

The Business of CrossFit

CrossFit Inc. defies categorization according to traditional business models. Perhaps that's why the company is exploding during the worst economic climate since the Great Depression.

Marty Cej



Staff/CrossFit Journal

It's March 2009, and Dave Castro is sitting over a laptop, planning a CrossFit Level 1 seminar. He and colleague Nicole Carroll must decide which trainers will take part and who will lecture, and they'll have to deal with a hundred other fine points that require discussion before every seminar.

Only this time, Castro is hunched over a computer screen somewhere in Afghanistan. Carroll is in Sydney, Australia.

CrossFit: A Virtual Company

Special Operator Chief Petty Officer Castro is a Navy SEAL and has just returned to base from a mission. He's taken off his helmet, turned on his computer and is typing instructions, working with a team of trainers now rather than soldiers.

At about the same time in the southwest corner of New Hampshire, CrossFit operations manager Lynne Pitts moderates—and contributes to—a rancorous online debate on the proper execution of a workout bearing her name, examining the company accounts in between posts. In Santa Cruz, Calif., media director Tony Budding edits and posts an article to the *CrossFit Journal*. The company's customer-service staff in Ottawa, Ont., helps a recent CrossFit convert through the website, while the CrossFit Store based in Laguna Beach, Calif., verifies its inventory and ships another order.

Meanwhile, in the southwest United States, CrossFit founders Greg and Lauren Glassman fret over Castro's safety and marvel at the efficiency, profitability and evolution of a company that still has no fixed headquarters by any standard definition of the term.

And the Glassmans are fine with that.

"The world knows nothing of the virtual company," Greg says. "Venture capitalists don't get it, the MBAs don't get it, and the media don't get it. The very people who should understand it best are aghast at the concept."

Glassman, 53, a competitive college gymnast and the son of an engineering professor, started out in the late 1980s training individual clients in and around the Santa Cruz area. Now he and his wife control CrossFit Inc., a privately held company nominally based out of an office in Washington, D.C. Together with a small core group of managers that currently numbers around eight, they oversee an exploding fitness empire that extends from Seattle to Bogota to Reykjavik and includes nearly 1,500 affiliated gyms, with hundreds more in the pipeline.

The company publishes a subscription-only online fitness journal, certifies hundreds of CrossFit trainers a week at an average of \$1,000 US per person, and provides the expertise and inspiration for trainers to open their own gyms—what they call "boxes"—bearing the CrossFit imprimatur for a fee that ranges from \$500 to \$2,000 per year.

**A few things are certain:
CrossFit is hugely profitable,
and its growth has only
accelerated during the worst
economic downturn since the
1930s. That's something very
few companies—fitness or
otherwise—can claim.**

Staff/CrossFit Journal



Greg Glassman's company doesn't adhere to traditional business methods—and he's fine with that.

CrossFit Inc. is variously portrayed as a fitness company, a grassroots health movement, a nascent sport, a fad, a publishing business and sometimes, disparagingly, a cult. Whatever the description, a few things are certain: CrossFit is hugely profitable, and its growth has only accelerated during the worst economic downturn since the 1930s. That's something very few companies—fitness or otherwise—can claim.

"In a high tide like the last 10 years, lots of people did well," says David Patchell-Evans, founder and chief executive officer of GoodLife Fitness, Canada's largest fitness-club company. "In a low tide, only the best survive and thrive."

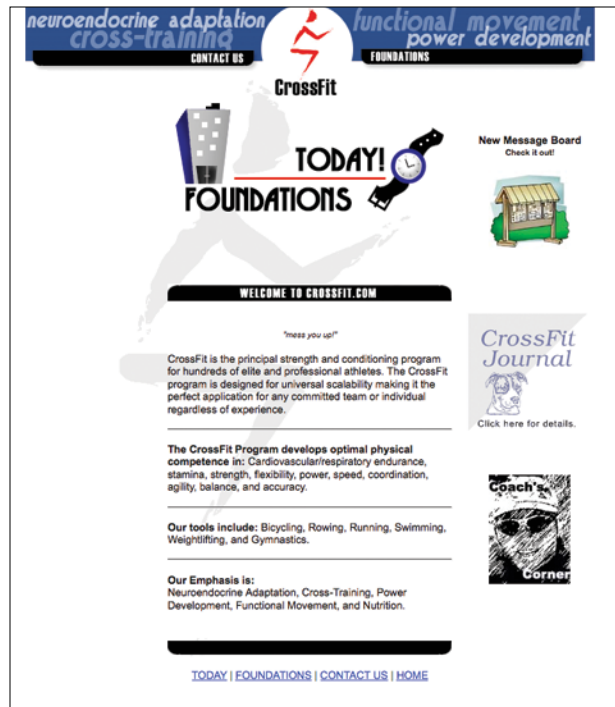
Patchell-Evans, who started GoodLife Fitness 30 years ago with a single gym in London, Ont., has seen far more failures in the fitness industry than successes as he guided his own company through economic booms and busts and fitness fads and crazes.

