

On Holding: Where should the next growth franc go?

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A strategy case for MBA students and working professionals

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The decision

At 12:30 p.m. in Zurich on 12 March 2024, a hypothetical member of On Holding AG's leadership team is preparing for the company's scheduled U.S. results call. On's 2023 annual report and full-year results release are public. The task is to recommend where On should put the next increment of growth investment over the coming planning cycle: in its direct-to-consumer (DTC) channel, in selected wholesale relationships, or in a market-by-market program that tests both before scaling.

This is a constructed decision for analysis. On has not disclosed these three alternatives as a management proposal, and the case does not imply that the hypothetical role or meeting existed. The decision is how to allocate marginal resources while preserving a premium brand and continuing to grow; it is not whether to abandon either channel.

A brand built around a distinctive shoe

On was founded in Switzerland in 2010 and built its reputation on performance running footwear. Its CloudTec cushioning and distinctive sole design helped establish a recognizable product in a category with powerful incumbents and specialist competitors. The company has since expanded into apparel and accessories, but footwear remained the economic center of the business in 2023.

On sells through two reported channels. Wholesale places products with selected retailers and other partners. DTC includes On's own e-commerce sites and stores; in China, it also includes sales through third-party marketplaces Tmall and JD. The distinction matters: DTC revenue is not synonymous with sales from On-owned stores, and neither channel is a single uniform type of customer or transaction.

The company says it selects wholesale partners for premium-brand compatibility, market position and industry expertise. Those partners can offer local reach, product comparison, fitting and service. On also describes its own stores and digital channels as ways to control the brand presentation, engage directly with customers and create product trial. It has characterized DTC and wholesale as “mutually beneficial” and said it expects DTC to outgrow wholesale. These are management's descriptions of the strategy; the public disclosures do not quantify the incremental sales or profit each channel creates for the other.

Growth-and a different mix by quarter

In 2023, net sales reached CHF 1,792.1 million, up 46.6% as reported. Wholesale generated CHF 1,120.3 million, or 62.5% of sales, and grew 44.2%. DTC generated CHF 671.8 million, or 37.5%, and grew 50.9%. The year-end quarter looked different: DTC accounted for 46.2% of Q4 net sales. The quarter's channel mix may be a signal of changing demand or timing, but it is not a full-year run rate or evidence of channel profitability.

On reported a consolidated gross margin of 59.6% for 2023, compared with 56.0% in 2022. Management attributed Q4's 60.4% gross margin in part to a higher DTC mix and full-price sales. The company does not disclose gross profit or contribution by channel. Nor does it provide the cost allocation needed to compare a wholesale franc with a DTC franc after payment fees, order fulfillment, returns, customer acquisition, store payroll, occupancy, partner support and other channel costs.

The growth is concentrated in shoes: footwear represented 95.5% of 2023 sales. Apparel and accessories offer possible adjacencies, while the channel decision also affects how customers discover and try the core product. On's regional sales were concentrated in the Americas, which contributed 64.9% of sales; EMEA contributed 27.2% and Asia-Pacific 7.9%. These regional totals do not reveal which markets can support another store, or where local partners outperform an owned presence.

Reach, service and fixed commitments

At 31 December 2023, On reported 32 own stores: 10 outside China and 22 mall-based stores in China. Its reported DTC channel also includes e-commerce, including third-party marketplaces in China. E-commerce visits rose to 232.3 million in 2023 from 142.5 million in 2022. Visits indicate traffic, not unique customers, conversion, repeat purchase, acquisition cost or incremental demand.

On's annual report cautions that its experience opening and operating stores is limited. New stores may not be profitable immediately and require investment in equipment and leasehold improvements, personnel and lease commitments. The company also expects marketing spending to rise in absolute terms as it introduces products and expands internationally. Its distribution expense increased as a share of sales, with warehouse automation and temporary capacity costs among the factors described for 2023.

The larger wholesale channel has its own risks. In 2023, On recorded a one-off bad-debt provision associated with a Central European wholesale customer insolvency. The annual report discusses working capital tied to receivables and inventory. Public disclosures do not provide partner-level sell-through, wholesale terms, markdown support or channel-specific credit exposure. A sale into a retailer is not necessarily the same as a sale through to an end customer.

The scale of the investment question is visible in On's consolidated expense base, but these figures cannot be assigned cleanly to either route to market. Selling expense was CHF 133.3 million in 2023; distribution was CHF 239.5 million; marketing was CHF 195.8 million. Selling expense supports both wholesale and end-customer delivery, and distribution resources serve the broader business. The report does not present a channel contribution statement or store-cohort returns.

A competitor's example, with limits

Nike offers an example of a large athletic-footwear company that operates both direct and wholesale routes. In fiscal 2023, Nike reported \$21.308 billion of NIKE Direct sales and \$27.397 billion through wholesale customers; a further \$58 million in Global Brand Divisions reconciled the figures to \$48.763 billion in NIKE Brand revenue. Nike described its posture as combining digital, owned stores and selected wholesale partners. It also disclosed significant investment and fixed costs associated with its Direct business.

