



**Complete Transcript: HALO Talks with Frank Ancharski  
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Pete Moore:

This is your host, Pete Moore. And I am pleased and humbled to announce the launch of my one and only book, Time to win again, 52 takeaways from playing and watching team sports to ensure your business success.

Pete Moore:

Those of you who know me personally, and anyone who listens to halo talks or any length of time, know that I am an avid sports fan and a big believer in the value of team sports. What I've seen over the past 25 years, helping businesses grow raising capital, being an entrepreneur myself in coaching and mentoring executive in the sector. It's the lessons learned on the field perfectly apply to business entrepreneurs, executives, managers, you name it. Every company that's a strong company has got a good team. It's a quick read. There's also illustrations in there from our good friend, mark cruelty free tunes. If you go to integrity, sq.com, enter your email address and we will send you information on the book and the entrepreneurs' survival kit as well. Be great. Take names go halo.

Pete Moore:

This is Pete Moore on HALO Talks, on location, IHRSA, in person, Dallas, Texas. Frank is joining us again for his second podcast. Only a couple of people have had the second podcast. So, so welcome to the show. No pressure got a new job at promotion vault. So give us an update on, on your personal and professional life. And I will ask you some questions about what the near term future looks

Frank Ancharski:

Like. Yeah, thank you. It's great to be back again, Pete, appreciate you having me. And now as the chief operating officer for promotion vault and I get to work from home and nothing's really changed other than my wife hasn't kicked me out yet and we've been married now 41 years knew each other since 1979. Some people weren't even a twinkle in anyone's eye back then. <Laugh> but I've been in the industry since 83 and, and as I Kidd around before, since dirt was invented, but it's great to be back in person with AA.

Pete Moore:

Yeah, definitely. So, you know, you've, you've got a really interesting background from an operation side and understand how processing work and how to kind of sell or get people on boarded onto a system. Yeah. So how has the, the relationship that you now have with promotion vault and going to these clubs

and saying, look, these gift cards are being used in other industries very successfully. You see it on TV all the time. You get a survey, it says, take this survey and get a \$25 gift card. So on, so on and so forth. So do you feel like we're at a tipping point now where people get it where it's not as much of an evangelist sale?

Frank Ancharski:

That's a great question. I do think that they're starting to get it, what they really still don't get. Honestly, Pete is that free and discounted dues don't work. It erodes your revenue stream and it erodes EBITDA. And so we're on a mission really to educate, to let them know that there's other options and better options than discounting memberships and discounting. Your, and, and we think that it's, it's a better solution. We know that e-gift cards, high value E e-gift cards like places from Amazon, Nike all of these bigger players under armor under armor that really give us an opportunity to help associate a brand of a club. So like a mountain side mm-hmm <affirmative> or matrix in New York to be able to associate with gift cards that everybody would rather use and try to E emote from people, an emotional reaction for a gift card versus free or discount,

Pete Moore:

You know, it was one of the things, and we're obviously an investor in promotion vaults. I'll give that little disclaimer there. Or one of the things I found shocking when Bryan started the company is that you were allowed to actually do that. Yeah. Like under Armor was like, yeah, I'll I could partner up with mountainside, New York sports clubs you know, Pete's fitness and, and like, you didn't have to go some kind of go through some kind of sponsorship, you know, quality control on the name. So the ability to go and say, Hey, I want to do a cross promotion between us and Lululemon. Yeah. Without having actually talked to anybody at Lululemon seems like a no brainer from a brand affinity standpoint,

Frank Ancharski:

Brand affinity is, is huge for us. And I, I would also tell you versus going to a grocery store and hitting the end caps and actually buying gift card that you have to pay. And there is waste because what happens to that gift card? Where does it go? And so now you have an opportunity to be able to have breakage, and that's a term that not everybody understands, but our ability to be able to have that kind of brand affinity in the re reaction that somebody has to a Lulu lemon, to an Amazon, to a Nike, all of those things matter to people. And they'd rather that than anything free or discounted.

