

Lawrence Neal: Okay. Welcome everyone to the September 2019 Hit Business Membership Q&A. Thank you very much for joining myself and Luke today. So the guest today is none other than Luke Carlson who really needs no introduction to many of the members in the membership. But for those of you who don't know Luke, he is CEO and founder of Discover Strength, who have I believe locations doing personal training in the United States growing very rapidly and very much the envy of a lot of the personal training businesses in high intensity training. Luke is someone I turn to quite often for advice and obviously for contributions to both the podcast and the membership on best practice in high intensity business. Luke, thanks for joining us today, really appreciate it.

Luke Carlson: My pleasure, thanks for inviting me Lawrence.

Lawrence Neal: So just a few things before we kick off, so for those attending, the way we're going to do this is when you have a question, please raise your hand via the control panel and I will unmute you and then you can ask your question. Luke may need to ask a question to refine the question, and obviously you'll have a chance to ask a follow up question too, but we only have the hour. So do please be respectful of everyone's time and opportunity on this call.

Lawrence Neal: This will also be recorded. So if you say something that you don't want to be recorded, and you don't want people to listen to after the fact, then please don't say it. So just bear that in mind during this, and that's pretty much it. So I'm just going to open the floor now for questions for Luke. So when you're ready guys raise a

hand, or you can type a question in the question section and then we can starting getting the questions underway.

Lawrence Neal: Okay. So Richard, I'm just going to unmute you. Just bear me a sec. Richard can you hear me?

Richard Wolff: Yes, I can hear you Lawrence.

Lawrence Neal: How are you?

Richard Wolff: Good, how are you doing today?

Lawrence Neal: Yeah, very good thank you.

Richard Wolff: Good. Good. Okay.

Lawrence Neal: Luke is already [crosstalk 00:02:14]

Richard Wolff: Good morning Luke, so I know you include very specific financial objectives, Luke with your BHAG, I'm just curious at what level do you share financials with your team in terms of revenue expense, profit loss and if you do share all that data, what do you see as the sort of short term and long term benefits of doing so?

Luke Carlson: Love that question. So we won't go as far as true open book management, which comes from Jack Stack who wrote a book called the Great Game of Business where... I mean, it is just you share everything and you teach the nuances of PNL to everybody in the entire organization, we don't do that.

Richard Wolff: Okay.

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Luke Carlson: But we're not far off from that. So we share exactly what our revenue is.

Richard Wolff: Okay.

Luke Carlson: We share exactly what our profit is down to the dollar and we share what the goal is, and then we share what the actual is and we just do that quarterly. The whole company, every quarter gets to hear, this is what our goal was for the quarter in terms of revenue. Here's where we ended up, and then of course at the end of the year, they're going to hear, "This is what the goal was for the year, and here's where we ended up."

Luke Carlson: Now, one of the reasons we want to do that is... well first of all, we want everyone lined around a goal. I mean, the main reason why companies don't execute is there's not clarity around what the objective is, and if our objective is this financial target for the year, everyone needs to know what that is. We can't ask people to play basketball, play a game of basketball and so we [inaudible 00:03:58] to win, but we don't tell them the score. You just... you can't do that. You need to know what the score is at all times. So revenue is how we keep score, so they need to hear that.

Richard Wolff: Okay.

Luke Carlson: The other powerful component is that most people, most employees young or old, don't understand what a normal profit margin is, and this is literally [inaudible 00:04:24] two hours ago, so I'm taking a break today from what we call day one. So day one is once per month, we bring in all of our new hires and they spend a

full day with me. Right now, they leave in the middle of the day and go do a workout together with our entire leadership team and then go to lunch with the leadership team afterwards. Otherwise, they're just with me in a boardroom all day getting introduced to the vision of Discover Strength. Our approach to customer service the full day.

Luke Carlson: Well one of the things we talk about is we talk of all these goals, and so I always ask them, "Hey our goal is this amount of revenue and this profit." I say, "Let's just take a step back. When we talk about revenue, what is the word revenue mean?" Eventually they learn that revenue is all the money coming into the organization, and we use revenue as the universal way to distinguish the size of a company is the universal [inaudible 00:05:17] then I ask [inaudible 00:05:18] question.

Luke Carlson: So I'll talk about Wal-Mart, and I'll say, "You know, Wal-Mart has produced more billionaires than any other company on Earth, and one of the largest companies on Earth. What do you think their profit is? And I say, "What is profit? Profit's defined as how much money's left over after everything's paid for. What do you think their profit is off of every dollar that comes in, how much do you think they're keeping?" My answers today, we have three new employees-

Richard Wolff: Yeah.

Luke Carlson: Who were... 75 cents, 50 cents, and 75 cents. So when I told them, "Wal-Mart's profit is less than 1%. They keep less than one penny off of every dollar that comes in." They almost passed out. They

thought, "Okay." And I told this to so many entrepreneurs, "People have no idea. Your employees have no idea what a normal profit margin is." So by sharing all the financials, they realize you're making far less money than they thought you were making, and I was... entrepreneurs are always say, "Well if I share that, they're going to think that I'm making all this money and they're going to be somehow upset or contentious." No, they're going to realize, "Whoa, you're making way less money than we realized. All this money is going to all these other buckets."

Luke Carlson: So we don't want to overcomplicate and share the entire PNL, this is where all the money is going, because that might bore them.

Richard Wolff: Yeah.

Luke Carlson: We'll put a very concise graph, or a pie chart that shows, here's all our buckets of big expenses. So this is what we pay in salaries. This is what we pay in rent. This is what we pay in... you know, so they see in a pie chart where's everything going.

Richard Wolff: Okay. Okay. Now that sounds great. What you said is of course, precisely why I was hesitant and colleagues have told me, "You can't share that. That's too much. Blah, blah, blah." But this is a good context, so I like it.

Luke Carlson: If we didn't share it, everyone in our company... first of all, they wouldn't know where we're at-

Richard Wolff: Yep.

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Luke Carlson: So we're playing basketball without showing them the score and expecting them to win, and they all think that I'm making millions, and millions, and millions of dollars and buying yachts.

