HIGH INTENSITY BUSINESS

Data Score Card and Measurables

Lawrence: Luke, welcome back to the Membership.

Luke: Lawrence thanks for having me.

Lawrence: Great to have you and excited to record this next episode of the Traction series inside HIT Business Membership. Just to preface this one you will need to follow this along with the Traction book by Gino Wickman which is all about the Entrepreneur Operating System. The purpose of this series is really to go deeper on every aspect of the book to give context for a HIT studio or boutique studio on how you can implement the system successfully in your business. It is made up of six components. We've done the Vision component, we've done the People component, and now we are unto the Data component. This is the piece I am most excited about because I've been using the score card for High Intensity Business and found it to be very, very productive. The weekly review is something I've come to really enjoy doing first thing on a Monday.

I figured, Luke, we kind of start off just by talking about why this is important, why it's important to have this data. So would you be able to speak on that for a moment for us?

Luke: Yeah, so big picture the idea is if I ask you, if I ask most entrepreneurs, if I'm your employee and you ask me, "How is business?" Most of our answers to how is business are pretty darn subjective. They are not objective. We say things like, "Well, today we actually did an introductory workout, and closed a new client, so that's good. Things seem to be good. Our staffs are doing well. We got a lot of good positive momentum." Things like that, right. They are subjective responses, subjective analysis of how things are going.

What we need is an objective analysis, and that's what the score card does. Now, Gino Wickman didn't invent the idea of a score card. He, I just think, developed one of the most effective versions of it. A score card is no different than the idea of using KPIs (Key Performance Indicators) just looking at the key metrics to see how is the business performing. The way you frame it up is you say, "Well, if I'm on a vacation with no technology and I'm only able to do a call once a week, every few days, once a month and talk to someone back in my business and say, 'Well, how are things going right now? How are we doing?'" Well, I need a few numbers that I'm looking at. They are going to tell me the health of the business. You have a pulse on the business.

Really the reason for the score card is by looking at these KPIs, looking at these numbers, it gives you the objective measure, and it gives you the ability to predict. So that's one of the things that people miss about the score card. The idea of the score card is allows for prediction. You can look at historical data and you can understand where we're going, what is realistic, what do we see in terms of trends, where are we weak, where are we strong. That's the purpose of the score card.

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Lawrence: Awesome. Okay, so that's the purpose. Let's talk about the score card more specifically. And so you've got essentially a list of measurables that enable you to get a pulse on your business. A single dashboard to look at and say, "Are we on track for our 1-year goal or for our quarterly rocks?" Would you be able to talk about how the HIT studio owner, how the listener, the member can actually identify the most meaningful measurable for them?

Luke: Absolutely. What they should do is they should pick a mix of leading indicators and lagging indicators. I would say when you start off, you just pick 5 to at the most 1 leading and lagging indicators.

A lagging indicator would be revenue, like, how much money came in last week. It is a lagging indicator because it is in the past. Lagging indicator would be how many sessions did we do. Okay there's sessions we already did them, that's last week, right. By the way, we should mention that the score card is 7 days at a time. So you are looking at the data over the last 7 days. If you are okay with it I would love to get super nuance as to how to actually do that and what it should look like. But you are looking at the data of the last 7 days, so those are lagging examples.

Leading examples would be how many free introductory workouts did we do? So a free introductory workout is a leading indicator to… It's is somewhere, I don't know specifically where, in your sales pipeline. It's pretty low on the funnel. You are pretty close to a conversion. It is going to give you a good idea of, “Well, do I have future sessions coming in the door? Do I have future revenue coming in the door?” I don’t want to be too prescriptive in what your leading and lagging indicators would be, but my goodness, revenue and sessions would be one of them, and one of them would be free introductory workouts.

I think another pretty good maybe a combo leading and lagging indicator is something like Net Promoter Score. Net Promoter Score does a good job of serving as a lagging indicator, meaning, well this is what your customer’s perception of your experience is. But also a leading indicator and that’s actually why it was developed. It was supposed to be a long term predictor of whether or not that firm was going to be profitable. If your Net Promoter Score is really, really strong, if it is really high then that is a leading indicator that okay you have customer loyalty. Customers are going to stick with you. If something happens you are going to have clients that stick with you. You show me a business that has mediocre to a poor Net Promoter Score but their other KPIs are strong, so they have good revenue, they have good cash, they have a good sales pipeline. I would still be worried about that business because I would say, well, as competition increases, as there is any type of turbulence in the market which my goodness we’ve seen so much of that in every different form over the last three months as we record this on June 2nd. I would be worried about that business because if you don’t have NPS, you don’t have high customer loyalty. That would suggest, that would be a leading indicator that if things get challenging via competition or market conditions that you might lose some market share and you might lose clients etc. So you pick leading and lagging indicators and you look at it every 7 days.

