

TRG 59 Transcript

Nichole Stohler

What if you could be doing something smarter with your money that creates income right now, if you're an IT professional who's wanting to get ahead financially and enjoy greater freedom of choice, and if you wondered who else in tech is creating ways to make their money work for them? You want actionable ideas with honest pros and cons and no fluff. Welcome to the richer geek podcast. We're helping IT professionals find creative ways to build wealth and financial freedom. I'm your host, Nicole Stoller and in this podcast, you'll hear from others who are already doing these things and learn how you can too.

Welcome back to The Richer Geek Podcast. Before I even started this podcast, I met today's guests and when we connected on LinkedIn, I saw that he owned a couple of Orangetheory franchises. Now in case you don't have Orangetheory in your part of the country, this is a boutique fitness franchise it's based on circuit training. It's extremely popular here in Arizona, so when I saw this on his profile, I thought that was super cool. And I asked him all about it. Now fast forward to a couple of years later when I started this podcast. He's one of the first people that I reached out to to be a guest, but he wasn't ready to be on yet as he had a few things in flight, and he wanted to wait until he had a full update. We're actually going to be doing two episodes with today's guest because he has done a lot, all while working full time in tech. Alex Caputo has worked in a variety of technical sales roles, and he found that he was also drawn to entrepreneurship, because he was passionate about fitness. He got started with orange theory, which he then successfully sold transitioned into car washes. And those are the two businesses that we're going to cover in today's episode. Let's jump into the show. Alex, welcome to the show.

Alex Caputo

Hey, Nichole, how are ya. Thank you.

Nichole Stohler

It is really great to have you on I'm super excited. We chatted Gosh, six plus months ago. I was so wanting to tell your story. And you've obviously had a lot of different things going on. So we're going to break this episode up in actually two, two parts. And I would love to just start off with having you tell us tell us more about your background?

Alex Caputo

Sure. So, gosh, my background is mostly sales worked for an IT reseller for about 15 and a half years. So, you know, selling was really all I've known, really enjoyed it in the corporate world. Now changing a little bit and moving on into more of an entrepreneurial type of roles and things of that nature. Okay, now, I want to talk about orange theory first, because that is I just thought that was so cool when you and I chatted, and tell us first of all, what was the catalyst and the inspiration that led you to looking into owning orange theory. Okay, orange theory. That was a very fun experience in my life here. So I guess the catalyst, I'd have to give credit to my wife because she, she's the one that actually dragged me in there kicking and screaming.

She was a member of orange theory for about three months and going every single day at 5am saying, you know, you really should try this, you should love this. And, you know, as a fitness person, I'm not into group fitness, you know, so just, you know, typical guy just, you know, throwing the weights around with your buddies and things like that. So anyway, she dragged me in there and I immediately fell in love with it was one of those looking around going I can't believe the draw and who would come to this right? Initially, you would think that Oh, group fitness is more - and not to be too stereotypical but females like to be like to train in a group setting, primarily right? There was a ton of guys there and I took a look around and I said, you know, we should really own one of these as my wife and I were looking for something to invest in. And then as I looked closer, Arizona, was jam packed with these. At least the concept was already grabbed by a whole bunch of these owners. So, you know, that didn't stop us we really wanted to just keep going and find a way to make this happen because it you know, fitness was our passion. And that was something that we did together. So we look more and more into it and it's it was an amazing franchise and it was just starting to take off and we thought, dang, we better get in this pretty soon, you know, before it's gobbled up, you know, so, so we had to, we had to go look into another state because Arizona was already gobbled up and all the folks that wanted franchises, grab those licenses.

Nichole Stohler

I love that background because first of all you talked about it is for you, it was a passion. It was something you were interested in. I don't always meet people that that is exactly what they get to do but they'll do something that they see is needed or wanted in, in the market or in industry. The second thing is you said you looked at this as an investment. So and you weren't necessarily planning on quitting your job so more like a semi absentee type of franchise investment.