"Times change, but how you look after people can't," he says.

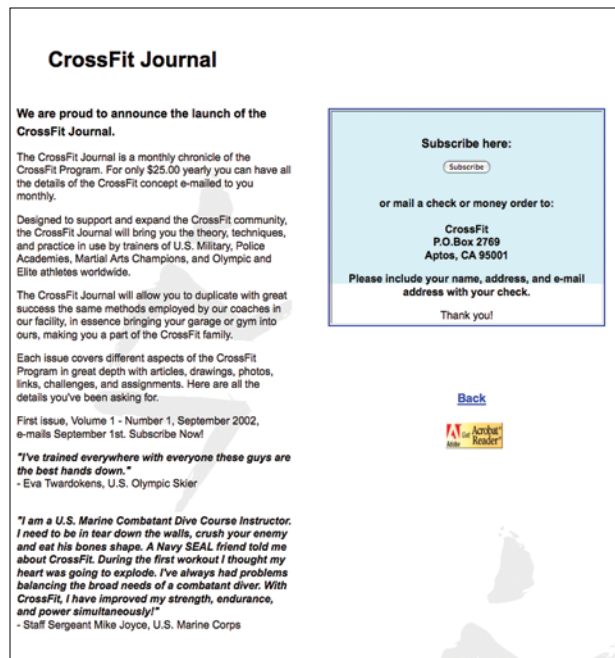
By defining exactly what it is to be fit and designing a program that quantifiably optimizes physical competence, the Glassmans have sparked a fitness movement that has attracted and inspired hundreds of thousands of people around the world. CrossFit's founders must now contend with the challenges of managing one of the fastest-growing fitness companies on the planet.

"We're clumsy at times at what we do," Greg admits. "We are managing growth and millions and millions of dollars. There is no one to lean on in a virtual company."

The Glassmans had seen their workouts change people's lives, so they began posting a new workout to the site every day. Whatever value the site might have, they reasoned, would have to come through the workouts in the real world.



An early version of the CrossFit website from 2001-02: different look, same message—and free from Day 1 to the present.



The CrossFit Journal has now evolved into a multimedia publication featuring radio, video and print content contributed from all around the world.

A Simple Idea

Glassman had been calling his training program CrossFit for more than 10 years before he launched the CrossFit.com website in 2001 at the insistence of an unrelenting client. Glassman's method—constantly varied functional movements in an infinite combination of exercises performed at high intensity—was both addictive and effective.

"I was a trainer with a different style with a contract at a gym," Greg recalls. "A client had reserved the CrossFit name on the web and told me about it. I thought he was a nut. I didn't even own a computer."

The client provided Greg and Lauren with a computer, said, "You're online," and asked them what they wanted their website to do. Their answer was simple: help people. The Glassmans had seen their workouts change people's lives, so they began posting a new workout to the site every day. Whatever value the site might have, they reasoned, would have to come through the workouts in the real world.

CrossFit went online just as stock-market valuations for Internet-related companies were reaching their peaks and any firm with a "dot-com" suffix in its name could reap millions in IPO dollars. Like dozens of other start-ups in Silicon Valley, CrossFit suddenly had financial backers, business advisors and million-dollar expectations.

Some of those early advisors suggested giving away free stationary rowers to entice new sign-ups, but the Glassmans disagreed. The website, they insisted, needed to be simple and functional, like the workouts.

