



Complete Transcript: HALO Talks with Taylor Watkins
Posted July 7, 2023

Pete Moore [00:00:00]:

You. I want to thank all of our listeners for several years of dedicated and loyal listening throughout the Halo Talks 400 podcast completed to date. We're going to a thousand by 2024. If you're so inclined, we'd love to have you go to iTunes for us, fill out a review so we can keep this podcast rolling. Glow. We are now on Chartable's top lists and moving up the charts. Also, if you want to educate yourself in a new year, please go to thehaloacademy.com. Take a look at what we've done with 150 executives in the Halo sector to get them smarter, get them prepared for capital raises and also more winning. Thanks. Have a great season. Let's go ahead. This is Pete Moore on Halo Talks NYC. On location San Diego. Ursa 2023. Kicking off the podcast schedule. We're talking about ancillary revenue, we're talking about digital, we're talking about systems and we're talking about digital revenue systems. Taylor. Welcome to your first Halo talks.

Taylor Watkins [00:01:18]:

Thank you for having me. I'm excited.

Pete Moore [00:01:20]:

Awesome. So we are going to do an infomercial now on how to optimize your unit economics, which is basically all I talk about when I'm talking to health club operators and all the creative, interesting and turnkey ways that you could do that that you might not be focusing on because you don't know the magnitude of the opportunity or you think it's not something that's going to be working inside of your location. So give your background, how you saw this frustration, how you're tackling it, and we'll get a riff from there.

Taylor Watkins [00:01:53]:

Yeah. So I started at University of Delaware in the fitness center and all was like an mod and then also trainer and then got in the fitness industry a little bit later in life at a top 100 club and did membership

for a while and also had the ability to sell advertising on their digital displays to local businesses. That became very profitable. And during that time I always asked, why don't other clubs do what we're doing? And that's kind of where digital revenue systems came out of. We wanted to find out. We just really wanted to help clubs use what they already have, which is TVs in their facility to better communicate to their members and also help them sell better to their non dues revenue sources.

Pete Moore [00:02:41]:

Now, when you take a look at the history, and I've been in the industry now 23 years, there used to be companies that would take over your signage and they would basically every month they would put a new sign in from like Balance Bar or Aquafina or whatever it was. And it was like health club, panel network, and then there was ClubCom and Net Pulse and these groups that said, hey, I'm going to outfit your entire club. I'm going to do all the cabling, and I'm basically going to control your screens and give you a percentage of that revenue at the same time, you're basically seeding that revenue opportunity where you're kind of coming in in a partnership position. So talk about what the typical pitch is on how you get someone on board, how many members does it get interesting on the size of the club or maybe any size of club or studio? And what are some of the concerns that people have that you kind of allay?

Taylor Watkins [00:03:44]:

Actually, one of the biggest concerns that we always get right when we start talking about this is, oh man, I really don't want advertising in my club. I'm like, well, how many TVs do you have? And they'll say 1520. I'm like, well, what is it showing? Oh, ESPN HDTV commercials are already on there, you're just not getting paid on it, right? So what we do is we come in, we do a full assessment in strategy, and actually the first question we ask all of our clubs is, what does success look like to you? What do you want this to do? Because we've found lately that every club, even though they think they're the same, they're different, they all have their little nuances and we want to tailor our programs to them. So if advertising is not important, then we're not going to make it a big deal. If they want to just communicate better and have people not worry about reading emails and all, then we're going to push that. We're going to help with employee communication, put digital displays in the back office. But really when we go in, it's all about the club. We want to push their PT message, have people sign up for camps or things earlier, have them come to five.

Pete Moore [00:05:04]:

K's, do whatever it is are they saying, like, here's the ten things that are important to me. And then are you designing those digital either commercials or just like impressions or displays? Is it rotating?

Taylor Watkins [00:05:16]:

Yeah, we could do everything from still to video. We don't like to use sound because most places have either music playing or they don't have any music playing at all because most people are on their

Bluetooth or their phones or iPads and stuff like that. So no sound. And again, we work with just trying to find out what's best for you. Right.

Pete Moore [00:05:38]:

If you think about some people say, oh, I don't want to do any advertising to my members. I don't want to detract from the experience. And then you look at like a NASCAR and it's got like 50 logos on it. And then you look at the US Postal Service and they have a white truck and they go through every community and they're not optimizing their asset, which is basically their exposure. So when you talk to a health club operator and say, hey, look, it's okay if we have a Nike ad in here, that's not going to piss anybody off.