Richard Wolff: Yeah.

Luke Carlson: Instead, here's what the profit is and then I always ask, "What do we do with that profit?" And they all know that we use that profit to be able to create our future, so we can open another location. We can reinvest in a given location, etc. and just by sharing that number, even if I was keeping every penny of our profit, they would realize, "Whoa, he's making a heck of a lot less money that we thought." Because we always think about that top line revenue. If the top line revenue is five million dollars, and they're keeping 75% of it, Luke is making four million dollars a year, which is not the case.

Richard Wolff: Okay. Right. Right, right, right. No, excellent. Love it.

Lawrence Neal: Cool. All right, thanks Richard. Great way to get this one started. So I'm just going to put you back on mute and then I'll unmute Craig, because he's been waiting patiently. What's up Craig?

Craig Hubert: Can you hear? How you doing Lawrence?

Lawrence Neal: I'm good, how you doing?

Craig Hubert: I'm doing really well man. Hey Luke, how are you?

Luke Carlson: I'm great. Good to hear from you Craig.

Craig Hubert: Okay, so just a question. So in my business, I've never spent a lot of money on advertising, but have put a big focus on customer retention via... I guess loyalty rewards and referrals. I was just curious in terms of how you guys operate, where you put a lot of emphasis, is it mainly to drive in new clientele? Or because you're established, do you spend a lot of time focusing on just retaining the clients you guys have now? Specifically per location.

Luke Carlson: I love that question. Retention is the most important thing, so I don't know the percentage, but 75% of your mental focus should be on retention. So here's the four drivers of a profitable business. Number one is retention. Number two is new clients. Number three is more money from existing clients, and number four is reduce your expenses. That's the order of importance. So the first thing you focus on is retention of clients. Then you focus on new clients. Then you focus on how are we getting the most amount of money from our current clients, so for us, we offer group sessions and one on one sessions.

Luke Carlson: Well, how do we just move slightly from people doing group sessions to a few more one on one sessions? Right now, 56% of our clients do one on one sessions. Well, we don't need anymore clients, and if we just shifted that 56% to 61%, that represents hundreds of thousands of dollars of revenue. So okay, we make that shift or if our clients train on average 1.1 times per week, well what if we could get everyone to train on average 1.5 times per week? My goodness, the business grows massively.

Luke Carlson: So that all falls into bucket number three, where we're just getting more money from existing clients, but to really get to your point Craig, yeah, the focus is retention. There's all the statistics on what costs more. Bringing in new clients, retaining a current client, bringing in a new client costs so much more money. So our focus should be on retaining a client. Our marketing should actually focus on retention. I think about this all the time, I bought my first pair of Nike shoes in the fifth grade. I wanted them in the fourth grade, I wanted Air Jordan, but there was no way my mom was going to allow Air Jordan. I still never got Air Jordan to this day, but in fifth grade, I got my first pair of Nike's.

Luke Carlson: Well at that point, Nike didn't say, "Luke is now a customer. We're done marketing." No, Nike continues to market to me, because I could be swayed and make the switch to Adidas, or make the switch to Under Armor or some other product. But Nike constantly is marketing to me. They're constantly interacting with me. Constantly telling me their story, and so I'm constantly buying Nike at every juncture, at every stage and we just ordered a whole round of Nike pullovers for our Discover Strength staff that they wear, and I've been brand loyal to Nike, because Nike continues to market to me.

Luke Carlson: So we always think about marketing as new client acquisition, but a lot of times marketing is retaining our current clients as well.

Craig Hubert: That's very... great answer, I appreciate it that, thank you.

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Lawrence Neal: Great stuff. All right. I think Richard might have another question. So here we go, just going to mute you Craig.

Richard Wolff: So two part question Luke. One is how often is the company setting the BHAG, and then resetting it I guess? The other questions is are you integrating progress towards the BHAG into the quarterly conversation rock for your trainers?

Luke Carlson: Great question. So we set the BHAG, or reset the BHAG when you get two to three years out from the deadline of the BHAG. So the BHAG is just not what you want to accomplish, but also a deadline associated with it. So when you are two to three years out, and I actually prefer three years out from the BHAG, you reestablish the BHAG. There's a couple reasons for this, there's some good data to suggest that companies that wait until they achieved the BHAG, and then set a new BHAG actually have a little bit of a period where they falter or they stagnate for a little bit.

Luke Carlson: So you want to have that next BHAG ready to go, and remember, the BHAG is directional. So it's pointing us in the direction we want to go in, and maybe the average length of a BHAG is 10 years. [crosstalk 00:13:07] you now need to start be forward looking at what is the next long term directional goal, and some leaders have a tough time saying, "Well I got to know if I achieve that BHAG." You can still keep that original BHAG kind of like... you can refer to it, so you can measure, did we actually achieve it?

Richard Wolff: Yeah.

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Luke Carlson: But you still some... that next direction that's out there, which I think is the most confusing aspect of the BHAG is that in a sense, you never actually achieve the BHAG. You just keep [inaudible 00:13:36] a new BHAG. For me, I like to know that we achieved it, so I like to keep that BHAG, reference it and say we achieved it, but we can't wait until we achieve it on the final day, September 31st, 2025 and then say-

Richard Wolff: Yeah.

Luke Carlson: "What should we do next?" We have to have that conversation two to three years out. Does that answer your question? You're never achieving it. You're setting it a few years ahead of time.

Richard Wolff: Yeah, that makes sense. That makes sense. This... yeah.

Luke Carlson: The second part, we never bring the BHAG up in a quarterly conversation. We bring up what they can control on the way to the BHAG, we don't probably [inaudible 00:14:15] BHAG. We say, "Where are you on your quarterly priorities?" Which we would call them rocks.

Richard Wolff: Yeah.

Luke Carlson: "Where are you on your quarterly rocks, because the quarterly rocks are driving the one year goal. The one goal's driving the three year goal. The three year goal's driving the BHAG." So we don't... it would... it's too much to comprehend to say, "What did you do? How are you doing the last few weeks on [inaudible 00:14:38]"

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toward our BHAG?" My goodness, our BHAG is 100 locations and 100 million dollars in revenue. I don't even know where to start.