Now, in order to this well, Lawrence, you need a way to collect this data that's not incredibly time intensive so we use MINDBODY. It is some type of software where you can pull this data quickly. Some of it can be manual. I mean, I remember in the early days we would literally go through a physical schedule book and count how many sessions came in. Now we can run reports. Hannah runs all of our reports for the score card and has that score card populated for our Wednesday meeting which is when we review the score card so the whole score card is updated. So that's what would go on the score card. And every business is going to be a little bit different but frankly I think most HIT or fitness studio type businesses, a lot of those are going to be the same – how many sessions you do, what's your revenue like, what do you have in the sales pipeline, free introductory workouts, what is the net promoter score, what is your retention or attrition. We look at retention from January first. We look at retention over the last 365 days, the last 52 weeks because they are different things. We look at retention in you first specific period of time, like your first 20 weeks with us. How many of those people are retaining. Those are all considerations, things to think about but keep it simple. My goodness if you have a pulse of 5-12 things you really have a good understanding of how the business is performing.

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And then what you do is you color code it. Gino Wickman got this from Alan Mullaly, who I'm just in love with Alan Mullaly. He is the former CEO of Ford. He is just unbelievable. Alan Mullaly came from Boeing to Ford in 2005 and he is considered I think the greatest CEO in American business history at least in the last 50 years. He leads this incredible turn round at Ford. Ford is scheduled to lose $14 billion and they do lose $14 billion in this first year and then turns the company around and makes it incredibly profitable. Ford is the only American auto maker that doesn't take a bail out during the financial crisis which is a wonderful story. And if you want to read a book on it, he didn't write the book but a journalist in Detroit wrote a book called American Icon. It is one of the best written business books but it reads like a page turning fiction. I mean it is just unbelievable. There should be a movie written about it. But Alan Mullaly is an incredible leader and he created this concept of what we are going to color code the score card.

So if you are on track, so in the Traction world, if you are 95% of the way to goal but you are not at goal, that's yellow. If you are at goal, that's green. And if you are under 95%, then that's red. So you can quickly glance at a column and understand are we on track, are we off track. Anything that's red two weeks in a row you say, "Okay this is an issue and we'll just solve this issue", which is a separate episode of this series I'm sure. But that way you can just at a glance look at it. And Alan Mullaly when he got to Ford he had meeting after meeting, after meeting. Traction calls it the Level 10 meeting. He called it the business plan review, the weekly business plan review, and he had like 15 people in on the business plan review. And he said, “We went through all these score card items and week in and week out they are all green, green, green, green.” Finally, he said, “Hold on, we just lost $14 billion and you are telling me every one of these Key Performance Indicators, all these score card items are green, they are on tracked? I don’t believe it.” But the culture at Ford was no one would actually be honest and face the brutal facts. Finally, one guy reported that one of the areas was red and there is like silence in the Board room and everybody thought Alan Mullaly was literally going to just chop this guy’s arm off, terminate this guy on the spot. Instead, Alan Mullaly literally stood up and gave the guy like a standing ovation, gave him applause and said, “I want you to come sit next to me at our next meeting, like, this is what we want from our leaders.” By the way, this all probably happened because Allan Mullaly when he had them color code green, yellow, or red, he didn’t do it in a way that was like we just said quantifiable, like, “Are you 95% of the way there, are you 100% of the way there, are you under 95% of the way there?” I think that is why Gino Wickman did that as, “Hey, we can just decide what is yellow, what is red, and what is green.”

And if you find out that you are not reaching. You are not in pace to reach your 1-year goal but yet your score card is constantly green. Well, what does that mean? It just means you set up your score card wrong. The targets you are shooting forward is just the wrong targets. If you are generally green on your score card that would mean that you are pretty much on track to achieve your goal. Otherwise, you didn't pick the right score card numbers. So for our score card we have the sessions that we did at each one of our locations. And so if those sessions are constantly red, meaning we are now then track for the sessions. We have no chance to hitting our annual goal in terms of revenue because sessions are how we drive our revenue obviously.

Lawrence: Yeah. I want to dig into a lot of things you said there sequentially as we go through this. I'm glad you brought up Alan Mullaly, I was going to ask you about him and his influence on you and the score card. I think this is also a good time to just cover, again, more on why this is important. Would be able to speak on, because I think it motivates people to know that, some people might hear about score card and think, "Oh, another thing I have to do. God's sake that is just more admin." Right? But the important thing is just how the kind of results that this is going to achieve in your business. Would you be able to speak on it from your experience at Discover Strength?

Lawrence: I'm going to echo what Alan Mullaly said, okay. I heard him say this just like two months ago. Someone asked him, "You are running one of the largest 5 companies in the world. How do you sleep at night? I mean, aren't you constantly stressed?" And he said, "I sleep great because I attend the weekly business plan review meeting and we go through our score card. I know exactly what is on track and I know exactly what is off track. And if it is off track we just have a discussion around it and create new plan to improve it. When he said that I thought, wow, that is the power of the score card. You go from an entrepreneur/business owner that literally almost 24 hours a day you are worrying about every different facet of the business at all times when you go to bed at night, when you wake up, etc. And then you go to score card and then once a week you review it with your team, you review it by yourself and then you have an understanding of what is working and what is not working and where you needed to deploy your efforts, maybe you need to develop a new plan.

