



David Gardner

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<https://predictablesuccess.com/david-garner/>

Note: *This transcript has been lightly edited for clarity and understanding. There may still be grammatical and spelling errors,*

Les McKeown: Hi everybody, Les McKeown here, President and CEO of Predictable Success. And we're back with another in the Predictable Success interview series in which we talk with people who've themselves and or with others achieve that state that we call Predictable Success. And today I'm absolutely delighted and privileged to be talking to someone who's become a good friend and someone I've had an opportunity to work with over the last couple of years - David Gardner, co-founder of the Motley Fool. Welcome David.

David Gardner: Thank you so much Les. It's a real pleasure to talk again,

Les McKeown: Great talking to you again, David, what I'd love to do to start off with is, just for the, I imagine there's only a very few of our listeners who don't know who the Motley Fool is, but I'd love for you to take a little bit of time and just share with us what the Motley Fool is, what it does and, knowing our audience as I do, I know that they'd love to hear as well is the founding story - how did you and your brother come up with the idea and what was the path that led you there?

David Gardner: Hmm, well, the purpose of our company is to help the world invest better. and we're in our 20th year of business, 2013, we started as a newsletter. It was just a traditional print newsletter, as it turns out, it was for our parents friends, Les, because they were the only ones who would pay us \$48 a year back then for our thinking, supporting, a small fledgling business. But, as the internet, well really before the internet, online services began to expand and become something that consumers were using that was dial-up, pre-worldwide web. we started as paying customers on America Online, and a few of the others started to just answer questions, from people who were asking about investing, and stock picking my passion. And so we began just as paying customers on AOL to answer other people's questions.

David Gardner: And at a certain point we caught the attention of AOL. They happen, I live in Washington, DC AOL happens to have been base back then about 30 minutes from where I live. And so we started a relationship with them and they said, would you guys like to open up the Motley Fool, this newsletter for your parents' friends with a funny name, would you like to open



that up on America Online And AOL is still so early on, you know, they, there were barely keywords or channels back then for America Online. So we, I would say we got our foot in the door early and we, we, we really, grew a lot those first five years. I certainly won't go through the boring history of our company, but I will mention just the great benefit of having America Online during its golden age growing mightily.

David Gardner: And so we, all of a sudden found we could hire a third person, the brothers could hire, you know, a friend and then another friend. And all of a sudden, you know, we had grown to a few hundred employees with Silicon Valley venture capital and all of the, best and worst things about the internet. Go go era of the late 1990s. and, you know, just to take it all back through to today, we are, I think we're a decent mid-sized business, with a good cash flow, a wonderful mission, and in particular, a worldwide community people who also say I'm a Fool. and, and as, as people just trying to help each other make better investing decisions

Les McKeown: And you and your brother Tom started the business when you were relatively young, when you're both, finance investment nerds as kids? I mean, was it, were you riding around at 13 years of age and your bicycle reading 10 K statements and that type,

David Gardner: We had a dad who had, who had raised us on the stock market. So even though Tom and I both majored in English as an undergraduate major neither of us achieved any graduate distinction, we had had a father who from our early teens was coaching us and teaching us about the stock market. And, you know, for us to have a dad who talked about how you should become a part owner of the companies whose products and services, you like, you know, we would go into the grocery store and he'd say, Hey, kids look, chocolate pudding. We own a little bit of the company, just a few shares. Of course, that makes that chocolate pudding, let's go get more chocolate pudding. It made it a wonderful introduction to, at that point, you know, American life where an ownership culture, you can become a part owner of the companies themselves. And so a lot of games and numbers and what stocks could do. I always loved baseball statistics, and it was easy for me to parlay my interest in that right over into looking at the stock market. so even though we have no formal training or background in investing, we have, well, I'm 46. So that means I've been thinking about the stock market for more than 30 years now. And that probably explains why we got to where we, where we've gotten so far.

Les McKeown: Well you'll know, David, from many of the discussions that you and I have had over the last couple of years, that I'm a business model nerd, and what intrigues me is how businesses themselves make money. And when you start a business, the way you and Tom did you're really taking on two things, one is the, the action, the activity itself, and your kids, helping people with their investment advice. But the other thing that you're taking on is running a business. And often we're not conscious of that for the first while. You know, we just want to do this thing. And then before you know it, you've got a business on your hands. Share with us a



little bit about your journey, as a business owner and manager - looking back now, is it what you thought it would be, or has it been a very different journey?

