

**Hoka and On AG:  
outrunning the Giants**

In the athletic footwear industry, established brands have long dominated, but newer players are quietly gaining attention from athletes and casual consumers alike.

**Charles-Henry Monchau**

*Chief Investment Officer*

**Hashim Almadani**

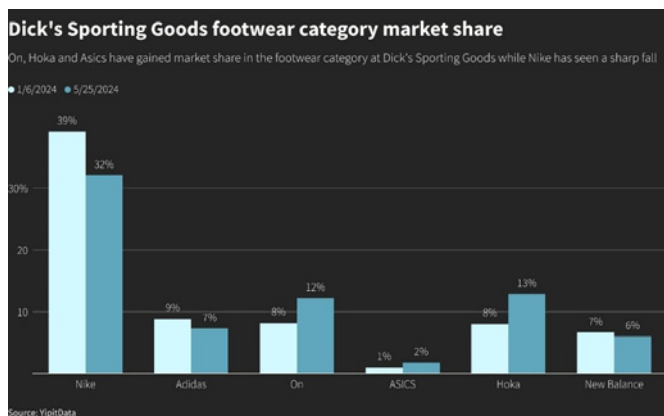
*Intern*

**Alexandre Pollo**

*Intern*

In the world of athletic footwear, certain names have long dominated the conversation, shaping the market with their scale and brand recognition. Meanwhile, beneath the surface of this smooth landscape, newer players have quietly begun to make their mark, capturing the attention of athletes and casual consumers alike. Hoka and On AG are two such brands that, despite their relative youth, have steadily gained market shares in an industry where giants like Nike and Adidas have traditionally thrived. Reuters reports that On Running's market share at Dick's Sporting Goods, a major sports retailer in the US, has surged from 8% to 12% this year from January to May, while Hoka's share has increased from 8% to 13% in the same time span. In contrast, Nike and Adidas have faced a sustained decline of 7% and 2% respectively.

Their rise begs the question: What is it about these brands that has allowed them to thrive in such a competitive environment? By focusing on innovation, standing out from the competition, smart positioning, and keen insight into changing consumer tastes, Hoka and On AG have successfully made their mark in a market that many thought was impossible to break into.



Source: Reuters

### The rise of Hoka: from niche to mainstream

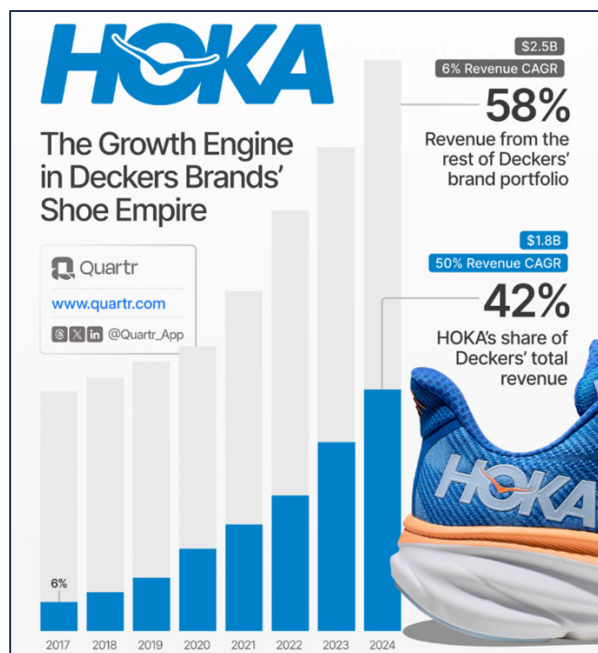


Founded in 2009, Hoka has seen a remarkable transformation from a niche brand to a major player in the athletic footwear market. Initially targeting a specific segment of long-distance runners who required enhanced cushioning and support, Hoka's signature oversized, ultra-cushioned soles were initially met with skepticism due to their unconventional, bulky appearance. However, for those who tried them, the benefits were undeniable as they offered superior comfort and stability, reducing fatigue, and enhancing performance during long runs.

Hoka's success is carried by its innovative approach to footwear design. At a time when the industry was largely focused on minimalist shoes promoting a "barefoot" running experience, Hoka took an opposite path by embracing maximalism. This bold move paid off as consumer preferences gradually shifted toward comfort-focused shoes. By 2023, Hoka's revenue skyrocketed to approximately \$1.8 billion, representing a year-over-year growth rate of 50%. This rapid growth has allowed Hoka to gradually capture market share from major players like Nike and Adidas, particularly in the performance running category.

Hoka's rise to success has been further boosted by strategic collaborations with fashion-forward brands like Bodega and Collina Strada. These partnerships have allowed Hoka to penetrate new markets and demographics, particularly younger, style-conscious consumers. Additionally, Hoka's ability to maintain a price point typically under \$150 has made its products accessible to a larger audience, ranging from professional athletes to casual runners, and even those seeking comfortable everyday wear.