The comparison establishes coexistence, not a target mix or a transferable unit-economic benchmark. Nike is much larger, has a broader product portfolio and a far more extensive owned-store footprint. Its reported channel definitions and fiscal year also differ from On's.

The allocation choices

The hypothetical leadership team is considering three ways to direct the next phase of growth investment. Each preserves both channels; each makes a different choice about which capabilities to build first and what evidence should govern expansion.

DTC-led control. Prioritize e-commerce capability and add owned stores selectively in high-value markets. Use wholesale primarily where partners extend reach, product discovery or service that On cannot efficiently reproduce. This path gives On more control over presentation and direct customer interaction, while requiring it to fund and operate more of the customer journey itself.

Partner-led reach. Prioritize selected specialist and premium retail partners for local access, fitting and service. Continue to invest in e-commerce, but keep store openings selective. This path can extend availability through established retailers and contain On's fixed retail commitments, while leaving more of the customer experience and local execution in partners' hands.

Gated omnichannel. Set market-specific hurdles and test stores, e-commerce capabilities and partner programs in parallel. Scale the approaches whose incremental contribution and customer reach justify their full costs, including effects on existing On channels and retail partners. This path preserves learning and flexibility, but requires disciplined measurement and may slow commitments while evidence accumulates.

Exhibits

Exhibit 1. On's reported sales by channel

CHF millions, except shares and growth	FY2023 net sales	Share of FY2023 sales	FY2023 reported growth
DTC	671.8	37.5%	50.9%
Wholesale	1,120.3	62.5%	44.2%
Total	1,792.1	100.0%	46.6%

Source and provenance: On FY2023 results release, “Key Financial Highlights”; SEC-filed Form 6-K Exhibit 99.1, accepted 12 March 2024 at 7:17:59 a.m. ET. Values are company-reported and rounded. Growth is reported-currency growth, not constant-currency growth. [SEC release](#).

Exhibit 2. Q4 mix and reported gross margin

Measure	FY2023	Q4 2023
DTC share of net sales	37.5%	46.2%
Consolidated gross margin	59.6%	60.4%

Source and provenance: On FY2023 results release, “Key Financial Highlights.” Gross margin is consolidated; the company does not report channel-level gross margin. Management attributed Q4's margin in part to elevated DTC mix and full-price sales. [SEC release](#).

Exhibit 3. Selected operating context at year-end 2023

Item	Disclosed figure or statement
Own stores	32: 10 outside China; 22 mall-based stores in China
E-commerce visits	232.3m in 2023; 142.5m in 2022
Product mix	Shoes CHF 1,711.4m; apparel CHF 68.9m; accessories CHF 11.8m
Net sales by region	Americas CHF 1,162.2m; EMEA CHF 488.7m; Asia-Pacific CHF 141.1m
Store risk	New stores may not be immediately profitable; require personnel and fixed investment, including leasehold improvements and leases
Channel description	DTC includes e-commerce and stores, plus Tmall and JD in China; management describes DTC and wholesale as mutually beneficial

Source and provenance: On 2023 Form 20-F, Items 3.D, 4.B, 5.A and 5.B, including business/channel descriptions, store risk disclosures, product and regional tables, and operating metrics. Accepted by the SEC 12 March 2024 at 7:13:10 a.m. ET. E-commerce visits are visits, not buyers; regional and product values are reported net sales. **SEC 20-F**.

Exhibit 4. Nike's dual-channel context (Nike fiscal 2023)

NIKE Brand sales channel	US\$ millions
Wholesale customers	27,397
NIKE Direct	21,308
Global Brand Divisions	58
NIKE Brand revenue	48,763

Source and provenance: Nike FY2023 Form 10-K, Item 7, "Revenues," printed page 31. NIKE Direct includes owned stores and digital. Global Brand Divisions is included in NIKE Brand revenue but is not one of the two selling-channel rows. Nike's scale and definitions differ from On's. **SEC 10-K**.

Questions for discussion

1. What is the strategic decision On faces, and what is the relevant unit of allocation: channel, market, customer segment, store cohort or capability?

2. Which sources of value creation and value capture differ between DTC and wholesale? Which could cause one channel to support the other?
3. Which of the three investment postures would you recommend for the next planning cycle? State the assumptions that matter most to your choice.
4. What evidence would you require before scaling an owned store or deepening a partner program? How would you distinguish incremental demand from channel transfer?
5. How should On account for differences across regions and for the fact that reported DTC combines e-commerce, stores and, in China, third-party marketplaces?
6. What measures and decision gates would let On learn without making premature fixed commitments?

Sources available at the cutoff

- On Holding AG, [2023 Form 20-F](#), filed 12 March 2024.
- On Holding AG, [FY2023 results release, Form 6-K Exhibit 99.1](#), filed 12 March 2024.
- NIKE, Inc., [FY2023 Form 10-K](#), filed 20 July 2023.

The information cutoff is immediately before 8:00 a.m. Eastern Time on 12 March 2024. The On filings above were accepted at 7:13:10 a.m. and 7:17:59 a.m. ET, respectively. The scheduled call and all subsequent information are outside the student case.