled us out, and we were able to make a pretty good go of things. But out of everybody in the scene, there've been lots of folks that have kind of popped up and claim to have some business systems, and claim to have some deliverables on this.

This is why I've had you back on the show so many times, you've easily had systems that were replicable and defensible from, again, a math perspective about the way that the operation plays out, the way that you prevent your coaches from leaving. And not because you're leaning on them heavy, but because you actually develop them and provide a gig that's so good they couldn't dream of leaving. And we will talk more about that stuff, but I just want folks to know that for me, for ages, I've said that the gym is primary care medicine. And I still feel like these brick-and-mortar gyms, these CrossFit type gyms and other gyms too, are really the front line of medicine. They're the front line of healthcare, and I think they're so incredibly important, but they're like a very limp weenie trying to make a baby if they're failing. You can't do anything if they're failing. I mean, what are your thoughts around that?

Craig: Well, I've got a great way of looking at this. Obviously, I've been thinking about this for 20 years, and I'm obsessive. And before I went on to Andy's podcast... Thanks a lot, Robb, for putting me on that. And thanks, Andy. It revitalized me, actually. I had so many old friends in the early days reach out to me, and you had an overwhelming response of people interested in what we do. And I hadn't done any marketing in four years, as I'd just gone back and maybe worked on our systems one more time to make sure, "Hey, we bring people in. We know exactly how to get them from A to B."

But what I like to say is, and we've never talked about this, Robb, it's a great framework for having a conversation, is what do Curves, CrossFit and F45 have completely in common? Which at the end of this, will go towards your question, which is for doing primary care, would a physician or would a physiotherapist, would a nurse practitioner, I mean, would they tell someone to go to an F45? "Just go in there and you'll be fine." Or the average CrossFit gym, right? They're injured, there's something wrong with them. Would they ever do that?

Robb: Very rarely.

Craig: No.

Robb: Very rarely.

Craig: And the reason why is they have three things in common, right? Curves, CrossFit, F45. And the number one thing they have in common is napkin math. And you were sold on it. I was sold on it. This is how we opened the gym, is they'll sit down and say, "Okay, you need to build. People need to build and comprehend they can make money right away." So F45 is a classic example of this, and I have a really good understanding of how they do their business. So in order to sell a new license or a new franchise or whatever, you need to be able to see something really simple. So it's this simple.

I know when I started, exactly same thing. It's like "I get this many square feet, get this many classes. I can put this many people in at this rate. So 200 people at $200 a month, that's $40,000 a month. I got this many classes, I pay $25 an hour." It's like, "Holy fuck, I'm rich. Right? This can't lose." And that's what every Curves franchise was sold on. Until the thing went so crazy where CrossFit was just complete euphoria, people were opening just because it was the new thing you couldn't miss on. But people would do that napkin math. And F45, the salespeople actually do that. They say, "Okay, we can do our pre-marketing. Get 400 people into your gym the first day. Here's how the math works." And then from there, what is it? Well, the intake process has got to be dead-dog dumb, simple. Come into a group class, right? That's your client development process. The coach development has got to be dead-dog simple. "Here's a two-day course on how to do deadlifts and pull-ups," or "Here's the TVs and here's the screens." Or "Here in Curves, here's all the equipment."

And you do this cycle. And any unsophisticated investor, what I was and what you were, we were very unsophisticated 20 years ago, goes, "I can see how I can do this. I can see how the math adds up. Fuck, this is a can't-lose." Right? Now I remember when we first started a CrossFit, it wasn't like that. It was like it going to be a non-for-profit. And there was no system necessarily how to run anything. I mean, if you went to Dave's gym in 2004, there wasn't a class. There wasn't a front office person. You couldn't even find anybody to pay. It was just crazy people on rings and pommel horses, and people running around, doing whatever. So there was an opening for "Do it any way you want." But by 2007, when you were just starting to get in trouble, in 2006 and '07, they were figuring out how to package this up and sell the two-day cert. "Here's your license agreement. Own the name and go," right?

And at that time, I remember Greg saying to me, and for any of you, listen, this is not hate CrossFit. Every time I do these, Robb, someone, not just yours, people are online going, "That fucking guy hates CrossFit. He's such a prick, blah, blah, blah, blah." And then the other half are like, "Man, that guy's such a moron. He likes CrossFit."

It's like, "Hey, man, let's just take it out of there altogether. What I hate is the model." And what I'm here to do today and my mission in life is to kill the model, which enriches the upper class. It's the investor class, it's the landlord, it's the overlord, it's whatever. And when Greg got going with this thing, that's exactly who he thought he was, and what he was doing. His business wasn't to figure out, "How do I keep clients in this gym for 20 years? How do I make sure coaches can make 80 or a hundred thousand dollars a year and never leave? And then finally, me as the gym owner, how do I make my life good, where I'm making 20% profit and I'm not getting called at three-"

PART 1 OF 4 ENDS [00:25:04]

Craig: ... percent profit, and I'm not getting called at 3:00 in the morning because a pipe broke or something. You know what I mean? That was not his concern. His concern was, how do I sell more level one certs, and then find enough instructors to make level two certs, and then how do I sell more affiliate licenses? And that was their business, which is fundamentally juxtaposed against the success of the client, the coach, and the gym owner.

So, go back to 2006-07, Greg's in love with Curves. That's all he can talk about. Do you remember that, when he was doing that?

Robb: Yeah, yeah. Yeah.

Craig: Or were you already [inaudible 00:25:34] remember? He was like, "Curves." And I was like, "What the fuck? This is supposed to be Elite Fitness and we're supposed to be figuring out the next level of professional coaching." I was always there for the professional coach. I had bosses, and every time you did too good, they would actually try and work against you. If you made more money than your boss ever in corporate America, you were in trouble. And if you exceeded your sales numbers, they would change your compensation package. And it was like, I wanted something that the trainers or coaches or whatever, this new class, were independent, but working in a team.

So anyway, I'm going a little bit all over the place, but let's go back to Curves. Why was he in love with Curves? What are they going to teach us? So I went to a Curves, talked to the lady, she owned three of them. She ended up [inaudible 00:26:23] for like six or nine months, and she was pulling her hair out. All three of those things were going bankrupt, and she was bringing so many people in, and losing them. She told me, "Craig, don't get close to your clients. They'll be your best friends, and then one day, they'll just quit, three months in, six months in. I can't keep them past that." I'm like, holy shit, if I can't keep my clients past three or six months, I hope we can do better than that.

And I started looking into their systems. Well, put people straight into a group class, pay the coach by the hour, and the coach has two days of training, a weekend. And that's what CrossFit, Curves, F45 rely on, because they need to sell the next franchise, the next license, or the marketing companies depend on it too. Look at F45, right? Are you aware of what they are, Robb?

Robb: They came out of Australia. Yeah.

Craig: Yeah. So, 2018...

Robb: Orangetheory would be similar in the US.

Craig: Very similar. And I've talked to their upper middle management, I would call it, and had extensive conversations. I'll get back to them. So, F45 is the latest one on the block. So, I was over at a conference in 2018, and four or five of these owners had never heard of it. They didn't know what it was. And they're raising their hand going, "What about this, and what about that?" And I go, "Dude, if you put someone straight into a group class, that coach has absolutely no chance of ever becoming a professional coach. End of story. That's it." If your job is, "I'm your coach, and come straight into this group class," well, if you want to talk about preventative medicine and connecting to the healthcare system, it's immediately done. It'll never happen. If you're not even doing a proper consult, it's over. And if you're trying to become a professional coach, and that's the system, I can tell you a million ways to Sunday why you'll never become a professional coach, you'll never make any money. We'll get into that later.

