

Talks at GS
With Ben Francis, Founder and CEO of Gymshark
And Khamran Ali, Investment Banking Division
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Khamran Ali: Hello and welcome to *Talks at GS*. I'm Khamran Ali from the UK Investment Banking Team and the Investment Banking Division. I'm delighted to welcome Ben Francis, founder of Gymshark. Congrats Ben as well on your new CEO role which you'll talk about a bit later.

Ben Francis: Thank you.

Khamran Ali: So as many of you know Ben founded Gymshark from his parents' home aged just 19. Since then Gymshark has grown to become one of the UK's fastest-growing unicorn companies with customers in over 130 countries. It's an incredible success story. Ben, thank you for joining us today. To start with, do you want to just talk about Gymshark, the company, the vision, the strategy and the story today?

Ben Francis: Lovely, thank you. So yeah, I started Gymshark when I was about 18, 19 years old. And my whole thing, right when I was a kid, 16 years old, I joined the gym. And before the gym, I wasn't particularly great at school. I wasn't bad by any stretch of the imagination—I wasn't naughty or messing around. Just for whatever reason I just didn't identify with it. I joined the gym and then when I joined the gym, I'd go and ask the lifters, the bodybuilders, what to do. And they say, you turn up five days a week. You hit this routine. So it was chest on Monday and I don't know, shoulders on Tuesday sort of thing.

And if you're tired, happy, sad, indifferent, you turn up and you do it. And I did it and I started to see results. And I completely and totally fell in love with the gym, like completely totally fell in love with it. Not only because physically I was changing, but mentally I was changing. But then all of a sudden, I started doing really well at school.

My grades went through the roof. I went from being like a D student to like an A and a B student. And then all of the positive reinforcement that came with that just made me fall further and further in love with the gym. So as I got to 17, 18, I basically did an IT class. I was taught how to design websites, build apps, all these different things.

So, naturally, because I was so in love with the gym as well as IT, I started to build things like apps and websites, and all of those things that were related to fitness. And the seventh website that I ended up making was Gymshark.

Khamran Ali: So where did the actual idea come from? And you mentioned it's the seventh idea you had and the preceding ideas. You're obviously quite an entrepreneurial type of person. Could you just talk about how, where the idea came from? And then also the motivation you had to execute upon it?

Ben Francis: Yeah, so I am—so when Gymshark first started, I was a delivery driver of pizza. So basically my day looked pretty much like: I would go to Aston University in the day, five till 10, 10:30 by the time you'd cleaned up you'd be finishing the pizza. And on the evenings, I just messed around with what I enjoyed.

I'd made different things, web browsers, fitness social networks, forums, all these sorts of things, apps. And then all of a sudden I thought, 'Right, I want to make a fitness website that will transact.' Now I couldn't unfortunately at the time afford to buy stock. So what I did is basically create a website that would drop ship loads and loads of different supplements.

So the bar was actually incredibly low, right. It wasn't 'Let's go off and make this a huge fitness wear brand.' It was, 'I want to be involved in fitness. I want to have a website that's going to transact.' And that's literally it. So yeah, I created a drop shipping website that would ship supplements.

And the idea itself then slowly evolved. A lot of my heroes were on YouTube. I was a massive fan of like Ronnie Coleman who's a huge lifter from Texas in the States, obviously Arnold Schwarzenegger, guys like this. And they would always wear these bodybuilding clothes that just looked really cool if I'm honest.

And I had this funny interesting experience when I bought—I bought one of them, one of these tanks off Amazon or eBay, I can't remember. And it completely drowned me. Honestly, I looked like an absolute idiot in it. It was nuts. So I just thought to myself, how great would it be if this was smaller and it would actually fit someone that isn't a massive bodybuilder.

And it was at that point I bought a screen printer, a sewing machine, and started to try and hand make diverse products.

Khamran Ali: Going back to Gymshark, what do you think has made it so successful? And what do you think are the differentiating factors?

Ben Francis: So the success comes down to a few things. I think we were extremely lucky. I think timing was brilliant. And I think we made a few key decisions that completely changed everything. So timing, Gymshark was started during a period where social media was blowing up.

