

SOS#30: Where Healing Meets Hustle with John Klein

John Klein: 0:00

They love us. So all I can say is they love the experience, they love the outcome. When you experience a brand, a product or service from a brand and it really has an impact on your state, your mental state, your psychological state, how you feel, you want to share it. You want to share with your community, whether it's around the dinner table or your 15 million followers.

Marcus Arredondo: 0:28

Today's guest is John Klein, the corporate real estate veteran who traded skyscrapers for saunas. After scaling Equinox and SoulCycle to over 100 locations each, John shifted gears at 45, launching Paws Wellness Studio, the sanctuary for recovery and longevity, with float therapy, iv infusions, cryotherapy and more. We talk about scaling through franchising, why he chose underserved cities like Des Moines and Overland Park and how PAWS stayed open as essential healthcare during COVID, offering immune boosting therapies when people needed them most. We also discuss his partnership with Lifeforce, making concierge level biomarker tracking affordable, democratizing healthcare for the many, not the few. His story is about taking what you know and building something that serves people better. Let's start the show, John Klein. Thank you so much for being on.

John Klein: 1:13

Thank you for having me. Excited to talk to you.

Marcus Arredondo: 1:16

Likewise, I'm excited to go in a bunch of different directions. Obviously, the focal point on what we'll talk about is PAWS, which is your studio. I think it's going to be helpful for you to give us a breakdown of that. But this is a confluence of a little bit of my world that's a little bit outside of this podcast, which is real estate related, and I want to talk a little bit about that as it relates to the genesis of PAWS, because I think there's an inflection point that you had referenced at some point about making the shift from doing real estate on behalf of another entity and sort of going off on your own, and that's sort of the focal point I'd love to get springboarded off of and just get your feedback. So maybe if you can quickly just tell us a brief element about PAWS, we'll obviously unpack it further and then sort of where you started from preceding that.

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John Klein: 2:07

Sure. So PAWS is an experiential wellness studio that is really addressing the need states of the modern consumer around their health wellness journey. So that comes in the form of anxiety, stress, nutrition, pain management, athletic recovery, anti-aging, longevity. Those are the reasons why people are coming to PAWS. Paws is providing solutions to those issues, or what we call need states. So on any given day, if you're suffering from high stress because a life event happened family, job related and you want to come

decompress and go from the sympathetic state to the parasympathetic state, and you come and get a IV from us with vitamin C and other micronutrients that are going to help boost your immunity to battle that cold or flu that you might be dealing with. You just ran the marathon and your legs are sore, so you might jump in to Normatec compression boots to help with lymphatic drainage. You get where I'm going. So we have seven different modalities under one roof, which is really a pretty broad offering. And we can go back to my days at Equinox to why we decided to become really the one-stop shop for all things. Holistic healing and proactive healthcare is really the category we're playing in right now is preventative or proactive healthcare, but that's really the snapshot of PAWS and why PAWS exists today.

John Klein: 3:52

My background is been in health wellness, essentially my entire career Started back in the late 90s with a brand called New York Sports Clubs. The parent company of that brand was Talent Sports International. If you, or your audience, lived on East Coast Boston, dc, new York, philadelphia you might be familiar with either New York Sports Club, washington Sports Club, philadelphia Sports Club, boston Sports Club. I was the director of real estate and acquisitions there for five years and then joined the management team at Equinox in 2002 when they had just done, recently, a private equity deal or ready to scale their brand from being a New York centric brand to a national lifestyle brand. So we've built the playbook for that A lot of analytics around demographics, psychographics, what I like to call the why behind the where.

John Klein: 4:42

And then we went out and executed that plan over 15 years and went from 10 studios to 100 studios, international studios, canada, the UK as well. And then along the way there was a buzzy little brand in New York City that was called SoulCycle. That in, you know, the New York kind of high profile socialites were using the studio in New York City and the Hamptons and they wanted to grow and they want to partner. That we used for Equinox and helped scale them from six units to 100 plus units across the country.

John Klein: 5:29

Soulcycle, for those who know, is boutique spinning and really was the innovator of the boutique studio fitness concept. That really didn't exist prior to that in a branded lifestyle fashion and the founders did an amazing job of curating the experience and with our expertise around real estate finance development kind of backend, it was an amazing job of curating the experience and with our expertise around real estate finance development kind of back end, it was an amazing partnership and we grew that business really smartly and really exponentially over a 10-year period. So that's my background. That's all about Paws.

Marcus Arredondo: 6:01

So I want to dive into sort of. It sounds like you've got a little bit of a blueprint already. Yeah, you've seen a lot of this inside the boat. So to speak, you didn't have to build the boat, but you, by virtue of being able to see that Now Equinox was holistically owned. Right, this was not a franchise.

John Klein: 6:19

Not a franchise, or are they Correct?

