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- Dave: We learned early on you can't compete in the online space unless you're a data driven company.
- Male Speaker: Welcome to Marketing in the Know, the premier podcast to help you leap ahead of the marketing curve so you can grow your business. Now get ready, set, and grow with your host and tour guide through the marketing jungle, Buckley Barlow.
- Buckley: Hello insiders, and welcome to Marketing in the Know. Today I am so excited to have an amazing entrepreneur. He's the co-founder and CEO of Bombas. I used to say Bombas, but it's Bombas socks or otherwise known as Bombas. You might have seen them on the television show *Shark Tank*, where he made that last minute deal with fashion mogul Damon John. Dave Heath, it's fantastic to have you on Marketing in the Know today; thanks for coming on.
- Dave: Thanks a lot Buckley, I appreciate you having me.
- Buckley: I'm really excited about this conversation, but before we dive into all the things that we're gonna discuss, I'd really love it if you would take a minute and give us a backdrop of you, Bombas, and your role over there.
- Dave: Sure. I kind of grew up not knowing that I was gonna be entrepreneur, but always had it in my blood. You know, I was I doing lemonade stands, washing cars, walking dogs, anything I could as a kid to earn a buck. My dad is an entrepreneur and was a big influence on my life, I think, both genetically and from a personality standpoint. I ended up following that passion to Babson College, specializes in entrepreneurship for undergrad and MBA.
- And then once I had my education there I knew that one day I wanted to start my own company. I'm graduating, I set myself up with the lifetime goal of by the time I was 30, I wanted to have my own business. And by the time I was 30 I actually ended up with three businesses.
- Buckley: One too many.
- Dave: Two too many, actually. Yeah, so leading up to that I worked in a bunch of startups. I started in software sales. I then went to be a founding employee of a media company, which I stayed at for six years. I was the fifth employee and it grew to 135 employees.
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That was really important in terms of my growth. And I think significantly that I want to make sure that anybody who is looking to do entrepreneurship is I think we're all jaded a little bit by the media and everybody's expectations of: well, if you don't have your first successful company by the time you're 24, then give up. I actually think most people can gain a lot of experience.

I always treated a job as paid school. It's an education I'm being paid for. And I think there are a lot of valuable insights both from things to do right and things not to do, as I took the journey to start my own business. But how I got into it, it was basically at this media company. And I saw a press release for a campaign that Haines and the Salvation Army did together around a sock drive. And the Salvation Army quoted in the press release saying that most people don't know this, but socks are actually the number one most requested clothing item at homeless shelters. And it kind of stuck with me.

I had always donated coats, pants, and shoes, and things that everybody commonly donates, but I never donated socks. And it was this weird fact that kind of hung with me. Around the same time – this was three and a half years ago – Tom's and Warby Parker were really just starting to get a ton of mainstream media coverage really talking about the pioneering of the one for one business model. And that was kind of my light bulb moment. I was like; hey, maybe this new business model can help solve this sock issue.

So I took the next two years working on research and development, establishing relationships with manufacturers, leaning on friends who were designers and starting to put this together.

Buckley:

The reason I am so excited to talk with you today Dave is because there's so many people out there, me included, who have thought about starting a business where you take this traditional idea, or a tired old industry that hasn't seen much change in it, and then you make it uniquely yours and you did that. I mean, there's so much talk out there in the media about the next software company, SAS, AP startup, and here we are talking about socks. Someone is gonna ask: what the heck were you thinking?

Dave:

And you know what, I actually had a lot of people when I first came up with the idea that said exactly that. You know, I think the true nature of an entrepreneur is somebody that sees problems or things that are broken in the world around them and is always

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asking the question why, or how can I potentially solve this problem? In the eight years after graduation, I had about 26 different business ideas ranging from the concept of Blue Apron about five years ago, to a software business, to a sock company. And I think I took all of them as far as I could.