But anyway, I was saying these things, and one after the other, they're raising their hands. And I was like, "Okay, listen guys, we've taken this thing over, I'll give you... I have a workshop scheduled for tomorrow. Come to that." And they came to it, and it became like the F45 workshop. There was 20 people in there, and those five gym owners took over, and I was showing them all the math.

Well, if you do one-on-one personal training, and you do three-day assessments, and these PTs, and a hybrid membership, and you pay the coaches based on what you want, which is to retain the client, how about we... What do you need the most? "We can't retain our clients." "Well, why don't you pay the coach to do that?" "Okay, that makes sense." "What is your next biggest problem?" "We can't find new ones." "Well, why don't we pay the coach to find new ones?" "That sounds good. And then, we want to charge more money." I said, "Well, why don't we pay the coach to charge more money? And they'll have that relationship with the client, and then we teach them how to do it." And they're like, "Yeah, that makes sense." Which is what we do.

Anyway, they went back to HQ, and had them all geared up for the next one, and they were like, they wouldn't let them do it. F45 wouldn't let them do it. And the reason why they wouldn't let them do it is because, if they changed that whole model, and they had to go to a new person, let's say it's a middle management in some big company, big middle management in, I don't know, pick the company. And then you take someone who's a real estate agent or a dentist, or some prospective coach who's got some backing, and you say, "The coach development process here is going to be two years, and we got to train them to do one-on-one assessments with clients, and then three-day assessments with clients, personal consults, and then they're going to learn how to sell, and it takes two years to train the coach." You think they're ever going to sell another one of these franchises again? It's like they can't figure it out.

Robb: Craig, unpack that a little bit, because I don't think that folks fully appreciate this, and I don't know when it was that you and I were having a conversation, but we realized... And granted, just for the sake of argument [inaudible 00:30:29] this is an opinion piece, but we arrived at the opinion that CrossFit HQ was antagonistic towards organizing the business practices of a gym, because poorly run gyms created new gyms and a need for new trainers like you couldn't believe, because somebody would scratch a furrow in the ground, plant some seeds, start the gym, get 100 people in there, get a couple of coaches. About a year down the road, they would have some blow-up, two or three of the coaches would leave, they would go start their own gyms, sometimes a quarter mile away, sometimes across the parking lot. And this is where that geometric growth came from.

And I don't know when Greg realized that that was a feature for him, not a bug. So, that is really what's going on here. If the model and the people mainly interested in getting paid, if it's expanding the number of folks in the pool at the affiliate or the franchise level, you want them to run well enough that it looks like they're success, but not so well that you don't go creating more of the entities. That's effectively what's going on.

Craig: 100%. And it relies on that. And the thing is, the perception is, I can make money on it. Because I mean, if they open the doors up [inaudible 00:32:01] I mean, if someone opened a CrossFit in 2009, '10, '11, '12, '13, after all the hard work was done and it was on fire, any fool, and I really mean any fool, your grandmother's step-retarded cousin, could open up a CrossFit and get 100 people in the first two months. So, they need to build it, and then on paper it's like, holy shit, I opened the door... Like I can remember one opened up in our town, and they thought they were geniuses. "I got 100 people in a month and a half." You know what I mean? And so, what did they do? They lowered their prices, lowered the barrier to entry, made it easier and easier to join. They never once would consider having a waiting list and slowing this thing down.

And then it starts to go sideways. The thing starts to go sideways, and it's almost impossible to manage. And when it's still in that frenzy, you're absolutely right, they can open over here and over here and over here, and the thing's taking off like crazy. So much so, I'll tell you a little anecdote of what's the latest one. So, in the SF45 world, they're over here now and in Vancouver, I know some friends, wouldn't necessarily say... They're acquaintances and they're actually pretty good people. One's middle management in one company, the other one's a real estate agent, and they've opened up two or three, and the full frenzy was on, Marky Mark's coming in, working out, and the whole thing, and they got the marketing campaigns rolling.

And then they started selling them, and they sold one right beside one they own to somebody else. Think about that. I really had to think about it for a while. I said, why would they do that? Well, they probably made 50 grand on the sale of the franchise. And as this thing's fallen apart, so what's the first thing that the new ones do? Well, they go steal the GM and then they steal the coaches and then [inaudible 00:33:48] they got all the lists, they would do a marketing campaign to the gym across the street, that the owner sold the thing to, for all the clients to come over for 10% cheaper. Think about that. Isn't that crazy?

Robb: I remember there was a period of time when we would have these affiliate get-togethers, and it wasn't quite frowned upon, but myself and other people really made the case... Glassman early on. He would basically make a case that, look around at what the per class cost is for the best yoga studio or the best Pilates studio, and you want to be more than that, on par or maybe a couple of bucks more than that, for personal training and for group classes and all that type of stuff. And there was a period of time when there was kind of... Everybody linked arms on that. They kind of got it. But then eventually, as more new people came in, the only way that they could figure out to distinguish themselves was price point, which is almost always what happens in a market scenario. And so people would look around for different gyms, and this one's got ropes and rings and bumper plates and black stall mats and good-looking people, but it's 50 bucks a month cheaper, and it's five minutes closer. And that's where it became this commodity, and it became this race to the bottom, and it was like letting the air out of a balloon. You could just see that commoditization.

And I forget if it was like 2006, 2007, Nicki has an econ background, she just did kind of a regression analysis around this. And she was like, it doesn't matter what you charge around this. Given the rate of attrition, unless you live in this giant metropolitan area with millions of people at your doorstep, you're going to run out of bodies in a year, two years max, and you're done. And that was even neglecting your trainers leaving and all the other things that were going on.

Craig: Yeah. So, just to reiterate to that [inaudible 00:36:07] people are listening, it's like, why do people leave that model? Well, I worked with Zen Planner in 2014, '15, '16, and their COO... The CEO is a really good guy, we became really good friends, and he was a fucking brilliant guy. And he hired a COO that had a real strong background in math and physical analysis, and he could really look at this stuff. And we started working together. He's like, "I love what you guys are doing, let's take a look at what your numbers are versus the people in your network versus all the other CrossFit affiliates." And I was like, that sounds cool.

So we just did this thing, this quarterly report, and we looked at 1,600 gyms. And the first one came back that we had an 80% retention rate, 20% churn rate in our gym. It was 83/17. That's a whole year. So, if you have 100 people at the start of the year, at the end of that year, 83 people. But he was doing it on a quarterly basis, but there was a yearly number. And I was like, wow, that's interesting. And then the people in your network are 60/40, maybe 65/35, because they're learning. And then the CrossFit affiliates were 83, 82 churn, 18 retention. 1,600 of them, and that was the average. Now, if you do some numbers...

Robb: Say that again. It was completely...

Craig: 82% of the people... 100 people that started the year, 82% of them are gone by the end of the year, 18 are left. And then I looked at the first quarter and say, "Must be an anomaly." Second quarter, it came back pretty much the same. So, we started looking at it, and our number came back a little lower than I'd done manually, and I was like, what happened here? Well, it was like if people joined a specialty program, and then the specialty program end, that would count as a drop. So, we had to go through and look through all those stuff. And we started really poring through this, because I didn't want to be wrong, and I couldn't quite believe the numbers. And it came back, quarter after quarter after quarter, six quarters in a row, the same.