Richard Wolff: Yeah.

Luke Carlson: So we just talk about the 90 day world that they're living in. What's the most important goal they need to bring down to the ground.

Richard Wolff: Okay.

Luke Carlson: We absolutely talk about that. "Are you on track for that? What is your behavior look like around that?"

Richard Wolff: Luke, can I add one other twist to that?

Luke Carlson: Of course.

Richard Wolff: The... with the 90 day world and that quarterly priority, do you sometimes boil that down to sort of a specific behavior for instance, you know Richard you're missing your goal so this behavior is out of place. I mean, do you kind of get to that level? Or do you just say, "Hey, this is the goal, we need progress here."

Luke Carlson: [crosstalk 00:15:30]

Richard Wolff: Behind the scenes, yeah.

Luke Carlson: With every trainer, with every person, pick what's their one weak action item that's going to move them toward achieving that rock. So you're going to say what's your commitment this week? Every week's just a commitment and frankly, you make that commitment to the rest of your team.

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Richard Wolff: Yeah.

Luke Carlson: So [crosstalk 00:15:52] every week they're getting together spending 15 to 20 minutes saying, "Here's my commitment for the week." That if I execute on this commitment, it's all going to guarantee that I make progress toward achieving this rock, because I want to know what the behavior, what the action, what the commitment is like, you know? Like achieving a rock is all about the right behaviors and right actions-

Richard Wolff: Right.

Luke Carlson: So [inaudible 00:16:14] and a lot of our trainers have the same rocks, and so when they're sharing their commitments someone may say, "Hey, I'm really off track. What's working for everybody else?" They can say, "Well my commitment the last four weeks have done these four different things and three of them didn't work, but this one would have worked. You might want to try that, so we're all.. they're all kind of learning from each other in that respect.

Richard Wolff: Okay. Yeah. Sounds good.

Luke Carlson: So I do need to know, what are you doing this week to make progress on that? Or what's your commitment... actually, what's your commitment for next week, and what did you do last week?

Richard Wolff: Okay. Okay. Okay.

Lawrence Neal: So Richard, if you've got another question far away-

Richard Wolff: Yeah.

Lawrence Neal: It's yourself Craig and Wayne who are on the call and it's really your opportunity to ask questions to your heart content, and you're still... you're the only one to raised a hand right now, so please feel free if you've got another question.

Richard Wolff: Sure, sure. So my understanding Luke is that with your studios you have... I don't know if guys call them a shift, you got two shifts, sort of an early morning into the afternoon, and afternoon to night, is that right?

Luke Carlson: Yes sir.

Richard Wolff: Okay. So when you have a trainer who's maybe new and building up their clientele, I'm assuming they just don't walk into a booked schedule from day one. That sort of grows over time, what would they do... are they responsible for anything, from a marketing or any other internal responsibilities if they've got a half hour gap, or they don't have a client?

Luke Carlson: So really no. They don't, and they do walk into us somewhat full schedule.

Richard Wolff: Okay. Okay.

Luke Carlson: [crosstalk 00:17:59] we know that we've decided to hire you because we need more capacity, and so let's say the... Tuesday night and we have five trainers working on Sunday night and over time, we do the math on what's our capacity like and once we get to a certain level of utilization or capacity, then we know it's time to hire another trainer and add them to that shift, and so now we've

gone from five trainers to six trainers on that night. So when you start, you're going to have a number of clients on your schedule. Now, it might not be totally booked, but frankly if you're a brand new trainer, you can't handle a totally booked schedule.

Luke Carlson: So maybe an experienced trainer in an eight hour shift for us, every business is different, so this is just us.

Richard Wolff: Yeah.

Luke Carlson: In an eight hour shift, you will train between about eight and 14, 30 minute sessions.

Richard Wolff: Okay.

Luke Carlson: Now I know we have colleagues in an eight hour shift, they will train 16 people, okay? It has to be 16 people and they're just stacked and then guys like Doug Holland who trained 30 people in a day, etc.

Richard Wolff: Yeah.

Luke Carlson: Plus, normal is eight to 14 in a day. That means if it's a 30 minute workout, you're with a client for between four hours, maybe up to seven hours I think is a lot in a eight hour day.

Richard Wolff: Yeah. Yeah.

Luke Carlson: [crosstalk 00:19:18] in between, so they're prepping workout cards for their other clients. They're writing their workouts basing their progress report to a client, but that only happens after 20 sessions are completed. They're maybe responding to a few emails from

clients, but the bulk [inaudible 00:19:35] should be with the client on the floor. Now you're a brand new trainer instead of eight to 14, you may just have six or seven people on your schedule in your first week, that's okay, because you probably need a little bit time in between sessions to prepare for your next lesson. You don't want to be totally overwhelmed.

Richard Wolff: Yeah, yeah. Okay. Okay, now that sounds productive. One last one for you Luke, the... I know you lay it out at the Rec Conference last year, the... I think you call them tiers for the different compensation level and what's required and how to get to the next tier and so on. I think I know the answer, but I just want to see if you're thinking has changed. I remember years ago you said that you used to be concerned that you're not paying your trainers enough and then you sort evolved to this.

Richard Wolff: So if you have... because they're responsibility if they want to make more, they can do it. So do you ever... I mean, do trainers ever say to you, "Hey, I don't want to go to the next tier." Or is that just sort of obvious if they're not doing it. Do you ask them, "Richard, do you want to go tier two? Or do you want to go to tier three?" How do you handle that progression with them?

Luke Carlson: It's actually a very nuanced excellent question. We do not accept them not moving to a next tier-

Richard Wolff: Oh okay.

Luke Carlson: Because one of our core values is creating our own future and one of our core values is learning. So if you're not creating a group

future and moving onto the next tier, and that next tier of course involves, or you current tier involves learning then you're not living a core value. That's... theoretically, you could stay at the same tier forever, but you wouldn't embodying our core values. Our core values are to create that future and grow and evolve, and to continue to learn. So just by not going through the core growth plan, which we've had people do in the last few years, that was a massive indicator that they were not a core value fit.

