

Mike Petrella Machine Buying Membership Final Transcript

Lawrence Neal: Mike welcome back to Copa Warrior

Mike Petrella: Thanks for having me back on.

Lawrence Neal: You're welcome and say as we were kind of talking about before that the real purpose of this episode is really to dive into the economics of buying machines and in the context of start-ups in strength training but also existing businesses were in kind of strength training industry. We're looking to acquire machines more efficiently and keep control of their costs more in their business. I'd love to hear about your -- to kind of kick this one off -- because you got so much experience in what your buying and selling and acquire machines of the years for your facilities. I'd love to hear your views on, can I buy machines versus leasing them across the different brands and maybe we can dig into some of those in more depth as you go.

Mike Petrella: Sure, so obviously when you talk about buying and leasing they both have their pros and their cons. The nice thing about leasing equipment is it keeps the initial cost down because you're not paying for the equipment outright. In most lease programs, not all of them you're getting brand new equipment which again, it's fantastic you can put into a facility, it's going to look really good, it's going to show well.

It is not my favourite way of doing things and I'll get into that in a second but certainly when we lease it that very first day overhead is reduced. Now I have also seen some of the bigger used market guys some of them are in New York, some of them are on the West Coast USA, I don't think there's any big guys in Canada that they were doing it, but they can take a circuit of MedX, Nautilus, Flex, whatever brand, they can remanufacture it to whatever specs you like in terms of your colours and then they are big enough that they can also lease the equipment to you. What they also have

Mike Petrella Machine Buying Membership Final Transcript

available some of the new manufacturers have this, some of them don't, is a lease to own program. As long as the interest is not particularly high and some of them will do it at 0%, that's another really good way of getting people started.

Now, I always prefer to go the ownership route. Day one, you're going to have to put up the capital so that is the drawback to it but it is nice to own your assets. Especially today, and I'm not going to get into currency much but we're constantly losing purchasing power with our paper money, so having hard assets, having steel in our hands is actually not the worst place to put your money. I don't think it's necessarily going to appreciate in value unless you are buying something that was very rare or some sort of one off Arthur Jones machine or something of that nature but I've found that over the years, all the machines that I have bought have retained their value whereas like I said paper money has largely depreciated, so I wouldn't buy it necessarily as an investment, but I do like owning it and then when we're looking at someone who might be at the end of their career and they're looking to sell their business, there's a lot of things that go into that but certainly having ownership of everything is going to increase the overall value of it and you're probably going to sell your business for a bit more.

Lawrence Neal: What about -- just a thought occur to me, if you do, let's say buy machines out right. My understanding is that certainly in most cases, in terms of my MedX and Nautilus that they have quite a long life cycle they will last a long period of time. What costs are involved in terms of keeping them maintained well and operating well and how long really see to these machines actually last or before they need to be, I guess replaced or if at all?

Mike Petrella: Great question. If you buy something that's very high quality, much like the MedX machines and the older Nautilus machines that you

mentioned, they have an exceptionally long life cycle. So if you go back to the original Nautilus machines that were chain driven, then the standard for the roller chain I believe, the breaking strength on a standard forty roller chain is somewhere around 5 thousand pounds. If you have a 2-hundred-pound weight stack and you can move that thing as hard as you want, as fast as you want and you're not even coming close to that five thousand pounds. I have never had to change a chain on a Nautilus machine because of breakage. I have had older machines that were well used that over time the chain has stretched a little bit and you can feel a little bit of slack, so certainly to have optimal fact, you might have to change a couple things here and there, but I've never had a mechanical brake on the Nautilus machine that was over 40 years old. You can change some bushings, for the people who retrofit the machines, you will go from bushings to bearings and again you can start to get into some cost that way but that's all about adding to the product. It's not necessary in terms of hey, will this product work, will it work properly, will it work without breaking, we're as I've been to other commercial gyms where they just buy -- I'm not going to use any brand name-- but I guess you could say more generic equipment that they don't use top quality bearings, they don't use top quality bolts and you see the Kevlar snapping and again there's better versions of Kevlar, you see the cables snapping them and they can sometimes be down more than they are operating and again at the at the very beginning of we're talking new cost per machine you're probably spending at least a \$1,000.00 maybe \$2,000.00 less depending on the size of the machine or some of these other brands - you look at a hammer strength machine, high quality steel, high quality bearings in it and they're basically made to just last forever. Again I've never even seen somebody have to change a bearing out of a hammer strength machine. So if you buy quality at the start, I find that the cost of maintaining them are not particularly high. Some people like all out, they like to put the best bearings, the best chains, I have some friends they put stainless steel chains in the machine which is awesome but it is not

Mike Petrella Machine Buying Membership Final Transcript

necessary for the overall maintenance of keeping them working on your gym floor even if you have a high volume facility.

Lawrence Neal: And as for the set of values that the Joneses share isn't it, is no expenses spared to create something that is going to last and give a great workout at the end of the day. Okay, so just jumping back a second, we will see you answered question around buying versus leasing in terms of strategy for your business. Can we talk about that specifically? I have a listener, who is very keen on stanning this in the context of MedX for their business. Do you want to just elaborate on the current state of affairs in terms of the buying options for MedX right now?