David Gardner: It has definitely been baptism by fire, and it's a lot of building the plane as you fly it as is often said. so I would say there's a, there's a Warren buffet quotation that no doubt you've seen when you, us at Fool HQ Les, that's in our Buffet conference room, and this is the definitive Buffett quotation for me anyway. And it's, I'm a better investor because I'm a businessman and a better businessman because I'm an investor, said buffet. And I think there is a really important holistic, doing well at business, thinking about what works in business and then take it and making that inform your decisions as an investor. We think everybody should own, at least one stock. I realize a lot of people are in Fun or they don't really feel like they understand or want to deal with the stock market or their own state, right.

David Gardner: For us, we love the stock market because it's our opportunity to just become a part owner of businesses that we admire. So as business people, ourselves, our own professional expertise as entrepreneurs helps us select stocks and conversely looking at great companies, constantly asking why did that company win And that company lose? What is it about their cultures or the people or the business models, because we're also business models. For example, the world transitioned away from, the DVD, which is what people were renting from Blockbuster. But I actually think it's as much a business model story where Netflix brought a subscription business model, low key, no late fees into a business that traditionally had been all about having to physically drive yourself over and back and pay late fees on one-off transactions. Right So, there's a lot more to say about so many different companies, but that act of thinking about what works for other companies as an investor helps us with our own businesses. Right, right. Inject some of that DNA into what we're doing. So it said duality, that Buffet quotes, that really is so key to our thinking. And yes, I don't know. I don't think I want to waste time on this fun podcast by talking through the business model evolution that we've gone through, but we've had kind of three different business models in our 20 years. And it partly tells our story, but I'll only go there if you want to tease it out.

David Gardner: Let's hear wehat the three are. I've got a little bit of transparency to that. and I know our folks would love to hear it. So, so tell us the 30,000 foot level. Okay. But real quick, our first business model was essentially, we were in America, online content provider, and people back then were paying by the hour. I know you remember it left out the CDs. Yeah. There you go. A lot of them and people were paying about three 50 an hour to be online, dial up at that time. And if they came to our site on America Online, then they would be paying us 10% of that money. Hey, well, we'll take 35 cents per hour spent on our site and pay it out to us. And so that was our first model. It was, it was kind of a content provider, but it was direct.

David Gardner: One-to-one getting paid for the time that people spent. So we were trying to create the most engaging site in national America Online. Our second model was when America Online and went from per hour to, flat fee. So all of a sudden we were all paying America



Online, you know, \$20 a month. And at that point, if you think about what the Motley Fool meant for all, it was a very strange turn of events because we had been on the cover of fortune magazine. We had been a great example of the new wave of entertainment companies and media companies. And we had been creating a really exciting site to be online. All of a sudden when people are only paying AOL \$20 flat fee a month, and American line is paying your telecommunications costs per minute, right For customers, we're now spending a hundred hours at the Motley Fool that represented a net cost KOL.

David Gardner: It was no longer a huge asset. And so we became very unpopular in American Latin. They began to kind of cut off our links. They had taken part in ownership, a small minority interest in our business. But at that point we were forced out to the worldwide web where we, we also had to create for free, the Motley Fool. So a huge shift free site model was that second one. And in a lot of ways it was good because it got us out there. We were running some books through Simon and Schuster. We had a radio show. We had our national syndicated newspaper column, which we still have today. so we had all those ways of reaching people, but in the end, we were driving them to a site where they were just paying nothing, unless they clicked on an ad next to one of our stock picks.

David Gardner: And that's how we would get paid all of a sudden. And so our customer then was our advertiser. It was not our user or our reader. And that was a very strange shift for us because I don't think we're very good at pleasing advertising companies. but, so, so that was number two. And then number three, coming out of some of the wreckage of the end of the .com era, you remember the NASDAQ losing 70% of its value. In two years, we had to pull a major shift to our business model at that point. And we got to where we are today, which is subscription direct payment from people who are using our advice and our services and a wonderful business model. Because as you know, a fellow nerd and junkie of good business models, you know, subscription model replaces itself pretty substantially from one year to the next.

David Gardner: So you can start to say, well, if we, if we please Sally or Jim, you know, Sally or Jim we'll re up the next year, and we can start to project that forward and we can work as hard as possible to make sure our services are relevant and useful to Sally and Jim, so that they will want to subscribe for five years or more. Right. And that's the business model we've been operating off of today. And that's the one that fits us like, to a T like a good glove because our membership, right.