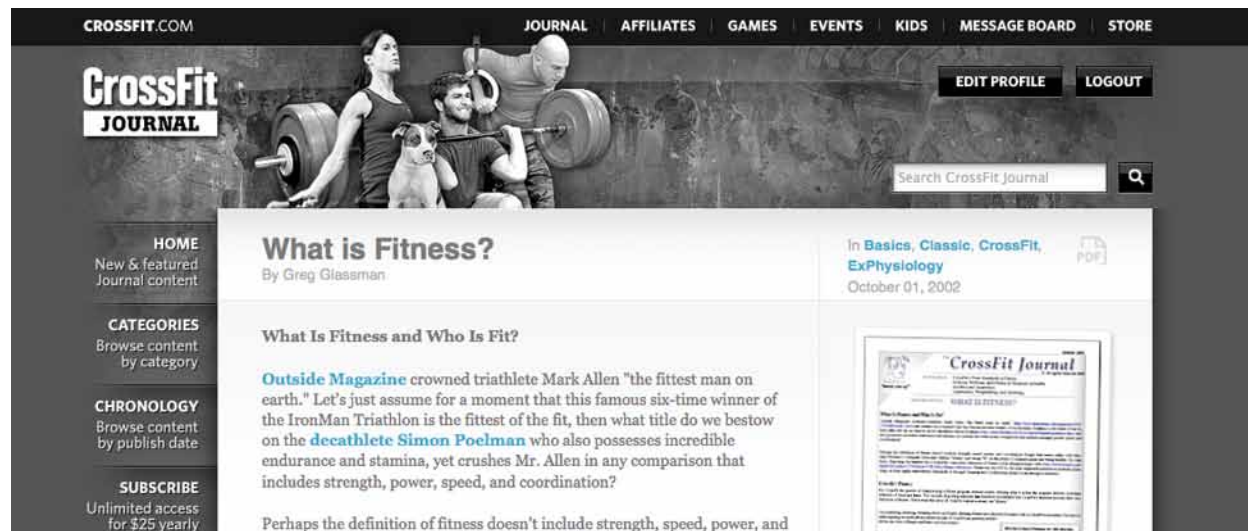
"The Internet experts laughed, called it grassroots," Greg says. "We tried it anyway."

When the bubble burst, the financiers fled and the CEOs and so-called captains of industry and the new economy were led handcuffed to jail, but the website persevered. CrossFit—the company and brand—began to take shape, one user at a time.

The design of the website, sketched in pencil by Glassman in early 2001, remains almost unchanged from its earliest iteration, something considered almost anathema in the Internet sector.

CrossFit.com hasn't changed much over the years because Greg and Lauren Glassman believe great content is best delivered simply so it can stand on its own merit.

Greg Glassman wrote every article that appeared in the earliest editions of the *CrossFit Journal*. He attempted to define fitness, revive respect for the simplicity of the garage gym and establish the foundations of the CrossFit program.



The seminal CrossFit Journal article “What Is Fitness” was published in 2002, forming the basis of a program that quickly changed the face of the fitness industry.

“The site looks dated, but it’s functional—so the excellence shows through, just like the boxes,” CrossFit creative director Ryan Lucas explains from his home in Portland, Ore. “The content is compelling, and that overrides everything else.”

A simple grey masthead states the company’s name and its mission. A central column displays the workout of the day—the “WOD”—and provides hyperlinks to instructional videos or links to materials that are otherwise related to the workout. The left-hand navigation bar provides links to an FAQ and instructional videos. It also answers the over-arching question “What is CrossFit?” The right nav bar provides access to the archives, certification seminars and affiliate links.

“The website is an important point of impact for us, but we won’t get lost in presentation,” Lucas says. “What happens in a guy’s garage gym, that’s where the company really is. The website is where we communicate that.”

CrossFit claims to be an open-source fitness program, and the *CrossFit Journal* is where the masses get their say.

Considering the Media

CrossFit would not provide traffic data for its principal websites, which include the main website, the [CrossFit Games](#) hub, the [affiliate site](#) and the subscription-only [CrossFit Journal](#), which is one of the company’s three primary revenue streams.

According to Internet data aggregator Alexa.com, though, the main site’s users are based overwhelmingly in the U.S. (76 percent) and Canada (3.1 percent), but the site ranks higher among the most popular sites in Finland. Alexa.com also says that page views have surged almost 23 percent in the past three months alone.

The *CrossFit Journal*—full of fitness information, educational material and debate—went online in September of last year after spending the first few years of its existence as a monthly newsletter e-mailed to subscribers in a PDF file. It’s now an Internet presence that’s updated daily with fresh print, video or radio content.

Media director Tony Budding says the *Journal* is profitable, but its evolution has never been determined by its earnings considerations. In fact, the *Journal* wasn’t even Greg Glassman’s idea.

“Client after client of Greg’s said, ‘You need to publish a newsletter,’” Budding says. “Finally, after five years, one of the clients designed it and brought it over to Greg.”