I think it actually; maybe it is another task that you have to do. But if you build the score cards simple enough to start off with, it doesn't take that much time but it frees up so much mental and emotional space the rest of the week because you know exactly where you're at. The reality is, and this is a cliché, but it is accurate. It is like imagine being a pilot flying a plane without any instruments. You need to know what your elevation is. You need to know what your speed is. That's about all I know about piloting right there. I don't even have a third example. I think you need to look at the instruments to know where you're at, right. You can have just sort of at the end of the podcast and he can talk about the other instruments because I know he is a pilot and flying his own plane non-stop. But you have to able to look at those instruments to understand where you're at, and it is so true in our businesses as well. I think most entrepreneurs, and I was guilty of this for 8 years, are flying just blind. It's the subjective feedback of staff and how that day went and the emotion of the moment rules rather than, "Hey, let's look at the data."

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Lawrence: Yeah, that was a really powerful point. I've had a number of members talk to me about how they want more solutions for reducing stress in their lives. Either they want to know how to build a high intensity training business that they love but they want to be stressed out the whole time. And so there you go, right. This is another great solution to reduce your stress and enjoy the journey of building your business so much more.

Luke: Lawrence, that statement you just made is the most powerful statement I think I've ever heard you make on the Membership podcast. I mean, that is so powerful. And I will tell you, when we started using EOS and we really implemented. You review the score card at the weekly meeting. I said, okay, I went from working between 45 and 80 hours a week on a regular basis for I don't know how many years, 8 years or something, and loving but it was just a ton of work all the time. And I said, "You know what, I think I could now work an hour and a half a week and still earn my salary." Because you go to that one meeting and that one meeting is where you review the score card. I feel like I'm being productive. I know exactly what is going on. We are having the discussions around what needs to happen next. I mean, I'm not going to do this. But I think I could own and run and provide value to Discover Strength if I work one hour and a half during the week and that's it. Now, I've choose not to do that because I like the work in the business and take on other key roles. But that's the power, that's level of stress reduction that I think you can achieve if you have that score card and you run the business off of the score card.

Lawrence: That is excellent. Thank you for that. Just a couple other things in terms of the types of results this is going to achieve, In Traction it talks about the 8 advantages and three of those that really stood out for me. I mean you covered some of the others but three other ones we haven't perhaps touched on that it creates healthy competition so you see higher performance, and more teamwork, and faster problem solving. I think the last one is probably obvious but have you seen that in terms of your staff and particularly your trainers? Have you seen almost a healthy competition to outdo one another and more teamwork as a result of the score card?

Luke: I would say competition with one's self or competition with your own previous performance. Not necessarily competition with others. Let's give an example, this last week, if you look at our score card, we have five locations; four of them were on track for the session total they need to hit. We have one location that is really, really of track. And by the way, it is out biggest location. Everyone of that location is well aware that everybody else is on track and they are off track, so I don't have to say anything. I don't have to say, "Hey, looks like Plymouth needs to pick up the slack. They are not performing at the level they should…" I don't need to say that because everyone can look at the score card and understand it.

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Now all of our locations understand where they are at the score card and have they improved. There is a desire to improve on your previous performance. By the way that's what it is all about. In life, you are not trying to beat anybody else. You are trying to beat you yesterday, right. That's what I think we should do in our own organizations is improve on what we have done last week or last year. The score card does that perfectly. For us, our trainers are not necessarily competitive with each other but they are competitive and our teams are competitive with what we had previously done.

Lawrence: You've spoken already about the how – how to create and how to come up with the measurables to focus on 5-12 to be able to give a pulse on your business. What about in terms of, because I've only obviously done this as an owner and a leader. I've not done this, thought about this in terms of how I might look for each… If you've got like a large team how am I going to look for each member of staff? How do you create the score card? Does each person in your organization have a score card or just a number that they…?

Luke: No, it is just a number that they are influencing. So each location has a score card for us, and then the company has a score card. It is basically the team that you work with when you meet each week you should have a score card that's telling you how your department, your location, your team is doing. Let's get really nuance on what this looks like. For me, one thing I struggle with is when someone talks about a concept like this I always want to know, “No, how do I actually do it. Tell me literally what program I am using on the computer and what keys I’m striking. I want to know what it actually looks like.”