Marcus Arredondo: 6:22

So I want to talk about those two things. One was launching off and saying you know what I think I can do, something that would be in line with the expertise I have. I can capitalize it from a more principle oriented position. But also, what were the factors that contributed to you deciding to go down the franchise road?

John Klein: 6:46

Yeah. So I understand two questions why launching Paws and why franchise? So you know I was a corporate guy for my entire career but always had a lot of creative thoughts and you know visions about what businesses could look like but, quite frankly, never had the. You know the chops, if you will, to go ahead and, you know, become an entrepreneur, because that's what it takes Courage, whatever term you want to use, moxie to go out on your own and cut the umbilical cord with. You know your corporate experience, corporate family, if you will, and go at risk and it's high risk. But I'm an older founder, I'm 57 years old.

John Klein: 7:33

So I launched Boss in my mid-40s but just said to myself you got to move on one of these ideas and I saw other people, my vision, my ideas would actually get executed. I'm like I had that idea but that guy the courage to actually go ahead and do it. And so I started ideating on what a holistic healing recovery studio would look like in an experiential fashion, a la Equinox or SoulCycle, and said I'm going to do it this time. I'm just going to do it. I'm going to muster the energy and the courage and the wherewithal to go ahead and execute on this idea and it's very intimidating for anyone out there who's thinking about starting a business or becoming a founder. There are a lot of sleepless nights. I'm 10 years into it. I still have a ton of sleepless nights. They don't go away. But you kind of learn to. That's your fuel right, that energy, that anxiety. It ebb and flows, but you learn to use it as a tool for success. So that's kind of the why.

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Marcus Arredondo: 8:43

Can I poke on that for a little bit here, because I am curious like what? Did you always want to go off on your own? Or was this something that manifested over time where you might have experienced frustration? I don't raised money on real estate projects. I've invested in other projects and helped to raise. In those circumstances. As a broker, I sort of have my own. I'm on an island of myself. But it's not the same thing as being a founder or raising money. That's a separate entity. But there is a point where you say, if I don't do it now, the likelihood of me doing it later decreases. And I'm just curious what your experience was. What was it that said? You know what? I think we all get to this moment of fuck it where it's time to do it, and I got to go do it and I'm just curious what was that for you that just pushed you to jump out?

John Klein: 9:50

Yeah, I think I have the personality of a leader and a founder and I wanted to express that around something that I'm super passionate about and that I believe in. I use these services on a daily basis and I didn't want any regrets. I was talking to somebody and that I believe in. I use these services on a daily

basis and I didn't want any regrets. I was talking to somebody earlier and I was like I didn't want any regrets. I didn't want to look back you know, retiring as a corporate guy at 60 and be like I wish I would have, I should have, I wish I'd never want to say woulda, shoulda, coulda, right. I want to say I did it and even if I failed, at least I did it. I attempted to do it.

John Klein: 10:26

And I was starting to have those regrets in my mid-40s and I was like I got to do something. I got to do something entrepreneurial. I have the energy. I think I have the know-how. I know what I don't know, which is equally as important as knowing what you do know. So my partner comes with sales, marketing and culture background. I'm more real estate, finance, visionary type of background and our partnership really is one plus one equals three and those are the best partnerships out there when you don't have duplicative skill sets.

John Klein: 10:57

But I didn't want any regrets. I didn't want any regrets looking back and saying, you know, that recovery, wellness studio idea and now there's thousands of them I wanted it to be mine and ours, if you will, and so it was really. You know, that was the impetus for saying I'm just going to go do it. You know, I think I, at this point, after 45 years of you know, obviously it wasn't 45 years of work experience, years of obviously it wasn't 45 years of work experience, but 25 years of solid work experience with similar type of requirements around real estate and brand and design and culture, albeit a different category, certainly a new, innovative category that didn't exist. I was like I'm going to go do this and I think I can be successful.

Marcus Arredondo: 11:44

I appreciate that. So I want to touch on the franchises I want to give you. I sidetracked you a little bit, but you mentioned a couple of things that I want to go back to, which is partnerships and marketing, so we're going to put a pin in those. But I would like to hear what was your decision when you came out to go down the franchise model. Did you see it as defraying some risk? Was it an ability to scale more quickly? What drew you to it?

John Klein: 12:06

Yeah, a little bit of all the above. We had two studios open. We opened our first studio in 2016. It took us a while to get our second studio open. Some of that's thanks to COVID. It took us two years to get our second studio open. Had not been bid for COVID, it would have taken one year and we were wildly successful.