And I produced a paper on it. And the problem with that was, it was... I told Andy the story too. It was clickbait. It was Breaking Muscle. I got ahold of him and said, "Listen, I got this story". And he was like, after I showed him the data and I showed him the rigorousness that we'd done the data, he's like, "Well, go figure out why." So I was like, "Okay, yeah, that's a fucking good question." So I went back and started looking at... So we'd pick like ten gyms, look at their intake process. I suspected it was because of the putting people straight into group class. And then we would see the people that do one personal training or they do a smaller group versus a bigger group. And you could pretty much, after a while, you'd look at ten and then look at their retention rates, and then you look at another ten, you get to 150 of those, and within a couple of percent, an equation comes really clear.

And the equation became crystal clear. If you're putting people straight into a group class that's more than two people, basically from three to five, you're going to have about a 60% churn rate. If you have more than five people in that group class, you're going to get up to an 80% churn rate. If you do one-on-one, you can get 80% retention rate, 20% churn. And we started showing this. Now, there's other things like how many sessions of one-on-one training you did before you put it in a group class. And so there was a whole bunch of Curves that you could pretty much show any statistical analysis person take a look at it and go, "I can see why putting people straight into a group class..." And then also with it, paying the coach just to run that group class.

I mean, the coach is not really... The biggest problems that these gyms have is they're losing clients. The second problem is they can't find new ones. But they're all worried about the new ones all the time. It's all they focus on, new ones, new ones, new ones. And the marketing [inaudible 00:39:58] like Groupon came in and filled that hole, and then the New You Challenge came in and filled that hole, and then the Gym Launch guys came in and blew that hole wide open and ran off with millions and millions of dollars, filling these gyms up again with 20, 30, 40 people a month.

But the problem is, the coaches... The problem is that putting people straight into a group class simply churns. We've shown that. And the second problem is, the coaches getting paid by the hour, they come in and do a great performance in that group class, and then they go home, and the client goes home, and then the gym owners sit there left wondering, how do I keep that client from leaving? No-one has access to the client. You know what I mean?

So then now, the marketing companies come in, and they fill more people. And then there's... Now, the real tragedy is there's a whole bunch of consultants in that model, trying to show gym owners how to fix the holes. So, now they're bringing in a client success manager, someone who doesn't know the client, doesn't have a relationship with them, doesn't know their pathology, doesn't know anything, and they call them up saying, "Hey, you didn't come to group class the last two weeks. What's going on?" And this kind of stuff. So, now the whole industry has got all these smart people, some smart, some unethical, some downright dumb, but there's tons of smart people in there, I've talked to some of them, they're really smart data analysis people, trying to fix all these fucking holes.

My position is, let's change the whole system. How about we look at a whole new client development process, one that's designed for the client to last 20 years plus? Let's do a whole new coach compensation model, one that actually takes care of the client, rewards the coach for the client not leaving, the client bringing in new friends, the client paying for a high value service. And then also let's do our coach development around teaching them how to be awesome. And true professionals, give them business training, personal development training. Our program's 18 months, and it's hardly anything that's technical.

So, that's my position, is we got to upend the whole thing. And if you look at CrossFit today, they're now embracing business training, but I mean, it's too fucking late. They're inside of a model that's already critically fucking broken, because it was designed for the overlords to run away with all the money. It was designed to scale fast, and for the money to rise to the top. And if you look at CrossFit HQ, how much money do they make? Half a billion dollars? At one point, they were doing 50 certs a week, 50 people in them. 50 times 50 times 1,000, I think that's like two and a half million dollars. And nobody was concerned about retention. Nobody was concerned about average client value. Nobody was concerned at all about the coach making money. I mean, even so much so... Robb, I'll tell you one more story [inaudible 00:42:54].

Right after that 2018 thing being over in Australia, I got called to go do another one of these talks in London, England. And I went over there, and it was the warmup or the rehearsal, and I had been speaking the night before at a smaller group of... We had a whole bunch of gyms over there at the time. And this guy lifts his hand and he says, "Listen, man, I love what you're doing. I've been listening to you for years. I want to bring you into a franchise. These companies, they do franchising. This could be a huge contract for you to consult to them and do your coach development part of it," all this thing.

So, he introduces me to these guys, one guy's literally a billionaire, and we're sitting there talking, and I'm like, "What's your client development process?" And they didn't even know what that meant. They looked at me like, are you fucking mad? And I was like, "Well, what is it?" And finally they figured out, we just put people in this group class. I was like, "Okay. Well, you realize that's going to churn at least 70% a year." And they had someone who'd done the math on that, and they came back and said, "Yeah, that's about right. Maybe even a little worse than that." I said, "That's not a problem?" And [inaudible 00:43:57] apparently not. And I go, "How is that not a problem?" They said, "Well, we need to scale these things and get out within five to seven years to get a return on investment. We can get enough people, new people to come in, apparently that's not a problem." I was like, "Okay."

And then I was like, "Well, what about your coaches?" And it was like a two-day course, and they paid them by the hour, or some of them even had by the head, like you get $4 a head. And I was like, "Well, you realize every coach is going to leave at twice the rate of the churn rate." So, let's say the average client leaves in six months, the average coach leaves in a year. If it's nine months, it's 18 months, this kind of thing. And they were like, "Yeah, that's a problem. It gets harder to find people to work in it." And then I was like, "Well, our coach development process is this, and it's 18 months." And they just looked at me and they go, "What's your client development process?" Then I go, "Well, we teach them how to do a three-day assessment, and probably 18 sessions of one-on-one, and they get [inaudible 00:44:50] hybrid membership, and it's coach co-op." And they're like, "No." And they're just like, "Fucking get out of here. See the door. We need to scale these things from zero to 500 gyms within five years and then sell it to someone to take it to the next level."

And that's when I really saw, that's when it really hit home, I was like, "Oh, man, that's why this whole thing is designed like this." Back in 2005 and '06 when I was pulling my hair out doing it that way, I was like, why are we doing it this way? There's no fucking way this is working for the clients. It's certainly not working for me as a coach. I can't make a cent in this thing. And then as the gym owner, like, man, there's just no... Why are we doing it? And it all hit home. That's why we're doing it. So, my mission in life's to kill that whole thing. And if you...

Robb: [inaudible 00:45:35]

Craig: One last thing.

Robb: No, keep going, keep going.

Craig: If you own an independent gym, you don't have to do that any more. If you own an F45 or Orangetheory, God help you, you're fucked. You're truly fucked. And I know them, I talk to them now, and they're like... Orangetheory, I know a guy had three of them, he managed to somehow sell them back to

Orangetheory at pennies on the dollar and get out of that thing. But that's the reality.

Now, if you own an independent gym with your own brand, and you're still bringing people in and putting them straight into group class, you really got to be shaking your head going, "Why in the fuck am I doing this?" And for years I told that, and I'd get a violent reaction from, people because they thought I was attacking CrossFit. And Greg would set it up that way. But if you're doing that now, and your coach development is technical, you're not training them how to talk to people, how to enroll people, how to for lack of a better word sell, ethical sales, how to account manage, how to do personal development training, how to control their emotions, control the situational awareness, all these things are what it takes to be a professional. If you're not doing those things, and you're paying someone 25 bucks to do a group class, and then 45% to do personal training, and they can go hack out a bit of a living, take a vacation, you're done, if you're doing that, you got to shake your head.

And if you're a coach in that system, you got no chance. You don't. Even if you're extremely good at personal training, you get sick and take two weeks off, you're not going to be able to pay your bills. Or your mother gets sick, you want to take a fucking proper vacation, because your wife's got a good job, or your husband's got a good job, and they're like, "Hey, man, we got to take some time off," it's done. Rant's over, Robbie.

