

25K Part 1

Jim Labadie: Hi PTU'ers, it's Jim Labadie here today with Pat Rigsby and Nick Berry, and we are discussing the Ultimate Personal Training Business. Without further ado, Mr. Pat Rigsby, please say hello.

Pat Rigsby: Hello PTU'ers, how's everybody doing today?

Jim Labadie: And Mr. Berry.

Nick Berry: Hello everybody.

Jim Labadie: There we go. We, as you know, Pat, Nick, and I are re-launching, re-branding, re-doing Personal Trainer U with Mr. Ryan Lee, and one of the awesome bonuses you're getting with it is this Ultimate Personal Training Business. So, we're going to reveal to you now what exactly it is, how to set it up, and it's something that Pat and Nick specialize in, so guys, I'm going to turn it over to you. First question – why is this the Ultimate Personal Training Business?

Nick Berry: Pat, should I answer that, or do you want me just to...

Pat Rigsby: Yeah, I mean I can talk a little bit about this...

Jim Labadie: Something tells me you can talk a lot about this, Pat.

Pat Rigsby: You know, the things that always seem to be limitations for personal trainers are having a target market to service, having a way to reach that market cost effectively, and dealing with the overhead of launching a business. And, this type of business where you build a personal training company within a health club – you lease the exclusive rights to provide personal training services in someone else's health club pretty much solves all of that. You have a target market of people who've already invested in their health and fitness by joining a health club. You have a built in marketing system if you can align yourself with the health club or even if you don't do it as well as you possibly could and having them funnel people to you. You know, you have kind of a captive audience. You already know where to find these people – you can do a lot of cost effective marketing techniques within the 4 walls of the club, and you don't have to have the hard cost of opening a facility. You don't have to buy your own equipment – you don't – you often times, and we'll get into this later, you don't have a long term lease or a fixed rent rate that you might have going and buying a space in a strip center to do a small studio or something like that. So, it seems like a win all the way around for a personal trainer. So, that's my abbreviated version. Nick, what do you have to add to that?

Nick Berry: Nothing different other than putting in different words. To me, it's low maintenance and it can be highly profitable. And that's just going to provide you with the bountiful ROI that we look for whenever we're trying to start a business or take over a business. So, and those are the things that we're going to elaborate on more in detail as we go on with this call.

Jim Labadie: Alright, so let's get started. So, first thing's first, guys. How do we select a location?

Nick Berry: Go ahead Pat, you can start with the location if you want.

Pat Rigsby: Okay. Well, there are a variety of factors that play into this, but a few things come to mind. As far as selecting a location, some of the things that you would typically look for would be more often than not an independently owned health club and not part of a chain, not part of a franchise. Thought there are franchise locations that this model does work with, but with an independently owned club, there's a lot more flexibility. And then you also have a local business owner that is always looking for opportunities to make their life easier, make more money, make the gym more profitable. Secondly, you want to look for some numbers basically. You want to look for a significant member base. You want to look for new member traffic each month. The numbers that kind of float around in my mind are if you can get to a club that does 100 new members or more each month, you know, it's a slam dunk. This type of business model can be used and used effectively if you're doing 60 new members a month in a club, but it's like anything else, it's not quite as easy. And then if it's an existing club, ideally having a pool of 1,000 members or more to draw from is always a nice start. When we did our most recent location using this business model, it was a brand new club that we got in with just as they were opening their doors, so instead of having an existing member base, we benefited from having all of the people that they sold during pre-sale, which, in a lot of instances can be even better. Outside of that, I think you're looking for owners that are – can grow with your way of thinking that really want to service their members more and understand things like the benefits of retention, you know – the benefits to having a very active personal training department can offer a club. And people that want to stick to what they know best – most club owners are interested in membership sales, membership retention. Personal training is kind of an unfamiliar commodity to them, so it keeps their headaches down by not having the higher more staff, not having to manage another department. So, finding somebody that's easy to work with and then finding somebody that you can get lease terms that are mutually beneficial. Once again, Nick, what do you have to add to that?

Nick Berry: Well, the big thing is like with dealing with management, you just a lot of times the opportunities that you have you don't have time or the recourses to gauge where management stands on a lot of the things that are going to become very important to you. But you do have to try to feel them out as well as you can. That's going to be for you the most important relationship, because you're you know, and this kind of dabbles into the lease, but basically with your operations, you're going to have to operate on their terms with or without their backing. You're going to have to do it within their facility, and they can provide you a wonderful environment to operate or they can also be a major hindrance. So, what you do – in my opinion we've had before where sometimes you have to – you're a service provider, ok, and you make your living off of – people have to have a smile on their face at some point when they think about your service. They have to – you have to deliver it, otherwise people aren't going to stick around. Health clubs are slightly different – their clientele – they don't, a lot of times the management doesn't view it in such a fashion. They'll take a "turn and burn" approach. So, you may have to take it on yourself to educate them or to try to help them get a different perspective with regards to the service that's going to be provided. With that, and this is where it kind of