Pete Moore:

Yeah. So on, on average, and this isn't, you know, the primary reason to use it, but you know, you're not, you don't have any inventory. I don't know, argument one time with someone about, well, the club should just, you know, continue just giving out t-shirts and I'm like, well, there's a cost to the t-shirt. Right? Yeah. And there's no cost to the gift card until it's activated and, and you guys have set up this mouse trap basically that doesn't have the gift card liability. Mm-Hmm, <affirmative>, that's something that's inter perpetuity. It's basically a valid of a promotional period. So I think people need to understand that versus if you're selling and you're giving away points, you know, if you come to integrity square, and you want to sell your company, like that point balance is a liability right on your, on your balance sheet, that someone's going to, you know, deduct purchase price

Frank Ancharski:

From. Right. And, and reality is that those do have an endpoint it's decided by the client and that it's not going to be in perpetuity where you have that liability caring. So the club can decide that. And generally, if not past a year and sometimes it's even if they don't activate in 30 days, it's also gone, right? So there is an opportunity for a club to really manage that. And I would encourage all the club operators out there that when you think of an expense, like an e-gift card as a true expense and not offset that with the revenue gained by the additional behaviors you're trying to inspire, whether it be guest visits, whether it be joiners, whether it be referrals, whether it be upsell to personal training, upsell, to higher end memberships, all of that behavior is what gets incentivized. And there's a revenue offshoot to that expense that a lot of times people don't realize is an important Cal.

Pete Moore:

Yeah. I was talking to the CEO of a, a big company that uses promotion vault, which I'll keep nameless for now, but he is a good reference. He said, look, we were doing zero down. And now I do a \$50 joint. You get a 25 to \$50 gift card, but my cash that I'm generating on a monthly basis, which everyone wants to generate more cash right now, until we get to the end of this tunnel on the pandemic side, mm-hmm, <affirmative>, you're actually changing the working capital of a business by using the gift card and being able to get this initiation fee up front. Right. Which not only the incentive is going to bring more people in, but there's also like real cash impact. And also your revenue's higher because now I'm booking \$50. Mm-Hmm <affirmative> and my cost of the gift cards, probably \$15 because of the, just the, the usage and the breakage. Yeah. So I feel like the math is simple to understand

Frank Ancharski:

It is. And generally speaking the higher, the gift card, the higher the activation rate. So if you, you do 50 or 75 or a hundred dollars gift card, you're going to see a higher activation rate that of course you have to pay for. Right. But it's a lot less than a hundred if you bought it at a grocery store. The reality is though most are in that range of 50% are activated, right? It's not like we don't want that to happen. And a club operator doesn't want to have not have that happen, but you're trying to create an experience, an experience for a member who wants to be able to do something or prospective member who wants to become a member and, and incentivize that behavior. And then they get rewarded for it. And they see the tangible value cuz how can you explain free? How can you explain 50% off, 25% off? And so the gift card gives you that high Val high perceived

Pete Moore:

Value. I mean, I was kind of hoping after the pandemic that people would stop selling price because of the, the, the value of going to a health club. And I kind of joke around about this, but you know, if you're in New York city and you know, you go out to one dinner, it costs you a hundred bucks, right? And it's like, I use this, you know, the broner cost 28, right. <Laugh> to Val out like 12 minutes. So, you know, stop selling price and sell results, sell the, the community, sell the experience. And I feel like our industry had this unique opportunity and maybe IRSA will change that and say, Hey, look, let's sell that. You could survive. Yeah. Right. That like, if you have a strong immune system, like you're not dying from COVID right. I don't care how old

Frank Ancharski:

You are. Right. And now more than ever, we are a natural vaccine for everyone.

Pete Moore:

I like that.

Frank Ancharski:

I'm going to use that. It's a natural vaccine. And I think what's going to happen out of the pandemic is that we will, in fact, as an industry, be the answer and the antidote, if you will, to future illness, we already knew that, but now it's hit so close to home in every walk of life. I, I really believe that that's going to happen. And, and I think that our industry, when we come out of it, here's what I would say. And we had this conversation last night with a bunch of us that have been around the industry. It's still pretty sad for me that we have had 18 to 22% of the entire population be a part of clubs. What are we doing wrong? And I think part of a, it is to your point, we are selling on price. We're not selling the experience. Mm-Hmm, <affirmative>, we're not selling the value. And I believe in my heart, that promotion vault gives you a partial tool to be able to get ahead of that curve and move the needle in your own community.

Pete Moore:

I want to take a minute and tell our auto about two awesome workout recovery products I've been using for the last 18 months from higher dose.com leader in infrared technology for athletes. Like all of us are, we're an investor in the company. That's not why I'm telling you this. I'm telling you this because it works. You got an infrared on a blanket. I hop in there, I'll listen to some podcasts, burn 800 calories, get a mad detox and a P E M F, which is a post electromagnetic field crystal mat that I lay on. And I recalibrate my cells to the normalize level, the, the earth, if you got somebody you like, and you're looking for a pretty awesome gift, they will love it. You could use this code halo 75, get \$75 off and you will not be disappointed higher dose.com, promo code halo 75. And now let's get back to our regularly scheduled program.

