Why The CEO of Bowflex Inc. Prioritizes Learning From Mentors & Teams Over Money, Company, and Brand Names | Advancing Your Leadership Development

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Hey everyone. Welcome to another episode of great leadership. My guest today is Jim Barr, the CEO and board chair at Nautilus Inc. Jim, thank you for joining me. Thanks for having me. Appreciate it. Look forward to it. Yeah, we were actually just talking before I hit the record button, I got this, this new set of Nautilus dumbbells that you guys sent me that I'm using every day. So I'm huge fitness and eating healthy nut. So I'm really, really excited to talk to you I have so many questions for you. For for people who are not familiar with the brand and the company, they might be more familiar with a lot of the brands that you have so can you give people a little bit of context around the company? How big you guys are what some of your brands are?

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Yes, absolutely. So we're we're Nautilus Inc we're ticker symbol and NLS been around for about 40 years or so. So we've been around in the in the fitness space for quite some time. Our main brand is Bowflex. So more people know Bowflex than know the company name, Nautilus. And, in fact, we're going to change the company, company name coming up quite soon. We have spoiler alert, we haven't said what it is. But I think you could probably figure out it has something to do with our number one brand. We also have a go to market under the Schwinn brand. So we have indoor cycling and indoor pedal we call it pedal power under the Schwinn brand. And the third brand that we use is Germany, which is our digital experience our connected fitness experience that goes across both of those brands and sometimes maybe eventually off off of our own equipment on to other people's equipment and, and journey is the digital brand that makes the equipment better. So no longer is the day that you buy the equipment the best day that you have the equipment. So for example, your dumbbells now come with a with a visual software that count your reps for you and actually tell you whether you're doing it right so foreign coach. So that's why visualized, as under the journey brand. So those are our three major brands. Right now we're not really selling anything anymore under the Nautilus brand. Got it? Got it. Okay, cool. And how many employees do you guys have how many customers I mean, anything that give people a sense of context as far as the business?

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Sure, absolutely. So employs about 400 We're in an asset light model, meaning we don't own our own factories, we work with contractors manufacturing in, in Asia to do that. And that keeps our keeps us we set we call it asset light and, and variable cost is opposed to owning factories and things like that. But

400 fairly passionate employees. And and we're located in in Vancouver, Washington and our headquarters, but we have DCS in Columbus, Ohio, and in Southern California. We have operations in China and also develop software in Zurich and a couple other places in Europe. Oh, very cool.

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So let's talk a little bit about how you got into that role. So can you take us through a little bit of your career journey because I was browsing your LinkedIn profile. And I saw that way back in the day, you were actually at Encyclopedia Britannica. And you were this was in the 90s.

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I think that was the first job you had on LinkedIn. Were you did you have a previous job before that?

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Yeah, I mean, before, before that, it was I knew I wanted to be a general manager someday didn't know if I'd be running a small division, big division or the CEO somewhere but knew that's what I wanted to do. So I collected experiences started out at one of the big a big CPA firms. You were at, right? No, it was it was erster. Ey today, you might okay. Yeah, so I did that. And then I did a little bit of investment banking, a little bit of management consulting back at EY. And then I went with my first client, Encyclopedia Britannica, as I helped them kind of restructure things and thought I could see if I could save them with my first transformation. It's crazy to think of a time that you worked for a company where you actually sold physical encyclopedias to people. Do you remember what those used to cost? Like? How much did a set of encyclopedias cost around $2,500.

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And they cost about $300 worth of paper and ink. But then, of course, you have all these Nobel laureates that are writing the articles. And, you know, it's, it's a great, it's a great piece of work. But you know, kind of in my first transformation, the one thing I learned was competitive substitutes are very important. And people forget that they're much broader than World Book, for example, back then they were soon to be Wikipedia. They were starting to bundle encyclopedias. Microsoft had an encyclopedia online, those types of things. And so it was it was a really good first experience in transformations. And later, of course, I went to Microsoft. That's probably my most formative experience in digital I would call myself a, a digital ecommerce person and spent 12 years there, right

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Being b2b b2c e commerce for Microsoft and working with some really smart people kind of at the dawn of the consumer internet all the way till 2008 or so. Then I became president of Sears its first online president. So again, I liked the strength. I remember Sears like these.