goes into the lease negotiating, like Pat had mentioned, you have to – just like you have to convince a client or you have to sometimes enlighten them as to what exactly the benefits are, sometimes you might have to do the same thing with management. You know, you're going to run into people who are going to look at this as strictly a profit center, others who recognize the benefit from a customer service perspective, and that's really your strong suite – that's your leverage. Because, if you are going to deliver a great service, then you can be invaluable for that owner and that management team. And again, my point is that you may have to reveal that to them – they don't always necessarily see that on their own. You know, at the same time, there are certain things or concessions that you may have to make depending on their sales processes or certain things that they want provided for new members – maybe at your expense, maybe not. They may be willing to help market you, they may not. But those are all things that you need to define terms when you're negotiating this lease, and remember this – this sometimes gets lost in the shuffle – yes it has to work for them, but it absolutely must work for you. You know, agreeing to X, Y, and Z terms just to make sure you get in the door will – that's one thing if those X, Y, and Z terms work for your business, but if they don't, then there's no sense in doing that. You know, to some people that seems like common sense – to certain others, they don't want to put their business health as the first priority, and you have to do that. You cannot lose sight of that. You have to know what your business requires to function and move forward profitably, and if it doesn't – if they can't meet those terms, then this is an arrangement that just can't work. So, as far as specifics, you're going to have to pay some type of fee or some type of rent factor of some sort, be it a flat rate or a percentage. 15-20% that's probably about average, I don't know. Pat, do you know exactly what the average is?

Pat Rigsby: Yeah, I would say somewhere in the ballpark of 20%. Some people go as high as 25%, but those are – and probably even in some instances 30%, but those are – those need to be facilities where there's going to be a ton of volume, because you're not going to have as big a margin, so you have to make it up on volume.

Nick Berry: And they factor that into their cost. If as long as you agree to – if you agree to 30%, that's fine, as long as you've factored that in to your expenses and you realize that yes your price point will have to be a little bit higher, you're going to have to make up for that somewhere else in the margin, and you can still function. That's what you have to put pen to paper and address exactly what it's going to take again for your business to move forward profitably before you can recognize what type of window does that rent factor or that lease factor need to fall into. And I mean, in my mind, when you're setting about putting numbers to paper, think about it like this – and probably everybody has heard this at some point – when they're talking about real estate, you make your money when you buy, and that's exactly what you're going to do here. If you set yourself up to have a higher margin, to pay a lower lease or rent factor, you know, then you're going to be able to make more money over time. But if you – at the same time you can set yourself up to pay the highest possible rent factor – you can essentially tie yourself off from ever making a lot of money or getting that high ROI that I talked about earlier. So, Pat, anything that I missed there that you want to expand on?

Pat Rigsby: Well, since we've already gotten into the specifics of the rent factor, there are a couple of different ways to do it, and you touched on this. You can pay a flat fee or you can pay a percentage. The number that kind of sticks in my mind – the magic number is 20%. And I say

that if you're going to be doing primarily one-on-one training. The numbers can vary a little bit if you're going to be doing a lot of group training, if you're going to be primarily bootcamp driven or that sort of thing. But, 20% kind of seems like the magic number if you're going to run a business in a facility. If you're going over 20%, you're going to have to really manage your business extraordinarily well. You're going to have to make up for a little bit smaller margins with higher volumes of sales. You're going to have to get some concessions from the facility as far as making sure that all of their new members are 90% are scheduled for introductory sessions. You know, so, a good starting point would be starting in that 10-15% range and being willing to negotiate up a little bit. And another thing that you can do that I know that some of the successful training companies that use this approach do is they have kind of a tiered system, where they'll pay X% and in this case, let's say it's 15. They'll pay 15% of gross revenue in rent until they hit \$10,000 a month in total gross revenue. And then if they break \$10,000 a month in gross revenue, maybe they'll go to 17%. If they break \$20,000, maybe they'll go to 19%. But, that way you're kind of securing yourself. You're willing to pay a little bit higher rent if the total volume is there. But, I'm a huge fan, and I think Nick is as well, in the percentage model, because in theory I guess and in hopefully in practice that's going to incentivise the club owners to really kind of stand up for your success. If you're paying a flat rent rate – and I know some companies out there will pay 5-6,000 dollars a month rent for the training rights in a facility and have nothing to do with production. If their staff doesn't schedule one appointment, they're still on the hook for 5 or 6 grand. If their staff is fully supportive of the training department – same 5 or 6 grand. And you know they do that to get in a lot of clubs, but for you as an independent business owner, that's a risky proposition. So, if possible, tying your – it lets you kind of scale your risk. You don't ever – you're never really on the hook for anything too big. Yeah, Nick, that's my take and I know that you deal with the number side of things a lot more than I do, so was there anything I missed?

