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## OOFOS Recovery Footwear

On June 23, 2022, a *Men's Health* article started with the headline, "Tiger Woods was just spotted wearing these \$60 recovery slides: The GOAT had on a pair of OOFOS slide sandals."<sup>1</sup> It was more than a year since Tiger Woods suffered multiple leg injuries in a major car crash, and evidently, OOFOS was his choice of a recovery footwear. Tiger was not the first celebrity to implicitly endorse OOFOS without any outreach from the company. In the recent past, former National Football League (NFL) quarterback Alex Smith, basketball hall of fame player and coach Dawn Staley, Olympic skier Ashley Caldwell, professional ballet dancer Chrystyn Fentroy, and many others were also seen wearing OOFOS sandals.<sup>2</sup> Even supermodel Gisele Bündchen was reported to have packed OOFOS sandals for her Costa Rica vacation with Tom Brady in February 2022.<sup>3</sup>

In spite of these high-profile validations, OOFOS remained a small company after 10 years of operations with annual revenue of about \$79 million<sup>1</sup> in 2021. This was on the minds of Steve Gallo, President of OOFOS and Bianca Reed, Vice President of Client Service and Inclusion Marketing of OOFOS digital marketing agency, Rain the Growth Agency (Rain), as they walked to a conference room for the mid-year review of OOFOS aggressive growth plan (see **Exhibit 1** for OOFOS revenue over time). Rain was primarily responsible for OOFOS direct-to-consumer (DTC) sales through OOFOS.com, which accounted for 40% of OOFOS overall revenues in 2021.

Gallo and Reed had three key issues on their agenda. First, they had to decide OOFOS's target audience. Recognizing OOFOS's appeal to elite athletes, Gallo wanted to target young consumers who actively engaged in exercise and athletic activities. However, Reed reminded him that most of OOFOS current sales came from 55-year-old consumers who suffered from foot pain. Second, they needed to agree on OOFOS's value proposition. Gallo wanted OOFOS to own the *recovery segment*, but very few consumers recognized this term. One of the main drivers of footwear purchase was *comfort*. However, Gallo was concerned that by focusing on comfort, OOFOS would lose its differentiation and would end up competing with most of the leading footwear brands that were entrenched in the comfort segment. Reed emphasized that creating a new sub-category of footwear would not be an easy task. Third, Gallo and Reed wanted to finalize the digital marketing plan for the second half of 2022 to achieve revenue targets for the year.

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<sup>1</sup> The company data has been disguised.

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## The Footwear Industry

The global footwear market was \$385 billion in 2021 and expected to hit \$530 billion by 2027. While some industry experts split the market into men's, women's and children's footwear, others divided it into four segments based on usage and footwear material: Sneakers, Athletic Footwear, Leather Footwear, and Textile and Other Footwear.<sup>4</sup> With 37% revenue share of the global footwear market, Textile and Other Footwear was the biggest segment and was expected to grow at a compound annual growth rate (CAGR) of 13.5%.<sup>5</sup> It included footwear with rubber, wood, plastic and textile material. Leather Footwear, which included formal leather shoes, was the second biggest segment with 33% share and was projected annual growth of 8.3%.<sup>6</sup> Sneakers were about 18% of the footwear market and represented the "athleisure" or daily footwear, where fashion characteristics were more significant than functional ones. This segment was expected to grow 13.3% annually.<sup>7</sup> Finally, Athletic Footwear represented 12% revenue share of the footwear market and expected to grow at a CAGR of 12.4%.<sup>8</sup> It comprised footwear designed for specific sports such as basketball or soccer.

Footwear customers generally had high brand awareness and almost half of the US population cared about and paid attention to a shoe brand.<sup>9</sup> A majority of consumers bought shoes based on comfort or style.<sup>10</sup> Industry trends led to personalization, casualization and sustainability of footwear.<sup>11</sup> Consumers increasingly focused on living healthy lives, thus regularly seeking to purchase athletic footwear and potentially recovery footwear as a complement.<sup>12</sup>

### *Key Players and Competition*

Founded in 1964, Nike was the world's leading footwear company with \$46.7 billion in revenues in fiscal year 2022.<sup>13</sup> Following industry trends, Nike had also moved to the growing athleisure segment by offering increasingly comfortable and fashionable footwear and clothes.<sup>14</sup> Nike had been shifting away from third party retailers to improve customer relationships and loyalty, increase profits and regain more control over its image and offerings.<sup>15</sup> In 2021, Nike spent \$3.1 billion on marketing (see **Exhibit 2**).

With sales of around €21.2 billion (~\$25 billion) worldwide, the Adidas Group was the largest sportswear and athletic company in Europe, and the second largest worldwide, after Nike.<sup>16</sup> Adidas spent about €2.45 billion (~\$2.9 billion) on marketing in 2021.<sup>17</sup> Skechers was another leading player in the athletic footwear industry with global sales of \$6.3 billion in 2021.<sup>18</sup> It had focused on improving sustainability and launched a collection called *Our Planet Matters*, which used recycled materials.<sup>19</sup> Under Armour, another large sports footwear and apparel manufacturer, had experienced rapid growth since 2011, and its global revenues reached around \$5.7 billion in 2021.<sup>20</sup> Crocs and Birkenstock were leaders in the comfort footwear and were growing rapidly. Crocs had global revenue of \$2.3 billion in 2021.<sup>21</sup> The peculiar, yet comfortable, Crocs had conveyed a fashion statement for many and became especially popular during the Covid-19 pandemic.<sup>22</sup> Birkenstock had been acquired by luxury goods giant LVMH and was valued at \$4.85 billion in 2021.<sup>23</sup> **Exhibit 2** shows the marketing spending of these companies.

Most athletic shoes were designed for performance with a resilient shoe foam that bounced back quickly after impact to allow athletes to perform at the highest level. In contrast, OOFOS licensed a foam that absorbed the impact to relieve foot stress and pain. This led to the emergence of the recovery category and OOFOS was one of the first companies to pioneer this segment.

Birkenstock had also entered this new category and had started advertising its recovery sandals to runners.<sup>24</sup> Hoka, one of OOFOS's first competitors, was preparing to launch a new recovery slide for

the summer of 2022<sup>25</sup> and initiated key partnerships with up-and-coming designers.<sup>26</sup> Acquired in September 2012 by Deckers Outdoor Corporation<sup>27</sup>, a footwear designer and distributor, Hoka generated \$1 billion in annual revenue by July 2022.<sup>28</sup> Kane Footwear was solely focused on recovery and its goal was to “out-recover the competition.”<sup>29</sup> Gallo observed, “More competition is coming, no question. Birkenstock has already entered the recovery segment, and Nike might too. We welcome the competition, because they're going to bring more awareness to the overall category that we've pioneered and called recovery. But at the same time, we want to make sure that people know we are the go-to brand for recovery.”

## OOFOS

OOFOS was founded in 2011 by Lou Panaccione, Juan Diaz, Paul Brown, and Steve Liggett. All co-founders had previously worked in the athletic footwear industry in product design and development and met while working at Reebok. They decided to start a consulting company to help clients design and implement innovative product ideas. They were working with a chemist who developed the proprietary OOfoam technology, where the foam absorbed more impact than traditional foam used in most shoes. The co-founders initially thought about licensing OOfoam to existing footwear brands. Panaccione explained:

When we started, we were going to license the technology but when we saw the reactions from people when they tried the product on, we knew we had something that was much bigger than what we originally thought. That's when we decided to start a mission driven brand that would be focused on making people feel better. The brand name 'OOFOS' was used in connection with the proprietary technology. We pulled enough money between the four of us and decided the best path to follow was to sell OOFOS in specialty retail in the US. We hired a sales rep agency to help us with that. And the nice thing about that was we were paying them a commission based on sales. So, as we generated sales, we could afford to pay. We wanted to get it into any specialty retail that we could: comfort footwear stores, surf shops, running stores, outdoor stores.

In April 2012, OOFOS set up a three-day booth at the Boston Marathon. Runners who tried OOFOS sandals were immediately impressed by their impact-absorbing qualities and bought them on the spot. They admitted that running sometimes strained their bodies and were delighted that OOFOS could help them recover quickly. The success at the Marathon led OOFOS to target additional running specialty stores. Panaccione noted, “People were going to these stores looking for a pair of running shoes and leaving with both, a pair of running shoes and a pair of OOFOS. Because when customers tried our product, they wanted it for the recovery benefits. And this is how we evolved into recovery.”

In the beginning, there were only three shoe styles, the OOriginal sandal, the OOah slide and the OOcloog – all designed as unisex products. However, to appeal more to the female consumer, OOFOS created a gender specific product; the OOlala, a sleeker version of the OOriginal. OOFOS sought to address the needs of younger customers by introducing different colors and graphics every month. Product names included the OOriginal, OOmng, OOahh, or OOcloog (See **Exhibit 3** for sample of products). Panaccione noted, “All of our product names start with the double O. And our tagline is ‘feel the OO’. So, the OO is integrated into everything in our brand. And it all came out of people saying, oohh.”