John Klein: 12:25

And my partner also came from a large format brand that had a national footprint and we knew we wanted to scale nationally and we certainly evaluated the corporate growth model, which he and I both had experience with. But we also had some investors and advisors who had franchise experience and were telling us at least you should consider it. And you know there is a phenomenon in health, wellness and consumer you know, at large, where something is successful on one of the coasts and then over the next decade it fills in into the flyover states and the corporate. You know corporate growth brands can't get to Des Moines, they can't get to Kansas, they can't get to, you know, bozeman, montana, and so we wanted to be the brand of choice for you know, this lifestyle brand that we created in the holistic healing category

in all those markets because there are need states Now they're not to the TAM. The total addressable market from a population perspective in Des Moines certainly is not the same as LA, but it doesn't need to be, because we can have 10 studios in LA and you probably have three or four studios in Des Moines. But there is demand. Those need states are there. So why shouldn't it be a pause studio Right, and there's going to be an entrepreneur in. I keep picking on Des Moines or using Des Moines in this example, but it could be Overland Park, Kansas, or East Cobb, Atlanta, where we have studios, by the way. There's going to be an entrepreneur who's like I want that and I could either go it alone and do it at risk by myself, with no guidance and no help and no template and no team and no SOP, and that's really, really frightening.

John Klein: 14:15

But the reason why franchising exists and they're so successful is you have those people who raise their hand but they don't have necessarily all the creativity and innovation to start a brand from scratch and they're willing to pay for it.

John Klein: 14:30

There's a royalty involved when you buy a franchise to de-risk, if you will. And so we knew that consumer not the end user, but the consumer, my partners, the franchisees, existed at all these markets. My partners, the franchisees, existed at all these markets and so it's really a win-win. They get to partner with us, learn from our 10 years of experience, draft off of all of our learnings and, more importantly, all of our mistakes that we made. That we've corrected along the way, so they don't make those mistakes out of the gates and their success for their probability for success is much higher than if they were to do it alone. So we wanted a national footprint. We wanted to be in all markets, we want to help entrepreneurs be successful in this category, and that's largely why we decided to franchise versus the slow growth model which is corporate owned studios or businesses.

Marcus Arredondo: 15:24

How unique do you find some of those demographics? In other words, one area of Atlanta is going to be very different than Overland Kansas. Does the local franchisee bring something to the table from a vernacular or an innate knowledge of that area that can contribute to its efficacy?

John Klein: 15:47

Yeah, they know the markets. They know a lot of them have already had successful businesses in those territories or markets or trade areas. Pick a term you want to use to define the geographical area that is really the catchment area for their studios. They have the relationship. They have the relationship with the end studios. They have the relationship. They have the relationship with the end consumer. They have the relationship with potential employees. They have the relationship with partners.

John Klein: 16:12

We do a huge amount of partnerships, activations with like-minded business, whether it's a yoga studio or a fitness club or something in the health, wellness, beauty category doesn't necessarily have to be fitness. That's synergistic with our consumer. They already have those relationships, they have the list because they're either using those services, their families are using those services, their friends are using their services and they're like-minded businesses so it's much easier for them to be successful. Our

partner in Tampa who's done a phenomenal job out of the gates because he knew the businesses to start walking into and handing his PAWS business card out six months before he opened, because he used those services and he knew which ones were synergistic with us. So when he opened his doors his studio was busy day one because he laid the ground for the opening six months prior, and that's the benefit of you having local partners on the ground who know their communities.

Marcus Arredondo: 17:16

Yeah, they also have something at risk, so they're motivated A hundred percent. So at this point. So you started in 2016,. You're in your ninth year. You're just shy of a hundred franchises, right?

John Klein: 17:30

A hundred territories awarded. Got it Okay.

Marcus Arredondo: 17:33

There's a big difference between awarding. I see I understand now. So fair enough. I I'm glad that you clarified that. I'm just curious in those experiences because you had just curious in those experiences, because you had. You had experiences in franchises before, I had not no. So what are you finding to be among the more critical elements of a successful franchise partnership? You know what do you look for in those types of partners? Yep, um, beyond the table stakes of, you know, bringing the capital.

John Klein: 18:04

Yeah, our successful partners had wins previous to launching Paws. They were successful in their own careers. A lot of them are entrepreneurs in other business sectors and monetized their business and built teams and know how to build a winning culture and they're willing to listen. They don't think they know it all because they don't know how to operate brick and mortar wellness with a medical component and train teams in that fashion. So it's a partner that is smart, disciplined, knows how to run a business but is willing to listen and learn to someone who's been doing it for 10 years and has five corporate studios of their own and just truly believes in the culture that we're creating and the partnership that we're creating. Those high fives are invaluable and so that's the winning formula. They're really good at what they know how to do.

John Klein: 19:08

Hiring that's nothing specific to pause being able to identify a manager who's going to run your studio with a winning culture and build a team that's sales oriented but also high-fiving along the way. You can come from a lot of different industries in order to do that, but you need to know how to do that. Yeah, and there are some that don't and those that don't. Maybe they were a commodity trader. You don't hire people as commodities. You might be sitting on \$10 million of that worth, but you don't know how to build a team.