Nick Berry: No – I'm like you – the flat rate kind of – it doesn't scare me, but I'm more apprehensive about that, for the reasons that you said. I mean, it's kind of a scaleable risk when you have when you pay a percentage. So, you don't have to – you can still possibly make money even if you don't have a top of the world sales month every month. So, a couple of other things – when I was talking earlier about just terms and things that you need to make sure that you address. It's all about details. Any accommodations that they're going to provide you, be it an office or phone lines or access to certain areas of the club during certain times, all of those things you need to address beforehand. You do not want to put your name on a lease or an agreement with a lot of grey areas. You know, even if you end up not getting the short end of the stick so to speak, you still have to go back and address it. And it's going to take your time and your energy to do that. So, define everything. I want to know exactly what we're able to do, what we're required to do, where we're able to do those things, you know every detail. There is nothing in the world wrong with requesting more and more details. You have every right to do that if you're looking at a lease. So, don't ever worry about anything like that. You need to know how are they going to protect you from other people trying to come into the club and doing what you do. If you have the rights to personal training, how do you know that someone else is not going to come in and train. And if they do, then whose responsibility is it to handle that? All of these things you've got to make sure are outlines, because rest assured at some point you're going to end up having to deal with it. So, as far as the lease, I think that's everything. If anything comes back to me, then I'll bring it up.

Jim Labadie: Well I've got a question guys.

Nick Berry: Alright.

Jim Labadie: I know the trainers and they're thinking right now – how do I start this? In other words, the questions that we've usually gotten in the past – all 3 of us – has been how do I start this conversation? And in all seriousness today, should they call an owner? What is the first words out of your mouth? An email? Like, how do you start this process – the very first conversation you have with somebody – what do you say? I want to do, I want to start my personal training business in your health club? I mean, and then it gets me to the lease, like where do you start with the percentage after negotiation? Because I'm not a negotiator myself, and I guarantee 90% of the trainers listening today aren't either. You know, if it seems fair to me, and I just want to get stuff done, I just go ahead and do it. How – where does that conversation start?

Nick Berry: Well, in my mind, I'm sorry, go ahead Pat.

Pat Rigsby: No, go ahead.

Nick Berry: In my mind, first off I would do it in person. I'm more comfortable dealing with people that way. Second of all, you know, it's back to what I said earlier about – you may have to reveal to them the benefits. In order to do so, you have to get into a conversation about that. And it can be as simple as hey, I just wanted to talk to you about your personal training department or the services that you're offering, or the possibility of you having a new profit center or added profit center. You know depending on the circumstance those are the things that – I mean, Pat and I are health club owners so we have some experience with that, and those are the things that get a person's attention. And most of the time, you know, not with everybody – some people can be – but most of the time you're going to be able to get someone's ear for a few minutes and ask questions – just like you would if you're trying to offer your training service to a client. You have to find out what they need first, and typically it's going to get down to you can offer them as much or you know give or take a little bit here or there but nearly the same amount of net profit for them each month with no headache or no hassle – or little headache or hassle – it should be none. So, if you told me that I have an option if I'm a health club owner – we do \$20,000 a month in personal training sales, but it wears me out – it takes – I'm having to manage 4 extra people, I'm having to make sure that appointments are set and kept, payroll is turned in, and we're making \$4,000 a month off of that. Or, you could pay me 20% [call skips] and I was going to make \$3,000 a month, and all I have to do is be accountable with Jim Labadie – I'm going to take that. And that's most of the time what it's going to get down to.

Pat Rigsby: Well, Jim, here's a simple approach people can take. They can send a kind of a direct response type letter and then follow up with a phone call, because a lot of times you know you may not get the club owner just by walking in the club or whatever else. I mean, Nick and I own a health club but we're not on site, and a lot of owners aren't. So, maybe start with a letter and then do a follow up to schedule a face-to-face. But the premise is what's in it for me. You're always trying to convey what's in it for me to the club owner. So, let them know that you can

provide them with a generous income stream without any risk or expense on their part, that their members are going to enjoy much higher level of service, they're going to get better results, they're going to have a stronger sense of belonging to the club, because they're going to be in there more and know what they're doing. So, in turn, they're going to get more – better retention, more referrals, and kind of remind them of the fact that for most of their members they're not making anything except the membership dues. A lot of them are inactive and disengaged. They don't have a systematic way of getting more dollar per member. So, you're going to come in and make their life incredibly easy by doing this for them. You're going to essentially become their retention and referral army within the club, and you're going to provide them a much – a much desired source of extra revenue and no work. Most any club owner would at least be willing to listen to the rest of your story if that's where it begins.

Jim Labadie: There you go. I'm satisfied. Okay. That definitely clears it up. I think – I just know from the questions we get when I talk to people at speaking engagements or contact them, immediately it's always how do I get this initial contact going, so I think that's a great answer fellahs. Ok, so where does that leave us? Where are we going to next? We're going to – we've covered everything with lease negotiation, we're going to head on to equipment and supplies.