OOFOS became profitable in 2015. However, the company remained focused on revenue growth. Over time, it expanded beyond retail to other channels including direct-to-consumer with OOFOS.com,

Amazon, and 30 international markets. By 2022, OOFOS had close to 3,700 retail doors, which an external sales agency helped manage, and had 70 full-time internal employees.

### *Distribution Channels*

**Wholesale, Retail and Specialty Stores** OOFOS products were experiential, and consumers had to try them first to be convinced of their quality. Therefore, retail and specialty stores were important sales channels for OOFOS and a critical part of the growth strategy. Gallo explained, “We want to make it as easy as possible for people to try the shoes, because when they do, they feel the “OO” and this leads to a purchase.” OOFOS was available at major brick and mortar stores and specialty stores. In 2021, this channel generated 35% of sales and its gross margin was 52%.

**Direct-To-Consumer (DTC)** The company website, OOFOS.com, allowed OOFOS to share the brand’s story directly with its consumers. It allowed consumers to familiarize themselves with the brand and discover new products. DTC also helped OOFOS to understand its consumers’ purchase patterns and to promote its retail stores. In addition, DTC permitted OOFOS to collaborate with 500 private medical practices across the US who received commission when they referred a patient to OOFOS.com. The Covid-19 pandemic changed consumers’ habits as more people worked from home. This accelerated OOFOS DTC sales. By 2021, DTC sales represented 40% of OOFOS revenue, with a gross margin of 60%.

**Amazon and Other E-commerce Sites** Large e-commerce players, such as Amazon and Zappos, allowed OOFOS to increase brand awareness and access. However, OOFOS only offered its best sellers on Amazon and was careful not to introduce new products on these platforms, which were introduced on OOFOS.com. This channel represented 15% of OOFOS sales with 50% gross margin.

**International Markets** OOFOS was also available in 30 countries outside of the US. These markets accounted for 10% of revenue with a gross margin of 40%.

Although DTC was the biggest and the most profitable channel, Panaccione and Gallo knew that retail channels played a crucial role for OOFOS. Panaccione clarified, “Working with our retail partners is vital. We are an experiential product, so we really do need to get it on people's feet. If we can get it on people's feet, the word of mouth from the people that have experienced us can be very powerful.” Gallo added, “The more the OOFOS website is promoted, the more retailers recognize the brand and are interested in selling OOFOS at their stores.”

### *Target Audience*

OOFOS segmented its US customers into four segments: Workout Warriors, Regular Exercisers, Active Occupation, and Pain Sufferers (see **Exhibit 4**).

**Workout Warriors** Workout Warriors were fitness and sports enthusiasts and tended to be younger in age. This group understood the concept and importance of active recovery to their training. The active lifestyle of these consumers put a lot of stress on their feet and OOFOS technology could help their bodies feel better and stay healthy in the long term. Although the market to cater to this audience was crowded as every major brand appealed to this group, Gallo felt that targeting younger people would not only get them on board but also appeal to older customers and convey an aspirational image. He elaborated, “Even when you’re in your 50s, you still want to feel young and think you can do what a 21-year-old would do.” However, this group purchased OOFOS products less frequently than Pain Sufferers or other segments. Workout warriors also included active families, who enjoyed

regular exercise. This segment consisted of 20.5 million people, with a median age of 34 and an average household income of \$121,330.

**Regular Exercisers** Regular Exercisers were individuals who pursued any fitness activity (Peloton, yoga, gym...) three to five times per week to have a healthy lifestyle. OOFOS was appealing to this segment since it could provide a speedy recovery after strenuous exercises. This segment consisted of 78.9 million people, with a median age of 39 and an average household income of \$89,832.

**Active Occupation** This segment included professionals who constantly worked standing up, such as chefs, cooks, healthcare workers, teachers, military members, and sales representatives. These individuals purchased OOFOS to relieve foot pain after long hours of work. The size of this segment was about 86.2 million people, with a median age of 42 and an average household income of \$86,286.

**Pain Sufferers** People in this group suffered from constant foot and joint pain. These consumers tended to be older in age. Plantar fasciitis was one of the most common causes of heel pain and it was estimated to affect about one percent of all US adults<sup>30</sup>, resulting in more than one million visits to both primary care physicians and podiatrists.<sup>31</sup> OOFOS could provide relief and solve their recurring problems. Most OOFOS sales to date were derived from this segment. This was the largest segment with 99 million people, with a median age of 51 and an average household income of \$75,652.

Gallo felt that OOFOS should focus on Workout Warriors as its main target audience. He explained, "Although currently the average age of a purchaser of OOFOS is around 55 years, we should aim to reach younger customers, who care about fitness and recovering from regular exercise." Endorsements from celebrities also suggested that this might be the best approach. Competition for recovery footwear in the younger segment was only going to increase in the future as many large players were actively looking to enter the recovery footwear market.

However, Reed was concerned that it might be difficult to reach the aggressive revenue goals of the company by targeting Workout Warriors when the majority of OOFOS current buyers were Pain Sufferers and older in age. OOFOS could target multiple segments but given its limited marketing budget compared to big players like Nike, Gallo felt that "staying focused on who we are and what we can provide is critical."

Darren Brown, Head of Marketing at OOFOS, pointed out:

While these segmentations reflect a customer base that has adopted OOFOS and OOfoam technology for the benefits and value it adds to their life - and is needed by media from a targeting standpoint - we approach our brand positioning and messaging from a slightly different angle. Our target customer is not an age, gender, or typical demographic. It is a mindset held by people who put certain values on specific behaviors. Primarily, they have a desire to be their best self, and seek ways to add value to their life mentally, emotionally, and physically. This could be anyone from the workout warrior to the weekend warrior to the occupational warrior. Each one intentionally focuses on ways to constantly improve and be better at their craft.

### *Value Proposition*

OOFOS proprietary foam technology, OOfoam, offered quick relief and recovery from sports training, daily life stress, and injury. Panaccione emphasized, "Lab testing has shown that OOfoam technology allows OOFOS to absorb at least 37% more impact than any traditional athletic foam. So,

walking becomes easier, and recovery is quick” (see **Exhibits 5 and 6**). OOFOS tested this technology and the feedback from consumers was overwhelmingly positive.

Gallo explained, “OOFOS stands for making everyone feel better, whether you're a professional athlete or you're a mom of seven kids or you're just someone looking for pain relief. It's not just another piece of footwear. It helps people who have pain, people who understand the importance of recovery, as we've done a lot of research around the impact that OOFOS has on recovery.” Gallo believed that OOFOS should own the emerging recovery category.

However, most consumers were unaware of recovery and associated it with injury or substance abuse. However, when the term “active” was added before “recovery”, it elicited an athletic connotation. A recent study commissioned by OOFOS showed that comfort remained a key purchasing criterion even for people who were looking to buy footwear for recovery after exercising (see **Exhibit 7**). Kate Laliberte, Head of E-commerce at OOFOS, acknowledged, “One of our biggest challenges is making sure that our customers understand that OOFOS is a recovery product, and they know what that is. Our challenge is to explain how our shoes are different, why they are more expensive, and how our technology relates to recovery.” Reed concurred, “OOFOS wants to lean away from comfort because comfort means a lot of different things to people. But when it comes to recovery, that is something different in this space. Active recovery is new. It is a harder lift on us as an agency to introduce a new category.”

Creating a new category was difficult but it was even more challenging for a small brand like OOFOS with limited brand awareness. According to recent studies conducted by Rain, unaided awareness of OOFOS was only 0.2%, which increased only slightly to 1.3% when consumers were asked to think of recovery footwear (see **Exhibits 8 and 9**). Even aided awareness for OOFOS remained low at 9%, compared to 90% for Nike, 77% for Crocs, and 46% for Birkenstock (see **Exhibit 10**). Another study showed that since April 2021, brand awareness had grown among 45-64 years old, and consumers who had purchased recovery footwear were two times more likely to be aware of OOFOS. (see **Exhibit 11**). Although OOFOS was ranked highest as being designed for recovery, it did not stand out on other brand features such as “distinctive”, “appealing” or “influential” when compared to its closest competitors such as Hoka and Kane (see **Exhibit 12**).

In addition to comfort, style was one of the key buying criteria for consumers. Many consumers said that style was a barrier for them to try OOFOS. However, for most of these prospects, comfort outweighed style once they tried OOFOS. In general, style was less of a concern for consumers buying footwear for pain. Brown elaborated:

OOFOS shoes are function over fashion. Function is our primary purpose, fashion is in the eye of the beholder. When UGG shoes were first made, nobody thought they were fashionable. Then, all of a sudden, they became so trendy. If you look at the trends in footwear, especially for young trendy consumers, they are moving in to oversize, chunkier footwear materials. But we don't want to establish ourselves in fashion because trends come and go, whereas function has a staying power that we can build the brand on. There is some limitation of the OOFOS shoe design because of the OOfoam technology, but we are confident we should never dilute the functionality of the footwear.