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Yeah, yeah, you remember, I think it's fading a little bit but but you know, could we save the stores could we save online they had to compete against Amazon and they weren't really set to do that. And then I went after that I went to Office Max Office Depot, we merge those two companies together. Then I went to Ritchie brothers the CEO, from Office Max went to Ritchie brothers, I started to kind of for went my first CEO offer to do one more stance with that CEO, because I really enjoyed working with

him. And then today, so I think the common themes really, for the latter part of the career is companies that are still very, very good. And in the case of Microsoft, you know, the, the top market cap in the entire world at the time.

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But they missed trends. Like even at Microsoft, we missed the iPhone, we missed Search and Google got it, we missed tablets, we were trying to defend and, you know, really protect ourselves so much with Windows and Office that we missed some major trends. So I, I tell people, and when I'm doing these transformations, now I've done five or six of them, that's the common theme is you know, you're you just kind of lose track of your your customer journey. And you have some kind of disruption, either technological or change in value proposition. And this is what I love to do. It's interesting that, you know, these $2,500 encyclopedias are now totally free that anybody can access. And this was like an actual business built on selling something that is now free, which is just crazy to think about. Yeah, absolutely. Yeah. So you mentioned a couple of things here that I wanted to jump on. One was, you said that during your career, you collected experiences.

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And so I wanted to touch on that, and then to maybe explore why some people miss trends. And I'm gonna make myself a note here. So I don't forget, why don't we start off with the first one, as far as collecting experiences? So what do you mean by that, because I think a lot of people assume that for their careers, you kind of have this corporate ladder, right. And if you start off in marketing, you become a marketing manager or director, senior, and you kind of just climb that one path, and you don't get those experiences. So how did you first figure out that that's something that you needed to do? I mean, how did you figure out what experiences you needed? And what role did that play in ultimately becoming CEO of your own company?

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Sure, absolutely. Well, I kind of knew at a younger age that I wanted to run a business, okay, okay. My, yeah, my, my dad, my dad was, you know, middle management at AT and T. And then what eventually became a CEO, later in his career, but, but I kind of, we had dinnertime conversations about what was what it was like to run a business, and I sort of love the idea of a p&l where that was absolutely the the core measurement of your performance is you, you have all these lines, you understand the levers, and you run this business to get a result. And, and you at the same time you cultivate relationships with people. So I loved everything about that. So I knew I wanted to do that in some form. And then if you're going to do that, and you take that as a, as a given, then what do you need, you really kind of need to rotate against things, you may not be a master at any one thing, eventually, my you know, I became a master at what didn't exist at that time, which is the digital economy and an E commerce. But I didn't know that would even exist. So

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you know, I became that but I knew Look, I I became a CPA, not because I wanted a career being a CPA, right. But I did want to learn how to read financial statements, I knew that was going to be important. Important. I got my finance degree at night. So I got that experience as well. I worked in investment banking, so I got to see how transactions were and, and how the stock market worked. And

I thought that would be important to capital markets later in my career. And then management consulting where I saw, you know, kind of each company's biggest problems, I didn't love that I couldn't stick around and solve them. So that's why I didn't stay as a consultant. But I did like the fact that you were working on really important work and, you know, as a somebody in your 20s, for example, you're really working on super important stuff going forward.

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So if you were giving advice to people in their careers now to collect those experiences, what advice would you give them?

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Yeah, I think that I do see people moving around for a little bit of money. And I always kind of say, you know, think about the experiences that you can you can get, and you know, it's okay to move. It's a different world than it was back then. You know, back then you were like, hey, the best thing you can do is just go to one company and stay there.

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forever. So I know it isn't that, that same thing. But be mindful. First of where you have some idea where you're going, I guess that would be a general management for me.