Mike Petrella: Absolutely, I was talking with someone just recently, getting ready for this podcast. I'm not going to use their name, but this is very good authority in terms of MedX. And unfortunately, if you wanted to buy or lease brand new MedX machines it is not going to happen. They only have a couple people working at their plant right now. They have just made a new price list for MedX which has raised the price of just about every machine by about 20%. I'm sure if you're going to pay that premium they might bring some people in and make them for you. But I think they've priced themselves out of the market first but then on top of that, their whole business model is not cantered on equipping facilities and certainly not smaller gyms. I don't believe they have a lease program anymore and if you even want to buy the new, and you're able to come up with the money, it looks like it would take several months, maybe over a year's time to get your hands on it. So as much as I love MedX machines, --those who know me know I got pretty much all of them-- right now if you're looking MedX, you need to be looking into the used market, into the refurbished market, because realistically trying to get them new or trying to leasing them new is not going to be an option for you.

Mike Petrella Machine Buying Membership Final Transcript

Lawrence Neal: How might someone go about leasing used... Is that even an option?

Mike Petrella: So, if you're looking to least used equipment in general you're looking for a much bigger player on the scene, so a lot of people that are just selling stuff out of their gym out of their facility or from one of the college programs, which we'll talk about in a minute, they're just looking to get out of the machines, they want them moved, they normally put very good prices on them, whereas there are people that come in and they're getting paid to bring new equipment into big facilities and when they bring the old ones out, they generally refurbish them. Sometimes you can buy it as is, but a lot of times they like to refurbish them. And when they have enough money coming in, that they can set up leasing programs and better yet lease to own programs. The only problem with that is, a lot of times you're not seeing the MedX Equipment come into the market that way. When I normally see that, I'm seeing a lot more Hammer Strength, I'm seeing a lot of the flex machines which I like they are very good select drives machines. Some of the old Body Master stuffs coming up, up our way in Canada we see the Atlantis product quite a bit and these lines are fine but you're not always getting exactly what you want and I'm not seeing the higher end MedX machines come into this particular market. Normally it's a used, buy as is type market for them.

Lawrence Neal: What was that you were saying doing this lever on the college programs, you were saying about that just now.

Mike Petrella: So in the States, they are making gigantic amounts of money on their athletic programs. And it is not uncommon for them to go to again say I high-end company like Pendulum, they like to do the pay to own equipment quite a bit. And they will buy one, two, three, four entire lines of the Pendulum equipment and they'll only use it for two or three years and the machine is still fine, but as opposed to getting them refurbished or

getting new pads on them, they will buy the exact same machines brand new again and sell the used ones off and I find that even the manufacturing companies are pretty good at supporting the secondary market. The idea that they know their primary market are these big college sports programs that have very large budgets but then say I put the used Pendulum machine in my gym, they will support my brand and my business by me having it there, understanding that I did not buy it from them, but I'm still continuing their brand awareness through my own facility, even though say Michigan or Michigan States dropping six figures unto them. And the only reason that they're even changing over the equipment is because when they're trying to recruit an athlete, one of the things that they're using for their recruitment is, come take a look at this weight room, it's going to be state of the art, it's going to be beautiful, it's going to be clean and they don't want the machines to even look a little bit old or a little bit worn down and it makes more sense for them to pay the company to bring in new stuff and set it up for them so they're not having to do that and keep everything nice and modern than trying to refurbish all the old so a lot of times, facilities like myself and several others that I'm sure your listeners are around same size, kind of a similar business model. We can pick those pieces up at very good prices, we can still get in some cases warranty, we normally get backing from the manufacturer and the college programs are more than happy to get us this equipment. Sometimes you got to find them, sometimes you got set up a -, you got to look online, somebody's got to setup relations with some of these strength directors but it's a really good cost effective way, of getting high end equipment into your facility assuming you're not a multi-million dollar sports program.

Lawrence Neal: So, yeah, I now remember, I remember the chap at the resistance exercise conference. He was demoing, he was presenting on stage and all of the different colleges that had a quiet Pendulum lines and it just looked so fancy and so spectacular. And you can understand I don't see why it's --

Mike Petrella Machine Buying Membership Final Transcript

as you were saying it's so important that they use that to kind of sell their facilities to new students. And I guess this is all funded by these increasing duration rates, I'm assuming there is so much money coming in and in the way of that and so they can afford all this I suppose, is that correct?

Mike Petrella: No. It's actually not the two charades it's the athletics themselves. So I was told by a division one football strength coach a few years ago that if they made a bowl game which is a championship football game in the States that the amount of revenue that the school generated from that one game, covered the operating expense of the university or the college for one year. So that's how important the revenue from athletics is to those universities so I don't have the books of one of the major universities in front of me, but if I was going to take a guess I would say that the tuition and is not even close to the amount of revenue generated by the actual output of the sports programs in themselves. So that's why they want to get the best athletes, they want to make sure that their crowds are happy that they're seeing a winning program and part of recruiting these athletes is saying, look at our training facilities, look at what we have to offer, look at our coaches, look at our equipment and if you position yourself the right way there is a trickle-down effect from these big programs.