OOFOS products were chunkier and even considered ugly by some consumers. Did it limit their appeal to a larger, and especially younger audience?

## Marketing at OOFOS

DTC channel accounted for 40% of OOFOS revenues in 2021. This channel had been growing steadily from 15% of overall sales in 2017 and was expected to reach 50% by 2024. Covid-19 pandemic helped accelerate this growth and OOFOS decided to significantly increase its digital marketing budget to drive further growth. Its goal for DTC revenues in 2022 was \$57.9 million, for which it allocated \$25.7 million in digital marketing (see **Table 1**).

**Table 1** OOFOS DTC Revenue and Digital Marketing Budget (\$ millions)

	2017	2018	2019	2020	2021	2022E
DTC Revenue	2.4	4.3	6.2	18.5	31.3	57.9
Digital Marketing Budget	-	0.2	0.8	4.8	10.7	25.7

Source: Company documents.

Note: DTC revenue includes sales from both organic and paid media. OOFOS digital marketing spend in 2017 was negligible.

### *A Collaboration with Rain*

OOFOS relied on Rain to drive DTC sales. Rain was a marketing agency with digital marketing and DTC expertise. Founded in 1998, Rain had worked with well-known brands such as Peloton, Wayfair, and Smile Direct Club. It called itself a *transactional brand building agency* with a belief that selling and branding were not mutually exclusive (see **Exhibit 13** for Rain's approach).

Looking at OOFOS 2022 goals, Reed noted, "OOFOS's revenue goal for 2022 is ambitious. We have to be really strategic and efficient about the way we're leveraging that marketing budget; we have to use each dollar wisely to achieve that revenue goal." It was getting harder every year to generate growth as cost per order and customer acquisition costs were increasing. About 65% of buyers on OOFOS.com were new customers. The average order size in 2022 was expected to be \$100 and, on average, a customer bought 1.5 times over the long run (see **Table 2**).

**Table 2** DTC Metrics

	2020	2021	2022E
DTC Revenue (\$m)	18.5	31.3	57.9
Marketing Spend (\$m)	4.8	10.7	25.7
Cost per Order	\$21	\$29	\$38
Customer Acquisition Cost (CAC)	\$32	\$45	\$58

Source: Company documents.

Note: DTC revenue includes sales from both organic and paid media. Cost per order was calculated as marketing spend divided by the number of orders. Customer acquisition cost (CAC) was estimated as cost per order divided by 65%.

Reed explained how her team thought about digital marketing:

OOFOS gives us an initial DTC revenue goal, with the acknowledgment that everything we do should have a halo on their other channels. So, the work we're doing to

drive direct to consumer has an impact on Amazon, has an impact on retail and other channels as well. Our approach is to understand who OOFOS's current audience is, who their target consumer is, what their KPIs are, and that really helps guide our strategy and what we put together in terms of media and creative.

**Exhibit 14** shows the digital marketing budget allocation across media channels for 2020 and 2021, the plan for 2022, and the actual performance for the first half (Jan-June) of 2022.

**Paid Social** A significant percentage of the budget was allocated to paid social such as Facebook and Instagram. This channel was used to retarget potential buyers as well as acquire new customers. Laliberte explained, "We know you have been shopping on OOFOS.com so we retarget you on social media or we consider some lookalike audiences to try to prospect or remarket to them." High competition on paid social channels and increasing advertising costs on these channels were making them less efficient over time. **Exhibit 15** shows sample creatives for Facebook ads.

**Paid Search** Rain spent on branded and non-branded keywords as well as on Google Shopping. Laliberte explained how OOFOS and Rain thought about spending across these three options:

Brand search campaigns have a great [return on advertising spend] (ROAS) and this is the most qualified traffic. People are looking specifically for OOFOS shoes. But we can't put all our investment in this category, because I can only spend as much as people are searching for my brand. For non-brand search, people are searching for recovery sandals; so, there is more competition. Google Shopping search shows the product image, price, and a link to shop. We can choose to display full price products instead of discounted products, and exclusive products to OOFOS.com.

**Display** Display ads appeared on various websites and companies often used viewers' cookies to target them. Laliberte said, "This is when you see an OOFOS ad following you when you are browsing online." Display ads helped deliver the brand message and were also associated with a call to action to encourage purchase (see **Exhibit 16** for sample of these ads). Native ads matched the look and feel of the media format in which they appeared and were sometimes referred to as sponsored content.

**Digital Video & OTT** Digital video was increasingly becoming an important media choice for many brands. Global video ad spending was estimated to reach \$295 billion by 2026.<sup>32</sup> YouTube was one of the most popular platforms for video ads. Streaming platforms such as Hulu and ESPN+ were also becoming important marketing channels. These channels provided greater reach and allowed OOFOS to tell its brand story. Rain planned to substantially increase the media budget for these channels.

**TV** For the first time in 2022, OOFOS decided to make a significant investment in television to help increase its brand awareness. TV advertising had broad reach and it also had impact on retail channel sales. Gallo noted, "We found that TV marketing benefits our retail partners. I've received multiple emails and texts from a lot of our retail partners who said, hey, keep up the great marketing. We're seeing a lot more traffic in store, people are coming in looking for OOFOS after seeing the TV spot on 60 Minutes or one of the TV shows."

OOFOS advertised on TV for 13 weeks during the first half of 2022 which increased site visits by 1.86 times and net revenue by 1.85 times. The average weekly net revenue was \$684,028 with TV, compared to \$370,124 without TV. In addition, brand search volume doubled, and the click volume increased by 2.4 times.



However, TV was expensive and constituted almost 27% of OOFOS total DTC marketing budget in 2022. Even after spending a large share of its marketing budget on TV, it was hard for OOFOS to stand out against big players like Nike who spent billions of dollars on TV ads with major sports celebrities. OOFOS's direct competitors such as Croc and Birkenstock also had more resources than OOFOS and could easily outspend OOFOS. Gallo recognized the value of TV advertising, but he was unsure if it made sense to spend almost \$7 million on it.

**Audio & Partnerships** In 2022, OOFOS decided to invest in audio and podcasts. Podcasts were becoming increasingly popular and according to Laliberte, they provided an opportunity “to get an authentic description of our product to a new audience.” OOFOS was also contemplating partnering with influencers but had not done it so far. The team wanted to ensure that these partnerships would keep the authenticity that it gained from its mOOvers.

### *mOOvers Campaigns*

mOOvers were individuals who had tried OOFOS and loved the product so much that they were happy to become brand advocates to their friends, communities, and followers, with no or minimal monetary compensation. mOOvers could be Olympic athletes, celebrities, or regular fitness enthusiasts. For instance, OOFOS partnered with former NFL quarterback, Alex Smith, who started wearing OOFOS for six years prior to his serious leg injury and stated that OOFOS helped alleviate his pain. OOFOS also partnered with Alycia Baumgardner, a professional boxer, who relied on OOFOS to help her recover after her intensive trainings. mOOvers often came from different backgrounds but had a common appreciation of OOFOS footwear. Other celebrities, who had been seen wearing OOFOS without an official partnership, included Gisele Bündchen, Kate Upton, and Jennifer Lawrence.

The idea to create a mOOvers campaign began in mid-2021. OOFOS had received compelling and inspirational stories from consumers and celebrities. Brown explained, “We decided that these stories would be interesting to share with everyone because they checked three boxes: first, they helped establish recovery footwear for what it was, second, they differentiated OOfoam technology and highlighted what it provides, and third, they leveraged true authentic consumer voices for validation of the brand.” He added:

Our initial campaign was supposed to be strictly digital in the summer of 2021, focusing on three individuals: Alex Smith, who was a highly visible NFL quarterback. We saw him wearing OOFOS regularly in social media posts. When we got in touch with him, he said that he had been using OOFOS for years, so it made sense for us to tell his story. Another mOOvers, Chloe Arnold, is an Emmy-nominated choreographer and professional tap dancer, who worked with Beyoncé. She reached out to us because OOFOS saved her dance career. The third was a recreational runner and a pediatric educator at the UVA children's hospital. She was in a severe car accident and people wondered if she would ever walk again. She wrote to us one of the most heartfelt emails telling us that OOFOS saved her mobility and helped her return to work at the hospital, and restored joy to her life. It brought tears to our eyes, and we wanted to share her story with the world. The mOOvers campaigns started with us having a desire to share these inspirational stories in digital campaigns, and as we told them and saw consumer response to them in the digital and social space, we thought this was too good not to test in a broader channel, like TV.