John Klein: 19:43

But we know how to do that, so we can come in and help you build the team, give you the templates, give you the tools to hire the team. We can't hire for you because there's some strict laws about that, but we can, or you can, come to one of our studios which they do and work side by side with our team for a few days or a week to see what a winning team and a winning culture looks like, because our five studios

here in Los Angeles are incredible, the teams are incredible, the customer experience is incredible, the performance is really really strong. You can see our numbers in our FDD, which we file every year, so we can show you how to do it and show you what success looks like at our corporate studios. You just then have to take that template and that DNA and create it in your own studio, in your own community.

Marcus Arredondo: 20:30

Are there any red flags you look for when you're talking to potential franchisees? That you go? This just doesn't feel right.

John Klein: 20:38

Yeah, we always ask our when we start off our discovery days why pause? Why are you here? And we've had some people say Thank you, easy money Looks like so much money. That's what I want. We don't want to hear that. Yeah, we don't want to hear that.

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John Klein: 20:59

Do you use our services? Not really, but it looks like a cool business and it looks like it's easy. No, there's nothing easy about what we do and you need to be passionate about our brand and our services, and all of our candidates that we've selected thus far use our services. One, if not more. They see the benefits of our services. They're super passionate about our services Once they meet us. They're super passionate about our brand and our team and our culture that we've created, and they want to take that back and bring it to their community and be the ambassador for Paws in their community, and that's easy to see. We have a dinner the night before, so it's like everybody's relaxed and chill, the barriers are lowered, glass of wine doesn't hurt, and that's more important than the eight hours that we spend with them the next day, because we do a lot of talking the next hours. The next day we're presenting, but over. That casual dinner is really when we're starting to make our decision about whether we think you're the right partner for pause or not.

Marcus Arredondo: 22:08

Right. So I don't want to gloss over the fact that you had begun this before and were able to thrive up until and then through COVID, because I think there's a couple of things that happened from COVID, one of which was beneficial, the other not, and I'm obviously simplifying it. The non-beneficial component is obviously everybody had to start staying home. There was a lot of that push right, but I think the benefit too has been and it's not necessarily directly related to COVID, although I think COVID had an influence on it, but it's just the general awareness of wellness.

Marcus Arredondo: 22:48

I think there's been an increased democratization of longevity and health-related information. I mean I refer to Peter Attia and Andrew Huberman, jeremy London, gabrielle Lyon, it goes on and on providing scientifically backed information, conversations that are more applicable than just reading a textbook, that sort of highlight how a lot of people can take ownership and autonomy of their own well-being, their own mental well-being and the physical well-being, how that plays into productivity and how people can sort of

participate more functionally, not just as a parent and as a wife or a husband, but also as a partner and a business operator, so on and so forth. And I think, coming out of the pandemic, I'll stop talking in a second, but I wanted to lay a little bit of the groundwork on where I want your contribution here.

John Klein: 23:46

All I have to say is yes to what you said.

Marcus Arredondo: 23:49

Right. So I'm just interested to hear you know like and there's also probably you know there's a demographic that aren't interested in country clubs, but they're I don't mean to pick on LA fitness or 24 hour fitness, but they are not looking for that either. They're willing to pay a little bit more for they are looking for a lifestyle contributor, right. So yeah, they want to go to the gym, but they don't want to go to a gym with a you know shithole locker room and so on and so forth. They are. They are looking for components.

Marcus Arredondo: 24:21

Coupled with the fact that red light therapy, compression therapy, cold therapy all this stuff I think was greeted maybe with an eye roll 10 years ago are a lot less greeted with eye rolls, I mean the fact that every major sports team has been utilizing this for decades, that it's becoming increasingly available. These types of services were not available in the 80s or 90s to just general consumers. So the reason I sort of present all that is I'm just curious if you could talk us through the current state of wellness and how that's playing into your future growth. If you saw it coming, if there's some fortune here, you know, there's obviously potentially some luck. But then how did that? How does that relate on the back end to the front end of facing COVID? How does that relate on the back end to the front end of facing COVID.

John Klein: 25:14

Yeah, no, yes to everything you said. I'll stop there. We can end it. No, just kidding. So I'll give you an interesting kind of Genesis story on Paws. When we launched and we opened in 2016, but, as you know, when you open your doors, planning starts 12, 18, sometimes 24 months. Before that, we were Paws Float Studio. That was the brand.