And Bombas was the one that I never hit any roadblocks on and constantly got positive feedback on as I worked out the plan. The main inspiration was that I learned that socks are the most requested clothing item at homeless shelters, and looking at businesses like Tom's and Warby Parker a couple years ago, I was seeing the growth of this kind of give back business model. And that was kind of when the light bulb went off for me to say: I wonder if this new business plan that people seem to really be into is a way to solve this sock problem?

But I knew that just doing one for one a tied to socks wasn't just gonna be the answer to creating a sustainable business. In order to donate a lot of socks I needed to sell a lot of socks. And in order to sell a lot of socks I needed to create a really good product behind it. it was really born out of my own personal need, where I never wore dress socks because I always worked in the startup casual environment, and I cared about the clothes that I bought and wore from a style perspective, but I always found myself stuck with black athletic Nike socks that didn't really resonate the rest of my conscious decision for fashion or a statement.

So I saw what was happening in the dress sock market, really expanding into colors and patterns. And people really thinking of socks as a fashion accessory, not just a basic afterthought. And thought: oh, you know, no one is really doing this in the athletic sock market, and that's kind of where I saw my opportunity. I spent two years on research and development, basically trying every athletic sock on the market and started to pinpoint that there was a huge gap. You could either get your really cheap basic multipack socks, three or four dollars a pair, or you jump up to \$15 to \$22 a pair for hyper focused niche athletic running socks for marathons or triathlons or whatever.

And I wanted to know why there was such a huge price disparity, and what really the product differences were. So upon looking at those socks I realized that they were in fact a lot more comfortable than your cheap socks. And I worked along the side the factory to find ways to innovate on production manufacturing capabilities.

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To bring the technologies that were seemingly more expensive and bring them into a moderately priced athletic sock.

Buckley: Now, Dave, I have to admit it, I don't watch a lot of television, so I didn't see you initially on *Shark Tank* until after the fact. I found you in the *INC Magazine*. And not because I scour *INC* to look for guests, I really just eat that magazine up because it's all about growth. But when I read your story I thought: wow, good for those guys. I'm gonna buy a pair right after I watch this *Shark Tank* video on YouTube. And I just have to ask, how important to your ultimate success was that deal you made with Damon John on *Shark Tank*, even getting on *Shark Tank* in the first place, how important was that?

Dave: Yeah, I mean, it was interesting. I don't think that we ever early on ever thought about pursuing *Shark Tank*. It kind of seemed like a one in a million chance. And thankfully enough they actually reached out to us. I think they saw the success of our **Indiegogo** crowd funding campaign and liked the business model, and liked our personalities that came through on our video and asked us if we wanted to be on the show. Following that process, you know, we were super excited and – but really didn't have any idea.

We talked to some people who sold hundreds of thousands of dollars after airing, and then we talked to some people who didn't really see a bump at all. So our expectations were kind of mixed and we didn't really know what to expect. Upon closing the deal with Damon, we ended up airing on the season premier. And to give some ideas on numbers, we spent the first nine months of our business all organically, we hadn't done any paid marketing or anything, and we had done about \$600,000 in sales on our own.

In the two months that followed *Shark Tank* we did about \$1.2 million. So the exposure from *Shark Tank* was incredible. And then to be able to walk away with a partner like Damon John, who is constantly in the media, like the feature you read in *INC Magazine*, talking about us and really being an advisor to our business in a lot of different capacities is really just invaluable.

Buckley: Well, that's great. Now I'm gonna backup just a little bit to go back to your market research. You have this amazing technique that you employ to conduct your market research, it's called conjoint analysis. And it kind of sounds like it hurts.

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Dave: Yeah, you know, it's funny. We started at the beginning of this year questioning whether our price point was the right price point to be at. We came up with it originally, and our original price point was nine dollars purely based on gut. We wanted to stay in between the cheap multipacks and the high end expensive niche running socks. And it sort of worked really well for us, but as a mature business we wanted to get validation that that was really the area that we should be at. We decided to take the plunge and hire a pricing consultant, who conducted this conjoint analysis, which was really like going back to business school.