OOFOS re-edited Alex Smith's spot to be a 30 and 15-second TV commercial for the football season in the fall of 2021 when Alex Smith was going to be an announcer for the season. The Alex Smith TV commercial exceeded expectations. Brown explained:

The authenticity of the story led to a successful performance. Other people, like Dawn Staley, the basketball Hall of Fame coach, and Ashley Caldwell, who was training to achieve a gold medal in the 2022 winter Olympics, also came to collaborate with us. We said this is the new approach to our creative because we know it performs. So, we leaned in to telling more of these stories. We partnered with the US Ski and Snowboard team when we were going to release Ashley Caldwell's piece because we knew that from January to March 2022, all eyes would be on Olympic content, so although we were not an Olympic sponsor, we were able to have a relevant ad in the marketplace at that time. We then moved to other relevant content and personas; we collaborated with the professional boxer Alycia Baumgardner and the Boston Ballet principal dancer, Chyrstyn Fentroy. People have organically come to us and said 'we love your brand and your product. Let us know if there is ever a chance to work together. Here's how OOFOS impacted us.' If the story is compelling enough, then we invest in a campaign. Authenticity resonates and creates an emotional connection with the consumer.

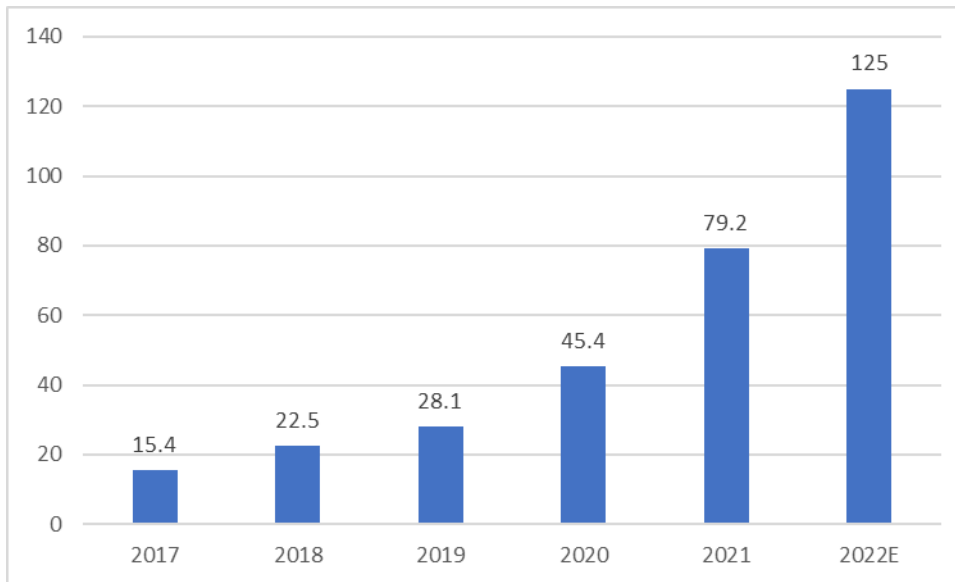
Based on the science behind OOfoam technology, OOFOS had found an increasing groundswell of adoption with professional athletes, winning the locker room via key sport performance leaders. The research findings around the benefits for recovery, combined with the personal experiences and understanding by sport performance professionals, had led to teams across the National Football League, Major League Baseball, National Hockey League, National Basketball Association, Premier Hockey Federation, National Collegiate Athletic Association and more investing in OOFOS as a part of their recovery tool kit for the season. This inbound athlete interest led to partnerships through the mOOOver campaign, and even led to OOFOS's designation as the Official Recovery Footwear partner of the Las Vegas Raiders, five years after the Head Athletic Trainer, Chris Cortez, first started buying OOFOS for the team during the pre-season training camp.

### *Retail and Amazon Marketing*

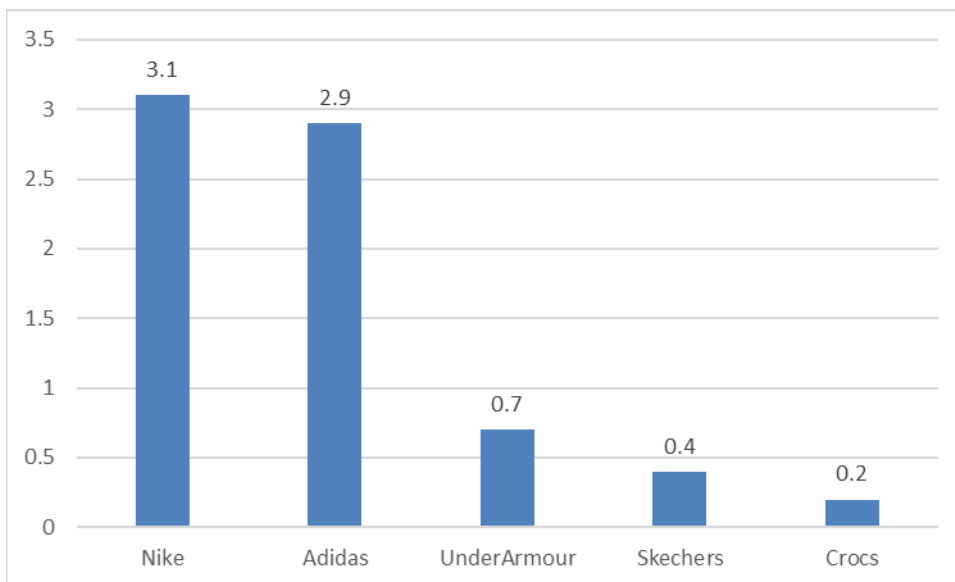
While Rain was responsible for DTC sales, OOFOS used its own internal team to manage marketing campaigns on Amazon. In 2022, OOFOS expected to spend \$630,000 on Amazon marketing with a revenue goal of \$10 million. In addition, for the same year, OOFOS allocated around \$3 million in offline retail marketing that included shop-in-shops, pop-up stores, point of sale material, and cooperation advertising with account partners on billboards. The retail channel was expected to generate \$38 million of revenue in 2022, where OOFOS used a third-party sales organization who were paid about 5% commission on sales.

## **Planning for Growth**

Gallo and Reed huddled with their teams to do the mid-year review of their marketing plan. They knew they had a small window of opportunity before competition in the recovery segment started heating up. OOFOS proprietary technology and unsolicited endorsements from celebrities convinced them that they had a great product. However, Gallo also recognized that great products don't sell by themselves. Their choice of target segment, value proposition and digital marketing plan would be critical for the growth of OOFOS. Panaccione emphasized, "When competition comes in, we want to be as established and as well-known as we can be."













**Exhibit 1** OOFOS Revenues Over Time (\$ millions)

Source: Company documents.

**Exhibit 2** Global Marketing Spending by Footwear Companies in 2021 (\$ billions)

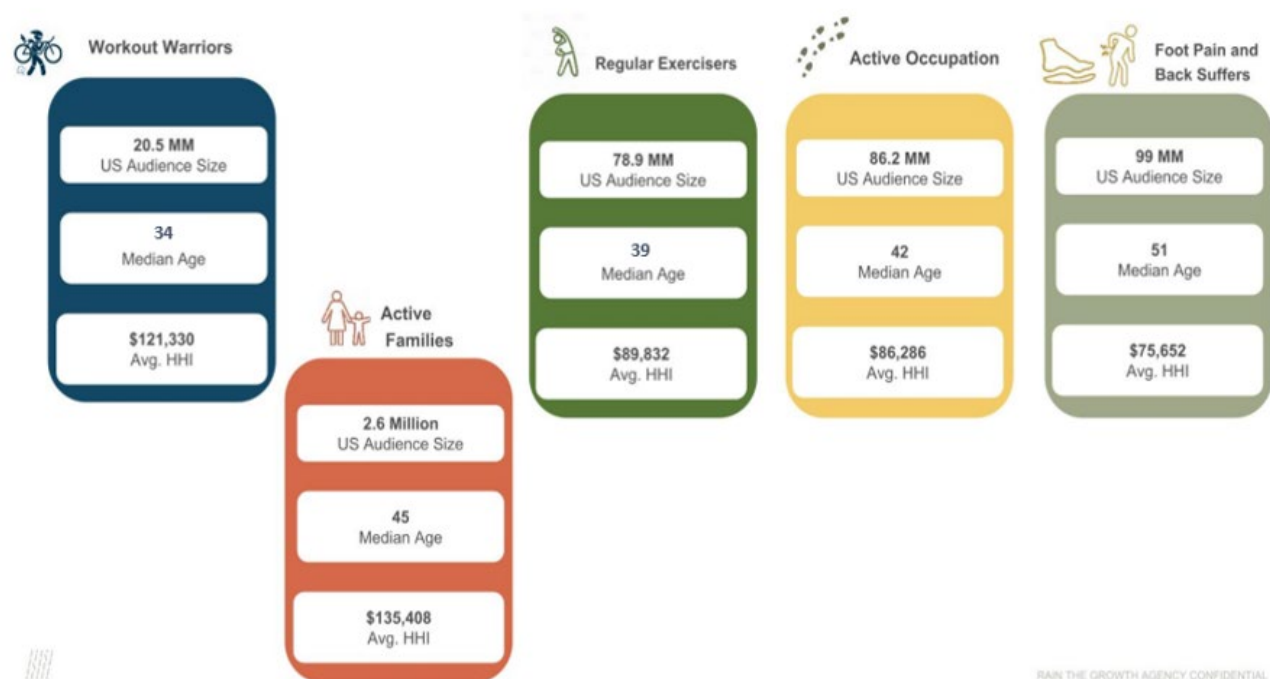
Source: Compiled by casewriter from Statista.