Robb: You've touched on what I was going to bring up, which is I've commented at various points about the need for some type of structure. And I would frequently get pushback from people, "I didn't want a franchise. This is why I wanted in." And I get it, and I appreciate it. And I think that it was sold initially as this kind of libertarian, Wild West, free market thing. And that's great on the one hand, other than everybody did exactly the same mistakes again and again and again. There wasn't like some da Vinci landed in there, and they just intuited this amazing route to a sustainable business. It was Groundhog's Day, on the scale of thousands of gyms.

Craig: I mean, it's still going on. If you go take a look at who they've hired and what they're doing, for the business consulting for CrossFit gyms now, and see if it's any different [inaudible 00:48:13] still put people straight into group class, pay the coaches by the hour, percentage to do personal training, and then they're inside of that model. And do your level one cert and your level two cert and your level three cert, you get better technically, and spend all this money on all this technical training, and it makes no fucking difference.

Everybody knows you can't make any money as a CrossFit coach. That is what's known in the world. Why? Because the fucking model is set up for you to be a peg, a little gear in the big scheme of things. That system is not designed, not thought out from square one. Square one, how do we get the clients to never leave, and to pay for fair value service, and be happy, and literally have a really good community? And then how do we figure out how the coaches can make more than an electrician or a plumber or... They've got to make more than the average household income. We figured out if they can make 1.25 times the average household income, we can keep them in that area.

And then also, what is a dollar per hour? If they're working 40 hours a week on the floor, it's not sustainable. And then how do they get vacation paid that doesn't kill the owner? So, these are the things we've been thinking about for 20 years. That is our singular focus. And then, how does the business owner create something that's sustainable, that they're not working their guts out, and they can sell for five times EBITDA? And the banks alone, if you've got the staff that have been there for five years, and you're producing 20% EBITDA, you can sell that for five times EBITDA. I help people do it all the time. I have a friend, a guy in Georgia, great dude, smart dude. He joined my Alpha group ten years ago. He just sold his gym in a small town for 1.2 million. Yeah. So, that was his exit. He'd done it for 12 years.

Robb, I got to use the bathroom really bad. When I was doing all the...

PART 2 OF 4 ENDS [00:50:04]

Craig: ... [inaudible 00:50:01], you've done it for 12 years. Robb, I've got to use the bathroom really bad, when I was doing all this setup.

Robb: I'll pause.

Craig: When we were trying to reboot the computer. Yeah.

Robb: Okay.

Craig: Yeah, I'll be right back.

Robb: Okay. Sure.

Craig: Okay.

Robb: And we're back.

Craig: That felt good. Taking all that time to reboot the computer is what led to that. Okay. Where were we?

Robb: Well, just kind of making the point about the business model that worked really well for the folks that run these gyms or these organizations at the sales level, at the franchise or affiliation level. Not so well at the individual level.

And on the one hand, I get it. And on the one hand, I see it as a crafty business play. And this is an opinion piece that I'll throw out there. And again, it's not hatred towards Greg Glassman or towards CrossFit. It's what I believe is an educated opinion on this.

I don't think anybody in the world was more surprised by the success of CrossFit than Greg Glassman, with the possible exception of Lauren Glassman. And that surprise, coupled with paranoia and narcissism, created a scenario in which he would not empower people to shore this thing up in a way so that the affiliates did last 20 years.

So long as you had that kind of geometric growth with an expectation that, well, it is going to end at some point. Greg is an astute student of economics and trends, and so he knew that the way that the thing was being run had an expiration date on it. And on the one hand, you could even make the case to run it that way for five years.

You get this runaway growth, and then you go back, and you're like, "Hey, folks, there's probably better ways to do this. There's probably some best practices that could be had. And why don't we as HQ act as an independent arbitrator of what works? So, we could add Madlabs, and we could add SickFit, and we could add five or 10 different entities. And these folks give us reports about the profitability and the success of the gyms that they manage, and then we can curate that and put that out to the community. And then you folks make your decision about how you want to run the gym. You want to do it wild west, and just plug and play and get in and do it how you want to do it, great. No harm, no foul.

Or if you want some structure, and you want to get plugged into a system that's got some vetting and has some fairly solid proof about the way that it goes," that made a lot of sense.

And honestly, that was right around the 2008, 2009 Black Box Summit period. The Black Box Summit was 50 gym owners that wanted some help discovering best practices. They loved CrossFit. They loved the community. They wanted to continue doing this stuff, but running the gym and then also continuing to be a cop or a firefighter or whatever else on the side was just not sustainable.

And then that was just assuming that the gym wasn't actually bleeding you out, which is the way that these things eventually ended up going.

And so, I have serious angst about the way that that happened originally, and I still am just really underwhelmed and disappointed by the current leadership, that they have not done something similar. I get it, to your point, they're trying to bring something in house and do some development, but there are some really deep pools out there, you guys being at the top of my list, that they could look at.

In chemistry, chemists kind of went by the wayside when this thing combinatorial chemistry came online. And you basically would set up 50 or 100 or 500 different reactions in these tiny little vials, and you could do in an hour what used to take a standard organic chemist years to do. And you've got all these experiments. You test all these different things, and then you assess the products for efficacy.

And I see this huge opportunity to do that. Greg would talk about the quantifiability of fitness, work capacity across broad time and modal domains. And, "If you can do these workouts faster or better than our athletes, then you've got a better methodology."

But yet that was never applied to the business systems. None of that analysis was ever applied to the business.

Craig: Well, that is my point. That's what I said to do and thought, once I found that he would be like, "Oh, fuck, you did a two-year study on 1,600 gyms, a meta study and looked at this stuff?"

And when I released it, all it was was was fake news and fucking, "He hates CrossFit. And I mean, the title was Why 90% of CrossFit Gyms Are Slowly Going Bankrupt. And that was a mistake. Fucking, Audrey was giving birth to Braxton. I was like, "Home birth."

It happened so fast. There's no doula. There's no midwife. And the guy's calling me saying, "We've got to run this thing tomorrow."

And I was like, "Man, why do we got to run this thing tomorrow?" I said, "Just do whatever you want."

So, that was the title, which freaked everybody out, and that kind of went viral. But I mean, it turned out to be. I got really well-placed, two different organizations, extremely well-placed in the insurance industry, and they're the only people that know the churn rates, right? Or to tell the truth, obviously they don't want to come public with it. But I can tell you it's 100% true.

I called them up before Andy's thing, and I said, "Listen, you told me a few years ago that 80,000 CrossFit affiliates had changed hands or gone out of business, or they had to change the name of the policy."

He's like, "Oh, that's a very old number. It's way over 120,000 now."

Robb: And this is out of an acknowledged 15,000 global affiliates.

Craig: Right?

Robb: Yeah.

Craig: I mean, it sounds crazy to me, but I know that that number sounds high crazy. But even if it was half of that, I totally believe it.

And another lady I've talked to, she said, "Yeah, that number looks about right from what we're seeing."

So, I couldn't bet my life on it because I haven't seen the data, but the people are trustworthy, and there's no... So, it tells me that that thing has spun like that. I mean, now there's probably four or five X independent gyms, micro gyms, functional fitness gyms, whatever out there.

And when they're still doing it the old way, which is, I'll repeat it one more time low bearing entry, straight into group class, pay coaches by the hour, give them technical training and more technical training and more technical training. I think the result's going to change, not. That's set up to scale for the overlord to take all the money.