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And try to pick an area where there's growth, you know, and ended up that being ecommerce for me. But look for that. And then just collect the experiences that you think will make you good at that along the way, certainly the stuff we always talk about volunteer for extra things, try to find learning wherever you can try to find somebody that can really teach you and help you learn and be a good mentor, all types of things. So you know, it's kind of a combination of picking an area that's likely to be a high growth area, because I'll tell you just even the novice experience that I've had both ways, it's better to have tailwinds and headwinds. Pick an area where, where you're gonna have tailwinds, that's better, and then collect the experiences that will make you make you good at that good at that job. And then along the way, of course, be super intellectually curious and learn everything you can, I always tell people, it's better to focus on who you're going to be working with instead of the company. And, and the money, right, because ultimately, earlier on and even probably even in the middle of your career, who you work with, and who you learn from is going to matter much more than the brand that you work for and how much money you make. Which is interesting, because I saw that you you worked with Ravi Saligram for a while. And so I've interviewed him. He's actually one of the CEOs I have in my book. And so I was doing research on you. And I saw that you mentioned working with him. And so I'm very curious kind of building on that point.

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What was that relationship? Like? Did you learn a lot from him? Did you specifically want to work with him? And what what was the impact there? Because I think that's probably a great case study and why the leader matters more than the money in the company that you're a part of.

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Yes, absolutely. So Ravi and I first worked together at at OfficeMax. And he slowly but surely got me in as a consultant. You know, the, the office Mac's dot com website was broken. And who Robbie is I forgot. So Robbie, Saligram. Now I think he's the CEO of Newell brands, right?

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Which is the justifier. Oh, he's retired fairly recently. Yeah. But so Newell brands they had Sharpie was their, their big brand.

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I actually look on their their site to see who some of their other their big brands go. Yeah, Khomeini, I think was another one. So here it is.

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Oh, wow, way more brands than even so Elmers, Sharpie, Greco foods. FoodSaver Rubbermaid Coleman, of course, contigo. So, Newell, is the parent company behind all those and Robbie was the CEO who, yes, just very recently retired. So okay, go ahead.

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No, so we first got together when he was CEO of office, Max is pretty new CEO in his, you know, assessment of what transformation had to happen there, you know, office supplies, not a super passionate category, right. And like, it's more utilitarian. So we were kind of working against that. But you know, the website was broken, he needed some help. He heard about me, I gave me a call, I kind of helped as a consultant, and he is super persuasive. Before I knew it, like, I put together a plan for him, and then all of a sudden, he made me run it. So then also working for him. And that, that he doesn't take no for an answer. And so I really enjoyed that. But he's driving an overall transformation. And I'm the Digital guy that has, you know, all the digital stuff at the company, you know, have to fit it in with store. So I have to play nice with, with the stores and all that kind of stuff. But he and I together, you know, with our executive team basically transformed that. And Office Max is not a growing category or office supplies, not a growing category. So we ended up merging it with with Office Depot, that was kind of the exit, when you don't have a growth area, you kind of have to get some consolidation. And that's what we did. But we had a great time together, we know we really fixed the digital experiences, and we got growth out of the company and, you know, exciting to, to bring it together with with Office Depot. So what did you learn? And then go ahead, go ahead.

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No, I was just going to bridge to the to the next time that I worked for him because because he doesn't take no for an answer. And I was gonna go there, but we can we can save that.

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So then, after after we merged the two companies together, I was thinking about what what's my next thing going to be and I got a great offer to be CEO, my first CEO gig he knew is one of these leaders who always and I try to emulate this to always know what your directs want to do and help them get there personally, right? So who knows I want to be a CEO someday. And so he's in the background

helping me with that and I ended up with a CEO offer and he did my reference call, and then he calls me up a little bit later.