Luke Carlson: So now, we've just changed our management a little bit that we will absolutely push you, and if you're not committed to that core growth plan and moving to the next tier, we're going to move you out of the company, because you're just a fit from a core value standpoint. Frankly, we owe it to our clients that you are continuing on this journey toward mastery and becoming a master of the craft and what we call one our uniques, as an expert, educated personal trainer. So if you're not constantly up scaling yourself, then we're just... there's a say do gap. There's a gap between what we say, which is you're an expert, educated trainer and then there's a gap between what you actually do, which is not moving toward that level of expertise and education.

Lawrence Neal: No, I was going to say, I was did [inaudible 00:22:41] on that, but no I was just going to say just how brilliantly counter intuitive that is, because I imagine that most of the industry... you know, business owners are sort of thinking, "How do I keep this personal trainer satisfied at this level?" Whereas, you're like, "If they're not satisfied

in growing, then they're not a good fit." Just brilliant. Okay, I'm just going to mute Richard and unmute Craig, bear me a sec. Hey Craig.

Craig Hubert: Hey Lawrence, okay. So I guess Luke just continuing on with the trainers. What would be your suggestions in terms... I know you have access to the [inaudible 00:23:21] science department at the university, but how would you go about if you didn't have that in already? How would you approach the department to try to draw some of their top students to come and [inaudible 00:23:34] with you? Because the biggest issue I'm having is... and I've had it over the last couple years is actually get quality personnel coming in with the help of the universities. So-

Luke Carlson: Yeah. So we had the school there, but we didn't have any relationships, so I would do a couple things. Number one, I would send emails to a number of people in the department and the first time I sent the emails, it would go to someone and they'd say, "Hey, I'm the wrong person." And they eventually direct you toward the right person, so you'd get a list of two or three of the right people, and one would maybe be an advisor, an academic advisor. One would be a department chair, and maybe one or two would be someone that actually teaches classes and exercise physiology, or those programs have a really specific and training and condition class, a strength training class.

Luke Carlson: Then you have the relationship with the actual professor and say, "Hey, I'm just looking for a student that they're passionate about learning and they're really turned on by all this. They want to make a career out of it. I'd love an introduction to them. So that would be

one thing I would do. Number two is I would ask if I could come to the university, to the college and give a five or 10 minute presentation on our employment opportunities, because and this depends on the size of the university, but most professors, most faculty realize it's part of the vision, or part of the mission of the school to eventually provide employment opportunities, or have that education lead to employment opportunities for the student.

Luke Carlson: So I think that they're generally welcome to you coming in and talking for five to 10 minutes about what your opportunities could look like. A lot of times, that will actually spiral into no, don't take five to 10 minutes, once you come in and take 45 minutes and do a lecture on your approach to strength training, which my goodness, that's a great opportunity to tell the story even more and provide value for that class. Someone in that class is going to be turned on by your message. It's really going to resonate with them and they're going to be a great potential candidate for you. So I think that's the second thing.

Luke Carlson: The third thing is almost every college or university has job postings or job boards, so I would continually update what's going on that job posting, or that job board. I would make sure that when you post something, that you're really getting to the key questions that that trainer would be asking. Like, "How much do I get paid? What are the hours like? Do I have to do a lot of selling or marketing? Or am I just personal training?" Which frankly, is what they want to do. So think about what are the five question they would ask going into

the job, answer those questions and here's the most important thing, and this is easier said than done.

Luke Carlson: Position the trainer as the hero of the whole story, not your company. So don't make it about the company, make it about them. If you can write it as, "Hey, the company, we're just a guide to helping you fulfill all the success that you want. You're the real hero." And you can speak in that language, I think that job posting's going to be that much more profound. So those three things. It's emails to the professors. It's the actual visit to the class, and it's using the job postings and trying to position the trainer as the hero.

Craig Hubert: Okay perfect. Yeah, I tried that actually with... in terms of the emails and whatnot, and phone calls with some of the professors at [inaudible 00:26:44] University with very little luck. [crosstalk 00:26:48] it would be the best option then.

Luke Carlson: Yeah, I would hit emails and then follow them up with actual snail mail letters, and it would be a constant barrage. It would even be a visit of, "Hey, can I put this up on a board?" Etc. Just constant reinforcement.

Craig Hubert: Okay, and just a last question with that when you're mentioning in terms of talking about the actual... you know, the way you do things, is it feasible that there's going to be resistance from the professors in terms of high intensity strength training, or evidence based strength training versus what the curriculum is teaching, which tends to be the standard the NSCA sort of protocols.

Luke Carlson: I think no. If the class is like an exercise physiology class, or just a general kinesiology program, because nine times out of 10, that faculty doesn't care about exercise, or doesn't care about [crosstalk 00:27:43] they just don't care. They're broadly trained as an exercise physiologist, but their area of research is some nuanced area, cardio pulmonary something. I mean, it just... they don't care and what they care about is that... passionate, high energy focused exercise practitioner is there to talk about job opportunities, so we'll even speak to the faculty that we have good relationship, I'm thinking of a particular sport psychologist, who's in the department clearly, but she doesn't teach any exercise classes or strength training classes, but she cares that we're alumni of the school and we're passionate about making a connection with the school.

Luke Carlson: So she has us come in and kind of tell our story. I would never try to present to a class where the instructor I knew was hardcore into strength training and they were hardcore into NSCA methodology, because they're going to... the second I walk out, if I talked about strength training, they're just going to rebut everything I say and I'm going to lose credibility and not have a chance to respond.

Craig Hubert: Okay, perfect. Thank you.

Lawrence Neal: Luke, I just wanted to ask you about core values and mission statement briefly. Can you describe how a new business might try and establish core values and a mission statement? I don't know that's a big question to answer, or it's relatively easy.

