

Bodybuilding.com Lays off 90 Employees. See Both Sides Here

written by Mike Roberto | December 2, 2016

A most dramatic year for Bodybuilding.com is coming to a nasty end, as the Idaho-based Internet retailer just laid off 90 workers via email in a “pre-Christmas downsizing”, per the Idaho Statesman[1] and KTB7.[2]

Bodybuilding.com issued the following statement:

“Today Bodybuilding.com announced an organizational downsizing. The change is part of an ongoing planned restructure designed to strengthen Bodybuilding.com’s core business and reach a wider set of customers.”

– Bodybuilding.com Official Statement



The company is estimated to have roughly 800 employees[3], which is what was reported when new CEO Richard Jalichandra took over to succeed after original founder Ryan Deluca resigned in October 2015. If true, that would be an 11% reduction in workforce.

Local Boise Press on the Attack

When Jalichandra was hired, he did an interview on his second day with the Idaho

Statesman that seems to have gotten a bit zealous with his comments. They *stated* in their article's heading that he said *"The company is more likely to add employees in Boise than to cut staff"*, [3] **but he never said that** – his official quote was,

"We're in good shape. If you're trying to find out if there's potential for a reduction, that's unlikely. It's my second day, so give me a little bit of time to get my arms around the business. But, generally, you are adding things, not subtracting things. We've identified some opportunities we want to pursue that will require more (people).

– Bodybuilding.com CEO Richard Jalichandra, February 2016[3]"

Boise's press clearly has local employment in their best interests, and will likely vilify Jalichandra for these layoffs, but they also seem to have been overzealous with their statements. Meanwhile, the new CEO likely learned a lesson – *never* comment so long-windedly on HR matters.

Severance packages given

Employees were given severance packages[2] – this may have been why the layoff was in December – so that they could expense the severance packages for 2016 and have them off the books moving forward. This is mentioned in the KTVB video, but isn't written in the actual text of *either* news report.

Our Take: Mike weighs in

First, let me say that this sucks, and I'm very sorry for those affected and their families. There are several factors at play but I can't begin to understand how it feels to lose your job just before Christmas.

With that said, I'm going to hit both sides of this argument from my perspective (*Disclaimer: I am not nor was I ever an employee of any of the companies mentioned below*):

Was Bodybuilding.com's Team Simply too big?

In the interview referenced above, Jalichandra mentioned that *"we've built up regulatory compliance to 26 people"* when asked about the 2012 synthetic steroid problems of the past.

While we have no experience from within the

...if that's how they conducted business across the board, then there's likely some fat for

company, this seems like an *awful* lot of people focusing on one (albeit important) thing.

Jalichandra to trim at Bodybuilding

Is it possible that maybe, just maybe, Bodybuilding.com's team was simply over-staffed from the fat years or from situations like 2012's when they had to temporarily beef things up? If they had more than two dozen people working on regulatory compliance, perhaps they had dozens of others that had been over-hired.

Given that Deluca didn't seem to be a "natural CEO" (**no hate here – most business founders aren't – typically we need professional help once we hit 10-15 million in revenue, a number that Deluca surpassed that by orders of magnitude*). Hiring is the most difficult thing a business owner does; it could easily be argued that they simply hired too many employees or there was a bit of nepotism to clean out.

The Stoppani contract gives insight into the old regime's business tact



Further, using the Bodybuilding.com Contract with Jim Stoppani / PhD Fitness as an example, Bodybuilding.com's leadership and legal teams were clearly in over their heads. Simply stated, this was a horribly written contract, and if that's how they conducted business across the board, then there's likely some fat for Jalichandra to trim at Bodybuilding.

So that's my side defending the business, the board / Liberty Media, and Jalichandra. I've also now gone on record here questioning the zealousness of the Boise Press.

Now it's time for the the other side of the story:

The downsides of being Bodybuilding.com

It's our job here at PricePlow to follow this industry and follow trends. If we fail at that, this business fails. So here's what we're seeing on the side where Bodybuilding.com is missing out:

1. Amazon



It took the consumers in our industry a bit longer to catch on, but it's not longer a secret – Amazon is eating *everyone's* lunch. While non-Amazon e-commerce stores seem to be doing far better in this industry than in others, you simply cannot ignore the success Amazon has had here. We see the traffic. We see the conversion rates. They are beyond refute.

Amazon is the elephant in the room that's no longer hiding in the corner. It's now stomping on those who haven't adapted – and their 31% of *all* online Cyber Weekend sales[4] proves that.

2. No Aggressive Stims or PH's

It's no secret that Jared Wheat's Hi-Tech Pharmaceuticals took over a huge corner of this industry, especially with fat burners. This is led by their lawsuit against the FDA over popular energy/focus ingredients in many top-selling fat burners and pre workout supplements.

And finally, another wave of 'legal' PH's are back, and Hi-Tech Pharmaceuticals has cornered that market as well.

Large companies such as Bodybuilding.com are (perhaps wisely) shunning such ingredients, but the simple fact is, if you're not selling the Hi-Tech Family's products, you're making less money.

Remember, **last time Bodybuilding.com sold oral anabolics, they got raided by the feds and fined \$7 million.**[4] So we really can't blame them, but there is obviously money left on the table.

Interestingly, Amazon is one of the stores also not selling these products – which could have been a differentiator for Bodybuilding. But their football team of lawyers likely decided to wait until Hi-Tech’s lawsuit is completed, and we really can’t fault them for that.