Taylor Watkins [00:06:06]:

No.

Pete Moore [00:06:07]:

So where's the appetite on behalf of if you take a look at the top 100 advertising budgets in the country, or like, let's say Dunkin Donuts, and they're coming out with fresh egg wraps and egg bites and things like that. They're like, Why wouldn't I go and change the perception of a health club member to say, hey, look, you don't have to come in here and get a powdered donut. I can get coffee and you get a high protein egg. How receptive are those companies to pay up to get into a health club location at this point? Or what inning are we in?

Taylor Watkins [00:06:44]:

Actually, most of our bread and butter is to the local places that are either serving breakfast smoothies if the location doesn't have a smoothie, anything that's not a conflict of interest when they come in because the members are a captive audience. We've found that most people are there for 90 minutes. Most ads that we have run three times per hour per display. And the nice thing is, when they leave the club, we want them to go and experience a community around them. Having Nike or having Chevrolet is great, but it's better to have Bob Chevrolet where they're going to actually buy their new car, right?

Pete Moore [00:07:25]:

So when you go to those types of groups let's take Bob Chevrolet as an example, they pay a lot of money to get somebody to come on the lot, right? They might pay fifty dollars to one hundred dollars. That's what it's worth to them at least to get somebody onto the lot. When you take a look at the marketing budgets that those types of companies have, give us an example of the magnitude of a deal you could cut with a local auto dealership.

Taylor Watkins [00:07:50]:

We've done things from again, it all depends on the type of club. But we have clubs that are 32nd ads, \$300 a month. But then we have clubs that are 32nd ads, \$1,250 a month. It really all depends on the type of member. It really all depends on how long they're there, how many TVs are going to be showing the ad. And we really have not had anyone balk at any of the higher numbers because they know who's there and they know it's also a status thing.

Pete Moore [00:08:21]:

Right. Are these advertisers requesting how many members were in the club today? I got a QR code that I made up. Can you help me track this QR code and what my return on investment is? Are you guys managing that? Is that something that's being asked of by the clubs?

Taylor Watkins [00:08:41]:

No, actually we help the advertisers out with all that. So with most of the clubs we work with, any new advertiser coming on, ad creation is included, for the first one at least. We also talk to make sure that everything we're doing with them is on brand. We ask for branding guidelines, pictures, videos and all, but then we'll say to be successful, you need to look at QR codes, short codes. You need to look at a call to action where they know to ask for Bob when you want to go buy your Chevrolet. And also the other thing is we want them to change their ad up as much as possible because it does get a little stale.

Pete Moore [00:09:21]:

There used to be something called the entertainment book that was like a white book that had all the coupons in it. My mom was awesome at that, by.

Taylor Watkins [00:09:29]:

The way, my mom.

Pete Moore [00:09:31]:

She was amazing. We have more cartoon, more cut out coupons than I don't know. I feel bad that I don't use coupons myself. However, let's not make this about me and my mother.

Taylor Watkins [00:09:42]:

Anyway, we can, but we can be.

Pete Moore [00:09:44]:

A weird podcast dark very quickly and it is raining in San Diego. It just kind of like, never really happened. When you take a look at Advertisers and their interest in the health club operator and being a part of that community, at some point in the future, is there, like, a rewards network that you guys basically have created? Through this local marketing engine that say, hey, look for \$99 initiation fee instead of me, waiving the initiation fee here's, like, \$5,000 worth of benefits through my club. And also those people are now pressurized on the TVs and inside the club, and I've got basically, like, my built in local rewards system. I feel like you're also maybe sitting on that.

Taylor Watkins [00:10:36]:

Yeah. And actually part of my trip here, too, with Rex as well, is to meet some of the rewards partners and stuff. We have some clubs that use a reward system already. The club we started at, we started our own reward system where it was a premium membership to where they paid \$35 extra a month to be a part of this premium. And part of that premium membership is free guest fees, stuff with having free hydro massage. But we had a list of probably 45 local vendors that you would show your card and you would get 10% off your bill, not including liquor, free quote on windows and then two windows free and stuff like that. So, yeah, it's definitely in the cards and possibilities.

Pete Moore [00:11:28]:

So what percentage of let's just say right now there's 50,000 health clubs and 150,000 studios. Let's just say it's 200,000 doors. What percentage of those 200,000 are optimizing their inside digital initiatives?