John Klein: 25:39

So I had the experience with floating in 2015 and then started researching it and at that time, to your point, Steph Curry, who's a household name right now, was floating at a local float studio in 2014, 2015 and 2016. It was picked up by ESPN and he was talked about in an interview about how it helped with his mental gain, how he can reset and he can um, do you know mind training and envisioning of him making the shot while he's totally relaxed and 100% in the theta state, which is the slowest brainwave state before you get into your sleep state, where all the healing and the magic happens, if you will. So that was not the only reason why we went forward with it. But, to your point, a lot of these modalities whether it's LeBron in the cryo chamber and that you know, a halftime interview with him about how much time and energy and money he spends on recovery. I think it was either the 2018 World Championship 2019, I don't remember but there is a trickle-down effect, whether it's Steph Curry in a float tank or LeBron in a cryo chamber five or six years ago. Athletic recovery, pain management, mind training, if you will, kind of the visioning for what success looks like on the field when they're at a relaxed, decompressed state. So

that was very impactful on our decision to go forward and launch the business, because we firmly believe and this is how trends start it starts at the top, whether it's a celebrity or an athlete, and then it trickles down from there and you see it in the CPG world and certainly see it in the consumer services world. That we saw with some of our modalities and that gave us confidence to at least start the business. And today it's not a trend, it's a part of.

John Klein: 27:51

If you want to be successful in your career and your recreation whether it's just running for a light jog or surfing or hiking or something more extreme you need to focus on mental and physical recovery so you can be optimal the next time you go out and do whatever it is. You want to do, paddle tennis, whatever, whatever it is you're doing. And so you know it started with fitness in the, you know, 2000s, and then the nutrition came top of mind in the decade after that, and now it's all about holistic healing and, you know, preventative health care. What can I do on a daily basis to prevent that injury from happening? And getting enough sleep? So mentally I'm optimized for that tough day ahead of me, whether it's a board meeting or a teacher with, you know, screaming children in a classroom.

John Klein: 28:48

It's all stress. It's all how your body responds to that stress. It's all stress and it's all how your body responds to that stress. And we are giving people the tools in the form of services and products to, you know, in some form defeat that stress and optimize their health and well-being such that they can wake up the next day and be the best versions of themselves on a daily basis.

Marcus Arredondo: 29:12

Yeah, I think it's been interesting as an observer, somebody who I find a lot of this health environment very interesting in general, but the fact that it's become increasingly available to the layman, so to speak, and interpreted so that the layman can understand it, which I think is probably more critical than anything, the other thing I'll say is sorry to interrupt you, but I just want to make sure I get my thoughts through is during COVID this all got heightened right?

John Klein: 29:40

Yes, everybody was. You know, no one knew during the early days. If you got COVID, you thought you're going to die. That's what the media said. You're pretty much going to die if you get COVID or you're going to be in ICU, and all the imagers were on the TV people with respirators, and you know that's the media for you. But anyway, people were saying how can I avoid getting sick? Obviously, social distancing and going into isolation, but you still got to go out and get your groceries right, so you got to pump gas. And so what can I do on a daily basis, whether it's vitamins, supplements, stress reduction, physical fitness optimization, when we're all holed up in our homes? That's all.

John Klein: 30:26

We had a lot of time, you know like spend time with family, do some Zoom calls and optimize your health. Paws was fortunate enough to stay open because in the state of California, if you were deemed to be essential, an essential business, you could stay open. We had nurses on staff. We were essential. We actually did the same amount of revenue in our one studio that was opening before COVID and during COVID and our one studio that was opening before COVID and during COVID the year of COVID same

amount of revenue that we did the year before, where most businesses were shut down or limping along because we had nurses on staff and a lot of people were getting IVs, vitamin infusions, high dose, vitamin C, nad, to optimize their health, and also jumping in the sauna, which is great for immunity optimization, or floating, which is, you know, combat stress and inflammation, which is great for optimizing your immunity. So we actually stayed open.

John Klein: 31:21

We obviously comply with all laws in terms of social distancing and that's when we, when we they were like people calling us to get in and we had to, you know, extend the hours between, extend the time between sessions. So we were able to. We had less sessions going on during COVID than pre-COVID, but there were lines to get in because people wanted these services, because of the demand that was created by COVID. And then you sat in your home and listened to Andrew Huberman and you listened to Peter Rattia and you listened to Ben Greenfield and you listen to Dave Asprey all talk about this stuff. It's just we were one of the few businesses, at least in the brick and mortar consumer services space that benefited from COVID and our numbers rocketed ever since. So COVID was definitely an accelerant for our business, our category.

John Klein: 32:15

It really made, you know, preventative healthcare and health optimization top of mind for everyone and no one's looked back, whether it's the 22-year-old Gen Z or people my age in their 50s, that is the highest priority right now for me. Family is up there and you know my job is up there. But if I don't feel, you know, in a strong mental state and physical state, I can't be the best father to my children, the best partner to my partner, the best coworker to my employees. It's right up there and arguably it's more important because if you're not in the best physical shape, mentally and physically, everything else falls by the wayside.

Marcus Arredondo: 33:02

It's surprising to me that during COVID that we were like, a bigger topic of mind was not the well-being of many of those who were dying from COVID. Right, there was a large number of people who died from COVID, but how many of those had underlying cardiovascular disease? How many of those were obese? And I think that's a bigger issue. We place a priority on seatbelts or something that does have an impact, our TSA. Those are contributors to our safety, but from a GDP perspective, we're much more benefited by healthy people and, to your point, I think this has become.