And let's fast-forward to F45 here for a quick check in here, Robb. And I'll come back to the present state of CrossFit, but let's go with F45, just to show what happened to Curves. That thing blew up to 8,000 or 9,000. You fucking hardly find one now. We know CrossFit got up to 15,000, but we know the numbers, or it's 100,000, change hands. Right?

And if you look around your neighborhood and talk to anybody, it's wreckage everywhere. And now look at F45. So, they IPO'd at $18. Right? 87 million shares at $18. $18, Robb. Right?

The CEO promptly quits. You know what he's doing. Marky Mark, I don't know if he's cashing in his shares, but $18 IPO in 2021, take a guess what that thing's worth right now.

Robb: Three bucks?

Craig: Five cents.

Robb: Holy smokes.

Craig: The analysts got in and looked at it, and go, "What is this? This is like a Ponzi scheme. There's no solid fundamentals here at all. They're relying on the next sucker to buy a franchise."

What next sucker can we sell this franchise to? Because the thing comes apart after. Right? So, they couldn't, that's what might finally, it doesn't matter what I say and do. I hope it does. I hope anybody listening is going to shake their head and say, "Why am I doing it this way?" Right?

But I mean, I think as an industry as a whole, people are going to stop investing in that. Wall Street knows. When that was happening, when Greg was still at the helm, if you think he would show that that many have left and this is how bad it's going, and it goes to 2 cents, because it's private, right?

Taking that thing public exposed how rotten-

Robb: Everything.

Craig: ... is in the core, right? Because Wall Street's smart. Analysts are smart. They figure it out. And you can see a couple of dead cat bounces in the thing, and people that just come in and invest when something goes down that much. You can see all of Wall Street in the thing. It's amazing. All these investors that just day trade and things, it's so fucking cool to look at.

But anyway, back to today, right? Back to today. You look at if you're a gym owner or if you're a coach, if you're a coach... Man, and if you're expected your first day experience with a client is to put them in a group class, you've got to know there's just for many, many, many reasons, which I could list here, we could do a whole other podcast on, you've got no chance of having a professional living in this thing. Right?

And if you're doing just personal training, that's way better. And if you're doing all this, there's a lot of movement people out there now, and you can figure them out. I don't want to name any names, but they're smart people. They know their movements, but they don't have a business model.

The business model is going to be, "Hey, we're going to start charging $150 an hour for personal training, and then we're going to do a group of people doing, they're all doing their own," called individual design. They're all doing their individual design. So, there's five or six or seven people all doing their own thing completely in a room. And, "Now we're going to charge 600 a month for that, or 800 a month for that."

And that is all hypothetical. It's all pie in the sky. Never been proven, never been done before. And the churn rate on that, I can tell you right now, someone's going to come in and do 12 individual design sessions a month for 800 bucks. You know what the churn rate's going to be on that? It's going to be fucking massive. So, good luck.

It's just what it is. I mean, I love it. I commend it. I hope they can do it. If they can find enough people to do that, I clap. I applaud. But the coaches that are charging head forth into that, not knowing the result, I would be cautious. Right?

Robb: Yeah. And I mean, I guess I have a little bit of a parallel being in the jiu-jitsu scene. And it's so similar in that you see most of the gyms one week free, first week free class, and you throw this newbie into a group fitness setting. Only people are strangling you and bending your arms in directions they're not supposed to go. And folks cannot conceive of why they can't make the thing a financial go.

And then occasionally, you find a gym that there's a high barrier of entry. There's a development program that you go through, and sometimes it's a set number of classes. Sometimes you have to reach a certain technical proficiency, and then you graduate into group classes. And there's usually some additional things with that. And a lot of it is upsell and marketing, and it works. And it keeps the person there.

And people portray that marketing side is if it's evil, but if it's evil and it's getting the person in the gym versus on the couch, I'm really at a loss as to how that isn't doing right by the person. They're paying the money either way. The traditional gym model is hopefully they stay home. What you're talking about is hopefully they come to class because they're an integral part of the whole thing, and the coaches are incentivized to go track them down when they're not there because you don't want them to peel out. You did the hardest thing that you're ever going to do as a business owner. You've got the person through the door, and they signed up at least once.

Craig: Well, I'll give you an example. This is a dead example right now. It's happening this evening at 4:30. I took Braxton to one of my buddies who does a lot of jiu-jitsu. With my neck injury, every time I go back, it's not worth three months on the couch. If I could roll with me and you, and you know every little nuance, fine, but it's really hard to find that in a group. I'm never going to find it. There's no way.

Someone's going to, I'm going to hit this thing the wrong way. It's 100% guarantee it's not worth the risk. So, I don't do. I love jiu-jitsu, and it's deadly. And I had to use it twice in my life that actually I think saved my life at least once.

But I'm putting my son in there, and my son's pretty big. It's physical, and he's been wrestling with Sheppy and [inaudible 01:03:30] and myself, and he's totally unafraid of contact, so much though he'll get a bloody nose and laugh.

Anyway, I put him in there a couple of years ago for their one-on-one, sort of their trial, right? And he's in there with his buddy who's a year-and-a-half, a year older, but he's not a physical kid. And the kid is just bawling like it's a rape. And if I was the coach, I would have stopped it. I mean, this poor kid. I'm looking at him going, "Dane, you've got to pull him out of there."

He goes, "No, no, it'll tough him up."

It was like he was part of a rape scene. I'm telling you it's the only other way I could explain it. I've never seen one live, but I'd only imagine.

And now I want to take Braxton back again. Two or three years later, he had this whole experience with his buddy having a fucking complete meltdown. So, my buddy is in there now, and he wants to bring in his kids.

He's like, "Hey, they've got a free thing and all this stuff."

So, I'm like, "Man, my chances of him being successful here," another one of those. I'm like, "Why don't I just talk to one of the coaches and get him to do a one-on-one?"

So, I got ahold of the guy, and they don't know anything about it. I said, "Well, you just give the guy, give my son five or 10 one-on-one sessions to teach him about even how to come into the gym and how to put the gi on, and then you roll with them, teach them what's safe and teach them what is this whole thing about."

And they were absolutely dumbfounded by that idea. And I didn't bother telling them who I am. I don't want to do that in town. But I mean, I think every jiu-jitsu gym, I think every yoga studio, Pilate studio, if they did this model, they would see immediate returns.

When I take a functional fitness gym, that's our world, and we show them how to do this stuff, they immediately increase their revenue. You teach them very simple things about instead of putting them in a free class on Saturday or a free week or any free class, or bring-a-friend day. Get rid of all that stuff and teach the coach. You being you, probably the business owner or the GM first, to do a one-on-one assessment, like a consult. Just a simple consult.

But while you're there, "Well, I want to be able to play with my kids," or, "I want to climb Kilimanjaro," or whatever. Why are they there? What are the limitations? What's your history? And all this stuff. And then do a three-day assessment. We do a three-day assessment for 325 bucks. And when we're sitting down in front of someone, 98% of the time they buy it. Actually more than that.

Then you go into a whole personal training thing for two months, and it's actually not that hard to sell. People are terrified of it, right? I actually produced a product that's 47 bucks that teaches them how to do that part. That's law one and two. We have nine laws, and that's law one and two. And I think if every jiu-jitsu gym did it that way, guarantee you the retention rates are going to get better. Their injury rates are going to go down. The referral rates are going to go through the roof. Their coaches are going to get paid way fucking more, and the gym winners going to make more money. Right?