Alex Caputo

Definitely. Yeah, that was exactly it. I mean, we had to still keep paying the bills, didn't really know if this thing was going to take off as big as it really had. So, you know, we took a chance we took a lead, my wife actually did, you know, most of the heavy lifting where she's, she's an amazing operational person, where I have the sales background. So as a couple, we really know how we really know how to do that together, you know, and it being a first franchise, I will say, and I know we'll get down a little bit more, but if you know, this one was one for passion, like you can get into it. For passion you work, you work as hard as you possibly can. And you'll make it a success.

Nichole Stohler

All right, let's talk about you ended up going to another state because all of the locations were taken in Arizona. And how did you let's say someone else is in that same position, right? And they're looking at a franchise and they're like, Oh, this is cool. I want to own one of these. But Geez, I don't there's no options. How do you decide what's the next state that you look at and and tell us about that process.

Alex Caputo

So our process was, we were really disappointed when we couldn't find in it in Arizona. So we thought, Well, you know, what's the next best thing? Where could we go? Because again, it was still really, really new. So my wife is actually from Utah. I'm from Chicago. So we both looked and went, you know, well, let's look at both of those markets. Because again, there was no orangetheory Fitness is set up as of yet kind of a white space, if you will. And we went after it. We were like, you know what, we can do that because you know, Utah's about an hour and five minutes, like, right for where we were setting up. And, you know, we were able to get the territories that we wanted. And just by doing some of the math, we're like, wow, if we really take these two to their highest level, we'll do really, really well and hopefully expand and go into a third one. So we you know, we did that and it really proved to be you know, it had its challenges, but it was really an exciting, you know, journey to do that. Because you know, if you're, if you're passionate, and you know you're going to make it work, you'll figure out ways to make it happen.

Nichole Stohler

Okay, now let's talk about that process. You you settled on Utah. What was that like then, who did you meet with? What was the support and guidance? What was the due diligence, all of that? And how long did that take? substest? Walk us through that process.

Alex Caputo

Sure. So once we realize that Arizona was off the table, and realized, hey, there's still some open spots up in in Utah, went up there and actually met the array representative. So what what orangetheory Fitness does is they actually have somebody that that purchases the state, if you will. So they're the area developer representative, and they're the ones that are actually in charge of handing out the license. So you know, you met a couple of folks up there to kind of vet you out and make sure that you actually have, you know, the net worth, the acumen, the business acumen that's a big one. And then and then we start talking about Okay, what makes sense in locations and things like that. So they're the ones that you actually speak to face to face. And then when you start going down the path of financial support, you know, you would look at an SBA loan via cash on hand, although that's that's you'd have to have a lot of it to actually do orangetheory fitness, but SBA loans were the direction that we went. And, you know, what you find in the franchise world is that they do partner up with a lot of other folks. So you're not kind of just out in the lurch going, Oh, gosh, you know, where do I start looking? You know, because what I found out and I'll just touch on the financial spot of it and is that you really need to have someone that kind of understands the industry that you're you're going to be applying for an alone, whatever it might be. So when they're familiar with orangetheory fitness, there's not this okay, right me, you know, the next five year plan. What is this? What is that not everything is questioned, if you will, so that helped out quite a bit and you've got guidance from the franchise and I think that's the one of the most important parts when you go into a franchise is to make sure that they're established. And you know what they called it, that orange theory was, you know, it's a franchise in a box, so you have a list of things that you're going to do, then you're going to be checking off as you go along. And that really, really helps especially for a first timer.

Nichole Stohler

I love the concept of that because you're right, there's a lot of moving pieces and it's really nice to have that guidance and that checklist and you just know and then this happens. So you have some kind of expectation and then you also have quantifiable results from other franchisees right and proven metrics if you do this, you should see that that type of thing.