Celebrity endorsements have also been key to Hoka's success. High-profile figures like Harry Styles and Joe Biden have been spotted wearing Hoka footwear, bringing the brand into the fashion spotlight. This visibility has elevated Hoka's profile and attracted attention from a broader audience. These endorsements have helped position Hoka as a brand that merges athletic performance with everyday comfort, appealing to a range of consumers, from fitness enthusiasts to trendy consumers alike.



Source: Quartr

### On AG: Swiss precision in footwear

On AG, founded in 2010 by former professional athlete Olivier Bernhard and entrepreneurs David Allemann and Caspar Coppetti, has rapidly gained notoriety in the athletic footwear industry. The brand's breakthrough came with its innovative "CloudTec" cushioning technology, which offered a distinctive running experience characterized by cushioned landings followed by firm push-offs. This technology appealed to both dedicated athletes and casual customers, helping On AG stand out in a crowded market.



On AG's growth trajectory has been extraordinary. In 2023, the brand achieved a significant financial milestone, with revenues reaching 1.8 billion Swiss Francs (approximately \$2 billion), reflecting a 55% year-over-year increase in constant currency. This expansion has come at the expense of traditional market leaders like Nike and Adidas, whose dominance has been increasingly challenged by On's innovative products and strategic positioning.

A key factor behind On AG's success is its positioning as a premium brand. On's shoes, which often retail for over \$150, are marketed as high-end products that deliver, not only in terms of performance but also in design and aesthetics. This premium positioning has enabled On AG to develop a niche in the lucrative athleisure market, appealing to consumers who prioritize both form and function. Its minimalist designs, marked by clean lines and neutral colors, have made the brand popular among trend aware buyers, enhancing its appeal and solidifying its presence in urban markets.

Marketing has been key to On AG's rise, with high-profile endorsements playing a major role. Notably, tennis legend Roger Federer has been more than just a spokesperson; he's also an investor in the brand, in which he owns around 3% of their shares. His involvement has given On AG significant credibility and increased its visibility. Federer's association has been crucial in expanding On's presence in global markets, especially in Europe and Asia, where his influence as a sports icon and cultural figure is particularly strong.

On AG's marketing strategy, which emphasizes its Swiss roots and commitment to innovation, has resonated with consumers and helped build a loyal following. Additionally, On's focus on sustainability via their initiatives such as using recycled materials in its shoes and developing fully recyclable footwear has further enhanced its appeal among eco-conscious consumers. With its revenues doubling over the past three years and its market share continuing to grow, On AG is well positioned to continue its upward trajectory in the global athletic footwear market.

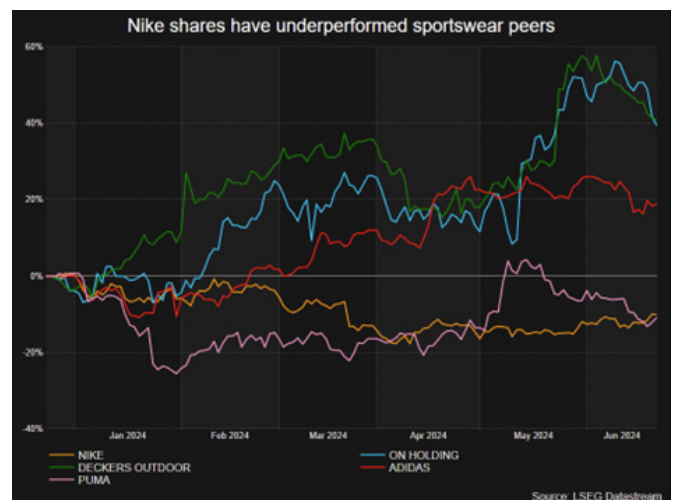
## The decline of Nike and Adidas

As Hoka and On AG have gained momentum, traditional industry giants like Nike and Adidas have faced significant challenges, particularly in 2024, creating opportunities for these emerging brands. Nike, which was once a dominant force, has seen a pronounced slowdown in growth, driven by a combination of internal issues and external pressures. The company issued disappointing projections for fiscal year 2025, predicting a 10% decline in sales for the ongoing quarter—much worse the anticipated 3% drop. This weak forecast has only worsened the situation, leading to a 31% year-to-date decline in Nike's stock, with a staggering 23% drop occurring within a 30-day window in June.