Pete Moore:

You know, some of these weight loss programs. And then you see some of these boot camps that are, you know, body transformation, they're charging like 500 to a thousand dollars a month. Right. So we know that that's the, that's the price to value of somebody who has hope left and actually wants to change their life. Right. So we know that that's, that's the high point. Yeah. And everything else could kind of like cascade waterfall down from there. Mm-Hmm <affirmative> so, you know, maybe using a higher dollar gift card might actually allow you to have a higher price point and say like, Hey, I got a 99, you know, you could, I'll give you a hundred dollars gift card and it's a, you know, a hundred hour activation and a hundred dollars a month. It's almost like the gift card almost like is aligned with the monthly dues. I don't know. I'm just the thinking about this out

Frank Ancharski:

Loud here. That's a great question. And I can't name who this was, cuz I helped club industry create the top 100 clubs this year. And it was really sad to see some of the hits that some of these friends and club operators have had, but they still turned in the survey. So they did get a gift card from promotion vault, but it didn't move the needle in terms of more responses. And I think it might be because of that value. You know, somebody gets \$10 and I had operators say to me, Frank, just donate the \$10. <Laugh> like, it, it didn't really matter. So maybe if it's a top 100, maybe they should have gotten a hundred dollars gift card as an example. So I think a lot depends on your price point and don't be afraid to have a higher value gift card because that will grab attention.

Pete Moore:

I want, I want to bring up one thing for people that are listening to this podcast right now who run a software company or any business that is valued as a multiple of revenue. Mm-Hmm <affirmative> okay. So you got a software company. Every dollar of revenue could be multiplied by five times revenue. So it's \$5 of, of enterprise value. I got a million dollars of revenue, the business worth 5 million or 8 million at this point, if you use a gift card and don't discount you, your software sales, you can actually keep your revenue at that level or higher. And then you have an expense of the gift card, which does not affect your valuation. So that's a free advice here from everyone. Who's running a business. That's multiple of revenue. Please call Frank CC me, CC Brian, and get your into the gift card game. Yeah. I, I

Frank Ancharski:

Got to tell you, I got to tell you, Pete, I'm so glad you brought that up because people don't realize that when they, and you know this better than anybody, somebody starts digging into your business and they want to buy it. They're going to look at those types of things. And what are you giving this away for? Like, for example, we're getting into that time of year where people will say no dues until January. And you wonder then why is it that the value of your business? Isn't the three times whether it be revenue or whether it be EBITDA or four times or any sort of multiple and a lot of it's related to the fact that we give away revenue, we hand it to people and they don't even know it. Right? What

Pete Moore:

Are we doing? I don't know any other business. And maybe you could correct me if you can think of any on the spot here that gives away their product for 60 days for free. You got anybody. No, I don't. I can't think of anyone. No. And get a seven day trial, maybe a 30 day trial, but I put my credit card into whatever app that was and I forgot to cancel it and I might use it episodically until I decide to cancel it. But no one else gives out that kind of value. And at the end of the day, seven to 14 days, someone's motivated to change their routine and get into the fitness industry or the not. Yeah. Right. So just, well think about

Frank Ancharski:

Ally. It, it is. And, and I would tell you that people's need still that nudge. And I do think that this creates that opportunity to be able to get a nudge and go free or co couple different months, or do I get a gift card that I could re-gift or use it myself? I, I do think that there are industries that are all over the place that e-gift cards and promotion vault will be entering into because we've seen so much success over 3,700 clubs. Mm-Hmm <affirmative> in our portfolio have successfully used promotion vault. And now it's gotten even that much easier because it's become a SaaS software as a service. We use it as rewards as a service and that the RA, the RA,

Pete Moore:

I like how that sounds. Doesn't it actually, it just sounds because you got to hold, you got to hold it longer. You know, <laugh> like a, like the RA, let it drip like an email campaign, just going to drip. The RA is going to drip, no drip and revenue dude. Maybe that's a new tagline for motion. Paul dripping revenue dripping. And then you come out in every podcast, you come out in every zoom call you come out like drenched in like a rain coat in like a, like a little margarita umbrella. I love that dude. I'm dripping revenue dude right now.

Frank Ancharski:

And I'm not, he's going to love that. He's going to love that. If you is listening, tripping revenue, we're going to, we're going to give Pete the credit on that. But I don't mind putting on the rain coat and making sure that we know that we're dripping revenue for clients. Yeah. In fact, one of the things I'll tell you is that we've had success recently outside the fitness industry with in-home security systems, car washes that have memberships sure. To reward instead of giving away months. And that's, that's a mistake. And, and we believe that the industry will ultimately get it and we have to do an education piece on it, but we are going to continue to grow inside and outside the industry.