That is how the thing works. All it is it's a mindset change more than anything, Robb, right? Everybody's caught in that mindset. It was all set up. Who was the first, why is jiu-jitsu done that way? Well, why is yoga done that way, right? Yoga used to be you go to a mountaintop and hang out for four months to four years with some yogi, and you learn yoga, right?

Someone brought it to Canada or the United States or wherever. I think

Bikram was the biggest one, and he mass-produced it. And I mean, I think he screwed it up and ended up in jail and all this stuff, but he made a bajillion dollars. Right? So, then all the yoga is now done that way, right?

We work with one entity, really smart guy, 15 yoga studios, 4,000 clients, 300, 400 trainers. And we tried to move to our model, but we've never ripped off the Band-Aid of the free class. So, that's how the whole industry did it. Right? And they wouldn't change their marketing to go, "Hey, you're going to do three personal training sessions here with a coach," or five or 10. They couldn't quite rip off the marketing Band-Aid. And they've done all the operational changes, right? Which is interesting.

Robb: Yeah, some of that goes deep. It's funny, but I see it both at the yoga level, the jiu-jitsu level, like the folks, it's scary. As a business owner, you feel like if you remove that... If you create a barrier that is seemingly too high that all of a sudden your gym's going to be empty, nobody else is going to show up. And the exact opposite happens. You [inaudible 01:08:09]

Craig: The opposite happens really fast.

Robb: Yeah, and it turns around. But you've got to get that buy-in. And again, for the folks listening, the reason why this is important to me,

In my past lives in this space, I've done some things like the medical risk assessment program where we did screening of police, military, fire and general population looking for people at high risk for type two diabetes and cardiovascular disease. And when we would identify them, we needed to modify their diet and lifestyle.

And there is nowhere better to do that than in a well-run gym. There's nowhere else that's as good as that. Hopefully you don't go to your chiropractor five days a week. Hopefully you don't go to your dentist five days a week, but goddamn, it's pretty normal to go to your coach, be it jiu-jitsu or pickle ball or strength and conditioning three to five days a week. That's a normal thing. And that's a place that profound lifestyle changes can occur.

When people are able to make diet and lifestyle changes, it's largely predicated on the peer group that they have. Well, if you plug into a peer group that's already mainly doing that, all this good stuff happens, and people get empowered. People change their lives. They go for other careers, and they get healthier. So, this is why this thing is so important to me.

I just see, again, that gym as primary care medicine, that is the front line of people understanding that food is important to them. Community is important. Yes, the movement and exercise is important. Hopefully it's fun also, but if these gyms aren't well run, they won't be there to serve people. And it ends up being a shit experience. And then people peel out, and they're like, "Well, fitness isn't for me." And then we lose that opportunity.

Craig: I mean, we've talked about this quite a bit, and your mission there, for those two to meet, right? I think the personal training world can meet that, but then the community part gets lost. And then the part of the straight group exercise, if you've got your network of primary care or the people that are really taking sick people to not so sick to healthy, if you had a coach that knows how to meet that person in a one-on-one setting and sit down with them and go, "Hey, why are you here?"

And talk to whoever's handing them off, whether that's a diabetes expert, physiotherapist or wherever they're coming from the healthcare side of things, right? And you would know that a lot better than I would, but they're going to be able to meet a coach, and they can have a real conversation on the same level, and then take them from the place they're meeting them at eventually to a community that's got personal training and a group class.

Our model has personal training and a group class. We found that's the highest retention you can get. You can't get over 80% pure personal training or doing individual design, this kind of stuff. People fall off much faster. And I think it's the sense of community, the people working out together, but you can't just throw them into that group class. You have to have a whole process. And the coach has to be ultimately responsible the whole way.

And this is all through data analysis. This takes me back to when CrossFit recently decided they were going to get into the business of teaching gyms how to do their business, hiring business consultants. There was no open call. There was no, "Okay, let's the [inaudible 01:11:59]." So, what I would say is, "Let's go back to the data." What does the data show? Who is actually measuring this stuff? And what is important?

So, what I would say is, straight up to CrossFit or any other independent gym, if you're doing your own thing, it's not about Craig Patterson's the fucking smartest guy in the world, or Madlab has pulled this out of a thin air. Remove all the names and say, "This is what the data shows."

So, six key performance indicators. Really simple. You start doing it in your own gym. If you're a coach, you should be asking the gym owner or start tackling it yourself. One is, what is your retention rate? I.e., I've got 100 people right now. How many of those 100 people are left one year from now? You can start doing it monthly and quarterly.

What really, Robbie, makes me laugh is the consultants in this model like to do a monthly, they brag about a monthly retention rate. 95% monthly retention rate.

I mean, okay, you start doing the math on that, half of them are gone in a year.

Robb: Right.

Craig: So, a yearly, if you can't get 80%, you're not doing it right, right? Two, if your average client value is not over 250, 300, it's not going to go good. Small town, maybe 200, right? So, then you're keeping an 80% of your clients, you're getting an average client value that is, you have to do all your own math. I can show you that. It's too complicated to talk about right here.

And then what is your referral rate? Do you have to go to a marketing company and beg for new clients? You shouldn't. You should get a referral rate. 70% of the people that come into your facility should be a referral. And also your coaches that have been there for more than five years should have a waiting list. Then you know you're doing things right.

Next. So, we're mentioning average client value, retention. So, the clients are paying you lots of money and not leaving. I think, Robb, we can both agree that's good. Right?

Robb: Yeah.

Craig: Paying lots of money and not leaving. Okay, now the coach. Is the coach making a livable wage? I.e., what is the average household income in your area? Are they beating it by themselves? They're taking home more than the average household income. 1.25 is right. So, is this model that you're following or this consultant that you're following, are they talking about these things?

Is the dollar per hour greater than that of a master electrician, i.e. greater than $50 an hour? When you're working on the floor, is it greater than $50 an hour? And then for the gym owner, is it profitable? Is it making 20% even after everybody's paid, including you? If you're a coach, you should be paid as a coach. If you're the GM, paid as the GM. Marketing manager, whatever. You're paid for these things, right? 20%.

So, I mean, I would put it out there. I said, if you want to look at, Robbie, we talked about let's follow the data around fitness. Well, let's follow the data around a healthy business. And a healthy businesses is the clients don't leave. They pay for-

PART 3 OF 4 ENDS [01:15:04]

Craig: ... the data around a healthy business. And a healthy business is the clients don't leave, they pay for a fair value service, IE $300 a month for a hybrid membership of group classes and one PT every six weeks. The coaches are making better than a master electrician, they're making more than that an hour, they're making 1.25 times household income, and the gym owner's making profit. I can stand on those numbers. I've looked at them, I've had independent analysis of them, we did 1600 gym meta studies. I got this cold, that we could show people how to do this, and we know how to train them how to do it. So I mean, if we're out there hiring people to be business consultants, ask for those numbers and ask to see the test case. Where is your proof of concept? Where is the gym that this has started in?

As you know, Robbie, I've got a gym here, there's $1.2 million. I've got three coaches that have been with me for 17 years. They make over $80,000 a year, they take five weeks of paid vacation, they don't work more than 25 hours a week on average, and they wouldn't be there 17 years living in a city like Vancouver raising families if it didn't work. And then I've got three other ones. My best coach makes over $110,000 a year, and on and on. We've just had a recent apprentice that graduated and then I've been teaching this to hundreds of gym owners and coaches around the world, with no marketing, right? The last marketing we did was probably your podcast, Robb, right? So anyway, I mean that's my call to action, is what data should we be tracking, Robb, right? No one's even asking that. The old data was, how many members do you got?