It was like, you know, we're doing all these graphs and looking at models and looking at actual data. And I think that's one of the important things is that yes, while at the core and the end of the day we are a sock company. We are heavily data driven in almost every decision we make. And I think in speaking with our friends over at **Harrys** and Warby and **Everlane**, and some of the other big names that you know in the e-commerce space, we learned early on that you can't compete in the online space unless you're a data driven company.

Learning from the conjoint analysis, basically what a conjoint analysis is we surveyed 600 of our current customers, and then 600 people who had never heard of us, what they call prospects. We asked a series of questions, you know, if you had this option or this option, which would you pay for more? What features do you value? And the funny thing is when we first started the project our consultant was like, "You're gonna find out what price is right for your current product, but that's not gonna be the most valuable part of this study."

And he was right. When we came out of it, we learned things that could really help us from a marketing perspective, like for instance we learned that 92 percent, which he said is like – he never sees anything over than 76 percent – but 92 percent of people value comfort, the number one attribute when shopping for socks. So with that type of data, you know, before we were testing the best performing sock in the world, the best looking sock in the world, and now we've switched all of our marketing over to say the most comfortable sock in the history of feet. And really emphasizing comfort has increased our conversion rates on our advertising tremendously.

Buckley: One of the questions I have is how did you conduct the surveys? Did you do it offline, online, combination thereof?

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Dave: It was all done online. And basically our consultant ran the study for us. He built out the model and the survey. We sent surveys to our current customer base and then he hired an external marketing firm that specializes in running surveys to prospects. And we ran that data, and then basically we pulled all the data back together and he built a pricing dashboard that essentially allows us to show if we change the price from \$9 to \$10, what's the increase in revenue? What's the increase in take rate? What's the increase in margin?

Based on every single data point that we questioned against, so age, gender, location, it's like the wealth of knowledge that we got out of this pricing simulator was just like – it's immense. You could spend weeks with it and still not extract everything that's in there.

Buckley: And there are a lot of entrepreneurs as they're starting to grow, they want to grow, they're still hesitant to spend money on experts and consultants or education, I've never been hesitant about doing that. It sounds like you really embrace it as well. And in particular the data that you received from it has been powerful for your growth.

Dave: I really think one of the greatest strengths that I've had as a CEO, and I say this incredibly humbly, is I'm very honest about what I'm not good at. And once I identify that, you know sitting in meeting after meeting, sitting around a table with your team saying: well, what should the price be? I mean, well, my friend thinks they're too expensive. Well, my friend thinks they're too cheap. It's like that's not gonna tell you anything. So when you start going around in circles you say: okay, you know, this is enough. Let's find somebody that can actually help us find the answer.

Buckley: Yeah. Now aside from the fact that you have some pretty cool product features that really differentiate you from your competition, I think the real genius I see in your brand is how you've gone about marketing your business. I mean, your social pages look awesome. Can you kind of walk us through briefly how you're engaging with social media and what you're using? What's working for you out there?

Dave: Sure. When we look at our ad spend across all the different channels that we acquire our customers on, for us personally Facebook by far and away is the best performing channel with the

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largest audience and consistent performance. I think one of the things that's interesting for a lot of people as they think to start an e-commerce brand, the one thing you're gonna learn is that you're gonna heavily base decisions off of what's the ROI that you can get on first purchase, and how much margin dollar do you have to work with based on your average order volume?

And what's the average cart size or order size that the average customer is placing? And for us that's around \$45, and knowing that our margins it's more around 60 percent, we've got about \$22 to safely work with to say: okay, we can acquire customers for \$22 on their first purchase, and if they never purchase again then we're either slightly profitable or break even. But the idea with the sock business is that socks are a replenishment item, so we hope that the profits of the business really grow on repeat purchase rates. So people ask me all the time, 'Oh, but I see brands like Casper advertising on taxi tops and in the subway and billboards, like why don't you guys do that?'