The way that we communicate was completely changing where everyone was encouraging people to get into the gym and fitness because it was that period of during the early 2000s, 2010s where all the news was about the obesity rate in Western countries. And more people were comfortable online than ever.

Sorry—more people were more comfortable than ever buying online from direct to consumer brands that they've never heard from before. That shift from high street to online was happening. So these three things just converged into the Gymshark effect. So I think luck and timing was really important.

We made a few key decisions that were really important which I think revolutionized our business and our growth. One simple example is probably about six or seven years ago, we drew out how we see the future of brands and retail. And we talked about the way that from a politics point of view, the left and the right particularly in the States were almost getting more further apart than ever.

And it was really fascinating to me that the way that brands sat in the middle of that and they would communicate into a wider group in a way that I'd never seen before. We were talking about the way that high street, the high street just wasn't working in a way that made sense to our age group and our demographic.

So we said for example, we're not going to allow Gymshark to be stocked in other people's stores because we want to truly control the consumer experience and understand the consumer better than anyone else in the world. And we set our priorities in terms of creating a community first brand that is direct to consumer.

And yeah, we didn't move off that despite having huge opportunities to grow significantly quicker through third-party wholesale and so on.

Khamran Ali: Could you talk about both the good decisions that you think really led to the development of the business and helped to get it to where it is today and also the lessons learned and the mistakes that you made?

Ben Francis: Yeah. So when the business was first started even for the first four or five years, my thing was product branding and marketing, right. I knew the product. I knew the consumer. I knew social media. And if I'm honest, I didn't have that much interest in finance, ops, logistics, those sorts of things, the more foundational parts of the business.

So one of the key decisions that we made which I'm incredibly proud of is we brought in people that were better than us at those things, creating a very solid foundation. And it took a long time to build that right. It took a long time to trust those people. But we built a very, very strong business whilst also allowing people like myself and some of the other people in the business to focus on the things that they're really strong at.

As well as that, maybe from a more entrepreneurial sense, we took I believe we took risks that others weren't willing to take. When I was 18, 19, we spent every penny we had and far more doing our first event. That event went incredibly well. We do more events and more events and more events.

And before we knew it within 12 months of doing our first event, we were flying to—well we had events in Birmingham. We had events in Ohio, California, Australia, Cologne, Germany. And there were other brands at the time that saw that these things were working, but they would do one or two events.

They would do Birmingham. They would do Germany. And they wouldn't really do a [inaudible] we were there and we went and we just jumped on a plane and we did it. And we spent a year traveling the world doing nothing other than lifting with the community, going to these events, getting to know people, and just being amongst the community.

Khamran Ali: It's very, very unique what you've done. And just for everyone, I'm sure a lot of people in the audience know you've got a company which is one of the fastest growing companies in Europe, if not the world. You own a vast portion of it which is also very unusual. And you developed a business model which is also very profitable.

You've made a lot of mistakes. You mentioned this was your seventh idea. There were six preceding ones. What do you think separates you? Was it your upbringing? Was it something that your drive?

Ben Francis: So a lot of it is, look I mean we briefly spoke about this before, right. So I know incredibly talented people that are far more talented and intelligent than I am that run businesses that run on much more slender margins purely because of the nature of the business. So there's certainly a bit of luck there.

So growing up, I had I'd say a fairly standard upbringing, right. My mum works for those of you that know Birmingham, Queen Elizabeth Hospital in Selly Oak. She worked her entire life. My dad worked in Redditch, very normal upbringing. Both sides of my grandparents ran their own business.

So I was actually very fortunate to do work experience with my one side of—with my one grandparent when I was a kid. I don't know how old I was when you do work experience, 12, 13, 14 years old. And he's basically a one-man band and he travels around the Midlands. And he lines furnaces with either ceramic fiber or brick.

So my thing was, I come along with the labor. On one job I lay bricks. On another job I basically mix the cement or I'd go and drill fiber into the side of a furnace. And to be honest, it was a little bit boring. It was all right. I enjoyed the people. I didn't really enjoy the work. But we would do 10, 12 hour days.