Robb: Which is meaningless. It doesn't matter how much is going in the bathtub if you don't understand how much is going out.

Craig: How long have you had those members and how much energy do you got to put in to keep that number? I talk to gym owners all the time, "I got 200 members."

And I go, "How many did you lose last year, right?"

"Well, I probably lost 75."

I go, "Okay, is that a problem?"

"Yeah."

And I go, "How much money did your coaches contribute to the business? How much money did your coaches bring in last year?"

And most of them just look at their personal training number, owe $20,000, right? My coaches did $1.2 million last year. So it's empowering the coach to build to be very effective with the client, so that that client achieves a lifetime of health. And on the current model, which is the one that CrossFit went down, that is impossible.

Robb: Well, and I would throw out there for hopefully, I know a good number of folks that listen to the podcast still run brick and mortar fitness operations. I think that there's still some people in and around the old CrossFit scene, maybe at the HQ level that listen to this. A model like this, if you can shore up the banks of the river of energy that is a gym, there's nothing but good for the home organization, the parent organization. If your affiliates or franchises are thriving, you get that yearly fee. You can re-up them on their continuing ed. There's all kinds of opportunities to continue to make money like that.

That geometric growth of the early years is great I guess in some ways, but also, it's a pubic hair away from a Ponzi scheme, and it ends the same way. It flames out. And if you want something that is sustainable, and that could be here 10, 20, 50 years in the future, it just has to be run differently, there has to be an eye towards these bottom lines. And you should be as excited about looking at those bottom lines as you are learning FRC, or Olympic lifting, or anything else, because it's going to be the way that you better serve your folks.

Craig: Yeah, I appreciate that, Robbie. And if you're a coach anywhere in this and you're like, man, the gym owners love it when coaches come to them with this stuff. They're like, "Hey, take a look at this. This is how I can make some money and really never leave this place." That's the only referrals we actually get, because gym owners don't really talk to each other and they kind of hate each other, but the coaches kind of have a fraternity.

And for example, we got one a few months ago that was, hey, they were at some kind of a CrossFit event and we have a coach in a Madlab Gym in Georgia, and she was like, "Yeah, I made $80,000 last year."

And they're like, "Bullshit."

And I go, "Yeah, check it out." And then they tell the gym owner about it, and gym owner calls us, and they're fucking happy. It doesn't have to be this divisive, ugly thing. I know I get really passionate about it, and I get criticized, and people just love coming at me. But if you look at the industry, Robb, there's so many companies invested in that model, and keeping it that way, and telling everybody that, "No, I don't know, Patterson's full of shit, or Madlab's full of shit," but they don't show any data themselves. They don't ever show, here's how you get a retention rate of 80%, here's how you have coaches make 100%, $100,000 a year 10 years in a row.

Anybody can show me something they did. "Oh, this is what we did last year." You can fucking near get anybody to do anything. Show me five years in a row, show me 10 years. And once you start getting there, you know it's consistent, it's reliable, it's repeatable. And for the coaches, it's a shame, Robb, that we lost... How many millions of coaches got into fitness and got into this ecosphere, and they're like, "Holy mackerel."

And that's not just CrossFit or it's like, it's Pilates, yoga, that went into Gold's Gym, or what an ass kicking the last 30 years has been to all these people that would like to work in it. So much so that, if you went home and told your mom, "I'm dropping out of med school to go to kinesiology," or, "I'm giving up my engineering career to open a gym," they think you're fucking mental.

They're like, "Hey, everybody knows that's for losers and nobody can make any money in that."

I mean, that's what everybody knows. If you go out in the street, my coaches, they talk to each other. They go, "What do you do when you're meeting your girlfriend's parents for the first time? What do you tell them you do, right?"

They're trying to figure out how to explain, not to be embarrassed in front of their girlfriend's parents. And they're like, "Well, I'm 28 years old and I just made $97,000 last year," is kind of what they got to say.

So that's the only measurement at the end of the day that they're like, "Ooh, wow," and then they start looking into it, and then they end up at the gym, right?

Robb: Well, and again, this shouldn't be a controversial topic. If somebody doesn't want to plug into that, cool. My main thing in my trying to help people, if you're motoring along great and you're optimized, you don't need me. I'm for the folks that thought that they were going to die, and they didn't know that there's some opportunities for help. And then similarly, if you feel like your brick and mortar fitness operation is crushing it, and you got it all figured out, awesome. But there are so many people out there... At the end of the day, it's as much work to run a poorly operating gym. And by poorly, you don't make any money, you don't have retention. It's about as much work to run a poor one as a good one, and arguably even more work to run the poor one. And you don't have the upside of actually some financial security, and the feeling of success that comes with doing something successful.

And to your point, to maybe put a bow on this thing, if somebody's got a better offering, or let's compare all the offerings, let's just put this on the table and agree to what we're comparing. Get the rules of engagement all hashed out there, and then let's really see what the real deal is. Because I think that these brick and mortar fitness opportunities are too important, too critical to allow them to just be run by slash and grab Ponzi scheme operators, or to just let people continue to make the same mistakes that we all made. Why let people just walk into oncoming fire when we know that there are better ways to do this?

Craig: What's a really interesting, I know we're getting time-wise here, we're getting something, but back in 2006, we had something called the Mastermind, 2006 or 2007. And it was Andy Petranek, who I love, and his buddy John Burch. And they were like, "Okay, we're going to do the numbers. We're going to look at the numbers." And so to be a part of this group, it was a Skype meeting every month and you had to show your numbers. And I think it was like 75 people show up to the first one. And then they had to show their monthly numbers, like 20 to the third, seven to the fourth, and the five to the rest of the year. When people had to show their numbers, they were all under 5,000 a month at that point. And we started off in the start of 2007, end of 2006, at about 30,000.

And Andy Petranek, in LA, started off at 7,000, 8,000, or 9,000. And as the year went on, I was like, "Let's track retention rates and let's track basically all the fundamentals that added to our nine laws."

And by the end of the year, there was just us and them, and two or three other watchers that show up online. They were just like, and Jeremy Thiel I think was one of them, and there was another guy, Eric LeClair, who he had a tragic end. And then there was another guy in North Carolina who got out of it all after he figured out... He figured out pretty quickly what you'd figured out. And at the end of the year, we were doing 50,000 a year, our retention rate was 85,000. The coaches were making, I had coaches then making $50,000, $60,000, $70,000. And John's and Andy's numbers, Andy ended up joining Madlab after this, but John went off and founded the biz.

Their retention rates were atrocious. The profit number wasn't that good. They went from 7,000 or 8,000 up to 19,000 or 20,000 in a year in LA, in a fairly good-sized facility, but they showed no good tangible numbers. And their model was, bring people right into a group class and trap them the first day in a membership. And there's gold, silver, and bronze. And gold was unlimited member, it was two times a week, three times a week. And that was pretty much the only change they made, right, to the current model. And so they taught people how to go sell and trap, which was what... And then that became the first business model in CrossFit. So that thing just perpetuated itself and from, I don't know... Anyway, I'll shut up now. I don't know why I said that, but it's to get outside of the model, get outside of that thinking, and just start tracking the data. That'll lead you everywhere.

Robb: I think that's totally reasonable. And Craig, I applaud you for staying in the trenches and doing this stuff, man. I remember when you first started with your two partners, I remember Greg asking me, he's like, "Which one of those guys do you think is going to make it?"

And I said, "Patterson."