For us, it is a Google document, it is essentially free, and it’s a spreadsheet, so Google spreadsheet, not an Excel spreadsheet. The reason we are using Google, I know this is obvious, so that it can be shared. So anyone can pull up that Google document and there is a column and that column represents one week. On the left, you have all your score card categories. Then you have to have number written by each one, so what is that goal for that quarter? Everything has score card is quarter at a time. Let’s say the location’s goal is to do to average 400 sessions, so it has Sessions and then says 400. And then the column is going to be whatever happened last week. Well, each week that goes by you add a new column and you add the column on the left so that you are always looking at the most recent data point. Well, how many columns you are going to end up having? You are going to end up having 13 because there are 13 weeks in a quarter. So you look at this chunk of 13 weeks all at once when you’re done and then you can create a new sheet for the next quarter. If you ever want to go back and say, “Well, how much should we expect to grow or to improve over the course of a quarter?” Boom, you just click back to that last quarter and you can take a look.

Now, I can go back to 2014. How much do we normally improve from 2nd quarter to 4th quarter? What actually traditionally happens to our KPIs over the holiday period? Do we have a dip in business over the summer? We have to look at all those things historically and then we can start like I said predicting and preparing. We can say, “Hey, we know this is a tough time for us. What can we do to be proactive?” Or we should expect that we are always strong in this month or this month? How do we continue to play to that strength or let’s understand why that is actually happening? So it is just one column at a time that you’re looking at and then you insert a new column and enter all the data from the past week in that column. So you are looking hopefully it is growing over time. But instead of going left to right, you are kind of going right to left if that makes sense.

Lawrence: Yeah, it does. Yeah, you did a great job explaining what a score card looks like. People obviously who is listening to this should be following the book so you will be able to see what it looks like in the book. But also I am pretty sure you can go to eosworldwide.com and actually download probably a template.

Luke: Yeah, they do. They have them on there.

Lawrence: But it is super easy as you say. I mean, I do the same. I build mine in Google Sheets and it takes like 5 minutes to set it up and it’s the most elegant, awesome, single pane of glass view of your business over three months, over a quarter. It is just powerful stuff.

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Now, I am glad we are getting on to trends. I was going to ask you about historical data. I'm guessing at this point you have years of historical data that you can look back on. Have you found though that as you've gone through and as you've refined your score card, it sort of gets a little bit messy because you've got different measurables than you had maybe couple of years ago.

Luke: Yeah. We use an EOS implementer and we have for many years. Our [EOS] implementer is often pushes us to simplify the score card like, "Hey, you guys have too many things on there." And so he is always getting us to take something off there. A lot of times we'll take something off there. One of the reasons you would take something off the score card is your business grows, and you no longer need to be capturing it at like the leadership team or the whole company level. We were looking at things on our score card that our individual locations could be looking at. And so how do we keep the score card for the leadership team as simple as possible. The tendency is the score card keeps growing. You say, "Well, I'd like that data point, I'd like that data point, I'd like that data point." And you realize, okay, we have a lot of data points on here. Are they really guiding our decision making? Are we really learning? Are we predicting based on them?

I think the key, and this gets to your specific questions, you have to try to keep the way you measure something consistent. So if there are 10 HIT business owners they might all measure retention differently. Who cares?

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By the way, that's why having conversations on, "Hey, what is your retention percentage like?", is totally meaningless because everyone is measuring it differently. So you hear a number and someone says, "Wow!" Or someone says, "That's really good", or actually, "That's really poor." Who cares? You are measuring it differently. We always said, who cares how we measure it. We just have to measure it the same way all the time so that we can track over time is it improving? Now, one of the frustrating things is if you do change and decide this is the best way for us to measure something and you start that then you are almost starting fresh from a data standpoint. Okay, this is week one, and this is only going to become valuable as we add more data but it is worth it. I think the number one barrier to creating a great score card is people don't see the benefits from the score card for a number of weeks down the road. And we want the immediate gratification like nothing good happens two weeks into the score card. It is weeks and weeks and weeks into using the score card where it becomes valuable that applies to creating a score card. But it also applies to changing one of the data points on the score card is you got to change it and it might render everything else that was on the score card in that category obsolete in the previous how many weeks, months, or years. But going forward it is going to be the right data point for you. We try to stay consistent with all those things.

Again, I'm being repetitive here, but things like sessions. Well, that's not going to change how you count sessions. Revenue, that's not going to change. You might want to say, what is on our score card? Is it the actual revenue we did this week? Is it accrual revenue? Is it cash revenue? Is it average revenue for the month? You got to make those decisions. And then sessions, what do we count as a session? Do we count free introductory workouts as a session? Do we count VIP sessions with our friends and family? We just have to be clear on what do we count so that the data is good data. But that's all really simple to do.

Lawrence: Yeah, that's awesome. I just want to dig in to some of the nuances of that as well what you said there. You talked about how when you looked back at the historical view of your score card you can see certain seasons where things are different. Maybe it is slow in certain months and you can kind of predict that will slower. That's fine and I see the value in that. But what I'm interested in understanding is can you use it to really figure out what tactics are working? Or do you measure that separately like when you do rifle shots. For me, I mean I can't speak on the score card for Optima which is obviously the studio I am starting with Shawn because we've only draft a score card and it will only be implemented properly when we start which probably be early July. But I have been doing it for High Intensity Business and so I've been measuring different things. Things like sales page visits, cart visits, things like that because obviously mine is an online business. I guess one of the challenges I'm having is understanding… And I don't want to talk about my context too much because it is not as relevant to the HIT studio owner but I think maybe the principles transfer. But I am just trying to understand how have you been able to look at your score card and figure out tactical moves for your business to improve sales and marketing for example or is it not about that?