Lawrence Neal: And just going on your last point there, what specify people to actually go about acquiring some of the secondary care, like who would they contact how would they actually go about doing that?

Mike Petrella: I'd love to tell you there was a specific way of doing that. A lot of times it's just you're doing internet searches. I remember when I got my buttocks equipment originally, it was from the University of Kansas City Missouri and I was looking for a specific piece, I was looking for a MedX avenger Leg Press which most of your listeners will know is one of the top tier leg presses ever made and that's all I wanted and what ended up happening was

I was doing a Google search I found one on a price list from the University of Kansas City and it included, it's either 24 or 26 other MedX machines. I think there's 24 selectorized machines and then there was two Avenger machines with a leg press being one of them. And I got a hold of their athletic director and I asked if I could just buy the one machine from them and they informed me that they couldn't do that because if the person who bought everything wanted that one specific machine just like I did then it wouldn't be fair to them, which is a fair point. He did however offer to say that whoever bought them all, they would contact that person and say that I was interested in that one machine and basically see if they could set up a side deal for me which was very nice of them. Well as it turns out, nobody put an offer in on the circuit and I don't think it was because their price was high, their price was very low, I think it was just because I was about 30 or 40 pages into a Google search at the time and I don't think anybody seen it, had they had been smart and put it up on eBay, it probably would have got a lot more action and the athletic director called me the next week and said that they needed to get rid of this stuff in the next 48 hours and he offered me a price that at the time was almost unbelievable. Certainly used MedX prices have gone down since that time but this was almost 10 years ago now and these pieces were very expensive so he made me an offer that I actually couldn't refuse and I told them that I couldn't get them out in 48 hours but if he gave me till the weekend I'd figure it out then me and three of my friends drove to Kansas City Missouri which is about a 15, 16-hour trip and we cleared out their weight room. When it was all said and done and the machines were on a truck and I knew they were in my possession, I asked them why would you get rid of this stuff it was all fantastic, it certainly had cosmetic signs of wear but every piece that I have gotten from them, I think I changed a couple of bushings and that's been about it. They all function fantastic and I said why did you get rid of this and they were saying that they had, I think he said a \$150,000.00 grant for new equipment and if they didn't have the space to put the stuff in they were just

going to lose the grant. It was going to go somewhere else in the university. So the athletic director actually had a background of biomechanics and she loved the MedX machines and she even said the stuff we're getting is not as good but she didn't want to be the person who lost \$150,000.00 grant for the program and it just moved on.

So a lot of it is kind of luck. A lot of times people just searching for what they're looking for, I'll give you another example: Eric McKay who you would have met in the Rex conference in Minneapolis, he is a big fan of Pendulum. I think he has the whole line of Pendulum gym now, it's a very cool facility. He was doing a search, he was looking for some more Pendulum equipment and he came across a university, the same idea, they were just selling those stuff off and they're replacing it with the exact same machines, just brand new. Their stuff was I think only about three years old and they were red and black which he knew, I like to have all my equipment red and black whenever possible and the two of us bought out another university gym and again the price was just well under what it would be for us to buy the stuff new but Pendulum has been great about supporting him, support of myself and they're happy that when these machines go to other homes where social media is going to put them out and they're going to see them in use. And they're making their big money off that particular university that's not only bought the whole circuit once but is now bought the whole circuit a second time. So I love to tell you that hey these are the people that you want to talk to and they're going to they're going to be the people that get you in the door, but realistically it's just about keeping your eyes open. Facebook makes it easier, I remember before I got into this game and this is kind of a legendary sale. Michigan, the Michigan Wolverines, they had one of the greatest facilities ever equipped under Mike Gill Nelson and when Mike retired, the gentleman they brought in after and there's a lot of controversy with the gentleman they brought in and how he changed the philosophy of strength training

Mike Petrella Machine Buying Membership Final Transcript

this is when functional training was really at its peak and he sold off pretty much all the machines that were in the facility that Mike had acquired over the years and he knows his stuff, he knows what's good and what's not, and they just had a fire sale and I've heard of people getting some of the rarest Nautilus machines for under 100 dollars, buy MedX machines dirt cheap they had two or three of those Avenger leg presses that went as cheap as I've ever heard and everyone who was there that day, they had a great day. And the people who bought it to resell made money and the people who equip their facilities to make them better, they were able to do so at a bargain, so I do like the used market, sometimes you have to wait for what you want. If you want it now, you can always buy it new and you can spend the money but the used market, there's certain avenues you can go where you can certainly save a lot of money if your patient.