Pat Rigsby: Yeah, we're – essentially we're in the club – what do we need to do now? So, Nick, what – off the top of your head, what type of equipment and supplies are bare bones necessities?

Nick Berry: I mean, the absolute necessities are pen and paper. You can elaborate from there. Now, the way that we laid it out, and this worked out really well for us, is we had basically our procedural supplies, which were what do we need to have in order to effectively schedule, to do assessments and maintain and track all of our clients, and then we took those things, and that's basic – that's you know our calendar system was pretty simple – it's essentially pen and paper. And then we kind of got elaborate from there. We moved to an electronic tracking system – electronic billing and those things, which are a little more efficient, but the cost is a little bit higher. And this is all aside from the equipment that you need for training. Do you have – if you have an office, do you need a desk? Do you need a computer? Do you need a filing cabinet? And the answer in a lot of those cases is right out of the gate maybe not. And to keep costs low, you know I'm a big fan of that – at the same time, you know, what does it cost to outfit an office like that with basically a desk, a chair, a computer where you can maintain all of your data, and a filing cabinet where you can keep your important paper agreements and all of your tracking materials. For a few hundred bucks to make yourself much more organized and effective, I definitely wouldn't have a problem spending money on that. You've got to have an answering machine – phone line – people have to be able to make contact with you. What am I missing, Pat? I mean...

Pat Rigsby: Little, just little simple things going into start up mode, it was essentially copies of PAR-Qs, client tracker sheets, we had to have copies, contracts, client folders so we could keep their workouts - just those basic things – a filing cabinet. The first probably 3 facilities that I either worked for somebody using this model or launched this type of model on my own – no computer, no desk, no dedicated phone line – the club – you know in a lot of those small clubs, the club phone seems to double because they're not getting a high volume of phone calls. Now, if you're in a mega club, then you want to dedicate a phone line for sure. You know, staff shirts

so people look uniform. And computers were a luxury. And at this point, most of the trainers listening to this probably even already have their own laptops, so getting a dedicated computer wouldn't be a necessity from a start-up standpoint. And then after that, you just like Nick said, you just start adding those things that are making your life easier and your business more efficient. But, bare bones – you could start it up with the basic office supplies and the paperwork that I mentioned and probably you know training supplies – that's part of why you're going into a facility, because you don't want to incur costs for equipment or anything else. So, aside from calipers or any other tools that you're going to use in like an assessment process, you're not really going to be out of pocket with much else.

Nick Berry: The big thing that we always talk about and tell people is just make sure that you don't spend yourself out of a profit before you've sold anything – on items that aren't necessities. So, it's better to start small with what you absolutely have to have and then expand outside of that as you go.

Pat Rigsby: Yeah, you definitely don't need to go out and spend \$200 on glossy business cards or whatever else, because frankly we didn't – I don't think I've ever used a business card for the in-club training business. I mean, you're setting up appointments and doing everything face to face with these people. You don't need to give them a business card to think about it. You don't need your own trendy stationary. You don't need all of those bells and whistles. So, keep costs down and then as time passes, only add things that are going to make you more profitable – you more efficient, and life easier.

Jim Labadie: Okay, so then what's after that – we're looking at making sure everything is completely legal. What are we looking at in terms of registering the business, state licenses, all of that kind of stuff?

Nick Berry: That stuff's really not that difficult. You can go online at this point and find out exactly what you need to do. You can go to one of your professionals, either an accountant or an attorney – they can do it for you. It does cost a little bit more when they do it, but it's done right then. You can file your own. If you want to, you can contact the business styling services in your state – that would be with the Secretary of State, and they can give you instructions on how to do it on your own. It's pretty much state to state, but there's always a place you can go and find out what steps you need to take. So, it's pretty much just find the business recourses in your state with the Secretary of State, and contact them – find out exactly what they need from you, and they'll give you the forms. I mean, all of that stuff can be found online. You can download it and fill it out, or you can have your attorney or CPA do it for you. And then you also have to register locally in most cases. So, that stuff's pretty simple really.

Jim Labadie: Okay. So, nothing else other than – you're just incorporating and running that business within their business though?

Nick Berry: Right, yes.

Jim Labadie: Okay, so is there anything that – I mean, what about the – what do you recommend for creating an s-corp or for people who are in the United States – creating an s-corp or an LLC

or I mean, do you just – would you just recommend going through an accountant and getting that done or going online? There's always questions about attorneys and how do I do this and that...I mean personally, I recommend going through professionals, because anything that's legal I certainly don't want to screw up from the start.