Nike's expansion has been worsened by inventory management issues, which started from supply chain disruptions that began in 2022. The company's decision to overcommit to online commerce led to a 10% year-on-year decline in digital revenue and a huge buildup of inventory, peaking at \$9.7 billion by the end of 2022. To mitigate this, Nike resorted to aggressive discounting, which, while effective in reducing inventory, significantly decreased profit margins. Additionally, strategic missteps, such as cutting ties with major wholesale retailers like Urban Outfitters and Macy's in 2021, further strained its sales channels. Although some of these relationships were re-established in 2023, the damage had been done, contributing to the company's current distress. Moreover, Nike's performance in the Chinese market, which is a key revenue driver has been weak, further dragging down overall performance.

Adidas has also faced a challenging year. The brand has struggled to recover from its decision to end its partnership with Kanye West, which severely impacted its Yeezy line. This loss, coupled with supply chain issues and increasing competition from other companies, has led to a decline in market share and financial performance. Indeed, Adidas market share had fallen by three percentage points to 10.9% from 13.9% in the aftermath of cutting their ties with Kanye West.

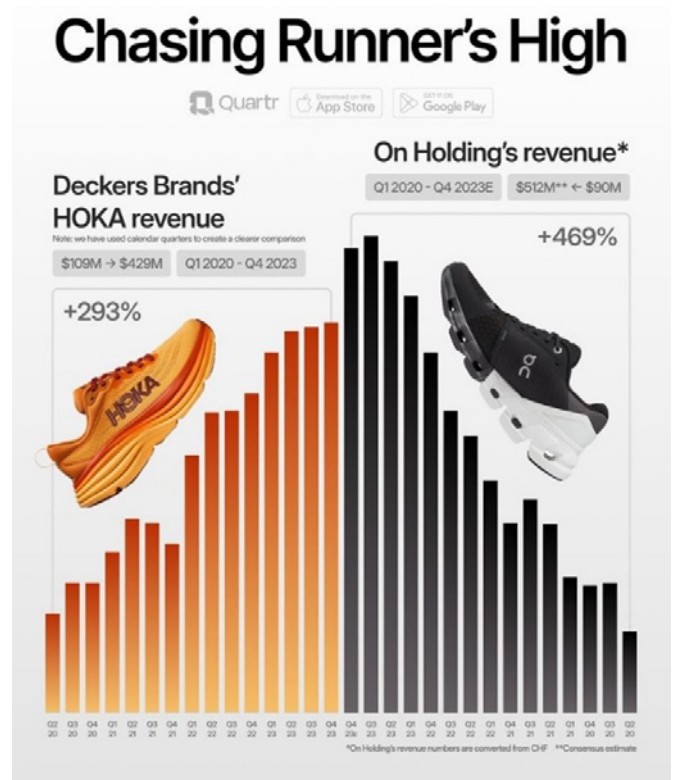
These struggles at Nike and Adidas have created a fertile ground for brands like Hoka and On AG to thrive. With the market dynamics shifting and consumer preferences evolving, these emerging brands have seized the opportunities presented by the challenges facing their larger competitors.



Source: Reuters

## Conclusion

The rise of Hoka and On AG marks a major turning point in the athletic footwear industry, showing that the dominance of giants like Nike and Adidas is no longer guaranteed. As these new brands gain ground, they reveal the vulnerabilities of even the most established names. Nike and Adidas, once seen as unbeatable, now find their leadership under serious threat. The success of Hoka and On AG highlights the evolving market and the need for Nike and Adidas to quickly adapt to better meet the demands of today's consumers.



Source: Quatr

## For further information

**Banque Syz SA**  
Quai des Bergues 1  
CH-1201 Geneva  
Tel +41 58 799 10 00  
syzgroup.com

**Charles-Henry Monchau**, Chief Investment Officer  
charles-henry.monchau@syzgroup.com

**Hashim Almadani**, Intern  
hashim.almadani@syzgroup.com

**Alexandre Pollo**, Intern  
alexandre.pollo@syzgroup.com

This marketing document has been issued by Bank Syz Ltd. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material.

This document is intended for informational purposes only and should not be construed as an offer, solicitation or recommendation for the subscription, purchase, sale or safekeeping of any security or financial instrument or for the engagement in any other transaction, as the provision of any investment advice or service, or as a contractual document. Nothing in this document constitutes an investment, legal, tax or accounting advice or a representation that any investment or strategy is suitable or appropriate for an investor's particular and individual circumstances, nor does it constitute a personalized investment advice for any investor.

This document reflects the information, opinions and comments of Bank Syz Ltd. as of the date of its publication, which are subject to change without notice. The opinions and comments of the authors in this document reflect their current views and may not coincide with those of other Syz Group entities or third parties, which may have reached different conclusions. The market valuations, terms and calculations contained herein are estimates only. The information provided comes from sources deemed reliable, but Bank Syz Ltd. does not guarantee its completeness, accuracy, reliability and actuality. Past performance gives no indication of nor guarantees current or future results. Bank Syz Ltd. accepts no liability for any loss arising from the use of this document.