## Exhibit 3 OOFOS Products

 <p><b>Women's OOmig eeZee Low Shoe - Snow Leopard</b> \$139.95</p> <p>★★★★★1</p>	 <p><b>Women's OOlala Limited Sandal - Snow Leopard</b> \$79.95</p> <p>★★★★★2</p>	 <p><b>Women's OOriginal Sport Sandal - Black Camo</b> \$69.95</p> <p>★★★★★1</p> <p>Color swatches: 4 options, +1</p>
 <p><b>Women's OOclog Limited Edition Clog - Hawaiian Flora</b> \$89.95</p> <p>★★★★★2</p>	 <p><b>Women's OOlala Limited Sandal - Sahara Gold</b> \$79.95</p> <p>☆☆☆☆☆0</p>	 <p><b>Women's OOahh Limited Slide Sandal - Sahara Gold</b> \$79.95</p> <p>★★★★★1</p>
 <p><b>Men's OOriginal Sport Sandal - Black Camo</b> \$69.95</p> <p>★★★★★1</p> <p>Color swatches: 4 options, +1</p>	 <p><b>Men's OOriginal Sandal - Nomad</b> \$59.95</p> <p>★★★★★7</p> <p>Color swatches: 8 options</p>	 <p><b>Men's OOahh Slide Sandal - Nomad</b> \$59.95</p> <p>★★★★★6</p> <p>Color swatches: 5 options, +5</p>
 <p><b>Men's OOahh Slide Sandal - White</b> \$59.95</p> <p>★★★★★2</p> <p>Color swatches: 5 options, +5</p>	 <p><b>Men's OOahh Sport Flex Sandal - Navy</b> \$79.95</p> <p>★★★★★33</p> <p>Color swatches: 3 options</p>	 <p><b>Men's OOriginal Sport Sandal - Tidewater</b> \$69.95</p> <p>★★★★★29</p> <p>Color swatches: 4 options, +1</p>

Source: Company website (OOFOS.com), accessed July 18, 2022.

## Exhibit 4 OOFOS Customer Segments

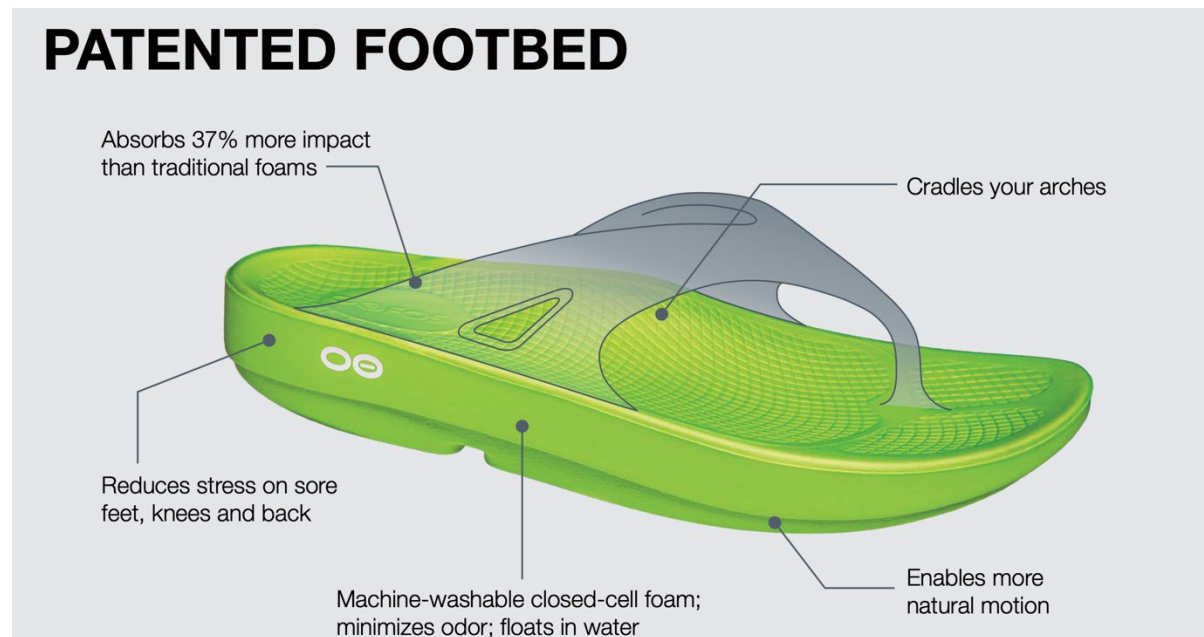


Audience	All Adults	Workout Warrior (WW)	Active Family (AF)	Pain Sufferer (PS)	Regular Exerciser (RE)	Active Occupation (AO)
<b>Overall</b>	<b>252,819,000</b>	<b>20,575,000</b>	<b>2,672,000</b>	<b>99,059,000</b>	<b>78,901,000</b>	<b>86,260,000</b>
Workout Warrior overlap	—	100%	100%	8%	24%	9%
Active Family overlap	—	13%	100%	1%	3%	1%
Pain Sufferer overlap	—	37%	37%	100%	36%	38%
Regular Exerciser overlap	—	92%	92%	29%	100%	30%
Active Occupation overlap	—	36%	46%	33%	30%	100%

Source: Company documents.

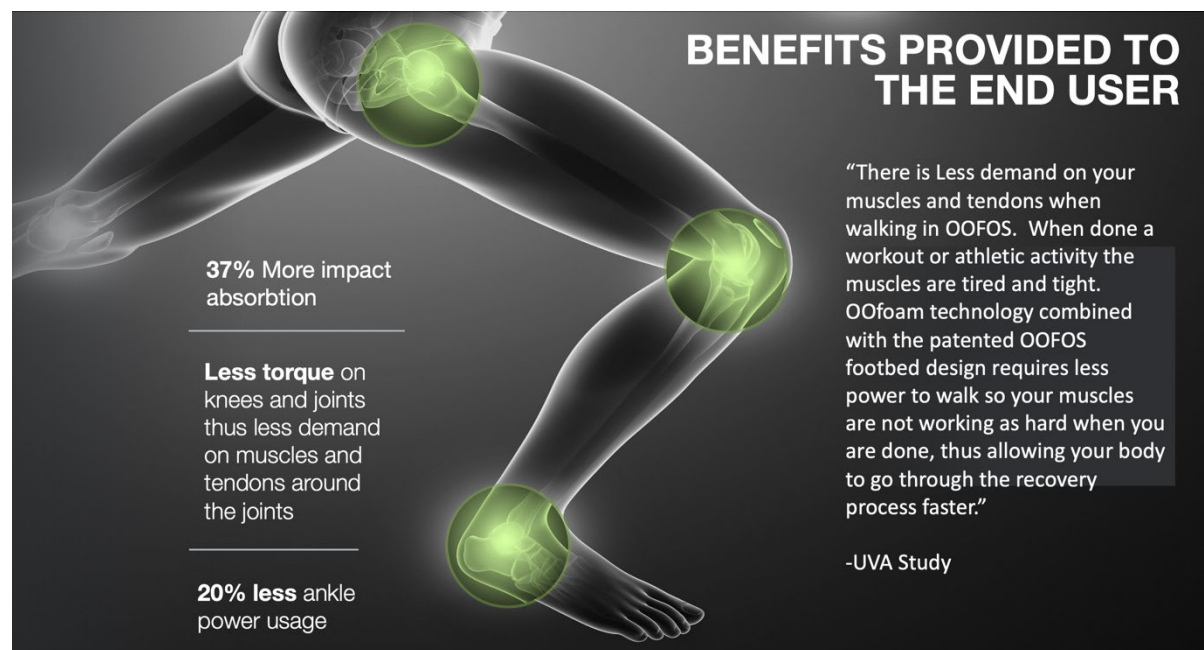
Note: The table should be read as 13% of workout warriors are also active family members, 37% of workout warriors are pain sufferers...

### Exhibit 5 OOfoam Technology



Source: Company documents.

### Exhibit 6 OOfoam Benefits



Source: Company documents.