Taylor Watkins [00:11:49]:

I mean, honestly, probably 15% to 10%. I think people feel or clubs feel sometimes the barrier to entry is the hardware. The hardware has gotten a lot cheaper lately, especially even if you're doing commercial brand, which is, I think, better for the industry, instead of going to Costco and put a consumer TV commercial grade is so much better. You have a three year warranty and.

Pete Moore [00:12:17]:

All right, so how many displays are you putting up or recommending them put up in?

Taylor Watkins [00:12:23]:

I mean, it really depends on the club. We just did one in November and they had zero. So we started with 15 Led displays? Yeah, 1565 inch. Wow.

Pete Moore [00:12:36]:

That's a lot TVs. How big is the club?

Taylor Watkins [00:12:38]:

200,000 sq ft.

Pete Moore [00:12:39]:

Okay, got it.

Taylor Watkins [00:12:40]:

And then actually one we did as well was another 19 TVs. Again, who's paying for that?

Pete Moore [00:12:50]:

They're paying for that as part of the install?

Taylor Watkins [00:12:52]:

Well, actually, we have a couple of programs on that. So either we could pay for it and we get a little bit of a higher cut on the rev share, or they pay for it and we just have our normal rev share.

Pete Moore [00:13:02]:

Got it. And how are you going about getting these local sponsorships? Are you leveraging their internal relationships? Are you binding their database to find out where people work? Where I feel like, and I said this phrase the other day, you can't have artificial intelligence until you have intelligence. So knowing where people work would be helpful from a local advertising standpoint, as well as what their motivations are, like deep down, what their motivations are and what they're trying to achieve. But when you take a look at a database, when you go into a club and you say, okay, let's get rolling, and they don't have the names of the companies that their members work out, do you kind of shake ahead like I do and say, like, look, we got to get some information here, and I face to mine.

Taylor Watkins [00:13:53]:

So we have some emails that we work directly with the clubs with and say, hey, for the club that had 15 new displays, hey, this is a new thing for you. Did you notice all the 15 displays? Well, hey, here's something that we're adding to it. If you'd like to have your ad on here or anything like that. We have a partnership now with DRS. Here's how to set up an appointment with Taylor. And out of that we'll get a lot of people coming in going, hey, I own an HVAC company. Hey, I own roofing company, and stuff like that. I love that you're doing this. We've been trying to get in here for years, and then we really pride ourselves on becoming a part of the community as well. So we'll join one or two multiple chamber of commerce, we'll offer stuff directly to them. We have a couple of other software systems and stuff like that where we can see what's going on in the community. Where do people go, what's popular and all interesting?

Pete Moore [00:14:54]:

So give us a magnitude of I got a 25,000 square foot club. You guys come in, you put in 15 Led displays. What kind of revenue opportunity does that equate to on a monthly basis? Potentially without putting you on the spot?

Taylor Watkins [00:15:09]:

No, putting you on the spot demographic wise. If it's sought after, demographic, if it's not Hvlc, even though we do work with Hvlc, let's say it's a mid-tier program, they're seeing probably 500 to 1000 people a day. We'll probably price 32nd Ad anywhere between 300 and \$500 a month.

Pete Moore [00:15:37]:

Are you putting those people on a twelve month, 24 month? What's the programming?

Taylor Watkins [00:15:41]:

Usually, yeah, usually. It's funny, most people do either six or twelve months, but the one thing that honestly, I learned from COVID is people are scared, long term commitments. And I said, and I always tell them, listen, this is your part of your marketing budget. If you think it's not working, we're going to help you make it work. We want you to be successful. But if it's not working out, I don't want you to feel like you're obligated. But we only have a certain number of spots per location. We're only allowing a certain number of clients per industry. Maybe we'll only have one doctor, one dentist, or two real estate agents in a local market. In the local market. So it's a little bit semi exclusive.

Pete Moore [00:16:24]:

I got you for the advertising. You're going to make them exclusive?

Taylor Watkins [00:16:28]:

Yeah, exclusive or semi exclusive. And then I say, look, it's your spot until you don't want anymore.

Pete Moore [00:16:35]:

If you're in a relationship, do not ask for semi exclusive because you might be entering a gray area. But I'd say in digital marketing, it's a good selling point. When you take a look at some of the large chains and the franchisor's that are obviously trying to optimize their franchisees from a standpoint of getting them more revenue that they can take royalties on and also putting in their franchise disclosure documents and the FDDs, hey, here's how much revenue and here's how much cash flow are franchises. What kind of receptivity have you had from some of the large chains that have franchisees about kind of pushing this down or mandating it or those 2023 opportunities for you?