Luke: No, I think it is about that. It just depends on how many things you are deploying. We'll launch a marketing initiative; I'll give you an example, in the first quarter of this year we got to spend a tremendous amount of money at least for us marketing our downtown Minneapolis location. We want to go all in and spend just money on that location and let's see what will happen. It doesn't matter how much money we spend but we knew just for that location and we knew just for a finite period of time for the first quarter. By the way, the first quarter got disrupted because COVID hit right in the middle of March, right. So we had all of January, all of February, and about half of March before things really got disrupted. Then we just look at the score card and say, "Well, what happened to our sessions in that location? Did the sessions improve?" And we now know that hey we deployed these marketing tactics and we didn't grow that studio at all. Okay, so we understood whether or not we get ROI from those marketing tactics.

Now I think, Lawrence, what is tough is that you're doing 10 different marketing things, and the studio does grow. You say, "Well, which of those tactics actually grew?" I don't want to go into too much detail, you could have a separate marketing score card. So Hannah has a separate marketing score card that looks to our key marketing functions just to track how those are working. Now let's understand that is not nearly as important as a score card overall for the company or the studio. I do think it is worth it if you are really going to be nuanced in how much money you're spending in marketing, you got to track some of that stuff in a separate marketing score card is good. But, man, if I am not using EOS and I am listening to this podcast and I hear me say that also like I literally am turning off the podcast because I am like, "No, that's too much." So do not start with that. You don't really have to do that. You could be 10 years into it and not do it. That's not where the real power is. The real power is the basic score card of 5-12 items and then you can track we are marketing. Is that working? Is it not working?

So we have this controversial opinion at Discover Strength that you just shouldn't spend that much money on marketing because we've never seen it actually work. Now, we could be just bad marketers and it is working for everybody else but we spend more money on marketing and we don't see greater results. So guess what we do? We don't spend money on marketing anymore. If we weren't tracking that, if we didn't have that in the score card we would listen to what everyone else says in our industry which is, you got to spend more, and more on marketing. I mean every conference I go to and every book I read talks about you got to spend more money on marketing if you want to grow. I usually believe that conventional wisdom. We just have never seen it work in our business. Again, we could just not be good at deploying that. But, man, we spent a lot of money and seeing really poor results which is why we think that you just don't have to spend much or any money on marketing.

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Lawrence: Let's just focus on that for a moment. I find your perspective on this fascinating. You obviously deployed marketing tactics, paid tactics I'm assuming over the years and then because you haven't got the ROI you hope for you instead reinvested that money in the business, in the operations, customer service, the workouts, all the other things that made DS great knowing that that's going to drive growth. Obviously, correct if I'm wrong at any point, Luke, but that's certainly what I hear when I listen to you. I'll just point the members to the Q&A you did for the Membership in May, so the May 2020 Q&A, Luke talked more about this and how his kind of perspective on marketing and growth and product. If you want to learn more about this perspective I encourage you to listen to that and I'll put it in the thread.

With that said, I spoke to Josh Jarrett over at Quantify Fitness, who you probably know, Luke. He was really generous. He created training in the Membership for members only on exactly how they… I know this is a little bit tangent, I almost spent too long on this; but how they created a successful Facebook ad campaign targeting moms. Busy moms I think is the target market they call it. It was really successful in terms of cost per lead. It was very competitive, a very good ROI. I don't know how long those clients stay for so I don't know things like retention and lifetime value and all those things but it seemed to be quite successful. I was quite surprise especially with your team, and the marketing chops you have, and the agencies that you work with that you have found personally that these types of tactics haven't worked for you. So I don't know if you can just take 5 minutes just to speak on that and your perspective?

Luke: Yeah, so speaking why we are not good at marketing. That's a good question.

Lawrence: No. I didn't mean that.

Luke: Let's just take a step back and say, hey if it worked we keep doing it and a business would grow forever, right. If you told me we can invest $25,000 because I wrote $25,000 for one location, for one quarter, that's a lot of money. Well, if it is producing ROI it is not a lot of money. I will spend $25,000 to be able to make $100,000, and we will do that all day long, but that just never worked out that way. It's not about how much money you are spending. It is about what is the actual ROI look like.