3. No content, “Marc Lobliner” style figurehead and the forums are dying

This is two-fold: Bodybuilding.com was founded on solid content (ironically, much of it about drugs, PH’s, and anabolics). They are simply no longer content champions.

Meanwhile, their forums are dying. It seems like every good poster gets banned and every good thread gets deleted. This could all be for legal reasons, but it doesn’t matter to the consumers – content is king and Bodybuilding.com gave up that throne. And if “content is king”, then community is *queen*, and that throne is also being abdicated as we speak.

Video killed the content star



Marc Lobliner has blown up TigerFitness’ Youtube channel so much that he’s even getting onto reality TV shows with John Cena, and bringing TigerFitness with it along the way. Bodybuilding.com, on the other hand, had the Jim Stoppani Scandal.

On the other end, the industry has definitely gone the way of the “micro-celebrity” – from Marc Lobliner to Christian Guzman to Rich Piana to CT Fletcher, and of course the famous bodybuilders out there.

Bodybuilding.com of course had Jim Stoppani..... But we all know how that’s going (more on that below).

Bodybuilding.com is proof that there's clearly huge risk with having a celebrity figurehead, but you can't deny the sheer power that Marc Lobliner and his 300,000+ YouTube Subscribers holds on TigerFitness. Bodybuilding.com doesn't have that, and that loses you potential fans.

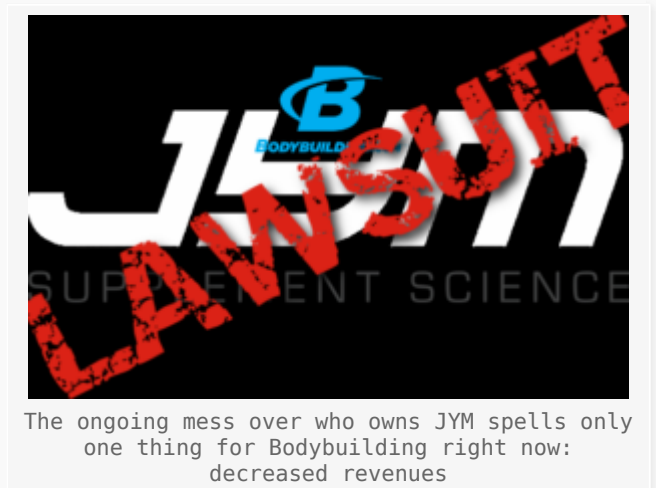
4. Possibly getting ready for a sale or merger

Let's be honest: every business is for sale at some price. Is Bodybuilding.com?

Honestly, at first thought we didn't think so, but who are we kidding? Who knows what Liberty Media is thinking. Just know that layoffs often happen to improve profit margins before the sale of a business.

If you see another round of layoffs, it will make this scenario far more likely.

5. The JYM situation



As records showed, JYM supplements sold for over \$90 million in revenue over the course of three years. Whether or not Bodybuilding.com wins their lawsuit against Stoppani (and the part of the lawsuit against GNC), that gravy train seems to be coming to an end, or will at least be on a decline, and revenues there are sure to dip. We also have to wonder how much they're spending on attorneys' fees at this point...

Anyway, JYM was truly magic in a bottle – nobody can argue that. So can Bodybuilding recapture that magic in 2017? This is the big gamble Liberty Media has taken on Jalichandra.

Could this have been done better?

I've never gone through something like this, so there may be a legal reason. But the tact involved here seems poor at best.

The company had an all hands meeting, stated there'd be layoffs, and then sent everyone to their desks to receive an email. Within 45 minutes, those who were laid off (via email) were told to clean out their desks.

I'm not an expert, but I don't believe that this is the appropriate way to handle such a matter. 90 one-on-one meetings with a handshake could have been much better. But ultimately, there's no easy nor pleasant way to run a layoff, so Bodybuilding.com chose to rip the band-aid off fast... with an email.

So that's our spin on both sides of the story. Know that we are ultimately computer guys – we see the data and we talk to many in the industry, but we are *not* in the building.

What will happen next?

Disclaimer: The next step is a prediction, and is 100% Mike's opinion:

Of the above discussion points regarding the “downsides of being Bodybuilding.com”, I believe that **#4** is the most correct one: Liberty Media is either going to sell Bodybuilding.com or merge them with some other entity. Normally, I'd say that they'd get bought by *Yahoo!* (known destroyer of companies they acquire), but Yahoo's in so much flux right now that it's unlikely to be them. But I do believe it will be someone.

If that's the case, then you can expect that **there will be more layoffs**. I don't want to fearmonger, because this is just a tech guy making predictions, but if I were a Bodybuilding.com employee, I'd be getting that resume ready and out there ASAP.

After all, how many times are there just *one* round of layoffs? These things tend to come in waves.

Time will tell if I'm right, and if I'm not, then you may all torch me. But I'm willing to bet I'm somewhere near the truth here.

What do you think??

We leave it to you to debate the rest here, on our YouTube channel, and on the PricePLOW Forum, which are still a work in progress and will come eventually.

References

1. Kyle, Zach; “Boise's Bodybuilding.com lays off at least 90 workers in pre-Christmas downsizing”; Idaho Statesman; December 1, 2016; <https://www.idahostatesman.com/news/business/article118234978.html>

2. KTVB; "Bodybuilding.com lays off about 90 in Boise"; December 1, 2016;
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