Les McKeown: I get that sense of the fit, the business model to your culture a lot at the moment. I want to come to the Foolish culture a minute or two, but one thing I'd love to ask you about is this. I remember very, very well. I remember being inordinately impressed by your very early marketing and, and you and Tom really played up the full side of things and you wouldn't seem to be on the cover of everything for awhile. And it was great work, but I remember thinking I'll be blunt and share this with you. I remember thinking at the time, David,



that's never going to be sustainable. And the reason was this, it was because it was two brothers running the same business. And I've got an opinion that, that co-founders in and of themselves typically don't work out usually. And when their family it's even harder, but you and Tom have made a real success of this. And I'd love to just hear a little bit about how do you split the work, you know, what are you doing? What does he do? And how long has it taken you to get that right And in terms of just the oversight and management of the business?

David Gardner: That's just a great question. you know, I think for us, there hasn't been one approach. I mean, we are now in our 20th year of business, for the last five years, Tom has been the CEO of our company. I am, a very active presence in a number of contexts for us, but I have no direct reports. So Tom, as president has had the organization reporting to him and it's worked well. We've had an excellent five years, before that, we've had variously, trial by committee, or I should say management by committee for a bunch of years. We also had, a hired outside CEO for a few years. And you know, those first few years as, as entrepreneurs, I wouldn't say anybody was running anything. So over 20 years, we've had lots of different evolutions. And I would say we're very likely to continue evolving from here.

David Gardner: so I think it ends up less that we didn't make it a family business and we didn't make it about the brothers. It's natural. If you're covering up, if you're smart money magazine or CNBC, you might be talking about the brothers or have the brothers on TV or interviewed. But the reality is from early on, we've been trying to build a great organization. And so trying to, in a way, downplay ourselves in order to, you know, these days, I take a lot of pride cause, over the last year on CNBC and Bloomberg TV and the wall street journal and others, I think we've had 30 or 40 people quoted or interviewed, from our organization. We have, we have about 260 employees. So, you know, more than a 10th of our organization today is out there getting quoted in the media. So maybe in contrast to some other ways to run this business, we're not trying to be a celebrity or personality driven entity. We truly are trying to create an amazing culture to work for a place where a lot of people now have worked for 10 years or more move their families, to Virginia where we're based in Alexandria. so I think it's really Les, in the end. It's a focus on the purpose of what we're doing rather than on our family or on our

Les McKeown: Right. And that culture aspect, David is, is what I'd like to move to because I've had the privilege of being in, fully HQ, quite number of times. Now, do you know, I've met with all of your top people in a number of occasions, of, of you've given me the privilege of speaking to an all staff. I've been to one of your huddles, that you have on a monthly basis. And the culture, is probably the strongest internal culture that I've worked with in the last two decades. It's very vibrant. it's, and it's, a very unusual culture. And I want to hear you maybe share a little bit about that, whether it's, I w I want to hang it on, something that's obvious as soon as you hear it, but it's counterintuitive. You talk about being Foolish. You talk about the Foolish way, how to best be a Fool. And of course that's playing the Motley Fool, but it also means some very specific things too. And I'd love it. If you'd just share with us, you know, what, what makes the



Motley Fool internally, culturally, the organization as it is the organization that it is, what do you place emphasis on what's important to you

David Gardner: Well, thank you very much less than that was, there was a compliment in there that I, I deeply appreciate it. I, I think that it starts with our name and, you know, we kind of picked her name, out of Shakespeare and we were just, it was a Lark at the time. Again, it was a newsletter for our parents' friends. So, but you know, the Motley's full name, you know, our appreciation of the court jesters who could tell the King or queen the truth without getting their head lopped off and by, by missing good humor through, throughout, and, you know, a world of financial world, I think where there needs to be a lot more truth telling I'm happy to say in 20 years now there's a great deal, more transparency today and fewer destructive financial advisor relationships today than when we started, when we started brokers were getting paid based on trades, and we're trying to get you to trade as much as possible.

David Gardner: So he or she could make money at the end of the day. there was, you know, you couldn't listen to company's conference calls on our radio show left somewhere in the late 1990s, we had a call-in campaign to get Starbucks, to open up its quarterly conference call so that investors could hear the CEO. And that was something Starbucks was not doing at the time. I'm happy to stay within three days of our call-in campaign, Starbucks relented. This sounds like ancient history now that every single company's conference call is listenable for free online today. But so that, that, that love of telling the King or queen the truth and the importance of that. I think it starts there. Your question was about our culture. I'm going to throw out four things real quick. If you want to ask me about any of them, we can talk more about them, but, you know, our, our core values and specifically one of our Motley, one of our core values was just called your Motley is a fun thing about our culture.