The fact of the matter is Casper has about \$500 of cost per acquisitions margin to work with, so they can spend a much higher cost values to acquire their customers and still have a break even on it. When you're dealing with a low cost item like us, you really need scale as a function. But I think, you know, speaking to some of the other tips and tools and stuff that we use, because we have such a low dollar margin to work with, we've really got to be focused on the bottom part of the funnel, not the top part of the funnel. Because the top part of the funnel is literally limited by our spend.

If we would spend \$40 we'd have a lot more advertising options to go with, but we have to be really controlled in focusing only on the areas where we can acquire customers that we know are safe for us. When you talked about that popup, we employ an agency called Bounce Exchange. One of the most amazing things about them is that it's actually a software with a service. So it's not software as a service, it's software with a service. Their platform runs, and the benefits that you get is that they run their platform across thousands of e-commerce companies, and then aggregate the data back, and then share best practices that occur across everybody else.

So while they don't tell you: oh, we did this for Walmart and it's doing a lot better. They'll say we've done this for a number of other clients; we'd like to test it for you, this copy or this button

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change or whatever. And they're literally running billions of impressions through their platform every day, so you get statistical significance really really quickly to understand what are the best practices to employ. When we worked with them, we saw that the revenue per unique visitor increased by 27 percent on desktop, 51 percent on tablet, and 74 percent from mobile, versus control groups where we didn't employ the entry gate offer at all.

Buckley: Awesome metrics, thanks for sharing those. For anybody that doesn't know what statistical significance is, go look it up. We don't have the time for this show, but maybe we'll invite you back to talk about that piece of data because that is huge when you're doing AB testing or even multivariate testing. Dave, I's imagine that you've tried a lot of different tactics, any tactics or tools, channels, that just didn't work for Bombas that you want to share with us, so we don't waste our time and money and resources on dead ends?

Dave: Yeah. I want to say that doesn't work for us doesn't necessarily not work for other people. As I mentioned with the Casper example, if we tried doing subway ads, the dollar conversion back for us just would not work, I know it because of the costs to implement. We tried podcasts. We tried preroll on YouTube channels. And we tried Sirius satellite radio. All three of them with the exception of maybe one or two specific personalities just yielded like \$100, \$200 CPAs for us.

Maybe that was an audience thing, maybe it was an offer thing, but then we'd get these like one gems where we were getting like \$2 or \$3 CPAs, which is like unheard of in that space. I think one of the interesting things about anytime that you are starting a business, and I think one of the great things about being able to raise equity or debt is you have to go out immediately and deploy that capital to figure out – it's like mining for gold. You have to figure out what works and what doesn't work. And then once you figure out what doesn't work, you cut that out of it and then pump money into all the channels that do work.

Oh, and the other one that I would say is like offline is we tried to do street teams and ambassador type of engagements on the street, where we had a couple people standing outside the gyms handing out socks. And the reach on a sidewalk in New York, you'd be like: all right, you can reach a couple hundred people an hour, but I can reach hundreds of thousands of people on Facebook in minutes. It wasn't something that we could scale.

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Buckley: Well, you've hit on the premise of the show and that is we want to find out what's working and what's not working. And we know that for every industry, every company it's gonna be a little bit different, but it's nice to hear from a guy like you that has taken the time to really experiment, tweak, and test, and those are great nuggets of wisdom for everybody here. We have two questions left that I can't wait to ask you. If you were gonna hire one person today, and you probably have already done this, in your growth or marketing department, what would you be looking for and why?

Dave: The easy answer to that – I'll give you two answers. The easy answer is find somebody with experience and pay for them. The world of online customer acquisition, specifically in the e-commerce space is something that only experience can really give you some safety in it. But the e-commerce industry itself on a whole is not that old. We're talking about 15 years from like the start.

Buckley: If that, yeah.