Glassman wrote every article that appeared in the earliest editions of the *Journal* when it was launched in September 2002. He attempted to define fitness, revive respect for the simplicity of the garage gym and establish the foundations of the CrossFit program.

"It was Lauren and me in a little two-bedroom house, hoping to make a few hundred a week, and now it's close to a seven-figure property," Greg says. "People using the site felt obligated to pay because we were giving away everything for free."

The popularity of the *Journal* required more content, which was increasingly provided by a growing number of CrossFit trainers, clients and coaches from various fitness and sports backgrounds, all of whom flocked to a small gym the Glassmans opened in Santa Cruz.

CrossFit claims to be an open-source fitness program, and the *Journal* is where the masses get their say. Every article, video and MP3 file is open for immediate discussion, debate and sometimes dismissal.

"We don't claim that everything we publish is the most authoritative or correct, only that it has some value, and the community can decide on its merit," Budding says. "It's an outlet for great coaches to publish their ideas and dialogue about them instantly. Sometimes the comments are more instructive than the articles."

At the end of July, there were about 1,350 CrossFit affiliates around the world, with almost 500 going through the affiliation process and awaiting equipment or property.

From his home office set back from the road among redwoods and oaks outside Santa Cruz, Budding edits copy, shoots and cuts video, and liaises with colleagues around the world about events that need to be covered, topics that ought to be explored and opportunities to grow the media business.



Dave Castro, a Navy SEAL, serves as CrossFit's co-director of training and director of the annual CrossFit Games.



Tony Budding is CrossFit's media director, overseeing the CrossFit Journal and coverage of the CrossFit Games.



Nicole Carroll, an outstanding athlete in her own right, is CrossFit's co-director of training.

Perhaps the biggest opportunity, Budding says, lies in the CrossFit Games, a weekend-long gathering held each July in Aromas, Calif., where athletes compete for the titles World's Fittest Man and World's Fittest Woman. Now three years old, the Games initially featured a handful of CrossFit athletes who were invited to Castro's family ranch, where they ran, jumped, pulled, lifted and collapsed in front of an audience of family, friends and a few Camcorders.

The 2009 CrossFit Games featured 77 men and 72 women who qualified at regional events around the world, and CrossFit gyms from Copenhagen to Oakland sent just under a hundred teams to contend for an affiliate championship. Thousands of fans packed the stands, and a tent city rose to accommodate a food court, a shopping strip and beer vendors.

"This could be a year-round sport with international appeal," Budding insists. "Will there be a live webcast of the 2010 games? Would it be free? Paid for? We don't know yet, but the big thing has not been to create a revenue stream but to support the community."

The CrossFit media unit "is responsible for getting people up from behind the computer and into the local gym, where the experience is always better than online," Budding explains. "If that wasn't the case, all the media and marketing in the world wouldn't matter at all."

An Unhealthy Health Sector?

Once visitors to CrossFit.com finally get up the gumption to hit the gym, they'll find their choices far richer than they were even a few months ago. Despite an economic backdrop that has driven unemployment rates and personal and corporate bankruptcies in the U.S., Canada and Europe to their highest levels in decades, CrossFit's growth has accelerated while that of their competitors has slowed, shrunk or disappeared.

Town Sports International Holdings, owner of New York Sports Clubs, is expected to report a loss of 6 cents a share in the third quarter, according to the average estimate of analysts surveyed by Bloomberg News. That comes after it recorded a 50-percent plunge in earnings in the second quarter. Life Time Fitness Inc., whose shares have more than tripled since March, is expected to report a 13-percent decline in third-quarter earnings.



Staff/CrossFit Journal

"The overall health of the sector is difficult to determine, but the downturn has been solely a function of the economy," says Brian Nagel, a New York analyst at Oppenheimer and Co. who covers Life Time Fitness. "The smaller gyms, the one-offs, have a tough time because they are generally not well capitalized, and if they close, Life Time picks (clients) up."

At least two CrossFit Level 1 seminars are going on somewhere in North America each weekend from now until well into 2010—and they're completely sold out.

Many privately held companies have fared worse than their public counterparts.

Crunch Fitness was a health-club chain that promoted cardio strip-tease classes and pole-dancing sessions. It was sold by Bally Fitness in 2006 to an investor group and filed for bankruptcy in May. Bally Fitness, meanwhile, has filed for bankruptcy twice since 2007.