Nick Berry: Mhmm. You need to speak to your attorney and your accountant before you get started. I understand it's going to cost some money. You need to do that because the hindrance if you do something wrong of having to go back and fix it later will cost you 10 times that at least. And maybe 100 times the amount of time it would have taken to have gotten it done right. I mean, and it can be simple stuff. In the state of Kentucky – here's an example – you can file your own LLC paperwork with the state for like \$40. Or you can get an attorney to do it for like \$250. We've probably done this a dozen times, and then I fill one out, and this is not the first one, but I fill one out and send it in, something did not get marked correctly and it's – I mean it's not exactly a science test here. But, and it comes back on us a year later. We weren't penalized – we weren't doing anything illegal or improper, but it didn't get filed the way that it should have, and so it takes me 3 hours on the phone with them to try to get it straight, whereas if that had been my accountant or attorney who would have done that for us, I wouldn't have had to worry about it. It wouldn't have gotten done right the first time. So, those are the kinds of things you have to take into consideration. And you know, like you said, I prefer going through the professionals. That's what they do. I don't mind paying for it – it's done right – it's out of my hands. I don't have to come back to it later. Now, you'd mentioned referencing like an LLC, or s-corp or what-not. That is something – I mean, I can't make a recommendation there. It depends on you as an individual. That's another reason why I say you shouldn't go into anything like this without talking to an attorney or an accountant, because they're the ones that can tell you the pros and cons of each type of entity and how it applies to you specifically. And typically they can do it pretty quickly and easily. I mean, they ask you a few questions – here's my scenario, here's what I want to do, here's the potential revenues and where it might lead, and they can pretty much make a decision based on that. So, it's not a lot of information that they'll need, but it's information that I couldn't make a recommendation without having that type of stuff.

Jim Labadie: Okay. Yeah, I'm a big believer myself in just hire the professional – just spend some money – get it done right the first time.

Nick Berry: Absolutely.

Jim Labadie: Especially in a case like this, because I'm guessing that for the most part they might not be the savviest of business owners, but in dealing with a health club owner, you know potentially someone who's been in business for a while and maybe owns multiple businesses, you're going to deal with people who aren't necessarily new to this like potentially a trainer is, so protect yourself with an attorney. Always, always, always, cover your butt. Alright, so what are we looking at in terms of overall start up costs? I would imagine it's – I've heard your story before, and it's certainly nothing outrageous by any means.

Nick Berry: No, not at all. Let's see, I mean, it's kind of a generalization, because like we said the necessities – what does it actually cost for you to get those things – we can't define that until we know exactly the necessities are. But, it's not expensive. I mean, including the first month

that we did Fitsystems, payroll and everything – I mean, we're talking about gosh, Pat? It was \$2,000 dollars maybe?

Pat Rigsby: Yeah, I mean and that's payroll based on sales too.

Nick Berry: Yeah, so I mean, it's just not that expensive. And if you're the person who's going to be delivering the service right out of the gate, you don't even have to worry about payroll. So, you wouldn't have to pay commission to yourself. You wouldn't have to pay yourself for the sessions. You just make sure that the business is making money at the end of the month. It depends on your equipment and your office supplies and those things, but I mean, you heard the things that I named off, and I don't think any of those supplies were going to break the bank. There's just not a lot to it. And then if you want, you can definitely overspend on a lot of things, and we've seen it done, and that causes a lot of problem with people. So, again, just to reiterate – don't spend yourself out of a profit before you get started. There's really no – it's like with anything – there's no limit to what you can spend if you choose to. So, you ought to be able to go into this, no including payroll, under \$1,000.

Pat Rigsby: Yes, and if you're – if you follow what we've said and really keep things tight until you have the business up and running and you're actually generating sales, getting going under \$500 is not out of the question.

Nick Berry: Not at all.

Jim Labadie: That includes attorney fees?

Nick Berry: That might include attorney fees.

Pat Rigsby: Yeah, just depends on if you get an expensive attorney, I guess.

Nick Berry: And the terms they give you. We've had one attorney who it seemed like the invoice is in my mailbox before I got off the phone. Another who billed every 6 months. And guess which one I'm still with? It's the 6-month guy. So, you know, you can – if you can get some type of agreement or terms in any situation – not just with the professionals. And typically they're going to work with you, they're not going to hand you an invoice or bill as you walk out the door – they're going to mail it to you. So, you're going to end up paying that 30-45-50-60 days after the fact, which should give you more than enough time to be able to get your paperwork filed with an attorney and – I don't necessarily know if it's a good idea to shop around or shop attorneys on price for this kind of stuff, but if you find an attorney that's your comfortable with – anywhere from \$140-\$150 to \$350 for somebody to file your paperwork is reasonable.

Jim Labadie: I mean something else is – again, as we've talked about many many times – use your connections. You know, who are the people that you know? I mean, is there anybody in your family that's an attorney. Is there anybody that your father knows, your brother knows, your mom knows, your sister does business with? Think about the people that you know, and you might be able to find a really good attorney who will cut you a break or networking groups are another great place – because a lot of times when you find somebody through a networking

group, they'll give you a professional discount or a courtesy discount just for being a member of that same organization. So, there's all sorts of ways to do it.