David Gardner: We have an internal learning university, we call Fool U, which we could talk about. We have had wonderful people in to speak to our company, you being one of those Les. And that's an important kind of conference series that we have, all year round where we learn Erin, which is a fun little game that we play at the end of each of our monthly huddles, where we all, all hands meeting as a company. So, we can talk about any of those, if you like, I'm putting that forward as examples of kind of cultural institutions that are companies that we've kind of built up, like those ancient cities, you kind of build it up over the years in decades and whatever keeps working and keep doing. And so those are some examples.

Les McKeown: Well, the, the thing that has struck me consistently, David and I just in terms of a little bit of a perspective from, from an outsider's point of view, you know, I get to see the inside of a lot of organizations as part of the privilege of what I do. And, most organizations can show you a side of them. That's pretty impressive. The thing that really strikes me about the Motley Fool is that that commitment to culture goes the whole way through. I've met your folks in every possible type of environment, individually in small groups and in large groups. And it doesn't matter what way you slice or dice it. As you said earlier, the folks that work for you are



very loyal and they're very committed. What do you, what do you think of those four things that you listed and, and of anything else One is it draws that commitment.

David Gardner: Yeah, I think of those four, maybe I'll highlight sort of full, you are our internal learning university because we learned this from Pixar Pixar. This is a great story. That Pixar Pixar was one of my stock picks by the way, a tragedy for me when Disney bought them, not so tragic because we still own the Disney shares and Disney has done pretty well, but we really love Pixar as an independent public company and a stock that we were holding for the long-term. But one of the things Pixar talks about is how they invest in their people. And the old story goes that the Pixar CEO pulls up to the Disney CEO in a bar, and this is a mostly true story. And the Disney CEO says, you know, we're all about ideas. That's what we're about as Disney. And we need our, our next big movie needs to be this, meet this, you know, because we need, that's what we need.

David Gardner: We need to have the big idea that touches off our business. And the Pixar CEO essentially says we couldn't disagree more. We believe that any movie is actually 10,000 ideas. Every camera angle, you choose every line of dialogue, all of those are ideas. And so the only way to succeed in this environment going forward is to have great people, because when you have great people, they make the 10,000 decisions that make it possible. And so out of that started its own internal university. And we had the head of Pixar. The Dean of that university come speak to us some years ago and we realized how important it would be to create an internal learning organization within our company. So if you're at the Motley Fool today, you might have a class at 10 o'clock this morning, and it might be on business models, one Oh one, or it might be on how to pick better teams for March madness, this March, or it's a Motley assemblage of different topics.

David Gardner: And who are our teachers The answer is our teachers are, our employees might be a VP, might be our new receptionist. You don't know who's going to be teaching these things cause it's, it's open to all. And then our learners and people who simply want to take that course or learn that, and these aren't semester long, and a lot of cases, they might just be one-off. Sometimes they are longer form though. We have students who go on an 18 month learning journey and graduate from our university and we've just graduated our third class. so we've been doing this for about four or five years now, but I think if you're hearing me, then you're hearing that teaching and learning are just critical aspects of our corporate culture. And it really is. It runs right through the company, right In a sense, everyone is involved in some way, shape or form. So that would be an example of, I guess, what you're talking about and has the,

Les McKeown: first David, whenever, my first book, Predictable Success had just come out and I'd love to have you share, whether or not, and if so, high, the Predictable Success Synergos model has helped in that development internally.



David Gardner: You know, I, I have to say, I first heard about you, when you did an interview on David Allen's getting things done, podcast, and I enjoyed your perspective so much that I went right out and bought what at that time was your new book, Predictable Success. And, you know, that was again for four years, four or five years ago. And, just your, your framework for a Predictable Success - the stages that companies go through, resonated with me on two different levels. The first being as a business person, myself, as an entrepreneur, as somebody that I could look in at my own business. And what I loved about your book Les, was that I could look at where I thought our company was, but more importantly, I could know the actions or best actions that we could take to get us where we needed to be if we weren't where we wanted to be.