And through those days, he would talk to me about how he started the business and how it works and the intricacies of it, the problems he has, the people he works with. And then one day, he told me about one job that completely changed his entire business. And what this job was is he had to build an entire furnace.

And then he had to ship it off to a company in Germany. However, to afford, to be able to do this, he had to remortgage the house and he had to essentially risk the house on one job. And he was telling me about how he would literally be like crying on his way home from work, not knowing if he could do it, and worrying about my mom and her sister and my nan and losing the house and all these things.

And at the time, it was just one of the many things that happens as a kid. But looking back I think that had a massive impact on me because it made me realize that like little old 18 year old Ben risking his whatever his four pound an hour at Pizza Hut on Gymshark is like so irrelevant in the grand scheme of things.

So I think stories like that gave me an innate ability to take risks. And I think I'd try and encourage others around me to take risk as well. I'm not going to lie. I absolutely love it. I get a little bit of a thrill from it. I think it's great fun. But going back to the early days of the business that was one of the things that separated us.

And to be fair, the people around me were comfortable taking risk as well, right. It wasn't like I was pulling in one direction and they were going the other way. It was an adventure and a journey. And I think I was almost predisposed to be able to take those risks due to the situation I found myself in as a kid working for my granddad.

Khamran Ali: I think the other very unique thing about your business model and a lot of companies have followed this since. But when you started it, probably eight, nine years ago, social media marketing when it really wasn't a thing.

Ben Francis: Yeah.

Khamran Ali: Could you talk about what made you firstly think social media could be really helpful to your business before anyone was doing it? And then what have been the advantages of social media, but also the drawbacks?

Ben Francis: It wasn't like a strategic decision. It was just a case of all of our heroes are on YouTube. I mean Instagram wasn't a thing when we first started Gymshark. It was Facebook and YouTube. So it was just the natural thing to do. It just felt right. And then one of the questions I get a lot about is around social media and communities.

Okay, so everyone uses social media. Now even back then, there were a lot of people using social media. And there are companies that used social media that aren't as successful today or aren't around today. And it goes back to the events. What we did is we traveled the world and we built up pockets of very, very tightly knit communities.

And it's no surprise to this day, right that our biggest markets and our biggest regions are the UK, did an event there, Germany, early events there, Australia, early events there, California, early events there, Ohio in the Midwest, early events there. These

pockets of communities just grew and grew and grew out of the 50, 100, one thousand people that were with us at the gym and at the event in the early days.

So for me, social media is it's so powerful. It's incredible. And when things go well, it's absolutely brilliant. But you're right, when things don't go well, it's not. And personally, I've experienced like the amount of messages that I will get both positive and negative are—it's just huge. Now on an average day, 99% positive.

If Gymshark's service proposition isn't up to scratch, you better believe I hear about that. And. Honestly, it really affects me because one, two, 10 messages of people putting in a little bit of pressure on you is fine. Hundreds, thousands, when it really starts to happen—that's difficult.

But equally I think we deserve that pressure. And I think it's what allows Gymshark to become better and better and better. And it's like that actually what I want to say is that sharpened steel thing is I and Gymshark when we're in the public space, yes we get called out. And yes, it's definitely more difficult when it's higher highs and lower lows, but it really allows us and forces us to become the best version of ourselves as possible.

Khamran Ali: Okay. And just talking about the current world that we live in, obviously everyone's been impacted by coronavirus. Again another piece of potential luck, but your business has benefited hugely from it, having no retail offerings. Could you talk about your business through coronavirus?

People obviously have spent a lot of time focusing on fitness because there hasn't been much else to do. The benefits of that and do you think those benefits are here to stay or was this just the last 18 months have been just a kind of one-off positive for your business?

Ben Francis: I don't know to be honest. All of our customer modeling suggested that customers are going to stick around that we acquired during COVID. It's just a case of how many more people will stay online and how many will essentially go back to the older way of shopping. I think if you speak to a lot of people in the industry, they think it's going to stick around.

And a lot of the things I'm hearing is the old saying of what was going to happen in 10 years has just happened in one year sort of thing. And to be honest, I tend to subscribe to that. The thing that I'm interested by is the difference between buying for brand and buying for utility. And what I mean by that is we're now at a point where pretty much anything you need from a utility point of view, right you just get off Amazon.