If anyone ever tells me that their marketing is really working then my next question is, "Why aren't you doing more of it?" Did it stop working at some point if you do too much of it, or if you invest too much money? If I found a way that a dollar invested in marketing could produce a $4 return, I would immediately invest a million dollars in that marketing. But we just haven't seen that. And we are trying to test and we don't test with a million dollars, but we test with $1, we test with $1,000, and we test with $25,000 and our testing and tracking we just haven't been able to produce that result. Now, let's think about it, you can spend in a year $100,000 in marketing and not produce any improved results. So we say, "Well, now, what if instead of spending $100,000 in marketing, we spent $5,000 or $10,000 and having a couple of speakers come in speaking about customer service and customer experience." And then we spent another $5,000 in planning some day long staff trainings where we really dialed in on how we coach a rep, and how we perform a rep, and how we give feedback and the nuances of the Discover Strength experience. Okay, great. What if we spend another $5,000… So we now just deployed $20,000 to improve the experience, alright, and then we just kept $80,000 in profit. I'd rather do that because then we are seeing the needle actually move.

That's what our kind of long term approach and our opinion. I don't want to say conclusion because I guess I don't know when we should make the conclusion, but our current opinion that it is about the workout, it is about the experience, and it is about the customer experience. It is not about the marketing. I think I'd rather spend money in finding ways to improve the actual experience than ways to improve the marketing.

Lawrence: That's great, I really appreciate that. And just bringing it to the score card, I don't know we are going too much on this, but we talked about creating a separate tab in that spreadsheet potentially to track your marketing tactics separately. I don't do a complicated score card for my marketing tactics is very simple. It is just a few columns. As an example, I did a joint venture with Doug McGuff where I offer a trial period for new members to his audience and that worked quite well. I tracked obviously the number of people that were brought into the membership from that tactic.

With that in mind, in talking about you and your strategy when you are doing rifle shots… And for those who don't know what the hell I'm talking about, go and listen to the rifle shot episode in the [Membership](). I'll link to it which is all about testing effectively, testing tactics, testing changes in your business. But when you are doing rifle shots are you only doing one at a time so that you don't conflict outcomes and variables?

Luke: I mean, a rifle shot is just a small idea before it becomes a big idea. You probably shouldn't do multiple rifle shots in marketing. But you could do multiple rifle shots throughout the organization in just different categories. For example, you could say, "Hey, we are going to do a rifle shot and try 15-minute workouts instead of 30-minute workouts." And we'll try it in one of our locations and we'll try it for one quarter and we'll see how it goes. You could simultaneously do a rifle shot in increasing your page search spend while simultaneously doing a rifle shot on daily huddle meeting where everyone in the location or in the business does a 10-15 minute call each day in the morning to talk about what's going on that day, what are their constraints, what are they stuck on, get on the same page. Those are all different rifle shots that you are trying new things on a small level before your roll them out and I don't think that impacts a higher tracking. But, yeah, I don't think we should rifle shot a number of different marketing things at once.

Lawrence: Got it. Okay, I appreciate that.

Luke: Unless you have the ability to really track each separately, which at digital space you can track a lot of things. Some of the other stuffs you… We just had a great meeting yesterday for an hour with the consultant around some experiential marketing thing. So experiential marketing is like creating events, I'm giving you a silly example but it is, what if you had chalk and stencils of your company's logo and you took a popular walking path in your area and stencil all these different logos, and creative thoughts, and your number, and messaging that was really on brand that cost almost nothing and it's experience. Well, that could drive business but it is tough to track that relative to something that's digital. So yeah, I wouldn't launch a bunch of experiential things at once and not understand where we actually getting the business from.

Lawrence: Yeah, good response. How did the 15-minute workout rifle shot go by the way? Because I remember you saying that was one you tested before. How did that perform for you?

Luke: It was not a successful rifle shot so we just dropped it.

Lawrence: Coming towards the end of this one now but I just one question I had in terms of just to challenge. Shawn and I were talking about this, weekly revenue. With Discover Strength, do you record weekly revenue as cash? I mean, if it is credit card for example, could it be like revenue in transit was it you have to actually be banked? Forgive my financial lexicon.

Luke: Great question, Lawrence. It doesn't matter as long as you're doing it consistently. So like in this COVID period everything got really simple. All we are doing is virtual workouts, every virtual workout is $39, and we are not charging it on cash basis but we are doing accounting on a cash basis for our score card. Let's make this really simple, if we did 100 workouts last weeks at $39 a workout that's $3,900 in revenue.

However, how is it actually work? It is everyone is on an autopay membership, right. It's the first of the month or the 15th of the month, their credit card gets hit for however many sessions they are going to use that month. So we give them the option for 6 or 8. But we don't count all that as revenue because otherwise the 1st of the month you'd always have way more revenue that week or the 15th of the month you'd always have more revenue. So we always look at it as how many sessions actually occur the last week. MINDBODY's report for that is called attendance with revenue. How much money actually came in from workouts that took place this week? Now, we have money that still came in and we have that cash but since we haven't delivered that session yet, we don't count it as revenue. Like last week, we're in this virtual training. Now that our studios have opened I think like we did $52,000 or $54,000 in revenue last week. That means that's literally just the sessions that we did last week. That's it.