Luke Carlson: Well when I think about core values if you've been operating already and you don't have core values, what I would do... first of all, you do have them, you just have to unearth them. So core values are probably present, you just haven't stated them, codified them, clarified them and it's interesting if you took... if you have three people in your company, there's an owner and two trainers, and you put them in three different rooms and you said, "Well what are the core values of our business?" Those three people, they wrote down four answers, would actually have tremendous congruency or overlap on their answers, which means "Well wow, we actually do have core values here, we've just never spoken about them."

Luke Carlson: Core values of course are to answer the question, "What do we believe?" So it's a matter of unearthing and codifying them. I think one exercise in doing that is if you have three, four trainers and by the way, this applies to any company, it doesn't have to just be personal training, but you have three, four employees and you say, "Well, who is our best employee? Or one or two best performers?" By best, I mean if we could replicate them, we would replicate this human being. I mean, we would just want 100 of them and we'd be unstoppable if we had 100 of them.

Luke Carlson: So what are the common character traits, the attributes, the values that we see in that specific person, let's write them down, because often those are the values that truly end up being our core values. Of course, lastly I think if you're the founder, if you're the owner, they have to reflect your own personal values. So I think the best exercise with coming up with core values is to think about what

matters to you and what you value, and how you want to build a business, and what you want to build the business around. Remember the values are what you're going to fight for. When things are dark and business is not going well, and you've had one more fire, one more emergency, one more day where you want to throw in the towel, the reason you're not throwing in the towel is generally believe or not, it's not your strategy. It's probably even your commitment to high intensity strength training.

Luke Carlson: The reason you're not throwing in the towel is those values. I mean, we fight for values. We endure for values. We don't endure for the strategy. So the great example here is we're picturing Braveheart and Mel Gibson on the horse and he's trying to motivate. Trying to prepare his troops to go to battle, and his troops are not a sophisticated Army. They're enlisted common laborers and he's trying to get them focused and excited, because they don't want to go battle. What is he talking about? He's not talking about the strategy. He's not talking about the financial performance. He's talking about values and one of the values he talks about of course is freedom. The line he ends with is, "They may take our lives, but they'll never take our freedom."

Luke Carlson: In that moment, when you're watching that movie, I rewatched that movie in a airplane recently and I could barely contain myself. I mean, I wanted charge forward and try to behead somebody, because that was a value that resonated with me and that was the idea of that speech. What we want to endure when we want to accomplish something significant, we're going to go into battle over

values. Good luck getting anyone to follow you into battle over something other than values, and along with values, I would say purpose. Purpose and values is what we'll actually fight for. That's what we're going to sacrifice for.

Luke Carlson: So you as the owner, long story short, you have to understand what will I endure for? What will cause me to continue to endure discomfort? For me, I thought about this two years before Discover Strength opened, and I can tell you the Starbucks I was sitting in when I just started sketching all this out. I just knew that learning was a value of mine, and no matter what, I'd fight for learning and romantic about learning, and the idea of creating your own future was important to me. That I wasn't going to be a victim, and that whatever happened was going to be because I had an influence on it, and I wasn't going to be able to control the wind, but I could control the set of the sales. So creating our own future was a value.

Luke Carlson: Service leadership was a value because I wanted to spend my life serving others. I want to spend my life helping somebody else win, and I didn't want to do it in a sense that while I'll have to leave western society and go build churches in Africa to serve other people, I could serve people day to day and hell, I did the work of evidence based strength training. So it has to resonate with the founder in my opinion.

Lawrence Neal: That was a great answer Luke, and that was very helpful. As you might know, based on our recent email exchange, I am partnering with someone here in Galway and we're soon to open a studio, which is very, very exciting and we're having a meeting this morning

about all things target market, core value, branding related. I also just want to follow up, do you have a mission statement for Discover Strength? And if so, what is that and where do you hold that and store it?

Luke Carlson: Yes. Instead of using the terminology mission, I just think to clarify what are all these... what's vision? What's mission? There's just so much different vernacular. We use the terminology core purpose instead of mission statement. So we have a core purpose and then within that core purpose there's also a strategic niche, and I think that's kind of just different iteration or take on the mission statement. So our core purpose is what we call leading the movement in evidence based exercise. Your core purpose should be beautiful a little bit more altruistic. It should have a little bit less to do with tangible work that you do, or technical work that you do and I think the key, one of the key qualifiers of the core purpose is you want people to come work with you that share that core purpose.

Luke Carlson: So you have to choose something that could be somebody else's actual individual core purpose. So let me give you two examples of where that works and where it doesn't work. I talk to so many health club companies where they think their core purpose or their mission statement is to improve the life and the fitness of the people of the community that I serve. So my core purpose is to improve the health and fitness of the residents of Galway, Ireland. Right?

Luke Carlson: Well hold on, when you hire a personal trainer... is that their own individual core purpose? They may not have grown up in Galway,

they just moved there a month ago. They plan on living there for maybe a year and a half and they're leaving. They could give a shit about Galway. So if it's not there, if it couldn't possibly be their own individual core purpose, I don't think it should be the company's core purpose, because essentially, you're trying to align purpose.

Luke Carlson: So an example of a core purpose that someone could actually share in common would be, I think about Martin Luther King Jr. He said, "I have a dream and my dream..." is essentially we'll be judged on the content of our character rather than color of our skin. That was his core purpose, but the only reason it mattered, the only reason it resonated, the only reason that thousands or tens of thousands of people would show up at the Washington Mall to hear him deliver that speech was that was their own core purpose. They didn't show up for King's purpose, they showed up because those purposes were align, and the same is true of our companies.

Luke Carlson: We want to hire people where our core purpose happens to be their core purpose. So Disney as an example, big company doing a lot of different things. Their core purpose is something along the lines of make people happy. Well there's a lot of people that say, "That's my purpose in life. I want to make other people happy. I want to bring joy to others. This is someplace I want to work." and Discover Strength is that same way. Leading the movement in evidence based exercise, so I just tell our new hire, I tell the prospect, the candidate that if you want to spend the rest of your profession life leading the movement of evidence based exercise. Evidence based

exercise meaning there's a massive chasm between what science knows about exercise and what humans are actually doing.