It's rapid like, I mean in Birmingham now I'm assuming it's the same for London, you can get same day deliveries from Amazon. And they just—it's almost like a delivery style service. So like you get to the stage where is it worth me driving 10 to 20 minutes to the shops if Amazon is just going to stick it at my doorstep within an hour.

So anything from a utility perspective, you just go online for. So that does two things. It means what do you do from a brand perspective and what do you do from an offline perspective? So I think brands will still be incredibly powerful. And it goes back to that thing I mentioned earlier left and the right being quite apart.

And I think brands have a more powerful voice in the society than they ever have. And I'm really interested to see what a lot of brands do with their offline offering. I think there's a few people that do offline incredibly well. And there's a large proportion that in my opinion might be struggling against this new Amazon utility style service.

Khamran Ali: Yeah, so going onto that you just mentioned your CEO role. So congratulations again on taking back on Steve the role that you once had. Do you want to talk about first of all the great job that Steve did over the last several years firstly? And what you think he did as a CEO that you probably couldn't have done? And then second of all, now you're in the CEO role. What are kind of your objectives?

Ben Francis: Cool. So Steve came in as CEO I think it was five or six years ago pretty much to the day. It was July. And what he did was twofold. He built the culture that you see in the business today, which is one of our most powerful—one of the most powerful parts of our business is that culture.

And anyone that has walked into Gymshark HQ even for five minutes, you can feel it the second you walk in. And it's just incredible, right? He built the foundations. We've spoken a lot about how robust our business is, how strong it is from a financial perspective. Steve built that. And yes, he had help from other people.

But he was the one that was really pushing for that. And he created the culture, financial robustness in the team. He's built an incredible team. And I'm fortunate to be able to inherit that team now. For me personally, he taught me about morals and ethics, the right thing to do, always doing the right thing.

He taught me how to work with people. He taught me so much. To be honest, it wasn't him sitting there and go 'Ben, do this,' because it was more like I would watch him. And I have great respect and admiration for him because the business wouldn't be where it is today if it wasn't for him.

Now me and Steve are pretty much polar opposites. Steve is, again, massively talented on commercials, finance, all that sort of stuff. I really had to learn those things. And it's been perfect for me because my expertise being around product and marketing, I've been able to really double down on those and really learn.

But equally I've been able to learn around the things that Steve is so good at that fail without consequence because he's always been there to either pick up the pieces or

help me after. So I've really been able to have my cake and eat it by working with Steve because there's always a decision that I feel like people have to make.

Do you focus on your strengths or try and fix your weaknesses? And I had this mental experience where I could genuinely do both. The way that I like to explain it is with me working on finance, ops, and logistics, I could mess around. Like I said, I could make mistakes and it would be—I would be looked after.

It would be like you guys going and doing an exam as many times as you want until you get the grade that you want. Obviously by the end, you're going to get really good. And that's the experience I've had by working with someone like Steve.

Khamran Ali: Okay, okay last question from me. In 10 years' time—so, 2031—if you could see into the future and what would be your vision for Gymshark at that point in time? What do you want it to be? Do you have targets in terms of size, countries that you're in? Is it more about community? Is it mixture of things?

Ben Francis: No, I'll give you a super top line view. And I've thought about this a lot obviously going into this new job. But I'm trying to work it out and get it written down. So back in the day Amazon just sold books, right. Now they sell everything. Back in the day, Apple sold desktop computers.

And now they sell everything within reason. There's this ecosystem of products that support the ambitions and goals of their consumers. I want Gymshark to be like that. And in ten years' time, I would love us to be sat here and shuffling about the time that Gymshark, let's say, only sold apparel and accessories.

I want Gymshark to be the fitness brand. And I want Gymshark to playing a larger part of people's fitness journeys, both mental and physical. I'm sorry, I know that's very top-line, but that's where my head's going at the moment.

Khamran Ali: Okay. Thank you. I think we're out of time. But Ben, thanks so much for doing this and coming to our offices. So thanks a lot, everyone.

Ben Francis: Thank you.