Lawrence Neal: Yeah, I mean obviously Facebook's the place to go if you want to find out specific individuals who are quite -- well positioned in the industry who can help acquire machines and I'm assuming some of these characters all kind of know what's going on in relation to the kind of used market. But, this is a real kind of nitty gritty question Mike, but if you were Googling now and I'm sure you do from time to time do a quick Google on what's out there, how do you actually do a Google search to find what you're looking for when it comes to machines?

Mike Petrella: Another good question. I do have a bit of a process that I've worked with over the years. So the first thing that you try is you go on Google and you just do a search for exactly what you're looking for and know if you get a hit on it, that's fantastic. If you're looking for something that's fairly common a lot of time that's all you need to do and you'll find one and then hopefully you're looking for something close by. It's always a pain when you're having to ship these pieces but if you get something that is within your own driving distance then you can rent a pickup truck that definitely

saves on your cost. The next thing you go after a Google search is generally just an eBay search, and again, I find that eBay, five to ten years ago had a lot more hi-end equipment on it. It seemed to be a place that people were going to but eBay takes a cut off of everyone so I've been finding that I'm finding less and less on there.

The last thing I go to and it actually might be one of the most powerful tools is there is a website called Ad Hunt'r and all Ad Hunt'r is, is a search engine for Craigslist and as opposed to -- when we used to do this back in the day, we used to go from city to city, major city to major city and just try to find what you want. You can now search an entire country at once, so you'll search the machine that you want, or the brand that you want and you see what comes up and even when there's times when I'm not really looking for anything specific I might go on Ad Hunt'r and I might type in MedX, I might type in Nautilus or Nautilus first generation and just see what comes up, you never know you might find a deal on something, you might find something that you really want or something that you only kind of want but the price is right. So in less than ten minutes you can get a pretty good search of things and I haven't gone into the Facebook marketplace much but I see that's a growing thing as well, I wouldn't be surprised in the next year if Facebook market starts to have more commercial exercise equipment on that.

Lawrence Neal: So what about --that's awesome, that's some really good tips and I didn't expect you to have a kind of a... like an art to the way you do that, but clearly you've used it quite a lot and thought about it quite a bit and so if you're doing like a Google search are you quite clever with the pluses and the courtesan and things like that when you're doing a search. Cause you're mentioning just now that you're finding an opportunity on page 35, page 40 so, is that just patients or is there a more skill to the way you're actually going about that on Google?

Mike Petrella Machine Buying Membership Final Transcript

Mike Petrella: In that particular example that would be more just patience. There's little tricks, I'm not fantastic with adding in different characters and getting a different result on Google. I would say my tech skills are maybe a five or six out of ten. Certainly, I have done searches where I will say again that MedXavenger Leg Press and what comes up is, people that have them in their facilities but don't necessarily want to sell and then I'll type in MedXavenger Leg Press used and all of a sudden that will bring up a hit that has one left for sale so, I do try a couple of different words: used, refurbished, resale, stuff like that and you can get some different examples. I don't go to much crazier than that, because you can spend a lot of time searching and really not finding what you're looking for but like I said a Google Search, an eBay search and an Ad Hunt'r search in my opinion you're covering a lot of ground for trying to find what you're looking for.

Lawrence Neal: OK cool. So let's talk more about -- you've obviously you got a lot of experience acquiring machines over the years and I just be really interested to hear your views on the best value for money in terms of pieces that you've acquired-- I mean, we could probably look at this from various perspectives so firstly, if you were starting out and you just wanted to, you want to start a facility and acquire a set of pieces to get things going, how would you go about that and what would you look to acquire, what do you think?

Mike Petrella: So it's funny, I was actually watching a D.V.D. years ago it was the Train with Frank Zane video that you got if you bought one of his Leg Blasters which I bought Brian Johnson's recommendation and Frank has a very cool home gym that he trains people out of and you can do seminars with him, he's a very interesting guy. Sometimes bodybuilders don't always get the best reputation for their intelligence, they get a lot of meat head comments and I could tell you that in the short interaction I had with Frank Zane he's

a very intelligent individual, very nice individual as well and he says right in the beginning of the video that the best deal is the old Nautilus machines and I really like the old Nautilus machines. I think some of the things that Arthur was doing back then have been poorly replicated. In some cases, they haven't even been tried at all in the case of he had his double machines, he had an isolation motion and the compound motion from the same machine. I haven't seen anyone else even attempt that. And it's not uncommon to find these machines that are almost at give-away prices. Certainly if you're looking for some of the rare stuff and it's someone who knows what they have the prices can go up, but you get a pretty good circuit of old Nautilus machines very, very inexpensively and then when I started getting into this over a decade ago, the first and second generation stuff, where the really good price point was and then some of the later models like your Next Gen and your Power Plus models were still a little bit pricey, if you were starting up. That is already changed to the point that some of the Nitro machines are built in the '90s. Power Plus, Next Gen anything made '70s, '80s and '90s with the Nautilus badge on it you could buy a relatively good price. And again, some of the pieces in my opinion are better than others, we're not going to go piece by piece and describe them all but you're dealing with a commercial quality exercise, it's going to last, it's going to feel good and you're going to be able to bring it in at good price point. The other set that I would certainly take a look at is hammer strength. Now, the downside if you're doing a lot of personal training is you're constantly loading the plates and over time it can certainly wear on you, but if I was to operate a gym that had memberships. The nice thing about Hammer strength is, it requires almost no maintenance it just runs on very high quality bearings and I like to joke that any idiot can use it. Not that a hammer strength machine is a bad made machine or that they didn't think about biomechanics, but you can get onto one of their chest presses, you can bounce the weight off the rubber stopper, you can set the seat any which way you want, and might not be proper, but anyone can get on it and