That isn't surprising to Craig Patterson, owner of CrossFit Vancouver.

"About 80 percent of the people who come here haven't been in a gym in five years," he says.

According to Patterson, that's because the average gym is "like a bad nightclub."

Patterson says CrossFit Vancouver has had to move four times in the past four years to accommodate its growing numbers, while more than a dozen other CrossFit affiliates have been started by former clients and trainers.

At the end of July, there were about 1,350 CrossFit affiliates around the world, with almost 500 going through the affiliation process and awaiting equipment or property. At the end of January 2007, there were 300 affiliates. Twelve months earlier, the number was 100.

The first 350 affiliates paid just \$500 a year for the right to call themselves CrossFit gyms, and that price will never change for them, Greg Glassman says.

The next 650 gyms to affiliate paid \$1,000 a year. Now, affiliates pay \$2,000 a year.

The affiliates themselves seem to endorse CrossFit's iconoclastic approach to business.

"A traditional business model says that if you are the best hairdresser, you keep your secrets to yourself. Why train the competition?" Patterson says. "I say that if you can make others do well, then we'll all benefit. Now you're really making a difference."

Of course, CrossFit isn't the only fitness company thriving under the harshest economic conditions since the Great Depression. Canada's GoodLife Fitness, for example, is opening new gyms and will expand faster this year than ever before, and the business philosophy of founder Patchell-Evans echoes Greg Glassman's.



Staff/CrossFit Journal

Level 1 and 2 CrossFit certification seminars are held all over the world every weekend, with elite trainers from CrossFit HQ teaching attendees how to move properly and coach more effectively. The seminars are already sold out into 2010.



Staff/CrossFit Journal

Certification seminars focus on a variety of movements, with the squat chief among them.

"A club is a box made alive by the people in it," Patchell-Evans says. "Everything boils down to people, whether you're CrossFit or GoodLife. The core competency is caring."

Both Patchell-Evans and Glassman refer to their facilities as "boxes," but in CrossFit's case, the term is remarkably accurate. Ranging in size from single-car garages to industrial warehouses, CrossFit gyms typically feature bare walls, rubberized floors, thousands of pounds of Olympic weights, dozens of Olympic bars, climbing ropes and gymnastic rings suspended from the rafters, pull-up bars, a few racks of dumbbells, maybe some massive truck tires, and a few rowing machines. And a lot of chalk.

"The people in the boxes define the brand," says Lucas, the creative director. "Each affiliate is a shepherd of the CrossFit brand. The look of the gym, the T-shirts, that's up to them, but go to a box in California, Toronto or Australia and the feeling will be the same."

Patterson agrees.

"Where I'm going with the business, I haven't sat down and discussed it with (Greg Glassman)," Patterson says. "He's given me everything I need. They demand payment and that's it. Everything is there on the site, but it doesn't help you run a business. You figure that out on your own."

Indeed, in CrossFit's virtual business model, the affiliates are left to succeed or fail largely on their own.

"We are not a franchisor," Greg says. "Franchises lack a diversity of approach, and if I try to get everyone moving in lockstep, I get everyone moving towards mediocrity. Because we have a Darwinian/free-market approach to the affiliates, best practices arise at a breathtaking rate."

Certifiable

One of the biggest draws for a CrossFit affiliate is a certification seminar, the company's biggest revenue generator. The fitness program itself involves an infinite number of exercises and movement combinations done at high intensity, and many of those movements are exceptionally technical. Every CrossFit trainer must go through a weekend-long seminar where each is taught and then drilled on movements as simple as the squat and as complex as the muscle-up.

Level 1 certification seminars teach the basics of the core CrossFit movements and concepts, then Level 2 certifications take Level 1 graduates and deepen their understanding and hone their coaching skills through a rigorous testing process. CrossFit athletes can continue to improve their performance through seminars for barbell basics, Olympic lifts, gymnastics, nutrition, rowing, running, kettlebells and training children.

The Level 1 seminars are open to anyone—CrossFitter or not—who wants to learn better exercise technique and get more out of the gym. And they're popular. At least two CrossFit Level 1 seminars are going on somewhere in North America each weekend from now until well into 2010, and they're completely sold out. The weekend of Oct. 17, for example, saw CrossFit HQ trainers hosting seminars in Brisbane, Australia; Montclair, N.J.; and Reno, Nev.