**Exhibit 7** Comfort Remains a Key Purchase Driver of Footwear, June 2022

Comfort is the key footwear purchase driver across age and gender with no change from previous waves

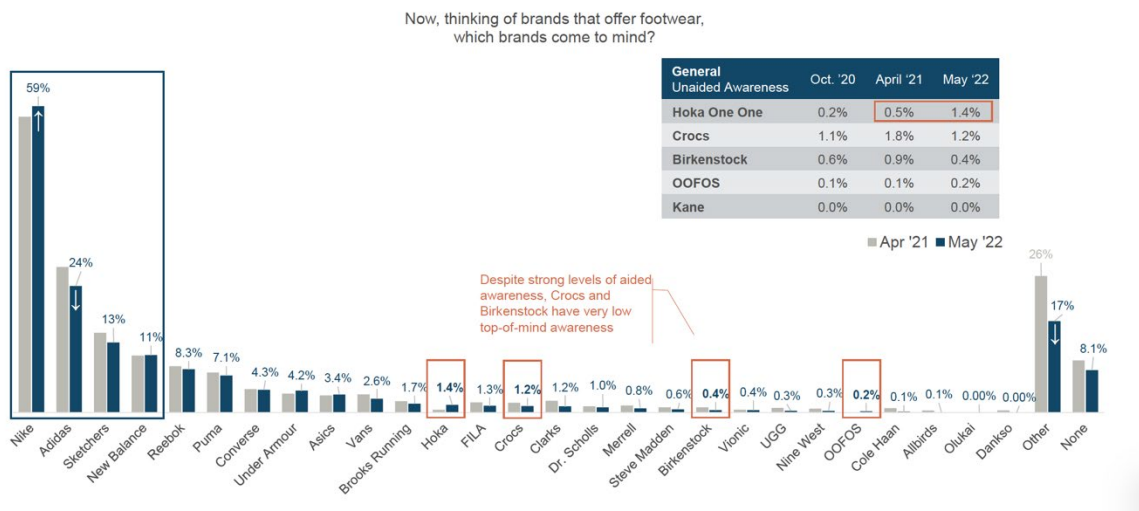
Men and those aged 25-44 continue to be most likely to purchase footwear to aid in recovery after exercising

Factors Driving Footwear Purchase							
Factor	All Respondents (n=2,000)	Men (n=988)	Women (n=1,000)	Aged 25-34 (n=508)	Aged 35-44 (n=503)	Aged 45-54 (n=501)	Aged 55-64 (n=488)
Comfort	80%	81%	79%	78%	82%	79%	80%
To help maintain an active lifestyle	42%	45%	38%	45%	45%	41%	36%
To help relieve foot or joint pain	28%	28%	27%	31%	27%	26%	27%
To aid in recovery after exercising	12%	16% <sup>W</sup>	9%	17% <sup>CD</sup>	16% <sup>CD</sup>	10%	7%

Source: Company documents.

**Exhibit 8** Unaided Brand Awareness, May 2022 (n=2,000)

General **unaided awareness** metrics continue to depict a category with dozens of brands, of which only four are recalled by more than 10% of consumers

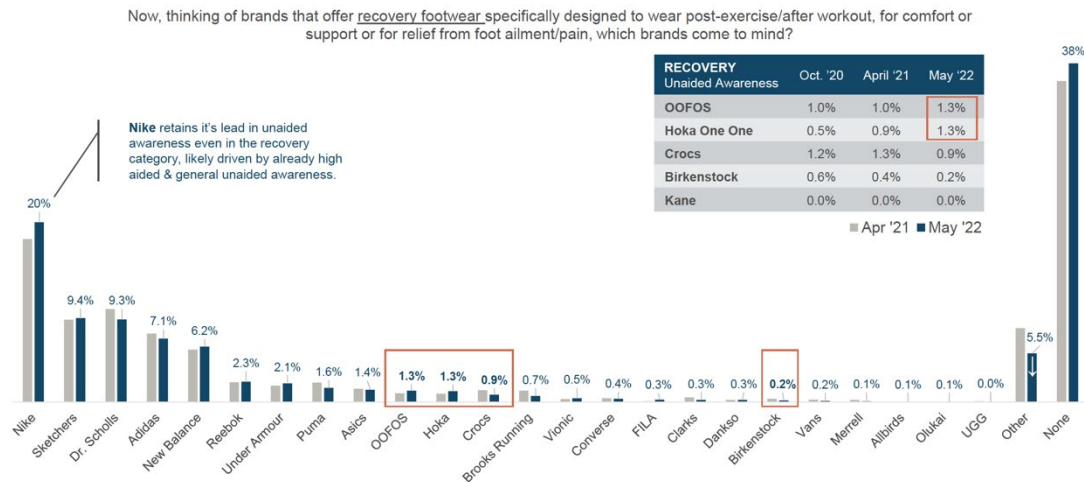


Source: Company documents.

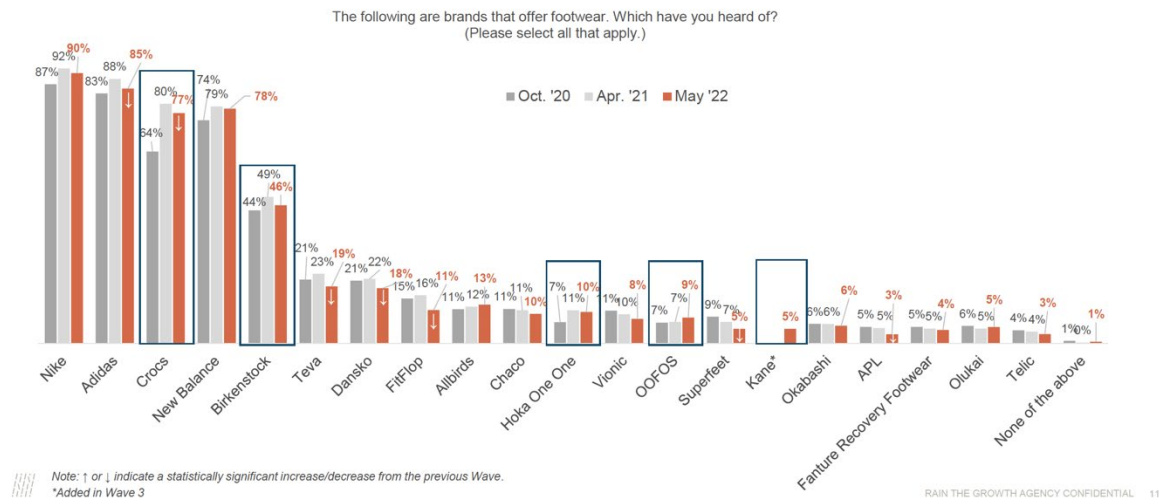


**Exhibit 9** Unaided Brand Awareness for Recovery Footwear, May 2022 (n=2,000)

Mentions of OOFOS slightly increase when 'recovery' is specified



Source: Company documents.

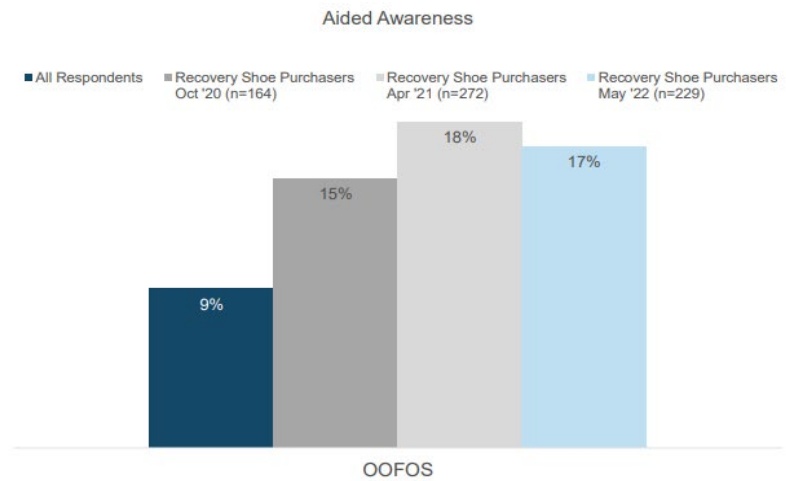
**Exhibit 10** Aided Brand Awareness, May 2022 (n=2,000)

Source: Company documents.



**Exhibit 11** OOFOS Awareness, May 2022

Aided Awareness for OOFOS increases by nearly 2x among Recovery Shoe purchasers since Wave 1 ('20)

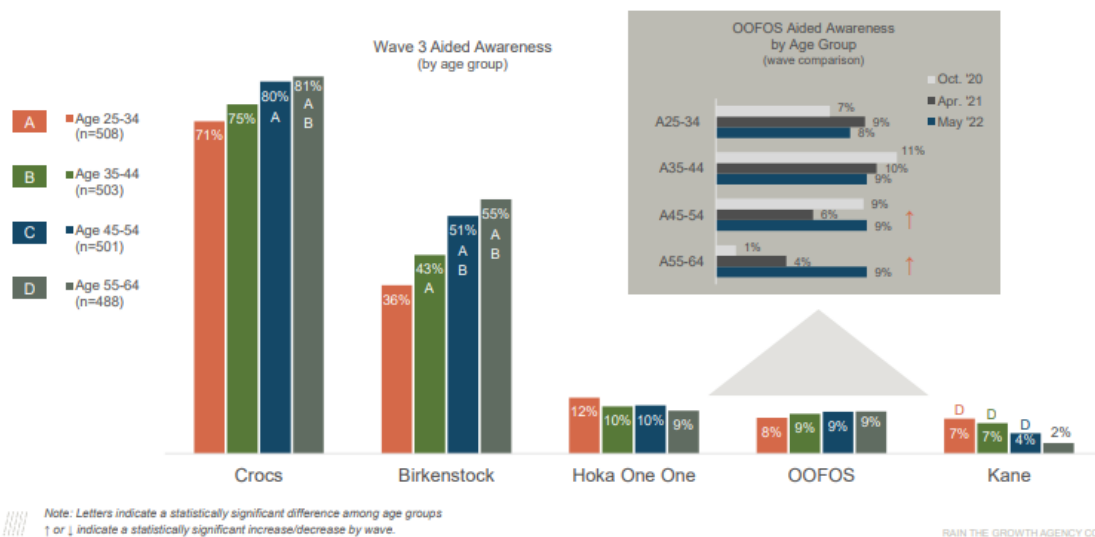


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OOFOS awareness is statistically equal across age groups

Those aged 45-64 had a significant increase in awareness since Wave 2



Source: Company documents.