Mike Petrella Machine Buying Membership Final Transcript

they're not going to hurt the machines, they most likely not going to hurt themselves and they're built bullet proof and you can get circuits of hammer strength machines relatively cheap now. If you want to spend some money to get them refurbished to make it look like new, they'll still look good and of those would be the two places where I really look to save money. There's other brands out there that will knock off through the '70s in the '80s they're really not worth anything but you're not going to get good biomechanics, you're not going to get good quality, even when you hear the weight stacks hit each other, you can hear that the steel quality is not the same as what Nautilus was putting into theirs, so I still like to stick to some of those premium brands. But anything that was made through the '70s, '80s and into the '90s now, you get some pretty good deals out there.

Interviewee: Yeah, I noticed that, when I was doing some research myself even in the U.K. on the eBay store there, there's some really good deals on Nautilus which really surprised me in the U.K. Well, would you mind elaborating on my price points for hammer strength, what are we talking about in terms of per piece on average or for life five pieces something like that, the first one maybe Nautilus.

Mike Petrella: So when I look at pricing equipment, so actually I look at it from a position of maybe I'm trying to sell it, that's how I kind of judge the market. What can I realistically get? So I'd look at a piece and I'll say okay, well this is a piece that's in really great condition, it looks absolutely brand new and I know they didn't make a lot of them and I can price it a little bit higher. And then I look at the price that if I sit on this machine, it might take me a month or two to sell it but this is realistically what it's worth and then I have what's called the blowout price. I need this thing gone and if I put it out at this price I know it's going to be gone in 24 to 48 hours. So if you're going to look at a typical hammer strength machine, just the standard run of the mill machine, I would say that you're looking about a

1000 dollars per machine. If you're looking to get rid of it really, really quick, you can buy hammer strength machines from, I've seen it from 200 dollars to 500 dollars and normally at that price you're getting rid of them pretty quick and then if you have something that's in really great shape, all the grips are still in; there's no wear on them, there's no wear in the paint and also you didn't get some oddball colour, normally a white machine will sell faster than say yellow machine does.

I've seen them go up around the 1200 to 1500 dollars range so it's a good size spread. But again a commercial piece of equipment, at around a 1000 dollars apiece, that's always a pretty good deal there, a lot more expensive than that brand new and that's kind of where I judge most pieces and then on the Nautilus side of things a lot of the commercial first gen stuff it's about \$500 dollars, so it's even less than the hammer strength even though there's more steel and you have weight stacks it's just, it's older, there isn't as many people looking for it. There is a small community that does repair them, I'm a part of that small community. I like them quite a bit but when they're out on the open market and you have people looking upgrade facilities that probably never heard of Arthur Jones, they don't care, they don't want to move them, they're heavy, they're kind of awkward to get through doors or get upstairs and I've seen old Nautilus machines go for under 100 buck all the time. Not generally the rarest stuff, but I have seen a circuit of Nautilus machine 12 machines, sold for a thousand dollars that were all perfectly usable.

Lawrence Neal: As someone who has obviously acquired machines over a long period of time, what are some of the most important considerations you think that new people entering the market or those looking to expand a gym should be thinking about when acquiring new pieces to expand or maybe open a new studio to set up kit there. I'm just curious, is there any mistakes you've made along the way which you might be able to help others avoid or

Mike Petrella Machine Buying Membership Final Transcript

other things you think need to be considered when going through this process?

Mike Petrella: There's a couple things I'd like to say in that regard. I have bought certain machines based on, I guess you could say reputation in the industry and when I got them I wasn't particularly impressed. It's sometimes not always easy to use everything. You want to be great that if you could try out all these pieces beforehand and get all your clients to try them out and see if you like them and again I bought a line of equipment a few years ago and the gentleman who makes them, I'm not going to say his name, but he has a very good reputation in his part of the fitness community and when I got them I found that most of my clients couldn't use them properly. I found that the one piece in general was very, very hard on the knees and I had to take it off the floor almost immediately and. I hadn't talked to a lot of people who actually used it. I was basing it off this gentleman's reputation as a trainer but it doesn't mean that he understands biomechanics, doesn't mean that he's great at building equipment. So now what I do mostly is if I'm looking for a piece, I'll go on the chat boards, I'll talk to people who have it and again you do a search on something and say you find a couple of gyms that have that piece that you're looking for, email the owner. More than not they're very happy to talk to you about the equipment in their gym and they're very honest about it and if I look at a piece of five or six people who I really respect their opinion say hey it's excellent, we really like it, we really enjoy it, then I go out and buy it and I will give you an example of the last machine that I bought, because it's a positive one so I'll use all the names; there is a company called Dyane. -- but I don't like throwing people under the bus here Lawrence--