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Now more money came in than that but we are not counting that because we got to deliver those sessions down the road. The short answer which I should have probably led with is you can do whatever you want, you just got to do it consistently every time, whatever is simple, whatever you think is valuable. The one caveat I would say is if you are always using an accrual approach you may have a lot of revenue but you may be in a tough cash situation you can still get in a cash crunch which is a separate podcast I guess.

Lawrence: Sure. Just one thing I forgot to ask you about which is about the how in terms of the weekly goal. I've so far find this one quite challenging. I understand that you have to set that weekly goal in alignment with your 1-year plan but that does not always make it clear to me that should be. Could you answer how you come up with the weekly goal? But also, can you talk about whether that changes week to week as well?

Luke: Yeah. What a great question. But before I answer, I got to just maybe provide one more example in our last discussion because I think I'm not being very clear. Let's say you sell packages, and you sell packages of 10 or packages of 20. Well, someone buys a 20 session package, that's a lot of revenue in one day. So would you record that in that week as revenue for that week or not? I would argue that you shouldn't. You should count it as an accrual basis which means, well, just count the sessions that are actually performed that week. Otherwise, you may have a massive amount of revenue one week and in a different week you have no revenue. It makes it harder to predict. I like to look at it as how much revenue that's associated with the actual session that takes place.

Lawrence: It's the service basically thinking about it. Yeah, that's very useful.

Luke: Exactly. We think that's the best indicator because you may have the money but if people aren't coming in anymore you got a problem. You got that revenue already but you care about how many people are actually coming in and work out. There is just no model where people don't come in and work out and you can still be successful. In our businesses, people need to continue to come in and perform their workouts.

Your other question was aligning the 1-year goal with what you are actually putting on the score card for a target. Well, there is just one step in between. You got to come up with a quarterly goal. This is actually not a rock but it is a quarterly revenue goal, so you have a goal for a year. Okay, your goal for the year is $1 million. Your goal for that quarter in terms of revenue is $250,000. So you say, "This is our big goal for the quarter. We are doing $250,000 over this quarter. Now let us set the score card based on that. What do we need to achieve that $250,000?" You can adjust the score card essentially every quarter in terms of numbers and you say, "Hey, our goal was 250 session per week last quarter. Well, now, to get to $250,000 we have to do 272 sessions." So you update that score hard.

Now how do you figure that out? You just do the math on all of our revenue come from sessions this is how much a session is worth. Let's just do the math on that. I made all that up, but let's say $250,000. Let's say you are charging $50 per workout. You know you needed to do 5,000 workouts that quarter. 13 weeks in a quarter. You need to average 384 so that's what we do for every one of our locations. We just say, "Okay, this is where we need to be revenue wise. Here is how many sessions you need to do. We need 600 sessions from this location. We need 200 sessions from this location. We need 208 sessions from this location." And we always do an average. We should need to average for the entire quarter.

Lawrence: That's awesome. Yeah, I don't know why I forgot about the step I miss there, the quarterly step. That's some impressive arithmetic by the way. I don't know if you had a calculator at hand there when you know those numbers, but that was pretty impressive.

Luke: Well, I definitely had a calculator.

Lawrence: Cool. No, that makes a lot of sense. That's clearer to me. What about just one nuance on that. Let's say you got $1 million target for the year. If you are new business for instance, you know you are probably going to be in a different position in terms of what resources you have and clients in the books and things like that 3-6 months in versus Day 1. And so, would not want to ramp that. I mean, I know you were just giving an example but you in a real world scenario ramp it?

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Luke: You 100% want to ramp it. But, man, this brings our conversation fill circle to the value of the score card. If you've been using a score card for 3-4 years, you can look back and say, "How much should we ramp it? How much better do things get throughout the course of the year?" Because early on I would always say, and this is an example, "Well, this location, this studio we did 200 sessions this quarter on average." Okay, every week of the quarter we did 200 sessions. I would say next quarter what can we do? I'd be shock if we can't do 300. By the end of the year we should be doing 600, and then you realize, okay that was unrealistic. But that's how I used to set goals.

Now, we can just look at quarter in, quarter out what kind of growth have we seen. And so we can look at those, the historical data, to guide our future decisions. That is really important. But when I say that I always remind our teams with by the way great leadership and great management can totally change that trend. If we have the right leaders and right managers we can look at the historical data and we could double it, triple it, quadruple it, etc. Don't be imprisoned by what you've done in the past but it is a great starting point to have the conversations at the goals. We might understand that, hey, actually growing an average of 10 sessions per week for the entire quarter is pretty good progress. Where before we had all that data, I used to say we could do 100 more sessions next quarter which is just not realistic.

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Lawrence: Last question for you, Luke. I know you might have already answered this to an extent. I would love to hear what the DS score card looks like right now.