Alex Caputo

You do and you know the leadership over at orangetheory fitness, were folks that came over from the Massage Envy world so a lot of the executive team, they were able to say okay, this is what really worked for us over there. And Matter of fact, if you actually go into a massage me and try to get you to sign up for their massage package, then all of a sudden, you go over to an orange theory and try your first class there, you'll actually see that the questions are very, very similar and their process and procedure of actually getting you in and actually getting you to become a member is almost identical. I found that very, very interesting. So, the leadership is very important. And I think we had really good leadership to catapult this from where it started all the way to where they're at now, which I think is somewhere in the ballpark of like 2000 Studios that are open globally. What systems did you have to set up on your own, you know, systems on your own there, you know, there really isn't a lot of systems on your own from the point of sale to, you know, their portal to where they you know, they sign you into, to getting your leads, all of that was again, you know, really check a box, you know, okay, have you set up with Mind Body online, that was one of their internal processes. And even when working with social media groups actually had preferred partners, and here's how you have to market to which particular zip codes. So there was not a whole lot on your own from when we started on there. I think you know if there's anything that you might do a little bit different than others might be just your you know, marketing to your, you know, to your area right Some are probably better on digital some are better with with paper, you know, some guerilla marketing all that put together you need but it really depends on on your area to who you're going to actually go after and how to bring them in the door.

Nichole Stohler

Let's get into sort of the pros and cons. Tell us first of all, what advice would you give someone who's looking to set up a similar type of franchise This is not necessarily orangetheory just a whole bunch of other fitness type of franchises out there now but what advice would you share?

Alex Caputo

You know, if you're a first timer I think the I think the number one thing is to really know what your skill sets are and what you and if you have a partner what their skill sets are, you know, and really color and understand that but you also need probably another set of eyes on the other side to where they're going to let you know that Hey, you guys are going to do really really well in these types of franchises because I don't think that you know, everybody's a good fit for orangetheory Fitness I mean I think you have to have definitely have to have a passion and you definitely have to have the know how I guess to to make a business succeed. But I think that not everybody fits into that so really identify with a third party what you're going to be

good at and what you like because I think something that's really big what I've learned, you know, after this is that I think, you know, managing a ton of employees is not the best thing for me I think the the next one is going to be something that is a little bit less with with the employee section of it. But at the same time a up and coming exciting franchise, you know that I can wrap my arms around and

Nichole Stohler

So tell us a little bit about that because you just alluded you talked about managing a large amount of employees will talk about the key challenges. I know you mentioned that specifically. So tell us about the key challenges that you experienced owning the Orangetheory.

Alex Caputo

Well, the key challenges I think, are I mean, we were semi absentee out there. And I think the key challenges really is being first to market knowing your area. Now, we knew our area, we didn't live in the exact area. But when you come first to market, I mean, you really need to have brand awareness, you know, and orange theory fitness. In Utah County. Nobody knew about it. Nobody knew about it in Salt Lake County, either. So it was one of those things where you really have to get in with the community, you know, and to understand how is this gonna actually get word of mouth? How are we gonna get traction to this type of thing and it takes a long time when near the first studio second studio. And then it's very magical after that part of it because then you have word of mouth and five miles later, but it's like when you bring in this to this location when you're going to come out there. So yeah, to answer your question. Each challenge is definitely brand awareness no matter how national It is really in the community, you have to get that word of mouth and, and get buy in from all the locals really.

Nichole Stohler

And then how did you when you describe semi absentee? How did you manage that? How does that work?

Alex Caputo

Well, you know, there's not a whole lot that I can personally do when I go into Orangetheory Fitness Studio, right? I'm not a trainer coach, and I'm not a matter of front desk salesperson, right? We're on the strategic side of things we're talking to, you know, our local community where we're trying to strategize with other orange theory fitness folks, you know, so what we did is we we hired a general manager, we had a couple studio managers, a couple of head coaches that we stayed close to, and so the feet on the street here and you know, at the end of the day, it's okay, how many folks did you get in the door? How many did you convert? And then how do we support and get more of them for you to make the studio continued to run and to be a success. So, you know, again, not a whole lot You have to do there, you just really have to just communicate and support your folks there.

Nichole Stohler

And then what were the logistics for you managing this while working full time?