Luke Carlson: If you just want to bridge the gap. If you want to spend the rest of your life bridging that gap. If you want to lead the movement in bridging that gap, you should come work with us, because that's what we're committed to doing. That could be someone else's core purpose. Someone could say, "Yeah, that's in me. That's how I want to spend the rest of my professional life." So it could be their core purpose where... I think if it's improved the health and fitness of the citizens of my community, they may say I don't have the same emotional connection to this community. I don't care about this community. My life purpose is different than just this community.

Lawrence Neal: Yeah, I get that and I appreciate what you're saying. I'm just thinking though if for example, we were kind of drafting this out today, you did have a core purpose which was along the lines of what you said there, you know? Helping people achieve optimal health. Helping people... you know, reverse some of these chronic conditions and help this aging population. Is that not something... obviously I think of something more succinct than that, but something like that. Could that not still be your core value? Could your future trainings, could that not still resonate with them surely?

Lawrence Neal: It's not necessarily about the location you know, being in Galway Island, but just the value of wanting to help change the health of a huge population.

Luke Carlson: Yeah, so could that be a good core purpose? I think so, but I wouldn't define it by geography, because as soon as you [inaudible 00:38:44] geography, your focus is the citizens of this city. Unless you have a passion for the citizens of a particular city, like... here's a great example. Got them on the podcast, Joe [inaudible 00:38:57] his purpose has always been something around Gainesville, because that man is just romantically attached to the city of Gainesville and I love. He understands that I want to serve Gainesville. Just an unbelievable connection to a community. I think there are examples where companies want to do that and they want to serve a particular area. So he just... it's almost in his DNA that he's obsessed with Gainesville and I love that.

Luke Carlson: I think for most of our core purposes, we don't have that. And frankly, I just don't think our employees have that. If I move to Gainesville to go to college for a few years and I work there, that might not be my own core purpose, I'm just not drawn to caring about Gainesville. It's got to be... like you said Lawrence, there's just got to be something a little bit broader than that, that could be... again, the litmus test, could be an individual that you're potentially going to hire. Could it be their own life core purpose? So getting those things to match, then you're powerful. Then you're unstoppable.

Lawrence Neal: I appreciate that.

Craig Hubert: How are you? Hey Lawrence, okay. So just following up on the core value conversation. How much of that core value Luke, should reflect the actual owner of the business versus it being a little bit

more I guess separated from the individual what started the business if that makes sense? How much... so I'll use myself as an example. If I don't want to be the figure head of the company, how much of my own identity should I actually be kind of putting into the business?

Luke Carlson: I don't... in my opinion, it should still reflect almost entirely the values of the founder.

Craig Hubert: Okay.

Luke Carlson: The values of the entrepreneur. So for me, when I thought about it, I thought, "Well these are my individual core values." But I wanted to build a business around these core values also, because I want there just to be alignment between... there's no separation between my personal and my professional life, it's just life. So my values wouldn't change. If I were to sell Discover Strength tomorrow, and started a different company, I'm telling you three of the core values that we have currently would remain intact. We would definitely have learning. We would definitely create our own future. We would definitely having serving leadership as core values.

Luke Carlson: The one that might not stay with us would be science based depending on the industry that I went into. But those other three things, they're just so ingrained in my DNA, I can't escape them. I mean, they're how I'm going to live my entire life. So any work that I do is going to be guided by those values. I think that's one of the roles of the entrepreneur is to take their own DNA, their own values and print them on the entire organization, and then build human

systems to reinforce those values so they last and persist beyond you.

Luke Carlson: So it would be my hope that if I sold Discover Strength, if I were to get hit by a bus this afternoon, Discover Strength persists for another 25 years. If those values are very much alive, and it has nothing to do with me being around, it's because those values are alive in the organization and they're mechanized within the organization.

Craig Hubert: Okay, that actually... I appreciate that answer, because I actually thought I was going in the wrong direction at one point putting too much of I guess the emotional end of what I felt, or what I wanted to see happen. I thought I was just being a little bit selfish I guess would be the... would be what was going through my head.

Luke Carlson: Yeah, no I don't think your business should rely on your own talents and your own charisma.

Craig Hubert: Right.

Luke Carlson: I think that's a bad recipe. I think that you'd have to be able to remove yourself from the business, and the business could still be successful, because ultimately, they can't buy you, but you have to build systems and mechanisms to replicate you. Say in the true to sense, and I hate saying this out loud, I've resisted it forever, or maybe I just didn't understand it. What an entrepreneur does is they create something, and the market likes what they do. Then they have to say, "Well the market likes what I do." How do I capture everything that I do that's magical and teach other people to do it

exactly the way I do it. I've always resisted saying that because it sounds arrogant, that's about me. But you know, it literally took me 12 years of resisting it to say, "No."

Luke Carlson: How does Luke do it, whatever it is. And how do I build systems and mechanisms so other people do it the way I do it, because that's what's resonated in the marketplace. Then eventually it doesn't become about me at all. It just becomes about those systems and mechanisms.

Craig Hubert: So I guess I mean, from what you're saying then, really it comes down to articulating the reason you're doing it in the first place, because the essentially would be the foundation of why you're trying to build the business, you know, from the ground up and putting all the effort in.

Luke Carlson: Say that one more time so I can understand where you're coming from. I just want to hear it one more time.

Craig Hubert: Yeah, so what I'm saying is really that you're... the reason that you're actually doing it in the first place is sort of the foundation of your core values. Like the reason I became... as an example, the reason I became a trainer, the reason I moved from a high volume approach to high intensity strength training, and what resonated with me effectively would reflect the ways that I'm creating the business in the first place. So to your point, it's being... not necessarily focusing on my charisma, or the way I do things in the gym, but the reason that I did it in the first place, the reason I set up the business, the reason I wanted the business to be successful is

what would establish the values and the systems that would then allow other people to do what I do.