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instead, but I got this other thing to think about. I'm like, what? And then he tells me about Ritchie brothers who's the leader in second hand industrial equipment auctions. And I'm like, I've never heard of them. But they ended up being really good and a really rich transformation for us. We can get into that later. But I, he persuaded me to offer my, my first CEO gig until later and join him there. And I really, really enjoyed that. Wow. So he convinced you to defer your first SEO gig hmm. Yeah, that's crazy, big opportunity

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to transform this public company, you know, double, triple the market cap, if we do it, right. They have this online. I mean, they have this on site auction where you have to move the bulldozers to that site, you only do it four or five times a year at each site. And so the value proposition seems to be eroding. Yeah. And so again, another example of the consumer or the customer behavior changing, but the company not, and they're still growing a little bit, but but we ended up putting online versions of the of the auction next to these and give customers more choice, and then capture a greater share of the wallet of people who sell their stuff. So pretty, pretty cool experience there. Yeah. I'm very curious, what is it about Ravi? Because a lot of people would say, Wow, you turned down a CEO role to go work with this leader. What was it about Ravi? What, what made him a good leader? What was he able to unlock? And you? And just to give you some context around why I'm asking this, and again, it's kind of going back to this point of why I think it's so important for people to pay attention to the leaders that they work with. And you know, why that's important, like, what can a good leader do for you? And why is it so important to make sure you work for the right leader? And so I'm curious, from your perspective, going by that same context and question, What did Robbie do for you? What was it about Robbie, that made you want to work with him? What was he able to unlock? In you as your potential? Yeah, so I'd say the first thing is to sell me on the idea of the transformation, you know, somebody like me, who's kind of

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really locked in on having a passion for changing things and for, for making companies better seeking what's good about, yeah, take taking what's what's good about them and emulating that and what needs to change and making the case for change around that. So it was the transformation. He's like, Gee, this, this company is great. They're very fast. They're fantastic at what they do, but they're becoming less relevant over time. Because other things like classified advertising online, and other ways to sell, the equipment are coming in. And we're just focusing on the thing we do well, so wants you to come in and make it a broader, a broader play and capture the market share that way. And so it was that to start with, and then I mentioned it before, I think great leaders really understand you as a person and what makes you tick. So he knew that that transformation was going to get was going to get me going. He knew that the experiences that we had together would be helpful, there was a possibility that if things went a certain pace, that I would succeed him in that too. So that was part of the part of it as well. Those things don't always work out that way. And everybody knows going into him. That's that, that that might be the case. But, but it was really that package of things. And I know, he brings together great teams. So my teammates in both places, were people I trusted, we all rooting for each other and had great you know, great at just all the attributes of of a great team, I knew he wasn't going to let us down that way. So I knew we're going to have a strategy that I pretty good sense of that I was going to be important in that strategy. And then I knew I was going to work with some some great people at the company. So if we were to break those down into maybe a series of bullet so it sounds like number one

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sold you the vision sold you the dream the proposition number two, told you that or created and proposed a compelling strategy that you knew you were going to play an integral role in so having an impact, so to speak. And number three, then it sounds like knowing that you were going to be part of a good team. And then I think there was just a fourth one that you were saying to is there a fourth component or was it just those three? The dream the strategy team? Yeah, okay. I think he's actually very good advice of what what a leader can do and so did he push you out of your comfort zone a little bit and get you to be a better version of yourself to be a better leader yourself and did it prepare you more to become the CEO of the company you're at now?

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Yeah, absolutely. I mean, sometimes, you know, it's like the game of soccer my kids all played soccer. Sometimes the best move isn't straight to the goal every time right sometimes it's a move that sideways or or with a with an eye

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idea there. So I knew by going to Ritchie brothers that I was going to be have a pivotal role, I knew it was going to be difficult to persuade the people there that making the case for change was going to be tougher than other places, other places you go, you know, the businesses crashing down. So yes, of course, we have to change. But at Ritchie brothers, they were still doing okay, they just weren't growing very fast. And so we had to make the change. So I felt like we could, you know, we could, we could definitely do that. The topic of vulnerability is front and center inside of a lot of organizations today, but should you actually be vulnerable at work? In my brand new book leading with vulnerability, I actually say that you should not be vulnerable at work, but instead, you should lead with vulnerability. The difference. Vulnerability is about exposing a gap, whereas leading with vulnerability is about exposing a gap that you have and then demonstrating what you are trying to do to close that gap. To figure out how to make all of this happen. I interviewed over 100 CEOs and surveyed 14,000 employees around the world. And I put all of that into my brand new book which just came out you can learn more by heading over to lead with vulnerability.com.