Nick Berry: Absolutely.

Jim Labadie: Ok guys, what have we got going on next? We've talked about start up costs – the legal issues, which are huge. Alright. We're talking about managing the actual business. So, what are we starting with? We're going to talk about operating standards?

Nick Berry: Yeah, that's fine. I guess from here, the next thing that you need to start to define are your procedures, your systems, what type of things are going to be expected out of you, or the service, or the people who are going to be working in the business. What service are you going to deliver? You know, all of these things you obviously have to be very clear about. Some of this stuff you've been thinking about for however long you've been dreaming of starting this business. If you already know exactly what type of service – if you're going to be a bootcamp or if you're going to do Olympic lifts, or I don't know, whatever your "thing" is. If you already know that, it still doesn't hurt for you to define that a little bit further. And this is kind of starting to put together your operations manual. Which is something that you should be working on over the course of time anyhow. You know, what type of service are you going to provide. Here's the type of training. Here's the duration of each session. Here's how we're going to sell these sessions at a time – package, length, duration, etc. What else – what are we trying to deliver in the client's mind? Those types of things. And from there you can start to build out how you're going to do this. If I know that this is how I'm going to sell our service, say I'm going to serve 12-month agreements of one-on-one personal training for half-hour sessions, and I'm going to sell them – they're going to be billed monthly. Then, I know that what it's then going to take for me to create that – I'm going to have to be able to bill people monthly; I'm going to have to be able to delivery the service over 12 months on a monthly basis; I'm going to have to deliver it in 30-minute blocks. And then you can break that service down even further into – if I'm going to have to bill people monthly, what are my options? If I'm going to have to delivery service in 30-minute blocks, how am I going to track that? How am I going to manage it as far as scheduling goes? And then that kind of is going to help you put together your processes and your procedures for each increment or each leg of that service. Pat, stop me if I'm missing anything here. I'm going to move right on into like with the billing and what not.

Pat Rigsby: No, that's great, because once you've established that, then we can talk about setting goals and expectations on a monthly basis and...

Nick Berry: Okay. Well, to elaborate a little bit further on defining your service and your packages and if you're wanting to bill in say monthly increments or you can do quarterly, you can do semi-monthly, you can do weekly – however you choose to do it – first of all you need to make sure that it's feasible for clients. And what we found is that monthly seems to be the best for them. Semi-monthly (twice a month) or bi-weekly, so they're going to get a couple of checks each month – and you have to keep that in mind when you go to do something like this. It's got to be feasible for them to afford it. Second of all, it's got to be simple. For another thing that we've found is that at least I don't know probably up until about 4 or 5 years ago, particularly in smaller towns, people were a little bit skeptical of doing EFT, or ACH transfers and what not.

Now it's second nature. I mean, I don't remember the last time that someone wrote us a check, so if we're going to try to make it simple for them, then you know the common transaction anymore is done through Debit card or credit card. So, you've got to keep that into consideration. The term length – you need to relate somehow the term of the agreement to the term of your service. Ok – it would be kind of odd for me to if I'm going to offer a 6-week bootcamp and that's the program that I want to sell, then doing a monthly billing over 12-months would be a little bit confusing and difficult to track. So, I want to try to scale that back, although I like longer terms, not necessarily 12-months, but the longer duration – if you're going to run a 6-month bootcamp, then you might need to consider, I'm sorry 6-week bootcamp, you might want to consider billing in 6-week increments. Or, you might want to consider somehow restructuring that so you can still bill a fair amount of the price of the service on a certain date each month. You know, if I'm going to bill half of it on the 1st of January and half of it on the 1st of February, and then they've paid for their 6 weeks. And then they can re-enroll for the next camp whenever we decide to offer that. So, somehow you've got to tie your term of your package that- of your service to the term of the agreement. Now, to tie all of this together and make a little more sense of it. There are a lot of companies you can find online or through other people that you know who are using automated billing services. We've come to find that there are a lot of poor options, there are very few good options – do your homework on this. Make sure that they can deliver exactly what you're looking for. Ask every question you can think of, and ask it more than once. You need to understand that they're going to charge you in addition to your merchant processing fees, there's going to be another fee. You need to make sure that you can read those fees – you have to understand exactly where they're taking the money out from you. Understand when you're going to get the money. You don't – just because you bill someone the 1st doesn't mean it's in your bank on the 2nd. And there are some companies out there that can do a pretty good job of hanging onto your funds for quite a while. Those are some of the things that you need to consider and think about. And before you even go to a billing company, you need to know exactly what you want, because if you don't you're going to get what they give you. And that doesn't necessarily work for you. So, understand exactly what you want. I need a company that can bill for me monthly or I need somebody who can bill for me just every 3 months, or maybe you don't even need an automated billing service, maybe you just need someone to process payments for you once every 3 months or every time you begin a new bootcamp. But you have to know before you can go look for a solution. That's it, Pat, did I miss anything on the ...