Lawrence Neal: I understand completely

Mike Petrella Machine Buying Membership Final Transcript

Mike Petrella: ...but the people who like positive things I do like to give them their due and there's a company called Dyane. I believe they only make three machines and out of the three, the one that's really hit for them it's called The Gudiator and if you're not familiar with it, it's kind of like doing a hip abduction and hip extension at the same time. It's a very cool machine and one came for sale in Canada so I didn't have to ship it across the border, I didn't have to pay conversion of the dollar and I never used it before and I have a couple of friends who have facilities in the States that I know have it and I just reached out to them and I said, do you use it? Do your clients use it? Are there any safety considerations and they all got back to me very quickly and they all said the exact same thing it was unanimous; we love this piece. It works great, if you can get it pick it up so I never used it before. I drove up to Montreal where it was located, it's about a six-hour drive from where I am. Put it in the back of my pickup truck, brought it home, instantly enjoyed it. Instantly thought it was great, put some clients on it, it was almost unanimous, unanimously people enjoyed it and I haven't looked back since, so the people who are utilizing these machines already, reach out to them. Ask them what their opinion is, if it's not that good they'll probably tell you, it's not that good unless they're trying to sell it to you then they might tell you it's fantastic even if it's not.

Lawrence Neal: And that's why you need to get multiple opinions on this stuff, because some people obviously very biased when it comes to certain kit and I really think you make a point there, go old school, create Google sheet, get names online, get phone numbers and emails and systematically work through all of your findings and keep tabs on where you are with each person and each - piece of kit that you're interested in or for example and that's one way of systematically, she going about buying the kit and researching it. What were the... Mike what was the chat boards that you mentioned earlier, what places are those that people can go to, to engage and find out more about machines that might be available.

Mike Petrella: So back about 10 years ago the place to go on the internet to talk about Nautilus or MedX machines or any sort of high-end machine was Dr Darden's website which is: drdarden.com Unfortunately with the rise of Facebook a lot of the people switched over to Facebook because there were some people that were posting under anonymous names and they were trolling the boards and you could never find out who they were, so unfortunately Facebook kind of took over but you can still search back from the beginning of when the chat board started and you can find people talking about these machines when you could still buy the new and when they're going the first facility and that's still a wonderful resource for people. The other board that became very, very big Bodybuilding.com is one of the biggest websites in our industry that I'm aware of and they actually had a thread and to my knowledge it's the only thread they ever had on their board and their boards probably got hundreds of thousands of threads that the moderator came on and said, we no longer have any more space for this thread it has been maxed out and I forget how many thousands of posts you have to do to get to that point and if you just do a search on if cost was no object gym, you'll find it and some of the people that have the most unbelievable facilities at least that I am aware of they were all on there for over a year and they went from body part to body part talking about the machines they like and they didn't like and they compiled a very large list of what they feel to be top tier and second tier machines for any body part you could think of. Now even amongst that list there are pieces that I agree with them with and there's piece that I don't agree with them with. For the most part, I found that that was probably one of the biggest list you could ever find for looking up really high end equipment and getting multiple, multiple points of view from people who are utilizing these pieces all the time and I still --even though that list is now archived, you can't add anything to it-- I still check out that list from time to time to see what other people said and the funny thing is, if you do a Google

Mike Petrella Machine Buying Membership Final Transcript

search on a lot of these higher- end pieces, this thread will actually come up as one of the first things because there's so many people that have been on to it and they had posted pictures of these machines, they had posted people working out on these machines so you can see how a body actually interacts and I found that, that can be a very big resource for those who are looking to kind of cherry pick, really nice stuff for their facilities.

Lawrence Neal: That sounds amazing. I will try and find that thread and put them in the show notes for this, that sounds really, really useful. It would be awesome to see some kind of unanimously agreed upon matrix. Now I know that not everyone agrees and that's actually a good thing, but it would be cool to see some kind of matrix just to simplify this for people if they wanted to address and understand what piece they need to best acquire, what's best ranked if you will. What they can acquire to address each kind of muscle group and I would also hope that those that are listening to this and partner membership you'll have the community with the membership and of resources that would help you to intelligently acquire new machines and scout your business and Mike I was having a conversation with someone recently actually and this is something that I never even afore of before they brought it up and now they were talking about the importance of considerations for floor strength when you're acquiring new machines because some of these machines are really heavy right, so if you've got delicate kind of wooden flooring you might want to be careful about buying certain machines, have you got any views on that, that you want to share like any experience and in terms of floor strength and machine acquisition?