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I want to shift gears a little bit and talk about competition competitors and this is where I think maybe missing trends or spotting trends is important. So I think it's probably safe to say that your your biggest competitor in this space would probably be a brand like peloton, right?

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peloton or I fit probably those are the two people would know that peloton is the only other public company Yeah, I think people are gonna have heard of I fit but I feel like they're not. I mean, are they as popular as you guys in his peloton? NordicTrack So,

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yes, okay, so in order to crack the break their corporate name to be you know, to relate to their their version of journey I told you our digital experience. They also publicly traded

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No, they're not private. That's why That's why people don't talk about them as much but if you were going to go to Dick's Sporting Goods, you'd see you'd see their products are okay, so I'm curious about sake peloton as an example, right as kind of a competitor. So I know when you took over CEO of Nautilus, obviously the company was going through a tough time you took over CEO for a while the company had, you know like an all time high in terms of stock performance or close to all time high. And now you're kind of going through this transformation. It seems like the company was struggling quite a bit going through a tough time. Can you talk a little bit about what's been going on with the brand with the company? How you think about that and I wanted to connect this to peloton too because similarly peloton was also riding a massive high during the pandemic I think their stock price peaked near around $148 A share looking at Yahoo Finance it's now around $4.90 A share which I mean talk about a fall from grace my goodness.

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So talk about the the relationship and the competition aspect there. Obviously it's important to have competitors they push you when they challenge you. And then I wanted to share kind of what some of the things that I thought peloton did that was quite wrong in terms of over reaching but talking about what's going on with Nautilus and and how you view that competitive relationship with a company like peloton. Yeah, absolutely. So when we got here in 2019, our company was going down and the industry was was going up. So it's different than right now we're all kind of in a post pandemic hangover if you want to think about it that way. But, but things were different. So I I kind of came in and said look what's great about this company great brands, reputation for quality. Our products are both in cardio and strength. All the modalities as we call them different price points, and we sell both retail and direct so good things don't screw that up. And the things that we've gotten wrong somewhat relate to peloton. The first one was that we didn't know who our consumer was we were actually selling to the wrong consumer and running out of customers that

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we were selling to, to the to the type of fitness person that we had to get off the couch and into the game. And they didn't stay with it very long. They look for shortcuts. And they ended up using our stuff more as a coat rack over time. No people. I know people like that.

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Yeah, I think it was our go to market which is interrelated. Right? So we're, we had sold with late night infomercials for a long time long form commercials. And so we were selling to people that that would, you know, come from that and so as a result, we were four times over indexed with those types of consumers get 40% of our customers

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Whereas I first thing I do is always do a consumer first segmentation of your customers are we at 40% of our customers, but only 10% out there in the wild. So we're four times over indexed with that segment, which is ironically, the most difficult one to that to keep buying into stay with that a spend less all that. So we're four times over indexed. And when we looked at the adjacent segment, which we call enthusiastic cross trainers, people might not love exercise, but they know it's going to be a part of their life forever. They know it's part of a broader view of wellness and health and nutrition. And they spend more and they stay with it longer. And so we were the flip of that we were a quarter and under penetrated. So we had only 10% in our population where there were 40% out in the wild. So we aimed everything towards that segment even before the pandemic started. So that's how we kind of fixed your it didn't matter what you're selling if you're going to run out of customers because you're too much over index. So first thing I look at when you diagnose. The second thing is the trend we missed was connected fitness. We don't need to be like peloton we don't need to be 24 by seven studios and classes on bikes, they do that extremely well. And if people want to win on a leaderboard, let them do that in peloton so we really compete most most in bikes with peloton. But when we looked at what connected fitness should be, it was all about individualized connected fitness not not a one to many class where maybe the instructor once in a while will call out your name. But that's as individualized as it gets. So our approach and our journey, Journey app is to make it all about you, we suggest a workout every time you get on that's just for you based on what your progress is based on what we've seen. And we'll change it if you told us you had a couple glasses of wine last night you but it's all about you. It's a one to one experience, we thought that was the way to go. So to get into connected fitness, we had to get an install base with equipment with screens, and things like that to do it. So that was something was wrong. And then the other thing was lack of focus, like we have, we're a small company, we had 500 employees at the time, we were both in commercial meetings,