David Gardner: So I would say that 30,000 foot level of looking at anyone's business and then right down there at the ground level, knowing what to do, if things need to be done to get that business into better shape, resonated with me on that level first as, as a business person. Second though, as an investor, I really enjoy framework framework cause I, I look at other people's companies and I ask, is that company on the Treadmill Like where's Microsoft today, for example, or we might ask, you know, whereas a company like Netflix today, which I mentioned earlier. So it's a really fun, I mean, in a way I can't really know those organizations that well, because unlike you Les, I don't get to go in and work because different companies, you know, every week, but I do these days, the internet makes it possible for us all to get to know companies much better. You can look at glass door where employees are putting up reviews, you can see videos of the CEO giving interviews on Bloomberg. You know, the list goes on and on of the ways you can really get to know a company, even if you're not there. And so I've used the framework as well as an investor that popped that line. Again, I'm a veteran investor because I'm businessmen and vice versa. so I've really appreciated the Predictable Success work. And I continued to reread the book.

Les McKeown: Well, thank you for that. I appreciate that very much, David, I must say, there are, there are three, people, I will not embarrass the other two because they don't have their permission to do it right now, but there's three people who, no one used the Predictable Success model, who, I know what I'm going to talk when I'm slated to go talk to them, I'm going to learn something. because they ask me questions. I've never been asked before about the use of the model and you're one of those people. And I remember whenever we, I, again, I don't know how to break confidence with the Motley Fool, but I remember we did do a very detailed look at the visionary synergist operator processor mix within the organization. And we had all of your folks, find out what their style is.

Les McKeown: And you brought me back in to go through an analysis of that. And I came out of that half day knowing more about my own model than when I went in. And that was because of the degree to what you and many of your colleagues have really invested themselves in making the best use of it. So it's been, a mutually profitable, relationship in that regard and, and have



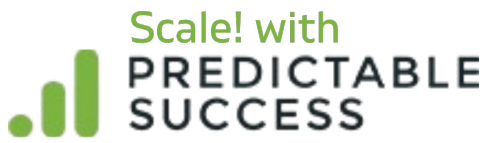
that. Thank you for, in closing David, w w what are the challenges ahead for Motley Fool or what, what are you working on now That's new, fun and exciting

David Gardner: Well, I think, you know, we're, we're at a stage, I would say we're kind of in a whitewater stage right now. It's a business. that's, that's within your framework kind of back where we are. And so it's interesting because the challenge therefore is to scale and to scale in an ever-growing more complex environment. And, you know, I think for, for most growth companies, and that's definitely the stage where we've been for, probably about 10 years or so, I'd say now, that's, those are the kinds of questions you have to answer. So for us, you know, I think a phrase that you may have used less, this is, I probably feel a lot from you and forget that I'm stealing it from you, but, you know, being in this, machine for decision-making for good effective decision making, building the corporation, into being, I love gizmos and machines and robots and things that systemic things that do stuff on their own.

David Gardner: And, so I think where we are as a business today, we need to add a little bit more processing and make ourselves a little bit more of a machine as we go from. Maybe again, we're not in any hyper-growth at all, but yeah, we hired 50 in the last year net. So we went from two 10 to actually two 20 to two 70. you know, as you spread that you hit that magical number of 250, you start to not recognize, you know, everyone's name, or you start to recognize not everyone's face. So it starts to become larger. And that's always going to be a big challenge. So I would say those are our biggest challenges as a company, where I don't think things are challenged. Often people think that they would be challenged is just navigating the stock market. You know, a lot of people thought that the fiscal stuff would crash our market or thought that the banking system and its problems would make it. So no one should buy stock in 2009, you know, but as it turns out house, you know, the stock market has almost doubled, has actually more than doubled from its lows in 2009. And we continue to find great companies and companies that we want to be part investors of. We're not traders. And so I would say that that that's not the challenging part. I think that we're very good at helping people invest better, but our near term challenges are just scaling complexity.

Les McKeown: Well, it's, it's been an absolute privilege to be alive, to have been part of and does some transparency and visibility into how you and Tom have managed that over the last number of years. I was just being very clear, unsure in this call. I'm an enormous fan and I just, recommend to everybody, all of our listeners, if you don't know, David and Tom's, business, you don't know the Motley Fool go to Fool.com today. check it out. They're just the best in the business. David. I hope we can get you back in a couple of years from now. Tell us how you've navigated that activity.

David Gardner: Wonderful. Thank you so much. Thank you for all your work. I know that everyone listening to it today is so pleased and grateful for your contributions. Not, not over the years, but in some cases I know over the decades, but I'm happy to say the last five years or



so. You've enriched my business and investing life. Keep doing the good thing. Thank you, Les.
Thank you.