Mike Petrella: Yeah that could be a giant consideration for a lot of people that obviously operating with a brick and mortar facility. What seems to be a common thread with a lot of people in the intensity based exercise world is we don't have. 10,000, 20,000, 50,000 square foot facilities. Generally,

they're on the smaller size, so real estate, floor space can always be out of premium and for instance I have this one machine it's called the Hammer-H Squat. It has a gigantic floor plan but on top of that it is ten feet tall so I actually have it in a storage building right now because I can't fit it in the ceiling, under the ceiling of where my facility is right now. So it's a great piece I absolutely enjoy using it and I go to my storage facility every now and again and then do a workout myself, but I'd have to modify my ceiling if I wanted to get the thing in. So to talk about some of the brands that we've already discussed the all Nautilus machines are really poor in this regard. Again I've been told by a number of people that when they were building some of those first Nautilus machines, the idea of how easy it was to move, how easy it was to manufacture, how much floor space it took up, these were non considerations. They were looking to build the best possible machine they could at the time for working that muscle and if it was a thousand pounds heavier than everything else or twice as big as everything else this was not really their consideration they want to build an excellent tool and in my opinion they did.

When you start getting these companies again Nautilus kind of being the first big one, realizing that hey, we want to sell more they start building the same machine -- different machines is off the same frame, they have different chest fly angles that are both of the same frame to patrol the machines they're both off the same frame and they start cutting down costs and they start looking at things like getting these pieces through man-doors. They giving people more space efficiencies.

The MedX line for the most part was fantastic at doing this because we would have looked at the back of all of the frames on there where they hold the weights stacks the very modular and you could pretty much put a MedX machine right beside another MedX machine and the movement arms won't interfere with one another so you can just put him on a back

wall you can pick them right up against the wall side by side and you can get them into a very tight floor space whereas some other brands don't necessarily have that. Even a lot of the hammer strength machine, good quality pieces, you get them relatively cheap but they can be quite large especially when you have the weight horns because they have to stick out from the machine so you can load things and when you're dealing with anything plate loaded you have to account for humans being able to walk around them to put the plates on. It all gets considered into it so probably the best line that I have seen in terms of really maximizing floor space is the MedX they've done a really good job of that and. A lot of the other brands you can see that it's not a huge consideration, but if you have a small space 1,000 square feet or less, there could be fantastic machines that you realistically shouldn't put in because it's going to limit the amount of space that you have.

Lawrence Neal: Yeah, that's a really good point, most of us haven't really thought about it now that I visualize it now and I think about the keys are turning in London. when that was about, they had tons of MedX machines and also the really kind of big sophisticated more kind of medical machines there. Aren't quite so space efficient there as well, but they had tons of pieces and they were able to -- they had a big car lot full of space but they still did very well with it. I think they positioned them of very well.

I guess just to wrap this one up Mike, another thing I just wanted to address quickly with you is the subject of acquiring or leasing real estate as one expands the facility and so do you want to talk about your experience in terms of considerations when someone is scaling for the first time in terms of opening a 2nd spot, what they need to think about, things they need to consider that type of thing.

Mike Petrella Machine Buying Membership Final Transcript

Mike Petrella: This is somewhat of a -- I'm not going to say controversial but it is a debated point in our little industry of intensity based training gyms. It is very easy to lease space, they generally come up more available than buying the places and especially for those who are operating in bigger cities for instance our friend Brier Wilson he's got a facility downtown Toronto and he's in like a high rise building, he's on the ground floor but he's in a high rise building. It's an awesome location or where we did the work out at Luke's downtown facility, again he's in a very big building. You realistically can't buy those spaces. You couldn't buy the building, the building if it did come up for sale, I don't think you can buy a high rise building but if you did, it would probably be '10s of millions maybe hundreds of millions of dollars who knows. So for those who are operating in that regard, leasing certainly makes sense because you are leasing for the location and you're going to get all kinds of foot traffic, all kinds of people driving by and it's really your only option. Now for those who are more on the outskirts from the city --I have always been a fan of buying-- Two reasons; one you control your own destiny and two if you are ever looking to sell the business it is my feeling that the most value is going to come from the real estate. A lot of people who have ever looked at McDonald's as a business model, they are not in the burger business they are in the real estate business and they have some of the best commercial real estate across the world and that's where their real wealth is.

I leased a place, almost ten years ago now and what end up happening was, I was in a factory, there's about five or six other businesses and the guy who owned the entire place, he came across hard times financially and he had to kick us all out and bring in a bigger company to basically take over all the space, so I went from operating one day to not operating the next day. And you can bring up, you have a lease agreement and you can get a lawyer and you can fight it and you can do all of these things but realistically. He was going to move us out and he owned the place and we

did not and that is the way it was going to be and because of that I did not operate for exactly 11 months to the day, so I always knew after that, that any place that I was going to operate I was going to own.