Alex Caputo

The logistics in terms of just kind of being there and working full time? Yeah. So we actually, we actually had an apartment that we rented up there. So I don't know if you've ever been to Utah, but it's really beautiful. So in the summer months, it was really easy to kind of pack up and go and hang out from, you know, made a July out there. But we, you know, my wife and I both were able to really jump on a plane and he would just hop up there for four or five days and come back down, live our life here. So it's kind of crazy, but it's exciting at the same time, you know, when you can do that kind of thing. So, and again, while we're up there, we're just really just getting close to our leadership and our management team here and trying to get them to motivate the team and really see what is necessary to make it great and get the word out.

Nichole Stohler

I love it. Now, when all is said and done, what was the benefits impact for you of owning these stores?

Alex Caputo

You know, I think the benefit for me is I'm not afraid to take a risk. I'm not I'm not afraid to, you know, see a new concept and go after it. You know, I think that anybody that does it for the very first time whether it's in a franchise or in their own thought of business, you know, there's, it's there's a lot of naysayers that are out there folks that say you can't do this. And you know, I've done the first one, I've done a couple other investments since and I'm not we're not afraid to really try it as long as the numbers make sense. And then you can kind of see a little bit that whatever, whatever else is out there. If there's a need for it, to go and jump on it, you know what I mean? Don't be Don't be afraid to do that. Do a lot of due diligence. Don't get me wrong, don't just willy nilly do this type of thing, but do a lot of due diligence, but don't be afraid to to act and jump in and go after it.

Nichole Stohler

And before we wrap up around the orange theory stores or how you ended up selling them, how did that come about?

Alex Caputo

You know, that should happen really, really fast. It wasn't something that we really were expecting to do. Right off the bat, I think it was one of those things where we had had just, you know, looked at it and went, you know, is it time? Is it the right moment? are we are we picking is or is it can actually kind of be coming down from there and no, it was still on the way up, and we just inquired about it. And then, and then we've got some aggressive offers on it real quick. And I said, Well, you know, what, it could be our time we were in it for four years. And, you know, we grew them and we weren't going to expand or get any more studios from there. And we decided it was time and go back to just live in Arizona. 100%. And, you know, we put a bow on that one. It was a great, great experience.

Nichole Stohler

I think a couple of things there, the travel, like you said is exciting, but also, you know, obviously challenging logistically to deal with over and over again and not being physically there when, when you wanted to be a part of the community. And the other thing that you talked about is, basically what you're describing is when you build it, and it's successful, and someone else can see that proven model, and it's a franchise with a national name, and it's grown so much by the time that you were looking to sell. There's a lot of people that are interested in that kind of business, because they also probably understood that you were semi absentee, which is also appealing as well.

Alex Caputo

Yeah, you know, it's, uh, you know, another part that we didn't really mention is I've got a couple of kids, I've got a couple of dogs, I've got a lot of things that keep us busy. So I think that, you know, when it was time to sell, it was the right time, but I will say any advice anybody that's out there, that thinking, you know, when they're once you get into your franchise or get into any business, always have an exit strategy, be ready to go. Because that can hit you at any moment. And then you wonder, well, what's next? You know? And what's next is sometimes you know, you don't have it ready and kind of wait a little bit, and you kind of get going. Alright, what do I got to do here? I'm kind of I hate to say it, I was a little bored.

Nichole Stohler

But it actually is something that is a real thing. It's like, when you're you're doing something that takes a bunch of your extra time, like, like, for example, maybe you're going back to school while working full time and then you graduate, like maybe got your MBA, and then suddenly you think, wow, I have all this time. When the reality is in the beginning, you were trying to balance it, it was quite a struggle.

Alex Caputo

Yeah, a full plate is all we knew, for a long, long time. And then when your plate is like, mostly gone, you're like, what do you do now? You know, so I will be honest, we struggled a little bit trying to figure out what's there to do next, but you know, what's next is very, very useful. And for both of us, and I look forward to the next challenge ahead.

Nichole Stohler

That is a great segue. We are going to talk about the next couple of businesses that you got into. And we will do that in a future episode.

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