Luke Carlson: Yeah, I agree. But it also is even how you do it. So... well I made the mistake of doing is... so I trained a lot people and I got so many referrals and I trained more people. I thought about, "Well will I have to train other trainers to do this?" Well the massive mistake I made in... I don't know, this is one of the most I think important things that I can share, is I want to teach other people about what we did, or what I did. My new trainers, so I relied on the other information that was out there. The books that were out there. The certifications that were out there. The manuals that were out there. The other industry experts that were out there. What I realized is they weren't doing it my way. That wasn't resonating. I can teach them that way. I have to teach them my way.

Luke Carlson: So I'm telling you Craig a number of things, five things, 25 things, 100 things that you do that are so uniquely Craig, that are so powerful. That's why someone's choosing, but you have to find a way to teach that to your trainers. It's not High Intensity Training, it's not evidence base training, it's the way Craig does evidence based training. I mean, we can walk into 20 different training studios, and they're all doing it... we're all on the same page in terms of when we're doing it. But we're doing it slight different and those slight differences are what will allow us to be successful.

Luke Carlson: So the Discover Strength way is different than the rest of high intensity way, but I'm betting everything we have on... this is what the consumer wants. This is what our consumer wants. We're going

to keep doing it that way, and that's what's allowing us to grow. That's why we have to... cultivate and we have to codify, we have to mechanize that way of doing things. When I say that way, it's Craig way of doing things. So do not outsource of all of your training development of trainers to the rest of the people in the industry. Because whatever's making you made, you'll cry. It's not just high intensity training, it's Craig's approach to high intensity training.

Luke Carlson: I'm just thinking about close colleagues and friends. They all do things differently than we do it, and the got to keep their secret sauce and do more of their secret sauce, and frankly, we have to do our secret sauce and not be influenced. So the first conversation I had with myself after I visited a colleague that I respect and I learned from, I have to think, "Okay, what if that actually works for us, and what if it doesn't work for us?" Because we all should not being doing things in the exact same way if that makes sense.

Craig Hubert: Yeah, no that was great. I really appreciate that Luke. Thank you. Quick question, this will be [inaudible 00:47:08] if I can just ask one last thing really quickly because I'm assuming you guys are going to carry [inaudible 00:47:13] get into this in a second anyways. But just the Real Hit Experience. You setup the emails. I know it's the last one, I was just wondering if you would be able to just let me know what the cutoff date for registration would be. I don't think that's marked on the email.

Luke Carlson: Yeah, it's not. So the actual dates for the event are... it's either the 21st or 22nd or 22nd, 23rd. It's a Thursday and Friday. That's the week before thanksgiving in the US.

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Craig Hubert: Yeah.

Luke Carlson: Our cutoff date, so that's late November, we just have to have someone registered by November 1st.

Craig Hubert: Okay perfect, because I am actually trying to get my way out there, but I've got a daughter that's ling in prep school. So we're... the schedule's a little tight [inaudible 00:47:55] understandable.

Luke Carlson: Okay Craig, thank you.

Lawrence Neal: We'll... yeah, definitely give Luke a chance to talk about some of those things at the end Craig as well. Okay, so I'm going to unmute Wayne, just one sec. Hi Wayne, can you hear me?

Wayne Thacker: Lawrence I'm here, can you hear me?

Lawrence Neal: Yeah. Yeah, loud and clear. Loud and clear. How are you?

Wayne Thacker: I am great Lawrence, thanks for having me.

Lawrence Neal: You're welcome. You've got a few minutes so go for it.

Wayne Thacker: Okay. I've got several questions, but I'm just going to focus now on one Luke for you here. You mentioned that most of your clients or 56% I think you said are doing small group training sessions and you mentioned maybe increasing revenue by giving them over to one on one sessions. I think a lot of us kind of focus so hard on bringing in one on one clients. Would you... it sounds like maybe Discover Strength is more of 50-50, and is that what you... in your experience, in your 12 years have most of your clients come in via

some kind of lower cost group experience, and then transition to a one on one experience with Discover Strength?

Luke Carlson: You're asking a great question. I may have misspoke before, or maybe you misinterpreted. It's actually the other way around. 56% of our clients do one on one sessions, and maybe I said that wrong, but 56 are one on one, so the remaining, what? 44% or a little over 44% do group sessions, so here's what's fascinating. I never would have predicted this in a million years. Once you do a group session, it's nearly impossible to shift you to a one on one session.

Wayne Thacker: Okay.

Luke Carlson: So what you said makes so much sense. If I was in a seminar and someone said, "The group sessions are great, because the lower price point and you get them hooked, and you can convert them to one on one." It is so incredibly hard to do. So what we did about two years ago, or a year and a half ago, we changed our focus and we just said, "During the sales process, when someone comes in, we try to pitch them only on one on one sessions." Because if they don't do one on one sessions from the beginning, it's going to be hard to move them toward one on one sessions. But as soon as we work harder on getting to do one on one sessions, it was much easier to sell them.

Luke Carlson: We just... our trainers would almost feel guilty in the sales process when we'd be like, "Well we should probably do groups, because it's less expensive and that's what they did." The client's just waiting for us to tell them what to do. They want us to be their guide

and show them what that future looks like. We were showing them groups, and they did groups and we could never convert them. So now, we tell them one on one is kind of the way to go, and we close almost everybody on one on one now. But we are horrible at getting group people to switch to one on one.

Wayne Thacker: Okay. That's good to know and when you guys do your group training sessions, do you... you mentioned maybe having five trainers in the room at one time, do you have people train one on one while a group session is going on? Or do you guys kind of block that time off?

Luke Carlson: No. Heck yeah we do. We have... I mean, heck yeah we have group and one on one going at the same time. So in a given studio, we may have two trainers working with a five person groups, or five clients, two trainers manning that group together. They split that group, now we'll have four one on one trainers on the floor doing one on one sessions.

Wayne Thacker: Got you. Okay. Great.

Luke Carlson: So what's the key there? You just got to make sure that you're not monopolizing a certain machine and you're rotating through machines in a way that's not disruptive. If a client for a second feels like it's too busy in here, and I can't get to the machine I want to get to, and I have to wait for it, then you've completely failed. So you have to have the right flow where you're not waiting for machines and it's not discombobulated and the client feels like they are in a bubble with you. That one on one client feels like there's no one

else in the room, it's just me and trainer. Of course, there could be a ton of other people in the room.