Taylor Watkins [00:17:22]:

We've started going down the road a little bit. One thing that we've noticed with some of the franchises or corporate owned locations that we've talked to, that they want to give their franchisees a little bit of a choice. And I think us coming in more of as a trusted supplier and all is better. So if they want the opportunity, great. We always say if it's okay, we'll pilot the program for you here. We'll add three TVs in there at no cost to you, see if you like it.

Pete Moore [00:17:57]:

How many clubs are you guys in right now?

Taylor Watkins [00:18:01]:

DRS started January 2020, so we had perfect timing.

Pete Moore [00:18:05]:

Oh, it's great. Right before two months to take time and whiteboard out the business.

Taylor Watkins [00:18:10]:

Yeah, perfect. We didn't have our first appointment until April of 21, and then we signed our first client August 21. So we're in twelve locations, six clients, and we're growing rapidly, but we're doing it a little bit strategically as well.

Pete Moore [00:18:28]:

Yeah, awesome. So you got any from going through this process and running a startup effectively here, even though you know that there's a big opportunity and the revenue is not far away where a lot of startups are like, we'll figure out our revenue model later. It's pretty obvious what the revenue model is here and that you can capture it. Any lessons that you would tell your younger self when you started this, when you launched in January 2020? I wish I would have, like, I.

Taylor Watkins [00:18:59]:

Wish I did this in 2019.

Pete Moore [00:19:00]:

Yeah, I wish I did this a year earlier, like three years later. Or what are some of the things from your entrepreneurial kind of pursuits here that you would say, lessons learned or things that other entrepreneurs might be listening to say, oh, yeah, I go through that. I beat myself up about this too, but now I learned it.

Taylor Watkins [00:19:23]:

Honestly, mistakes, failures or whatever, I just see those as opportunities. I know that's kind of cliché or whatever, but one thing I would have said to my past self-right when we're starting this is like, listen, focus on the three to five specific clients you want and really look at their brand and build it specifically for them. And then you don't need to rush to grow. But now we're at the point where like, okay, this is good. We can grow now. Take the time, especially after COVID and all. Just create more awareness so you don't have to sign 40 clubs.

Pete Moore [00:20:09]:

Yeah. Last question I have on the business side of this, are you seeing some of the local businesses that you onboard for marketing inside of a club? Are you seeing them reciprocate either on the back of a receipt at a restaurant or grocery store that they would say, we're a proud affiliate of Pete's Fitness? Is that also something that you see, like a natural evolution to this? Because people used to put lead boxes everywhere and they don't do that anymore.

Taylor Watkins [00:20:43]:

No, I mean, one of the things that we did when we first started was, we always say, hey, do you have VIP passes or any passes we can give out to the advertisers? So that if it's a real estate agent and they close a home, here's a month membership on me. If it's a car, here's a five day pass to this club. Thanks for buying this car. So we've done that and we've made them look nice. Looks like nice invitations, everything. So it's a great way to get a prospective new member in and all.

Pete Moore [00:21:20]:

We tend to collect quotes, so you got any good business or personal quotes or anything to add to our inspirational library?

Taylor Watkins [00:21:27]:

Well, one thing I do love, and I'm not going to quote the whole thing, but it's the tacomsa poem about life. But one of our new clients comes from his dad started a really big company and their motto is growth through customer service. And that's just something once I heard, I was like, yeah, that's us. That's what I want. So we want to grow by better serving our clients, both the club clients and the advertisers.

Pete Moore [00:22:02]:

Awesome. Well, thanks for coming on. Look forward to getting this 5% to 10% of the industry, up to 50% to 60%, and then everything kind of rolls from there. But the takeaway here is that you've got a member base. They're localized. They are interested in rewards, incentives, or promoting local businesses. You're probably helping members help their business grow, which only benefits them from staying and feeling somewhat aligned with you. If you're helping them build their business, they're less likely to cancel. I would say if there's an algorithm related to that somebody wants to write, or I'll just say it and say it's a fact. You can just second it. But I think people really need to think about what brands want their members. And in this ecosystem, there's a lot of money that flies around on creating consumer brands, and we've got the people to pressurize this first mover, so good stuff, man. Digital revenue systems information will be in the show notes. And get in touch with Taylor and get on board before it's too late.