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have in terms of workforce, are they much bigger in terms of employees,

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much, much bigger. And in fact, for you know, they bought pre core during the pandemic, which they bought them for factory capacity, I told you we had an asset light model, we we knew that we were managing a huge upturn, and then we knew there would be a down down slide around 3500 employees according to Yahoo Finance, I don't know if that's accurate. But yeah, that's that's massive, probably pretty close, that's probably pretty close. And yeah, smaller, smaller company, we mostly compete in that we were both connected fitness companies, and I admire what they've done, we just have a different brand of that we go across all the modalities, once you get on a treadmill, for example, you don't have this idea of a class, you have an idea of explore the world, there's 300 places you can run in the world and we make it so you could you know, if you run every day of the year, you don't have to run in another place. So in the same place twice. So kind of a different approach there. I definitely feel like look, I wouldn't it there, our whole industry is having a tough time now. So, you know, nobody's got you know, strutting around saying they know, they know what everything's going on, but but for sure, they just had a different approach to it. You know, they I think they may have assumed that it was going to be a growth industry for a while where when we did our first strategy and 20 we we said two up years and then at least two down years. And so we've we've we've kept our costs in line with that so that we could we can compete better in that situation. So that's interesting. So they obviously both smart teams, both capable teams, you identified that it was going to be two up years, two down years, and I'm assuming now or the down years, whereas to your point, they thought it was just going to be up up up up up up and for the foreseeable future and I'm assuming you guys are looking at the same data points. So how do you identify and see things one way and they see things a completely other way and you're looking at the same piece of data so how how do you approach looking at trends like how did a company like peloton miss it so much? Whereas you and again like to your point the whole industry is struggling I know your your stock has gone down peloton stock has gone down considerably so the whole industry is going through a tough time now. But how did you foresee that it would be two years up two years down? Whereas peloton clearly did not make that assessment.

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And they might have decided that I don't have any internal intelligence there and they just acted as if they were going to continue. They added

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they added apparel and some other things I'm when when I did our strategy when we did our strategy, we were subtracting things to know that we were going to have to do fewer things better. We're gonna have to stop doing stuff like stop selling in commercial. We ended up not using the Nautilus brand anymore. We got rid of about a third of our skews. We knew that we wanted to

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Simplify both on the upside and the downside. So that as we exited the transformation, that we were a much better company, not the company that we entered it that was going the wrong direction and going down when the market was was was going up, but I did think that they did think they were going to continue to grow. And they kept investing big. They made the decisions, usually, you know, you add fixed costs, if you think, hey, my revenue growth is just gonna be here for a while. And look, again, I admire them for the digital business that they've, that they put together. I mean, they're, they're kind of a company that has,

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you know, a great digital business that and, you know, class experience that happens to come sometimes with equipment. And we're, we're an equipment company that's excelled at that knows how to make money at that, and, and now is appending, a digital experience that makes the makes the equipment better. So we came out at different directions. And so we probably saw things a bit different as we as we looked at the direction, and then I just have to be realistic at it. You know, I've worked mostly at big companies, this is the first time I've worked at a company, you know, 500 employees or so. And I have to be realistic about what we can do. And so maybe, maybe I'm being realistic, I was a little less ambitious about what you know, we could be outside of our core and, and focus back on the core the things that we could do well as opposed to things that would be you know, later growth engines. Gaming to me felt like and my wife writes books on customer experience, and she studied the

peloton, brand, extensively as far as like what they did wrong. To me, it seems like they overreached quite a bit like they, I mean, they were expanding into apparel, they had the recall of the tread like they were