Marcus Arredondo: 33:46

I think in a lot of ways I'm sort of the ideal candidate demographic for the PAWS studio. I and I'm sure there are many demographics that are ideal, but the fact that I was an athlete I like to work out. Before a lot of that was vanity, but as I've gotten older I've got a kid longevity becomes important. I have a finite amount of willpower. They say that time is your greatest resource. I think energy really is and you know you can have a 12-hour, but if you feel like shit all day, it's not going to be great. It's not going to be as good as a seven-hour day where you're cranking and the ability to sort of compound that does pay dividends, especially as an entrepreneur, where you are in control of your schedule. It's not always clear what the next step that you need to make, but you know that you need to be doing things. You need to fill your calendar up with really purposeful objectives, right? You're having to move the business forward while putting out fires.

Marcus Arredondo: 34:40

So I guess the reason I bring this up is how do you see, especially as it relates to longevity, which I think is a component, and I'll sort of fill this in as well is that, concurrent with this, I've also started to try and take a little bit more of my own health into my own hands by Lifeforce, which is a sidebar into PAWS, which but just for background to the audience, lifeforce is a system that you get your blood tests for four times a year. I think they just updated it where you can do two times a year. They analyze it. You can only manage what you can measure, and now that starts to become a little bit more accessible and I can witness it and I can see it, and I can see it dovetailing with how I'm feeling.

Marcus Arredondo: 35:35

There's just a whole different momentum behind saying oh, actually there's value in this. I can feel it, I can see it, I can witness it. I guess where I'm going with all this is help me identify where in time we are relative to the longevity and well-being. How is PAWS playing into the partnerships with the other disruptors that are helping to democratize health like Lifeforce? How do you see this playing out into the future? What do you think the next five, 10 years look like?

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John Klein: 36:05

Yeah, no, that's a great question, and you had talked about accessibility. That's something that's very important to us as well, and part of our story is we are trying to democratize these services and make them accessible to an elite athletic training facility. To find a sensory deprivation tank or even a cold pump, you couldn't find a cold. We were the first contrast therapy studio, certainly in Los Angeles, probably California, and maybe in the country that I know of, back when we brought a cold plunge into our sauna room in late 2017. And you know what? Our sauna room in late 2017. And you know what? I had an experience in a cold plunge, not in a sauna, with a sauna, but with a hot tub in New York City, and I started researching it because I felt amazing. And when I started researching cold plunges, there was one on the market. Do you know how many cold plunges brands are on the market today? How many Hundreds? There was one in 2018.

John Klein: 37:16

But back to your question, and again, our partnership with Lifeforce speaks to one of our important initiatives and value propositions, which is making these services accessible to the consumer. And so before Lifeforce and there's a couple other competitors out there, but before that category existed, you had to go to a concierge medicine doctor in Brentwood or Beverly Hills, here in LA and other affluent communities around the country and spend tens of thousands of dollars a year to get your blood drawn and have that. You know functional medicine doctor, which you know. No one knew what it mean five years ago. Evaluate your labs and then get prescriptive with either pharmaceuticals or supplements and vitamins. What and I've been a member of Life Force now for almost two years Right before this call I had my clinician call looking at my labs. Coincidentally, I'm still trying to get my cholesterol down, but that's a genetic thing. But how amazing is it that for \$129 a month, which is our fee with Life Force, if you join through Paws, if you join Lifeforce, through Lifeforce, you get a discount \$129 a month?

John Klein: 38:36

I have a phlebotomist. Come to my home whenever I want, eight o'clock in the morning, draw my blood. I'm drinking my coffee and then within seven to 10 days I'm looking at 50 of the most important labs that speak to longevity, anti-aging, health, all risk mortality. And then within a few days I'm on the phone with a functional medicine doctor who's as smart as anyone else out there, maybe not quite as good as Peter Attia, but in that ilk of Peter Attia, and they're telling me this is what you need to do to get your cholesterol down and your APOB down and you're a candidate for TRT. And I have no shame in saying at the age of 55, I'm on TRT and it's changed my life for the better.

John Klein: 39:24

That didn't exist even three years ago and now, for the cost of \$129, maybe it's \$149 for non-PAWS members you have access to these incredibly talented clinicians who will literally save your life. They will save your life by looking at the labs and getting prescriptive on the biomarkers that are off. And so, yeah, that's a partnership that we executed with Life Force. We launched it Jan 1. It's the first longevity membership, because now when you're on the phone with the doctor, he's not only going to, or she's not only going to prescribe you know Life Force vitamins or supplements or if you're low on testosterone or you need a statin. But you're, we see you have adrenal fatigue. Well, you need to be going to pause to do sensory deprivation flow tank to bring down your cortisol levels and your adrenaline levels.