Pete Moore:

So, so two points, one on a serious note that raincoat should have all the logos of all the gift cards go on like a NASCAR. Oh, that's even better. Yeah, we'll do that. Let's do it. And then the second part is I feel like members and prospective members don't expect to get free months. Like they expect to pay for something, especially in this inflationary environment that we're in right now. Yep. You know, they don't expect to, to, they know that, that we had a hard time. Yeah. They know that, you know, there's some clubs and studios where their members basically said, Hey, look, I'm going to pay you cuz I don't want you to go out business during the pandemic. So I feel like we got to raise our game and have a little more confidence and say, take, take price. That's fair. And it's already, they're valued. Yeah. Right. And do things with gift cards and do things with rewards and, and you know, no understand your members and listen.

Frank Ancharski:

Well, I'm glad you brought that up Pete, because there's one that comes to mind immediately who, during the pandemic IA board member, they're part of the United States. I won't say which group, but its multi-site company had hundreds of thousands of dollars dropped to the bottom line because members chose to keep their dues paying during the pandemic in exchange for a gift card for when dues came back. So they held the expense, kept the revenue going and it was an absolute home run. In fact, 60% of members of this particular organization kept paying dues for six to eight months versus the 40% who canceled. Think about that impact. If your members at the rate of 60% would've kept paying dues. Yeah.

Pete Moore:

You know, one of the things that I, I think we might take for granted is your top 30 to 40% of your members that are using your club, they feel like it's almost like a condo board. It's like a, co-op like, Hey, we own part of this club. And actually if you started to treat them as if they were, you know, I put this in the book, you know, like if they own a PSL license. Yeah. You know, if they bought that seat for 25 grand at the giant game. Yep. You know, they're, they're embedded like this is part of their life, you know, like this is like one of the top three things that they talk about, they talk about their job. They talk about where they work out. They're into right. In my club's my club. It's not that club. Right. Right. So, so in closing here, you know, you got Rex round tables that I think has done a fantastic job. Shout out to Eddie talk. Absolutely. With really bringing the vendor, you know, round tables together. And also like, I think there's been a more robust sharing of industry intelligence and best practices. So maybe in call losing here, since you're going to meet with Eddie you know, tell us what some of the big takeaways have been there and, you know, encouraging other people to, to get involved in those. Well,

Frank Ancharski:

One of the things that I would tell people is that they don't realize that Eddie has been around since 1989 with Rex roundtables. And the takeaway is that we now have supplier on tables who are cross referring and being the consultative type sale mm-hmm <affirmative> for their clients, whether or not they buy from them or not. So whether it be like a Steve Meisner from buck affiliates and talking about insurance, or it be Tim CBOL and sous AI and attaching chatbots to websites as a way to help save on payroll, make it more efficient and have a consistent message. All of those conversations happened here in Dallas when we had our first in person meeting and fascinating thing, I get the chills, even talking about this, we knew each other on zoom. The big difference was when we met each other in person everybody's height was different <laugh> but it was, it was, it was a magical moment. And I told my wife shout out to my wife, Judy, Paula, <laugh> about how, when you invite people to a dinner party and they sort of know each other mm-hmm <affirmative> and, and, and then they show up and they have a blast as if they've known each other for years. And that cohesiveness those of you who know IHRS and know Pete, and know what goes on here, that's happens in a small round table and your personal board of directors. Yeah.

Pete Moore:

So, so in closing here, I think you know, one check out promotion vault, stop selling price, start selling more value and results. People want results, make it fun. They'll make everything a challenge because we've got a lot of decondition people that are going to be intimidated. But I do think the pandemic has helped people go on the video on demand platforms and say, Hey, I can actually, I can actually do that now. Yeah. Right. So it's probably taken away some level of anxiety cuz that that exists everywhere. And you know, everyone here is basically trying to help each other. So if you're a vendor in this industry you know, I, I've never seen in 20 years, somebody say, I'm not going to make that introduction for you. Or, you know, it's, it's pretty a pretty special industry,

Frank Ancharski:

I think overall. And, and I think now there's even more of a need to want to help. And you know, I'll, I'll just finish by saying just from that movie with Jerry McGuire and how he screams to him and says, help me help you. Well, Pete does that for a lot of a and has, and he allows himself to help us. And I would tell you that promotion vault is let us help you help yourself like him. So that's, that's how I'd like to finish. Is that we're, we're not a, a used car salesman. We're not a gimmicky thing. We're not a Chake we're a real life behavioral change come. So you

Pete Moore:

Heard it first here on three, we do RA 1, 2, 3 RA, see later go halo