Pat Rigsby: No, and I think that transitions us very well into setting goals and objectives and – there are so many different ways to do this, so I'm going to go ahead and just give you examples of goals that might be realistic and objective. Because everything's a little bit different. Like, for us, when we got into you know the club setting in someone else's club using this model, we would basically set specific goals each month on number of sales appointments and we define them as introductory sessions, and we'll get into that in a later audio, and number of closes, so the average package value you know, and total production – total package for the month. Because our goal - 85-90% of our services sold were sold on a 12-month contract, so everything was billed on that EFT transfer on a monthly basis that Nick alluded to. So, you know, you need to set specific goals on a monthly basis to keep the production up – to keep your EFT growing. For us, early on, and we were wanting to do 20-25,000 dollars a month in contract value and try to up our EFT 12-1500 dollars a month. Now what we quickly found was we were converting at a higher – converting prospects into clients at a higher rate, and we were having months where

we were seeing EFT increases of \$2000, \$2500, \$3000 a month, and that's a bump in your revenue for the next 12 months. That's not just something that you're going to benefit from this month or just for a couple of months. So, you need to be very specific and Jim always seems to get a kick out of me talking about not running your business like the high school guy who runs his grass cutting business or what not. You know, and we see trainers that do that very regularly, but in a business like this – when you're in a health club, when you're dealing with a much larger volume – tracking your numbers is crucial, because it's a numbers game. You're not going to have that 90% close rate that some people talk about in personal training studios, because if somebody shows up at a personal training studio, they've pretty much already committed to the fact that they want training. Here, you're going to end up interacting with a lot of prospects that want to get fit, but they haven't necessarily decided they want to work with a trainer, so you need to be very diligent about setting goals for the number of people that you meet with a month. Know your closing percentage. Know how many of those you're going to turn into clients. Know what your average transaction value is. So, you know, if you're going to meet with 50 prospects a month, you close half of them at 25 sales, and your average deal is a 6-month contract worth \$1,000, well, you need to know if ok does that work? Is \$25,000 in production enough to make your business work? Or do you need to kind of back track and say well, ok, I'm closing 50% but I need \$30,000. So, I need to sit down with 60 people because that way I'll close 30. So, it becomes very much a numbers game – much more so than the average personal training business where you may only sit down with 4 new prospects a month. But, the beauty of this is you can build a really significant sized business very quickly. I mean, we went from a brand new business with no revenue to months of \$25-28,000 dollars within the first probably the first 8-10 months, and that's huge, because you're talking about EFT. You're not just talking about getting a lump sum of money and then having to service it for the next 6 months and not getting anymore money while you're delivering services. So, just something to think about. This business model is so much more friendly for a fitness professional as far as keeping their costs down to start and everything else. But it also probably requires knowing your numbers a little bit more than in-home training businesses and an outdoor bootcamp where maybe you get 25 people. I mean, at certain points, we've had over 400 clients in the system. So, you can really ramp things up and make some serious revenue. But you do have to be cognoscente of what your numbers are.

Jim Labadie: Yeah, you definitely do. Talking about being cognoscente, we've kind of being going into everything, so I don't even know where we are on route anymore, guys.

Pat Rigsby: Uhm, accounts payable and expense management – that's Nick's stuff.

Jim Labadie: Okay.

Nick Berry: Well, one of the things, and this is all just cash flow related – what Pat's said a step further. First of all, you've got to know the numbers. Don't miss the things he's saying and how we manage – well, this is how we looked at a certain percentage needs to go to paid in full, a certain percentage needs to be going EFT, that's because our business was built around – we set a goal, we needed to get our EFT above our operating costs, including our payroll. Once we did that, then we could afford to backoff and discount things just a little bit more to increase our closing percentage. And it just increased our margins even further as far as – I'm sorry I should