## Exhibit 12 Consumer Perceptions of OOFOS and Its Closest Competitors, May 2022

OOFOS, Hoka, and Kane perceived similarly across recovery and salience metrics

Hoka out performs OOFOS on distinctive, memorable, and influential

Recovery & Brand Salience <i>[Top 2 Box - Agreement]</i>	OOFOS		Hoka One One		Crocs		Birkenstock		Kane	
	Apr '21 (n=143)	May '22 (n=171)	Apr '21 (n=212)	May '22 (n=187)	Apr '21 (n=1607)	May '22 (n=1507)	Apr '21 (n=903)	May '22 (n=903)	Apr '21 (n=94)	May '22 (n=94)
<b>Overall Designed for Recovery (Avg. Top 2 Box)</b>	<b>72%</b>	<b>72%</b>	<b>72%</b>	<b>71%</b>	<b>50%</b>	<b>53%</b>	<b>49%</b>		<b>70%</b>	
Designed for comfort	73%	77% <sup>B</sup>	↓78% <sup>C</sup>	79% <sup>CB</sup>	↑68% <sup>B</sup>	70%	N/A	68%	N/A	73%
Designed to be impact-absorbing	74% <sup>C</sup>	71% <sup>CB</sup>	76% <sup>C</sup>	76% <sup>CB</sup>	↓48% <sup>B</sup>	51%	N/A	47%	N/A	67% <sup>B</sup>
Designed to provide relief from foot ailment/pain	70% <sup>C</sup>	71% <sup>CB</sup>	68% <sup>C</sup>	71% <sup>CB</sup>	↑43% <sup>B</sup>	46%	N/A	46%	N/A	67% <sup>B</sup>
Designed to wear post-exercise/after a workout	70% <sup>C</sup>	67% <sup>CB</sup>	66% <sup>C</sup>	60% <sup>CB</sup>	40%	43% <sup>B</sup>	N/A	34%	N/A	73% <sup>HB</sup>
<b>Overall Brand Salience (Avg. Top 2 Box)</b>	<b>71%</b>	<b>65%</b>	<b>72%</b>	<b>71%</b>	<b>55%</b>	<b>58%</b>	<b>57%</b>		<b>72%</b>	
Innovative	79% <sup>HC</sup>	72% <sup>CB</sup>	↓67% <sup>C</sup>	74% <sup>C</sup>	58%	59% <sup>B</sup>	N/A	54%	N/A	77% <sup>CB</sup>
Distinctive	69%	66%	↓75% <sup>C</sup>	79% <sup>C</sup>	74%	75% <sup>CB</sup>	N/A	69%	N/A	68%
Relevant	72% <sup>C</sup>	65% <sup>CB</sup>	↓71% <sup>C</sup>	71% <sup>C</sup>	47%	↑53% <sup>B</sup>	N/A	51%	N/A	74% <sup>CB</sup>
Memorable	70%	64%	70%	75% <sup>CC</sup>	68%	66% <sup>B</sup>	N/A	60%	N/A	73% <sup>B</sup>
Appealing	66% <sup>C</sup>	64% <sup>CB</sup>	72% <sup>C</sup>	68% <sup>C</sup>	39%	↑44% <sup>B</sup>	N/A	53% <sup>C</sup>	N/A	69% <sup>CB</sup>
Influential	70% <sup>C</sup>	60% <sup>C</sup>	75% <sup>C</sup>	62% <sup>C</sup>	45%	↑50% <sup>B</sup>	N/A	52%	N/A	70% <sup>CB</sup>



\*Caution: Small sample sizes

Note: ↑ or ↓ indicate a statistically significant increase/decrease from the previous Wave.  
A letter notation indicates significantly higher brand association compared to the noted brand.

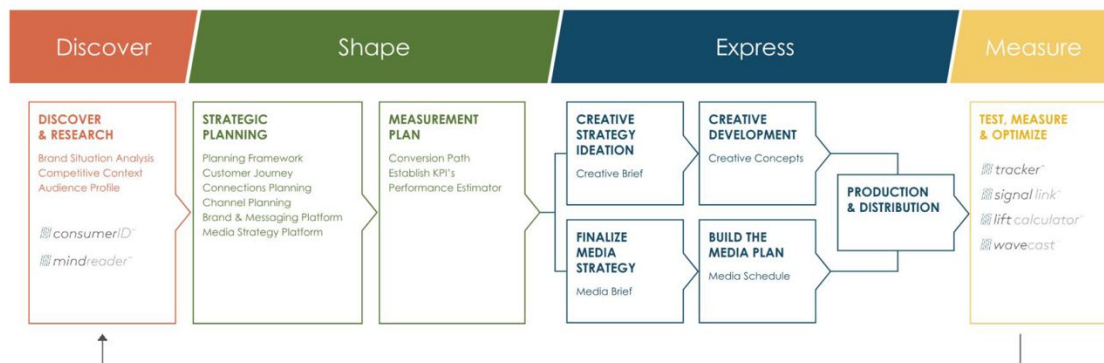
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Source: Company documents.

## Exhibit 13 Rain's Approach

### Transactional Brand Building Path

Our approach to ensure that selling and branding are not mutually exclusive



Source: Company documents.

**Exhibit 14** OOFOS Digital Marketing Budget Allocation

Channel	2020			2021		
	Paid Media (\$m)	Paid Revenue (\$m)	Paid ROAS	Paid Media (\$m)	Paid Revenue (\$m)	Paid ROAS
Social	1.34	6.38	4.74	4.30	9.10	2.11
Search	1.08	5.59	5.19	2.09	8.72	4.16
Display	0.59	1.61	2.72	0.95	2.28	2.40
Native	-	-	-	-	-	-
Digital Video/OTT	0.49	0.05	0.09	0.51	0.09	0.18
TV	1.31	-	-	2.91	-	-
Partnerships	-	-	-	-	-	-
Audio	-	-	-	-	-	-
<b>TOTAL</b>	<b>4.81</b>	<b>13.63</b>	<b>2.83</b>	<b>10.76</b>	<b>20.19</b>	<b>1.88</b>

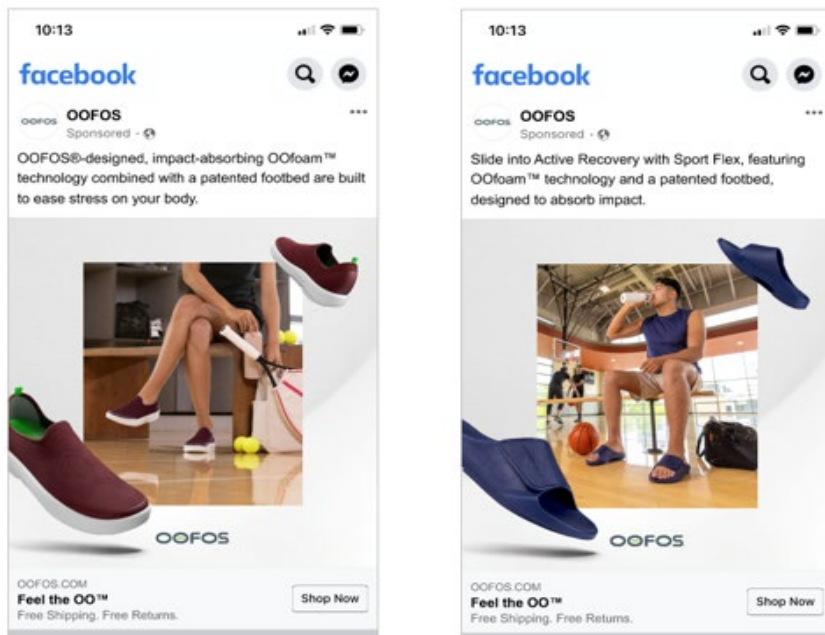
Channel	2022 Plan			2022 H1		
	Paid Media (\$m)	Paid Revenue (\$m)	Paid ROAS	Paid Media (\$m)	Paid Revenue (\$m)	Paid ROAS
Social	9.22	12.80	1.39	2.30	7.07	3.08
Search	3.21	11.51	3.59	1.82	10.81	5.93
Display	1.25	2.68	2.15	0.36	1.53	4.29
Native	1.01	1.76	1.74	0.20	0.52	2.69
Digital Video/OTT	3.00	0.70	0.23	0.73	0.05	0.08
TV	6.92	-	-	6.45	-	-
Partnerships	0.38	-	-	-	-	-
Audio	0.75	0.38	0.50	0.43	0.90	2.11
<b>TOTAL</b>	<b>25.74</b>	<b>35.27</b>	<b>1.37</b>	<b>12.29</b>	<b>20.88</b>	<b>1.70</b>

Source: Company documents.