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almost expanding and growing too quickly, which, you know, there is a danger in that I think Zoom is another company, right? Didn't they also, they were expanding so quickly during the pandemic, and they were going through such a massive explosion. And I think even zoom as a company. Yeah, I'm looking at their Oh, my Wow, that's crazy. They were almost 559 $559 A share down to 67. So it's, it's crazy. It's almost like companies and leaders who run them don't know what to do when things are going well.

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Right? It's almost like, like a kid, when they're having a great time. And they're getting a bunch of candy. And now like a president's president, like they can't self they can't regulate their emotions. And similarly, when something bad happens to a child, they freak out. Like, it's the end of the world, and they throw a tantrum. And it seems like Similarly, a lot of leaders that are running businesses, they have a hard time gauging, when things are going well, to kind of keep things measured, you'll celebrate a little bit like that's great. But, you know, let's not assume that we're going to be like this forever. Why is that? Like, I'm trying to understand both peloton both zoom, I'm sure there are lots of other companies out there during the pandemic, they skyrocketed, that they were going to the moon. And then reality kind of like smacks them in the face two years later.

33:07
I mean, I can't speak for for others. I mean, I know that when we had to make the same assessments that that peloton did, for example, in some of these others, we asked ourselves, what is driving our growth? You know, we, of course, want to think, Oh, yes, it's a great transformation where we're doing it the company shirt, that's part of it. But we were realistic enough to know that we were, we were flying a little bit on quite a bit on the pandemic, you know, like that first year? You know, of course, we're all heroes, we almost triple our revenue, right? And they're like, oh, yeah, this is perfect strategy. But, but we know, look, people were buying everything they could buy. And, you know, we were the reason we didn't more than triple our revenue there is we could only make things so fast. And, and so we did that we did our best and we captured the opportunity. But we we knew that this is driven by in our at least our assessment was this was driven by something that's, that's temporary, not permanent. And we knew there would be a downside. And the other thing and I think you know, you just tend to say okay, if you think it's permanent, or you think most of its permanent, then you make different decisions, like you build factories, you build, you take on fixed costs and things like that. But we didn't really believe that. And I think as it's come down, I think what we've come to believe is, you know, some people say, do you wish the pandemic never happened? Because then you had to go up and then down. It had been better to be, let's say hospitality, which was down right away and then up. But honestly, it changed workout habits forever. Oh, yeah. If we think about, we do a survey, pre pandemic all the way to now. You know, where do you work out and about four out of 10 people worked out at home prior to the pandemic. It peaked in the 70% range, and then it's still 65% So even as people go back to the gym

35:00
In some cases, they're continuing to work out at home. And so we have a permanent change in our industry, we believe our industry will end up being quite a bit larger post pandemic than it was pre pandemic, that's the Home Fitness part. Because these habits have changed profoundly, probably the big driver that we all, you know, seem to know is, is working from home, you're going to work from home or a hybrid model. Some days, you're going to need stuff at home, like you have dumbbells, and then you may go to the gym, but you're probably going to pick pick a maybe a low cost gym for 10 bucks a month or 20 bucks a month, and you're gonna go there, when it's opportunistic to go there. People have their different habits, they work out in places, but so we have a long term right now as we assess it, we have long term tailwind because those habits have permanently changed. And we're assessing that we have a short term.