Dave: Yeah, if that. And then talking about when online marketing really started to become employable, you know, we're talking about five, six years. So we found somebody that had about five years of experience working for a dating website in customer acquisition, and they just come with a wealth of knowledge saying like: okay, well, I know that this just doesn't work, or this tool does work.

You save a lot of efficiencies there that I would say, you know, when your budgets are \$100,000, \$200,000 a month – I would even say if your budgets are \$25,000 to \$50,000 a month, to pay somebody with that experience \$200,000 a year might seem like bonkers when you've raised a million dollars of seed funding or even less, but that person will save you more money and time than you'll end up spending.

Because at \$50,000 a month, your four months of bad advertising and you've already spent their salary with nothing to show for it. If you can't find that person, as they are very difficult to find, hire somebody with a very strong quantitative background. We found that people who came from investment banking, people who came from finance; people who came from traditional consulting, such as **Bain Mckinsey**. People who are really really good at data analysis are ironically the best marketers.

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People hear marketing and they think: oh, it's all creative driven. It's all creative driven. In the online world it's actually all data driven. You put two things out, you see which one performs better, you figure out why it does and then you start testing, and testing, and testing, and you start to find the variations between literally microns of a percent. And microns on a percent when spent at scale, you're talking about \$100,000, \$200,000, a million dollars a month in advertising those small percentage points really start to matter.

Buckley: Oh, yeah, we call them marketing engineers, right, truly.

Dave: Or data scientists.

Buckley: Data scientists that's right. Well, you're a cool dude. I love talking to you. And I love the fact that you know how to grow business. I think it's amazing. What could you leave with us in terms of the best growth or marketing tip that you've ever received, you've read about that you could leave with us and our insiders?

Dave: I think the best growth and marketing tip that I ever received, it applies kind of generally to the business as well, is focus. We started out and I have a really good friend who was one of the senior guys over at Tom's. and he told us – you know, I was so distracted by, you know, I started the business, I've been looking at the same pair of socks for almost three and a half years now, and I was like: no, no, no, we need to do underwear and shirts, and we need to really expand out of this. And he kind of knocked me over the head and he was like, “You don't understand. You are peanuts compared to how big you could be.”

He's like, “It may be old to you, but it's all new to so many people.” And when you really rein in the focus, it not only forces you to be better at a lot of the things that – you know, that one thing that you're doing, it also allows the entire team to stay focused on their one task at hand. So focus, focus, focus, focus, when you're small is really the one thing that I can – the tip I can leave.

Buckley: Awesome Dave. Well, you're cool man. I love your brand. I also learned a lot from this conversation today. And it's refreshing when you get a chance to talk with people who are just crushing it, doing cool and innovative things, and hats off to you and your team really. So for all those listeners, when you have time, you've

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got to head on over to Bombas, or Bombas. I've been calling it Bombas. It's Bombas, but head on over there bombas.com and check out their cool selection of socks.

Dave: And you'll get 20 percent off your first purchase if you're a first time customer.

Buckley: Oh, that's awesome. Yeah, check out their cool selection of socks, and don't forget that every pair you purchase a pair gets donated. That's a very cool premise. All right Dave, it has been a pleasure. I appreciate you coming on.

Dave: Thank you very much.

Buckley: Insiders that's a wrap. Hey, thank you for joining me on Marketing in the Know today. Now I'm gonna ask you to take just a minute of your time to subscribe, rate, and review this podcast, and then give me some feedback would you? This is new to me and I'll take the good, bad, and ugly. I love to learn and improve. I really do mean that. And if there is someone out there that you would like to hear from, or a topic that you would like covered, all you have to do is reach out and let me know and I will do my best to make it happen. So thanks again insiders, I'll see you next Tuesday.

Male Speaker: We appreciate you joining us for this episode of Marketing in the Know. For show notes and a free version of Ready Set Grow, visit beinthknow.co. Thanks again and we'll see you next Tuesday here on Marketing in the Know.

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