Now again, indifference to say Luke and Brier who are in downtown cities I'm a city of about 3500 to two neighbouring cities of about 150,000 people a piece, so in my area, I don't want to lease, I want to own whereas in the in the cities it might not be an option to own. But I think the best model that I ever heard and this actually came from your show you had Doug Holland on, I think he said he was doing about 140 sessions a week, he's working seven days a week and he had bought his facility and he's got no debt on his facility, so I haven't talked to him personally and I have a lot of respect for him because he does the power lifting stuff just like we do here and I watched the walk through of his facility, it's absolutely incredible but without talking to the man himself, what I can guarantee you, is that his overhead now that that building is paid for, he owns it his monthly overhead is very inexpensive and at 140 sessions a week and I think he's got some other chairs there too, his profit margin is going to be very, very high. It's very easy for that overhead to just nail you, especially when you're getting into this, especially when you're young or maybe not young in terms of age, but young in terms of your business getting into this fitness industry and I always like keeping those overhead costs down so I understand these things early because it keeps your overhead down and then surely as soon as time and finances allow for it, I would be of the argument that you try to get into ownership I can even look back at my first year in the current facility that I'm in now which was end of 2011 beginning of 2012 and because going into the facility and having to pay it off and everything that went along with that, I did a couple times more business than I did old at my old facility but because the initial overhead, my take home wasn't that much greater. However, the appreciation on the real estate was greater than what the profit it was from operating from the

first year in this facility or the year previous at the other facility and at least in this country if it's your primary place, it's a tax free increase. So I always try to tell people that if their finances and space can afford it, I like them to own. I got no problem people leasing to get into the game but it would be at least my opinion and those people who disagree with me but it would be my opinion that you try to get into ownership because they're going to constantly be pumping out of limit and they're going to be constantly be pumping out new personal trainers but the only thing they're not making any more is land so you can get some ownership there I think that's your best retirement plan.

Lawrence Neal: Yeah perhaps, yeah I hear what you're saying, that's good advice for someone who, like you say maybe in a very commercial area where there isn't that option or they're taking a smaller part but much larger building and that they can get into the game by leasing and perhaps acquire space and to have it done online maybe when revenues afford that or something like. But no that's pretty good advice and by the way, I actually did a part 2 of Doug recently which will be on the kind of main corporate podcast which, he actually doesn't have any trainers whatsoever it's just him. And he works like six sometimes seven days in fact it might be seven days a week, I can't remember.

But yeah he's just like he sends me emails every now and again of random stuff. Subject line only and then just no message just an image or a video. And the image of the last one was just of his schedule which is just all handwritten and it's just packed full of names where he's just completely booked out solid and he's definitely really favourable position and I think that you're living the dream a little bit, very low debt. Obviously successful business and doing what he loves, which is guess ultimately what love of myself and the listeners and you Mike, really trying to achieve is just being able to do what we love doing.

Awesome, so this is being really helpful and I'm sure the listeners have got a lot out of in terms of how they go about acquiring and buying machines for their own facilities and also thinking about things like real estate. Is there any of a final force you've got on this that you want to share that you think might be helpful on either of those subjects.

Mike Petrella: I just had one thing and I find that this comes about quite a bit with people asking me about gym setup or machine buying or even things like they want to bring their bongo they want to make a new bongo for their new gym or how do I brand myself and the best advice I ever got was be true to what you believe in and everything else kind had to takes care of itself. So I love Nautilus machines. I think they're great, I think mechanically they're great, I love what they were trying to do with them and I think it is largely because of how much I am passionate about them, my clients use my facility, they feel my passion for my design. There could be someone out there that think the way I design a facility is horrible, they might be into functional training or they might think that the calves are too aggressive or whatever there are hang up might be and if they were to come into my facility I can almost guarantee that even if they were a fantastic trainer they would not be as commercially successful and they would be as happy on a day to day bases because that's not their belief. So their facility may look completely different from mine and it doesn't make it any better or any worse but I find that when you do things your way and you be true to what your vision is, that you're going to attract people into your facility, they're going to get it, they're going to want to do things the way that you do them and I just find that in terms of commercial success and terms of how happy you are on a day to day basis I talk to you all the time, I haven't worked a day in many years.

Mike Petrella Machine Buying Membership Final Transcript

That's what it's going to work best for instance, I'm still a free rate guy and I've spent a good amount of time picking up really great bars, calibrated plates, monolifts this kind of stuff and you would see that in perhaps someone just the Nautilus only facility and we have those free weights doesn't make my facility any better any worse but that's a reflection of what I believe it in terms of fitness and again I wouldn't model what you're doing after someone else completely, you can certainly take bits and pieces from other people a lot of people are connected to the arts are incredibly intelligent and we all do things a little bit differently but if you can try to get your facility to reflect your beliefs and your views I really think that's going to be the best way of doing things and again you're going to be happier and hopefully and I do believe this, you're are going to be commercially more successful.

Lawrence Neal: I completely agree, I think that's always a good way at compass for people is to -- whenever you're making a big decision on a business or maybe any decision it's about looking at the core values and what's true to them and letting that kind of guide them.

Mike, thank you so much for joining me again, has been really, really beneficial and to all the listeners, thank you very much for listening hopefully this will help you on your business journey and feel free to discuss this episode in the comments below and we'll talk to you soon.