Luke Carlson: What I... the cardinal mistakes high intensity training studios make is it's almost too simple to even mention, but so many of them make it is they think there's only supposed to be one client in there at a time and that somehow is productive. I mean, you can't have that much equipment, that much square footage, you only have one client in there at a time. Unless you're charging \$300 for a 30 minute workout. You got to have just a ton of clients in there at one time. That does not negatively impact the client experience whatsoever. In fact, the fastest growing fitness boutiques, studios, etc. all have multiple people working out at once.

Luke Carlson: We have no scientific evidence to say that more people in a facility working out a one time negatively impacts muscular strength, muscle hypertrophy adaptations or any of the health related chronic disease prevention benefits. So the misnomer that I need to have just one client in there is misnomer.

Wayne Thacker: That's great. Yeah, that's great to know and can I steal some motivation from you Luke? We are in a... I guess I'll Call it a mid-market. There's about 60,000 people in our town. It's a college town, Indiana University and we've kind of reached. There's just two of doing the training sessions. We've got about 100 clients and that kind of seems to be a stagnant number for us. We haven't seen much growth over the last six months.

Wayne Thacker: Kind of busy doing the training sessions and some of these other things get put to the wayside, do you have any advice for a company like ours? We're still growing, but we kind of stopped growing.

Luke Carlson: So two trainers, college town, growing but you're starting to stagnate a little bit.

Wayne Thacker: Yes.

Luke Carlson: Okay. So here's just advice around a few big words. So the words are simplify. So anything you're hitting the ceiling, these are things that you have to do. You have to simplify. So you have to look at everything you're doing right now, and what can be simpler. So you don't want to make it more simple than it needs to be. I mean, that's like an iteration of an Einstein quote, but you got to take your business, the next level of simplicity in order for it to grow.

Luke Carlson: So complexity is one of the major stagnators of growth. That's number one. Number two is process or system... systemizing your business. So you just need to pick one or two functions and develop them into refined systems or processes. That means create the process, or it maybe means refine a process. Are we here in this particular task, this particular process? This area of the business and the same way every time. Do we need to tweak it, or do you we just need to codify it. So simplify is one, systematize is two. I think three is structure. Meaning, do you have the right structure in the organization. Are you working on the things you should be working on, and is partner working on the things?

Luke Carlson: The other trainer working on the things they should be working on. Do you have the right division of labor? Are you both staying up at night thinking about the same things? Should you be thinking about different things and focused on different things. So those would be the big three buckets that I would focus on, and they sound cliches, but they're not cliches. Because you can go to work on each one of those areas. Then I would focus on, "Well, what's my workout experience like?" If I'm not getting people [inaudible 00:55:25] from the client that's in front of me, I have to improve my workout experience.

Luke Carlson: When I say experience, it means everything from the time that human walks in the door, the client walks in the door to the time they leave. How we warm welcome them. How we found farewell them. Everything that's going on in this specific workout, how we coach. How we give feedback. If they're not talking about your session for the 24 hours after the session to somebody else, it would probably didn't do all we can. We know all of our business, most of our business is going to come from referral. So we have to do everything we can to cultivate those referrals, and put ourselves in a position to be able to eventually ask for those referrals, earn those referrals.

Luke Carlson: So I'd focus on those three big buckets first, and I would think about what's going on in our workout experience that can drive more referrals?

Wayne Thacker: That's great. Thank you Luke. Appreciate your insight.

Luke Carlson: You're very welcome.

Lawrence Neal: Great question Wayne. All right. So Luke thank you so much. Again, this has just been packed with wisdom and some great, great questions and some great answers from you. Best way for people to find more out about you?

Luke Carlson: Yeah, as always, they can always look at our website discoverstrength.com. We have some, we think exciting changes going on the next couple weeks on that website. So discoverstrength.com, you can always email me with a question luke@discoverstrength.com. The two big vehicles on how we connect with kind of the strength training practitioner is we do the conference each year. The resistance exercise conference in March, which is Minneapolis. It's just a gathering of evidence based strength training practitioners. Our key notes this year are the best key notes we've had just awesome, excited about that.

Luke Carlson: Website for that is resistanceexerciseconference.com and then if you're really into growing the business side of things. We're doing one more Real Hit Experience in November, which is a day of history and philosophy and getting into training aspects with Jim Flanagan, and then a day of just growing the business and talking about the business and the business plan, the marketing and we just put all the theory to the side, and just get into what works and the whole idea there is take someone that's awesome in strength training. Passionate about high intensity training and we want to just transform them, so that by the time they're done with that course, they really are an expert in running the business.

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Luke Carlson: That sounds like an overstatement, how do you become an expert in a two day course? But man, we move you toward being an expert and understanding how to run the business.

Lawrence Neal: Yeah, I can completely believe that and obviously I'm a huge advocate of Rec and the Real Hit Experience. I've spoken to a number of people that have done your Real Hit Experience Luke, and the... yeah, the testimonials are very impressive and people have had some great experiences. So guys, listening to this, if you're really serious about growing your high intensity training business, I'd really recommend those events. I think most of you, or not all of you go to Rec anyway.

Lawrence Neal: So just for everyone, just so you all know, this will be recorded and transcribe in the membership for future reference. Next months Q&A will be with the one and only Mike Petrella, the founder of STG Strength and Power in Ontario, Canada. As... those of you don't know Mike, he's an expert personal trainer. Obviously business owner, has a very impressive I believe 4000 square foot facility with one of the most impressive collection of machines you'll ever see. So that's going to be a really interesting Q&A. I'm sure we'll talk a lot about machines and training.

Lawrence Neal: Thanks again Luke, really appreciate you taking the time today, and thank you everyone for joining and stay tuned for next month.

Luke Carlson: Thank you for having me Lawrence.

Lawrence Neal: All right, take care. Bye everyone.