He's like, "Really?" He's like, "Not Doc, not the other guy?"

I'm like, "No, Craig's the one that really, really gets this." I was right about that. I was right about a fair number of things in this space.

Craig: Well, I got a quote for you that I actually had read years ago, and I've forgotten about it. I think, I don't know if you've ever read this one, but it's a Bertrand Russell. And Bertrand Russell's got all these pros and cons, but this one really stuck out, and tell me if this hits home. "The first step of a fascist movement is the combination under an energetic leader of a number of men who possess more than the average share of leisure, brutality, and stupidity. The next step in the fascist movement is to fascinate fools and muzzle the intelligent by emotional excitement on the one hand and terrorism on the other."

Robb: Bang on, bang on.

Craig: Well, we were both... I mean, I was a fool with an average share of leisure, brutality, and stupidity. I had all three of those, and I don't know if you ever did, but I can say that. And then I was fascinated, and then when I started figuring stuff out, was muzzled, the intelligent. That's exactly what happened to you. And then the emotional excitement on one hand and terrorism on the other. I mean, dude, could you have put that any better?

Robb: Yeah, yeah. Well, it's a well trod trope. It's been used other places whether it's churches, or businesses, or countries, and Greg was a heck of a student of the 49 Laws of Power. I remember hanging out with them in Prescott and there was a copy of that book on every flat surface in the house. It was incredible.

Craig: Yeah, I remember when I started reading, I was like, "Holy shit, I don't want to live my life like this."

And he's like, "Yeah, but if you don't know it, it'll get used against you." So anyway, thanks a lot, Robb. I really appreciate it.

Robb: Craig, how can people track if they want to know more about Madlabs and what you're offering, how do they track you down?

Craig: Well, I built something. You told me, you warned me a long time ago, my marketing stuff, and it's been terrible. Actually, got a really great lady, a girl I went to high school with that I trust. I've been working with her for 10 months and she's produced a lot of really cool stuff, or helped me produce it. So I built a landing page, madlabbusiness.com/robbie, R-O-B-B-I-E. I don't know if you go by Y, but in my mind we see as Robbie, Robbie. Anyway, R-O-B-B-I-E.

And in that, if you still don't believe me, just go try and do personal training first. For price of a personal training session in 2004, $47, you can go in, you can learn how the law is one and two, and you can learn the hardest part that people can't get their heads around, which is standing in front of a person and asking them for $80, $60, $120, whatever your market rate is, and wherever you start. Asking them for that and delivering on that.

And if you do that, you'll be fundamentally transformed forever. If you learn how to do that, you've got a real good chance of being a professional coach, and having a great professional gym, having a great living. So that is $47. Go try it and then I'll talk to you. You can book a call with me and I'll tell you about how that all works. Now, if you're doing some of this stuff and you're practicing, and you want to know how it all works, this is 20 years of blood, sweat, and tears, and it is a data analysis project. I didn't pull it out of thin air and then chase after it, like a dream after. This is what came out, and I'm open to anybody coming along, and peer reviewing this and saying, "You're full of shit."

And I would more than happy to look at it, with someone who's been looking at the stuff and measuring the 6K performance indicators that we talked about. It's called Madlab 101. It's normally $1,000 for Robbie's audience here, and there's no joke, it's $1,000 on our website. 75% off on that link. And then if there's a call, you want to talk to me, I'm down. So madlabbusiness.com/robbie, R-O-B-B-I-E.

Robb: I didn't know that was coming up, so very cool. Okay.

Craig: Yeah, you told me to get my shit together before I went on Andy's, so I did.

Robb: Awesome. Awesome.

Craig: Yeah.

Robb: Well, cool man. Let's see what the response is on that. And if folks have follow-up questions, maybe we circle you back on here, and we could take some listener questions, and then go through those directly, and have a reconnoiter on this.

Craig: Yeah, I mean every time I do one of these, I get absolute haters. Listen, I was the biggest CrossFit fan in the world. Personally, I think the programming and all that stuff, we've moved towards longevity. But it was a great movement. It was something that was cool. If you want to just throw heat and shade, and I've heard it all, I've been through more lawsuits, I've taken more fucking grief over this than anybody. I couldn't give a shit. I'm standing here, I'll be the last guy standing. I am the last guy standing pretty much from all of this, taking more heat than anybody. Everybody's gone but me.

And if you want to actually sit down and talk about the data, if you want to talk about how red my face is, or how fat I am, or whatever, go ahead and do that in your own time, I'll laugh along with you. But if you want to talk about the actual how this thing works, I love it. The thing that gives me most comfort is it works in math, it works in physics, chemistry, the energy equation of human beings interacting, all of it. And if there is a way to improve upon it, I'm all ears. If you want to talk about marketing, and putting people straight into a group class, and filling those holes, I'm not interested. It's a loser's game in my opinion.

Robb: I agree. I agree. Awesome, man, I love you and we'll-

Craig: I love you.

Robb: ... talk you soon.

Craig: You are still my personal hero, bravest man alive.

Robb: Thank you. Or dumbest, maybe a little bit of both.

Craig: I love you for that.

Robb: All right, Craig, we'll talk to you soon.

Craig: Take care, buddy.

Robb: Bye man. Are we back?

Nicki: We're back.

Robb: You're struggling over there. You have got a neck issue, and a little bit of a throat gig.

Nicki: I got a little tickle in my throat while I was reading that.

Robb: You did an outstanding job though. So I am fishing around here, folks. Craig, in his infinite wisdom, put together a landing page if you want to check out some of what Madlabs has to offer. And again, this is a business management process. It helps you develop coaches, it helps you develop trainers, it helps you as a gym owner develop yourself. And this thing, it was born out of trying to support a brick and mortar CrossFit type gym, but really you could apply this to any type of business. It's madlabbusiness.com/robbie, R-O-B-B-I-E.

Nicki: And where that comes from, folks, is that Glassman used to always call Robb Robbie.

Robb: I love you, kid.

Nicki: I love you, Robbie. And we met Craig Patterson for the first time back in 2004, '03 or '04-

Robb: Yeah.

Nicki: ... when he first came down from Canada to do the level one. He was at my level one.

Robb: Yeah.

Nicki: And so, anyway, it's sort of a...

Robb: It's an inside joke.

Nicki: It's an endearing sort of inside joke reference. So anyway, madlabbusiness.com/robbie, that's R-O-B-B-I-E, and I will put that in the show notes for you all if you're interested.

Robb: Do we have anything else?

Nicki: I think that is all we've got for today. Hope you all are doing well. And we had winter hit us super hard for four days, five days, and it receded back into the...

Robb: We had close to a foot of snow that came on pretty hard and the low temperatures got down in the single digits. And I was just telling, Nicki, I'm like, I'm not fucking prepared for this. Like, not at all.

Nicki: That was like before Halloween, and now we're back to, we're in the 40s.

Robb: It'll get in the 40s and sunny in the day, and yeah.

Nicki: It's more like a protracted kind of that late fall.

Robb: An actual fall. There was no foreplay-

Nicki: At first, we were like, "Oh, shit."

Robb: ... no warmup. I was, yeah, so...

Nicki: Anyway, hope you all are staying warm. If winter hasn't yet arrived, enjoy whatever time you get outside off. And also, the thing is, when winter arrives, you've got to also be outside and do fun things outside, to keep yourself sane during the cold months. But anyway, I wish you all a great weekend, and we'll see you next time.

Robb: Bye everybody.

PART 4 OF 4 ENDS [01:36:05]