35:49
Sorry, tailwind. And we have a short term headwind, which are things we don't control, right. They're things like, is the consumer going to buy discretionary items this holiday? How much will they trade down? We don't control that. But we make sure that we have price points all the way. Top to bottom there. We can't control how much of sales were pull forward. In other words, how many? How many people bought stuff and don't need it for a couple more years now. And we don't control retailers, retailers a big thing we sell about half direct and half retail, and our retail channel, they bought so much inventory for that second COVID holiday, that they're still selling that inventory and not reordering at the same rate they would have. So that's distressing for our people see that. But we just keep stressing it is a long term tailwind. Yeah. But short term headwinds, we have to manage what we can control, in the short term, cut the costs, make sure that we're agile, strengthen our balance sheet, inventory control, these are these are skills that when we were going on the other part of this weren't really front and center. And that's where I think situational leadership comes in where, you know, there's one, there's one way to manage when you're on the upswing. And another one when you're, you're coming down. I mean, I haven't been to a gym in three years.

37:04
Right? I mean, pandemic invested so much in a home gym that now I mean, I might even have to go onto your website and look at some of the home gym stuff that you guys have on there, too, and build out even more. Yeah, I haven't been in three years. And I actually really liked your point of looking at headwinds and tailwind. So what would be an example. So in this case, you obviously you spotted the pandemic is going to be a temporary thing. And so it seems like the advice for leaders is pay attention to what's causing your growth, whether it's something that's short term or long term, what would have been more of an example of something that would have caused long term growth where you would have said, Okay, we're gonna be on this path for five or 10 years, like, what would have that been for you to say, we're gonna continue on this path?

37:49
Well, I think we saw elements of that. And that could have been what, what peloton was looking at that more people would work out at home, you know that that is the trend, but, but the thing that you had to spot, I think, in this case, and it's been painful for all of us is, is that there would be something stopping that from happening at it at its own natural rate, the three things that I mentioned. And those are the

causes for not getting, you know, even though the TAM has increased for the industry, the accessibility of that of that target market is is not as not as accessible today, because of the three things that I mentioned. But all those things are temporary. So you just have to get through to the other side. And so that's how we're playing the game is we're just saying, Look, you know, our Northstar strategy and transforming the company is still alive and well. But when we reduce it down to what matter this year, we reduced it down to, you know, three, well, we call them wildly important goals. And the most important one is getting back to making money. There was a time where, where neither peloton nor us or a lot of people in the capital markets, as long as you had a growth story, you could you could go into, you could lose money. But that's not the case in the capital markets. And so we know we got to get back to profitability. And so that's what we direct our people on. It's not like the long term vision isn't still there. And the long term opportunity isn't still there. But we're more focused on you know, our number one wig, as we call it, his back in black. So we got to get back in black and we've got to to get every employee has a goal around getting back in black and everybody can do something to make that happen.

39:28
Really quick before we jump into our actually, maybe we should just jump directly into kind of the leaders toolkit stuff where I wanted to talk about digital transformation and some of your steps. So why don't we jump into that and there are a few things that I wanted to go over there are examples of what might be a short term versus a long term, headwind or tailwind as the first question, and then to go through your five step framework that you've created on digital transformation. I know you created it a couple of years ago. I'm curious if it's still well

40:00
Even today, if there's anything that you would add or change on there. So why don't we start with the first piece there? Because I think for leaders out there, it is very, very important for them to know what the headwinds are, what the tailwinds are. And if those are something that could be short term, or if those are something that could be long term.

40:19
Any advice on how to tell if it's short term or long term? Or there are some categories that are more short term than long term? How do you advise leaders to think about this, they know what they're dealing with.

40:32
My conversation with Jim Barr continues if you are a premium subscriber of great leadership plus on Apple podcasts, and this is going to be an important conversation for you to tune into because in this exclusive discussion with Jim, he's going to actually share the five steps that he uses for spotting permanent versus temporary trends. And the five steps are assessed the current situation find your why create your from here to their vision, develop an implementation plan and evangelizing. So if you want to know more about what those five steps are, what they entail, how to actually bring them to life, you're going to want to make sure to subscribe to great leadership plus and Apple if you want a weekly in depth article that I write giving you strategic advice and insights as well as weekly leadership hacks, head over to great leadership.substack.com And lastly, of course, if you get a couple of seconds please

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