Note: Paid revenue only includes DTC revenue attributable to paid media or a specific channel based on the 'last click'. Organic media results are not included.

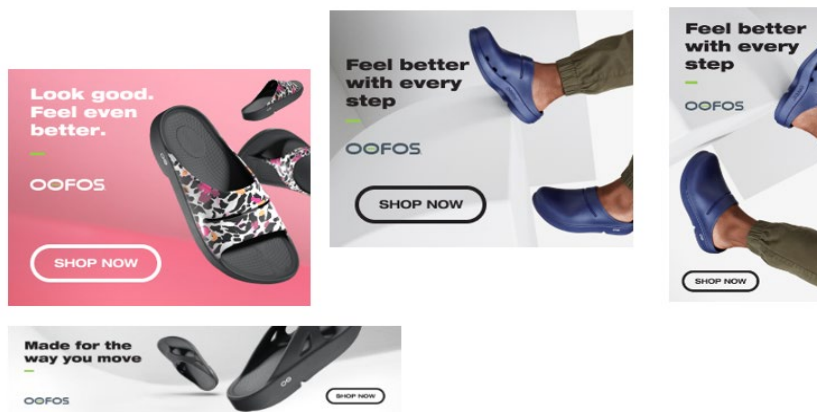
No partnerships with influencers were done to-date. ROAS refers to return on advertising spend and is calculated as revenue divided by media spend. 2022 H1 is the actual performance for the first half of 2022. Numbers may not add up due to rounding.

## Exhibit 15 Facebook Ads



Source: Company documents.

## Exhibit 16 Display Ads



Source: Company documents.

## Endnotes

<sup>1</sup> John Thompson, "Tiger Woods Was Just Spotted Wearing These \$60 Recovery Slides: The GOAT had on a pair of OOFOS sandals," *Men's Health*, June 23, 2022, <https://www.menshealth.com/style/a40393904/tiger-woods-OOFOS-recovery-slide-spotted-wearing-news/>, accessed July 2022.

<sup>2</sup> Company Website, <https://www.oofos.com/pages/moovers>, accessed August 2022.

<sup>3</sup> Jennifer Chan, "Gisele Bündchen packed these \$60 comfy sandals for her Costa Rican vacation with Tom Brady," February 21, 2022, <https://people.com/style/gisele-bundchen-OOFOS-slides/>, accessed August 2022.

<sup>4</sup> Statista Footwear Report 2022, <https://www.statista.com/study/55485/footwear-report/>, accessed July 2022.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Statista Global Footwear Market Study 2020, [https://www.statista.com/topics/4571/global-footwear-market/#topicHeader\\_\\_wrapper](https://www.statista.com/topics/4571/global-footwear-market/#topicHeader__wrapper), accessed July 2022.

<sup>11</sup> Footwear in the US report, Euromonitor International, January 2022, <https://www.euromonitor.com/footwear-in-the-us/report>, accessed July 2022.

<sup>12</sup> Sports Industry Recap 2021, NPD report, provided by OOFOS, accessed July 2022.

<sup>13</sup> Nike's Investor Relations site [https://s1.q4cdn.com/806093406/files/doc\\_financials/2022/q4/FY22-Q4-Combined-NIKE-Press-Release-Schedules-FINAL\[1\].pdf](https://s1.q4cdn.com/806093406/files/doc_financials/2022/q4/FY22-Q4-Combined-NIKE-Press-Release-Schedules-FINAL[1].pdf), accessed July 18, 2022.

<sup>14</sup> Greg Petro, "Lululemon, Nike And The Rise Of 'Athleisure'" *Forbes*, September 16, 2015, <https://www.forbes.com/sites/gregpetro/2015/09/16/lululemon-nike-and-the-rise-of-athleisure/?sh=4a81268037c8>, accessed July 2022.

<sup>15</sup> Andrea Felsted, "Nike Should Be The Next Luxury Fashion House" *Bloomberg*, March 1, 2022, <https://www.bloomberg.com/opinion/articles/2022-03-01/nike-should-be-the-next-luxury-fashion-house>, accessed July 2022.

<sup>16</sup> Adidas Investor Relations site <https://report.adidas-group.com/2021/en/consolidated-financial-statements/consolidated-income-statement.html>, accessed July 18, 2022.

<sup>17</sup> Marketing Investments of the Adidas Group from 2015 to 2021, Statista, <https://www.statista.com/statistics/540836/adidas-marketing-spend>, accessed July 2022.

<sup>18</sup> Sketchers Investors Relations site [https://d1io3yog0oux5.cloudfront.net/\\_bcc8a3b505b26d45bea16115efc908e7/skx/db/437/3411/annual\\_report/Cover\\_Letter\\_10K\\_FINAL.pdf](https://d1io3yog0oux5.cloudfront.net/_bcc8a3b505b26d45bea16115efc908e7/skx/db/437/3411/annual_report/Cover_Letter_10K_FINAL.pdf), accessed July 18, 2022.

<sup>19</sup> "Skechers Announces Global Partnership With the Nature Conservancy and Launches Our Planet Matters Recycled Collection" *Yahoo*, November 30, 2021, <https://www.yahoo.com/now/skechers-announces-global-partnership-nature-140000666.html>, accessed July 2022.

<sup>20</sup> Net Revenue of Under Armour Worldwide from 2008 to 2021, Statista, <https://www.statista.com/statistics/259174/net-sales-of-under-armour-worldwide/#:~:text=Under%20Armour%20is%20an%20American,billion%20U.S.%20dollars%20in%202021>, accessed July 2022.

<sup>21</sup> Net Revenue of Crocs Worldwide from 2011 to 2021, Statista, <https://www.statista.com/statistics/1037829/net-revenue-of-crocs-worldwide>, accessed July 2022.

- <sup>22</sup> Sarah Halzack, "Crocs Are Cool Again and Poised for Stellar Growth," *Bloomberg*, April 28, 2021, <https://www.bloomberg.com/opinion/articles/2021-04-28/crocs-are-cool-again-and-poised-for-stellar-growth#xj4y7vzkg>, accessed July 2022.
- <sup>23</sup> "LVMH-backed fund buys majority stake in Birkenstock," *CNBC*, February 26, 2021, <https://www.cnbc.com/2021/02/26/lvmh-backed-fund-buys-majority-stake-in-birkenstock.html>, accessed July 2022.
- <sup>24</sup> Company Website, <https://www.birkenstock.com/us/branding/runners/>, accessed July 2022.
- <sup>25</sup> Company Website, <https://www.hoka.com/en/us/sandals/>, accessed July 2022.
- <sup>26</sup> Company Website, <https://www.hoka.com/en/us/collaborations/>, accessed July 2022.
- <sup>27</sup> Company Website, <https://www.deckers.com/culture/how-we-got-here>, accessed October 2022.
- <sup>28</sup> "How Deckers Is Bringing Hoka to More People Via Stores, Marketing and New Categories," *Footwear News*, <https://footwearnews.com/2022/business/earnings/deckers-shares-rise-hoka-q1-1203317968/>, accessed October 2022.
- <sup>29</sup> Company Website, <https://kanefootwear.com/>, accessed July 2022.
- <sup>30</sup> "Analysis of Data on the Prevalence and Pharmacologic Treatment of Plantar Fasciitis Pain," *National Center for Complementary and Integrative Health*, <https://www.nccih.nih.gov/research/research-results/analysis-of-data-on-the-prevalence-and-pharmacologic-treatment-of-plantar-fasciitis-pain#:~:text=Approximately%20one%20percent%20of%20U.S.,with%20pain%20was%200.85%20percent>, accessed July 2022.
- <sup>31</sup> Emily N Schwartz and John Su, "Plantar Fasciitis: A Concise Review," *National Library of Medicine, The Permanente Journal*, Winter 2014, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3951039/#:~:text=Plantar%20fasciitis%20is%20one%20of,care%20physicians%20and%20foot%20specialists>, accessed July 18, 2022.
- <sup>32</sup> Statista Video Advertising Worldwide, updated June 2022, <https://www.statista.com/outlook/dmo/digital-advertising/video-advertising/worldwide>, accessed July 18, 2022.