rephrase that. It increased the amount of cash flow that we had each month above and beyond our operating expenses. Now there are a couple of things that are imperative here – one is you've got to do everything within your power with dealing with all of your vendors to finance everything out. I mean, you don't have to – and this is, most of this stuff is probably already arranged, you know, your phone bill is due after a certain amount of time, your payroll is due you know 2 weeks after the pay period ends, or 1 week after the pay period ends. If you're purchasing products for resell, if you're doing any type of retail at all – you can probably negotiate terms out a little bit, and that's one area you know when we talk about later on the backend and upsells and what not, then that's another – that's one area that where you really can maneuver a little bit more with the terms. So, deal with your vendors in that way and manage your expenses and your bills very very efficiently. The other thing –and this is what I just said a second ago, is that ratio of paid in full to EFT sales. And we would actually fluctuate and change our packages around if we needed to up our EFT a little bit more this month or what not – then we would structure our sales process to do so. And that's where we had set that goal – we need our monthly EFT to be above our operating costs, and when it's there, then we're able to net a significant amount more, because anything above and beyond that is profit. And we were able to discount the fees a bit above that so we were able to close a little bit more. So you can see where there's a little bit of a snowball there once you reach a certain point. And now back to what were we talking about – accounts payable and accounts receivable. That's where we dealt with the accounts payable – I mean, that's efficient cash management. Pay your bills on time and you don't have to pay them too early. Accounting – that's again, I recommend you go to a professional. If nothing else, make sure that your bookkeeper knows what they're doing. Then you can take your books to a professional at the end of the year when it comes time to file your taxes. But, one of the biggest lessons that we learned was when we decided to have someone do our books and it didn't last very long – we caught it pretty quickly – but it still nearly took us a year to get everything straightened out. We just had somebody doing it that wasn't as savvy as what we needed. So, make sure that the person who's doing your books is – they know what they're doing. They have talked with your professional – your CPA – and that everything is being detailed and booked according to the accountant specs. You don't necessarily want your bookkeeper to I guess think on their own or freelance in your books. That's going to cause you a problem, and when I was talking a few minutes ago about certain things that if they don't get done right and they're very time consuming when you go back – that's the most time consuming lesson I've ever learned. And I think Pat would probably agree. I mean that, literally 6 weeks of employment for one person took us a year to get the books – everything – reorganized. It cost us money – it didn't cost us as much money as other mistakes have, but it cost so much time. I mean, this is literally a year of me spending I'm going to say no less than an hour a week maybe more than that with our bookkeeper and accountant to try to get that straight. So, you know, those are the things that you've got to hopefully learn from our lessons. Do things the right way the first time – go through a professional if you have to. Yes, they charge a premium, but they are able. There are bad ones out there, but you know, that's where you've got to do your diligence. So, you have to do your homework, research it, find somebody, pay them, and do it with a smile – consider the alternative. The same thing with the legal and insurance for that matter – you know, it's a necessary evil – you've got to do it. Don't ever take a chance on not being insured. You're just going to need a professional liability policy and then there might be some peripheral policies for you depending on what type of niche you have, or what you're offering. Ask questions. But that's imperative when you're dealing with insurance, because you

are not going to – but you need to know what happens if – who do I talk to if – am I covered if – what happens if I'm not covered? Ask those questions. You have to learn this stuff. And the only way you're going to is if you talk to somebody who knows and you're willing to sit and ask them the questions that you need to know. I don't want to set and harp too much on hiring professionals, but it really is that important guys. I mean, Pat – you've been through the same parts I've been through with this, so I wouldn't expect that you would disagree too much with that. And Jim, we've worked together enough now that I know that you're in the same boat. It's just a necessary evil. Pay it. Be happy about it. And consider the alternative.

Jim Labadie: Oh yeah, I mean, the alternative is much much much much worse. You just pay it. You get it done, and you move on and start making money.

Nick Berry: Absolutely. You do what you're good at.

Jim Labadie: Yeah, you focus on what you're good at. So, is there anything that we haven't covered? I mean for this where you know...

Pat Rigsby: No, I think for the first audio, this is what we'd hoped to cover, and hopefully people can kind of see the opportunity that this type of business model offers. And especially for a lot of trainers that may not have the necessary cash on hand or ability to generate cash to open a studio or something like that. Hopefully just through this first audio, they've recognized that you can build a really profitable business in a hurry using this model.

Jim Labadie: Yeah, you definitely can. I was just going to add that for the people who are listening to this or reading the transcriptions, you really want to make sure – I mean this is business ownership. As Pat said, he says don't treat your business like a summer lawn mowing job. But it's true, most trainers – certainly me back in the day – a lot of them aren't thinking about accounts receivable, accounts payable, hiring attorneys, creating cash flow, negotiating leases. A lot of trainers aren't thinking in those terms and this is a true business, and it's a great model and it's low start up cost, but just understand that this is work. This isn't fly by the seat of your pants kind of stuff. I mean, this is a true business. It's going to take action and thought and discipline. Am I wrong?

Pat Rigsby: You're absolutely correct.

Nick Berry: And you get through all of this boring stuff and then you get to what we're going to talk about next time with the sales and marketing. I know you're just going to love that.

Jim Labadie: Absolutely. We're going to talk sales and marketing and getting clients in and making money. So, alright everybody, this has been audio #1 for the Ultimate Personal Training Business. We are going to be coming back – you'll have access to all of these audios, so make sure you digest this one. You may want to listen to it or read it a couple of different times and really consider this as a business model. And make sure you're getting on the PTU forum and asking questions. There's a ton of great recourses and a ton of great people on there to help you out. So, we'll see you on audio #2.