An average of 60 students attend each seminar. That number often includes five scholarship spots for the host affiliate; discounted rates for military, law-enforcement officers and other first responders; and other complimentary spots for special cases. CrossFit says it has sold out every Level 1 seminar it has offered. With each paying student forking over \$1,000, the third weekend of October generated an estimated \$150,000.



Certification seminars feature lectures, hands-on instruction and a workout so participants understand what CrossFit is all about.

Castro, co-director of training with Nicole Carroll, says CrossFit runs two Level 1 seminars every weekend of the year in North America but for the major holidays. Often you'll find three or four seminars on a single weekend, but that will include at least one Level 2 seminar and an additional Level 1 seminar overseas.

CrossFit also conducts several mid-week seminars through the course of the year for military units and law-enforcement officers in smaller groups of 20 at \$800 per person. Every week of September had a military seminar, Castro says.

Using the most conservative assumptions (CrossFit Inc. declined several requests for detailed financials) for an average of two Level 1 seminars per weekend for 49 weekends per year, two Level 2 seminars per month (though there are often more), plus two military seminars per month, the certification program generates roughly \$6.48 million in revenue.

That number also excludes well over a hundred specialty seminars each year, where subject matter experts pay affiliates a small fee for hosting the event. CrossFit Inc. receives a percentage—20 or 30—of the gross revenue taken in by the specialist. In the final three months of 2009, there will be dozens of specialty seminars focusing on Olympic lifts, rowing, nutrition, working with kids and running. Though the number of attendees at each specialty seminar isn't fixed—nor are the prices—it seems a safe bet that the special-material certifications provide a significant revenue stream for CrossFit Inc.

Headquarters on the Internet

Like the other two principal business units—media and affiliation—the seminar business is managed by the Glassmans with a light touch, staying in close contact with Castro and Carroll via phone and computer but letting them make the day-to-day decisions—even if some of those decisions are being made by an exhausted Navy SEAL in a combat zone half a world away.

Greg and Lauren Glassman carry the titles of CEO and CFO, respectively, in a largely flat management structure that has plenty of overlap and requires careful communication, coordination and cooperation among its far-flung team.

“Franchises lack a diversity of approach, and if I try to get everyone moving in lockstep, I get everyone moving towards mediocrity. Because we have a Darwinian/free-market approach to the affiliates, best practices arise at a breathtaking rate.”

— Greg Glassman

"The virtual model works extremely well, but not perfectly," says Pitts, the operations manager. "We are all self-directed, self-motivated and don't need adult supervision, but sometimes it is tougher to coordinate stuff."

Pitts, a retired U.S. Air Force lieutenant colonel, produces a weekly activity report, or "WAR," for the Glassmans, aggregating the revenue streams and highlighting and analyzing what's working and what isn't. Right now, Pitts is confident the virtual model will continue to function well in the foreseeable future, even if it is impossible to throw a paper clip at a colleague in the next cubicle.

"You can't walk down the hall, put your nose on someone's desk and pester them," she says, "but the technology to stay in touch is only going to get better. There will be hiccups and mistakes, but the model won't fail anytime soon."

Greg Glassman calls the company's evolution "organic," a term that has become a buzzword for any sort of growth that doesn't result from an acquisition or merger. In CrossFit's case, the word is both accurate and specific. Glassman has taken his lead from clients and trainers, cherry-picking what works and dismissing what doesn't. He likens his role to that of an orchard keeper rather than manager.

"When you map out the revenue streams—the affiliates, media and the seminars—the way they support each other is too beautiful to have been planned," Glassman admits. "The *Journal* validates our approach, the seminars authenticate it by providing a real human experience, and the affiliates replicate the process. It's the virulent nature of CrossFit."

At its core, the business is about the individual client who shows up at the gym hoping to improve her fitness, whether she's a triathlete stuck in a training rut, a retired accountant or a 38-year-old mother of three looking for the energy to recover from a cancer diagnosis and double-mastectomy.

Glassman and his trainers believe they have created the best system in the world for improving fitness, and therefore improving life. And the system, like the company, is designed to constantly accept and implement change from without.

"We have a gift for all people," he says. "We are helping people move and improve their lives. There is a price for admission: you have to exert yourself, but you will be better for having worked with us."



About the Author



*Marty Cej is an anchor and the managing editor at Canada's BNN, the Business News Network. He covered financial markets in Europe, the U.S. and Canada for more than a decade as a print journalist with Bloomberg News, MarketWatch and **The Globe and Mail** before he was seduced by the glamour of Canadian television. He has been CrossFitting since 2006.*