John Klein: 40:24

Yeah, and so they're now recommending our services to their members as a means of the overall solutions to mitigate whatever you're trying to mitigate on those labs that are high or low, you know, in the wrong direction. So, yeah, it's an amazing partnership. Their service is incredible, our members see the value of it and it's all about democratization of how we can find these once difficult to either afford or find products and services and bringing them to the consumer. And that goes back to franchising Right class cold plunge and get a high quality, bioavailable vitamin IV in Overland Park, Kansas or Des Moines, Iowa today, where 12 months ago you couldn't because it didn't exist, is incredible for the consumer.

Marcus Arredondo: 41:25

Yeah, I could talk about longevity and wellness for a really long time. I want to take a detour, though. I want to talk about your partner in marketing, because to have a great concept is one thing right, you know, to your point. I mean, how many people have said you know, oh, I thought about, I thought we should create an app where we could summon a car to come pick us up? Well, there's a lot of people who had the idea, but did you execute on it?

Marcus Arredondo: 41:52

It? And so to actually take it from ideation to implementation is, like you said, a result of knowing where the bodies are buried and understanding the real estate, understanding the finance, but really, what I think takes it from that to something scalable, something that can really be disruptive, is the marketing component, and somebody who's completely inept at marketing but finds marketing very fascinating, I'm wondering if you could talk about your partnership with your partner, how you identified that, what you've seen the benefits, what has worked in the marketing world of growing. You're maybe the only person I've ever spoken to who said that their revenues were as good during COVID as it was before, so that's an extraordinary feat.

John Klein: 42:37

Yeah. So my co-founder, Jeff Ono, was the head of marketing for the Sportsco Company, which is a large format fitness box started in the early 2000s out of LA and then they scaled to markets like New York and Boston DC. Big box, 100,000 square foot, a lot going on court, sports fitness, spa, retail cafe, similar to Equinox, but even a larger format. And he's the marketing guy. But at Equinox the one thing I learned was brand right. You know, Equinox is a gym, right, it's, it's a gym, it's fitness equipment, it's showers and locker rooms. But you don't get 300 a month for a gym because you could get. You could go to 24 fitness for 29 or Planet Fitness for yeah, it's the same equipment by and large, but why is Equinox able to get \$300 a month versus \$1990 a month? Brand right, brand. So I'm not a branding guy, I'm not a service guy, but I learned at Equinox the power of brand and Jeff certainly learned that and deployed it at Sports Club. And then, when we acquired Sports Club LA, Jeff became our head of marketing on the West Coast. So he did have some time at Equinox for two years and that's where I got to know him. But the power of brand is really setting us apart, because there's other sauna companies out there, there's other IV companies out there, there's other contrast therapy companies out there, but they don't have brand. And creating brand it's a hard question to answer, even from branding people and I'm definitely not a branding person. But I know the impact and I've seen the impact on the value of a business when you optimize brand and I feel we've done that really really well and Jeff is better at speaking to this than I am. But it's being authentic, it's being kind of cool. We have the benefit of being LA, which is a cool market. Sound a little cheesy, but it is what it is and then really it's been amazing. Our customer has really been very strong at creating our brand.

John Klein: 45:17

We, our social media, our Instagram account is off the chart with unpaid. We have never paid an influencer a dime to do a post. And we've had Kristen Bell and Mandy Moore and Jessica Alba and Rob Gronkowski, and the list goes on and on and on and on. Have we given them free services? Yes, but we've never paid a dime. But, like some of the posts that we've got from these mega influencers that have 15 million followers, there were brands paying them a quarter million dollars for that one post. But they love us. So all I can say is they love the experience, they love the outcome.

John Klein: 45:58

When you experience a brand, a product or service from a brand, and it really has an impact on your state, your mental state, your psychological state, how you feel, you want to share it. You want to share with your community, whether it's around the dinner table or your 15 million followers, and that has been a part of our special sauce. We kind of got a little lucky-ish. You know that we were very unique early on and we were the only game in town offering these services, but that has really been beneficial and helpful in creating the story of the Paws brand. We don't spend a lot of money in marketing at all. We spend a little money on digital marketing, but everything else is organic and that speaks to the power of a brand. And I can't tell you how or why, because I'm not a brand scientist and there's people who study the forensics of brands out there. I just know we got it and I think I generally know why, and now we're taking that brand and bringing it to other markets around the country.

John Klein: 47:07

The challenge for us and it is a challenge is making sure the brand standards are upheld consistently in Tampa and Buckhead and Greenwich, Connecticut and Miami and so forth and so on. So that is our greatest challenge right now is when we've created this incredible brand, this incredible story in this

market of LA, with five corporate studios, how do we maintain that consistency across the country at scale, with 50 studios and, by the way, we'll have 50 to 60 studios open by the end of 2026. We have seven franchise studios open now, five corporate studios open now, so a total of 12 by the end of this year will be at 20, 25 plus We'll open another 25 next year. I just have to get that in there. But that is our greatest challenge Can we maintain this golden nugget of a brand, if you will, at scale, and that's a company who has brand's greatest challenge?