Luke: It's got a lot of red on it due to COVID and the fact that we've been closed down. We did make a few tweaks to it and change some of the numbers obviously because of this COVID season. Because the COVID season crossed over a quarter, you can update the score card basically once a quarter so it's got NPS on it. It's got all five of our location's session numbers and that's based on our current reality what we currently need. And then it's got the total number of sessions for the whole company so we know that we are trying to do… For example, right now, we are trying to do 1450 sessions across 5 locations virtually. Now, that's peanuts relative to what we used to do but we are building back up like 85%.

Well, we used to 1650 was kind of normal week, so we are not there yet. But we've made good progress, right. We've gone from 900 sessions to 1200. Now, we are looking for 1450 as an average right now. We have sessions on there. The number of introductory workouts that we do and that's what we've been just killing that. We done better in the last two months on that that we've done in the previous two years introductory workouts. The closing percentage, so the percentage of our introductory workouts that end up becoming a client that's listed as a percentage. I don't want to say that right now is lower because we've done more introductory workouts and we've purposely taken on some probably unqualified leads just to expose them to the virtual workouts. So we are looking at the closing percentage. That's on there.

What else is on there? Three different retention metrics are on there. Like I said, the retention of everyone from January 1st on retention of 65 days. The retention of just what are your first 20 weeks with us look like, like, are we retaining people early on their [Discover Strength] experience. I think I said NPS, the Net Promoter Score, that's on there. What else do I miss? I think that's most of it. I'm sure I missed a couple.

Lawrence: I love those retention variants though. That's really useful and makes a lot of sense actually. Luke, this is fantastic. Is there anything else you want to share? Any big learning curves or mistakes you see when people try to use the score card? I know you talk about and teach [EOS] to people in other industries. I just wonder if you have anything else you wanted to share on the score card and lessons learned.

Luke: Really nuance in terms of for the training studio. I think you should have the average revenue of each one of your customers per month. One of the many, and there are many downfalls of selling packages is you don't know how much money you're making off that client per month. Well, you might say, "I charge $50 a workout and they train once a week." I'm like, well, how often do you actually get $200 out of the month from them? Because a month is not 4 weeks, it is 4.3 weeks. And they miss a workout or they miss two workouts, they do an extra workout. And so if you have people like on an autopay you know what their actual revenue is like. But then you saw different types of autopay, right? We groups and one on ones, and 4x a week, and 6x a week, and 8x a week. A new client might be worth $170 a month, a new client might be worth $470 a month. You want to track that mean. What is the average?

There is only like a few revenue levers that we can pull. We can get more clients. We can get our clients to spend more money meaning the session price is up. Or we can get our clients to purchase more frequently which is train more often which is there is a limit to that in our world. We don't want people to train 4x per week. Those are the levers and those levers impact what that mean monthly revenue per client is. That is a key number. If you tell me your studio has 100 clients. I say, "Well, could you just keep it 100 and instead of having them spend on average $211 per month. What if you can get them to $311 per month?" Which is very realistic, that is very doable, and you just grew your studio massively. You grew your revenue massively without growing your overall clients.

Normally, we've traditionally looked at it at just adding more clients and I think we can get more money from our current client. Overall big picture score card mistakes keep the score card really simple. I would recommend using some type of software that allows you to pull this data in a way that's repeatable and is time efficient. You've got to have your whole team look at the score card. So if you have 5 employees, all five together have to sit down and look at the score card together to understand if we're on track or if we're off track, if something is red for two weeks in a row. You got to focus on it, you got to talk about it, you got to discuss it, you got to improve it.

And then this is the most important take home is the score card will take a few weeks, or a few months, sometimes even a few quarters to really get it dialed in, to feel like you really have it down. You should make mistakes early on and just do not be disheartened if the tool is not as valuable or as productive as you anticipated, or like we are making it sound like right now, when you first launch it. I think Gino Wickman does a pretty good job of saying this, most companies it take a few quarters to have the score card really worked and really be powerful so just be patient.

Lawrence: Yeah, I can completely attest to that. I am into I guess 2nd quarter of me using it. We are obviously coming towards the end of the 2nd quarter here. I had a realization of the data and was making a mistake in one of the measurable I was tracking. Yeah, I think it is going to take me even another quarter to get it where I want it, so that's really comforting to hear.

For everyone listening, obviously this kind of goes about saying I've been talking about following along in the book. But just to give you some actions, if you go to the data component in the book Traction, you go to the end of that section. There is actually actions on exactly how you implement this which will just add more other step by step process to what you've just listened to so you can actually go away and implement this effectively in your business. Maybe listen to this a couple of times after the fact just to make sure that you've put yourself in the right position. But as Luke was saying, I think it's better to not spent too much time worrying about getting it perfect first time. Just get it in place and then refines it as you go.

Luke, thank you so much again for doing this. I really appreciate it. I always love collaborating with you in the Membership and looking forward to doing the next section.

Luke: Hey, it's my pleasure. In each section we do I have to refrain myself at the beginning from saying "Uh, this is my favorite part of the whole Traction process." And I realized, okay, I can't be authentic and say that every time. But I almost feel that way. Thank you for having.

Lawrence: You're welcome.