Marcus Arredondo: 48:09

How have your investors been? Do you have large corporate investors, private equity or is it more syndicated than that?

John Klein: 48:17

Not yet. We have some really dedicated investors who are friends and family and, by the way, when Jeff and I launched the business, we got so many no's, like no, after no, even like friends and family. We love you guys, but no, because what are you talking about? A float studio? You're crazy. So he and I wrote the biggest checks to launch the business because we put our money where our mouth is. We believed in it and so far it's paying off.

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John Klein: 48:45

Our lead investor now is more of a family office, not overly institutional, which is great because we still have a lot of autonomy and flexibility for running the business. How we seem to run the business and when you do a private equity deal, that changes. And it's a lot of reports and analytics, which are super important. Don't get me wrong. We're very analytical and we make our decisions based on heavy analytics, but it becomes even more so when you bring in institutional capital partners. At some point we'll probably entertain that, but right now we don't need it, we don't want it, we're not ready for it, quite frankly. But at some point, when we get to scale, we'll start having those conversations.

Marcus Arredondo: 49:30

I want to start to close this out with a question about being a dad. What have you found in your experience as a dad different, now that you're an entrepreneur than when you were just a corporate guy? Yeah, I, I mean, you find your lessons different. Do you find how you approach parenting different at all?

John Klein: 49:56

I mean, I, I have a second child now. Um, so I've learned and I have an amazing partner with my second child who's very conscientious and I'm tearing up a little bit because she's an amazing mom and she's she's I've learned a lot from her and how she's parenting our second child and my first child is amazing. And, look, I definitely made some mistakes and I'm now trying to go back. And you know, take some of those learnings with the mother of my daughter, saren. But, yeah, it's just approaching and, quite frankly, it's helping me be a better, you know, corporate steward as well. And it's really like your empathy and understanding. Right, start with that versus jumping to conclusions and the why, like why are you feeling

this way? Why are you reacting this way? Versus you shouldn't act this way, whatever it is. So acknowledging, understanding, empathizing.

John Klein: 51:00

I've learned a lot, certainly with my three-year-old and now applying that to my 13-year-old. He just had an event, you know, two days ago. I'm bored with the details, but it was more like asking a lot of questions, right, he was upset, stressed, distraught, versus like you need to be doing this more, like how are you feeling about this? Let's talk about this, tell me more. It's not easy because I'm not built that way. But you know, even at the age of 57, you can learn. And I also now try to use that kind of philosophy in managing the team Less heavy hammer, heavy handed, like let's talk about this, acknowledge how you're feeling Stressful situation vis-a-vis this marketing issue. Not always my team will be like yeah, you don't do that all the time, but just trying to be more empathetic, more questions and less kind of statements.

Marcus Arredondo: 52:02

I'll say Well, I think also just to your point about you know, I get it from my own family, like hey, well, look, I'm a 75 year old man. Like what do you expect? I'm an older guy. Like well, I just surfed with an 80-year-old dude that made most 40-year-old men look like chumps, and so, anyway, I think it's really. I think your space is really inspiring. The only last question, second to last question, I'll have is with respect to being a parent. What advice would you give your own children going into entrepreneurial endeavors?

John Klein: 53:06

They say you're sick. My son is 13 and he's like what about this, what about that, what about? I'm like slow down, two things. And it's like real time because we're having these conversations now and he's only 13, but he's got a lot of ideas. Yeah, and it's been the secret sauce to my somewhat.

John Klein: 53:28

Success is you got to be passionate about it. Don't chase a trend for the sake of for the sake of chasing the trend and chasing a dollar. You have to be passionate about what it is you want to get into. Um. And two is you know, solve a problem. There's so many products out there that just they're're not solving a problem, whether it's a service or a product. Find a problem and then work to solve it, and those are the greatest business ideas. So if you're passionate about solving that problem or creating a product or service that solves the problem, that's the winning formula. But there's so many products out there You're like why? Why does this exist? It's not making my life easier, making me healthier, saving me time, you know, helping me with, you know family. Like solve a problem and be passionate about it and you're off to the right start. And those are the things I tell them right now.

Marcus Arredondo: 54:26

That's great feedback. Really appreciate you coming on. Any closing thoughts or things you think I might have missed?

John Klein: 54:32

No, I think it was very thorough. I really appreciate the time to talk to you and the community, and let's do it again in two years and I'd love to report how we're doing.

Marcus Arredondo: 54:42

I'd love it. I love seeing what you guys are doing. Good luck on PAWS. Thank you for coming on. Okay, thanks so much. Take care, good luck on pause.

John Klein: 54:46

Thank you for coming on, okay, thanks so much, take care.

Marcus Arredondo: 54:51

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