

Toms: So Much More than a Pair of Shoes



Mycoskie at the one millionth shoe drop in Argentina, 2010

As Blake Mycoskie roamed through the streets of Argentina back in 2006, he couldn't believe what he saw. He saw children in the dozens who were plagued with sores, blisters and infections that fully grown adults should never have to endure. What was most frustrating is that he saw that those afflictions could easily have been prevented had they just owned a pair of shoes to protect their feet from the threatening elements that dirt roads and concrete alleys presented. He thought he might start a shoe drive in which people would donate money to buy the right pairs of shoes for these children, but quickly realized that the arrangement would only last as long as he had donors and was not a stable source of ensuring that he would

eradicate the problem at hand. It then dawned on him that the solution might not be charity, but entrepreneurship. Why not create a for profit business that ensured a constant flow of shoes to those in need at the same time?

Background and Company Overview

TOMS is essentially a shoe company that operates with one simple model: One for One. For every shoe sold, the company will donate a pair of shoes to someone in need in different parts of the world. Giving back is at the core of TOMS's corporate culture. TOMS has moved away from simply "One for One" shoes and strives to offer sight, water, safe birth and kindness as well. The company has now expanded to offer eyewear, bags and some clothing items and with each sale, the company gives back in one of their five aspects of giving back. The company was founded in 2006 and began giving shoes in Argentina but had now expanded and is giving back in over 70 countries. They have given 45 million pairs of shoes to people around the world to date. TOMS emphasizes their corporate responsibility and strives to ensure that their materials are legally sourced from their global supply chain and try to use sustainable material along the way. They strive to be transparent through every step of the process. With shoes made in China, Ethiopia and Argentina, TOMS has a reach across three continents in which slavery and human trafficking are common, and TOMS aims to ensure that none of that is present within their supply chain.

Toms founder Blake Mykoskie had promised himself a vacation after spending years developing an online drivers education program for teenagers that

used only hybrid vehicles and wove environmental awareness into the course. After competing in *The Amazing Race* in Argentina in 2002, he decided that it would be the perfect spot for his long awaited and long planned vacation. After witnessing the stark difference between bustling cities and poverty stricken villages during his trip, he knew he had to help the children he encountered. He had always known that poverty was a problem in many parts of the world, but seeing it first hand and having the image stuck in his head had shaken him to the core. While in Argentina, Mykoskie wore the *alpargata*, the national shoe that is essentially a soft canvas shoe worn in a casual setting on a daily basis by everyone in the country, from farmers to students. Its comfort and practicality got him thinking that it might have some market appeal in the U.S but he didn't decide to act on it until he saw the desperate need those children were in. Mykoskie decided to confide in Alejo, his Argentinian Polo instructor. "I'm going to start a shoe company that makes a new kind of alpargata. And for every pair I sell, I'm going to give a pair of new shoes to a child in need. There will be no percentages and no formulas"(Mykoskie, pg. 6). "Tomorrow's shoes" was the name he had been playing around with, and thus TOMS was born. Many thought that it was a person's name, but it was about a concept and a movement. Mykoskie quickly got to work collaborating with local shoemakers to make a new version of the *alpargata* with a stronger sole and a slightly different design to appeal to a U.S market. He set out to test the shoes that he had worked on by dragging his feet along the streets of Buenos Aires and eventually went back to Los Angeles with 250 samples of the shoe.

With no knowledge of the fashion industry and minimal knowledge of business, Mykoskie turned to his closest female friends for an opinion on his endeavor and the shoes itself. His female friends then advised him as to what stores he should be targeting and what partnerships may have similar philanthropic goals. One day, Mykoskie went to *American Rag* and asked to speak to the shoe buyer and that same day he left with his first retail partner. Shortly after Booth Moore, a fashion writer for *The Los Angeles Times*, covered TOMS for a story that ended up on the front page. Mykoskie couldn't keep up with the amount of orders that flooded the site, and physically did not have the inventory. He only had 160 pairs of shoes left at this point and about 2,200 orders to fill. Mykoskie turned to craigslist, hired himself a couple of interns and started working non-stop out of his own apartment, to fill the orders he could and explain to the rest that they would have to wait.

Products

TOMS started off producing casual canvas shoes modeled after the Argentinian *alpargata* in different colors, prints and textures. Since its early days it has expanded its product range to eyewear, bags, apparel and accessories. Aside from offering physically products made from sustainable and responsibly sourced materials, TOMS also sells a story. Most TOMS customers purchase the product because they fall in love with the story and the mission and want to be a part of something bigger. They want to be able to give back to the world while still attaining a good quality product.

The Gift Of Shoes

TOMS offers different types of shoes depending on the climate of the country they're distributing the shoes in. "The classic slip on" has been given since 2007 in over 70 countries and are offered in a variety of colors. The shoe also meets the uniform requirement in many countries and has a sturdy sole for longevity. "The winter boot" is a heavy-duty shoe that is given in colder climates to keep children's feet warm and dry and has been given since 2012. "The we weather slip-on" is created for climates that experience heavy rainfall and are designed to withstand excessive water exposure. They have been given since 2014. The "Sports shoe" is designed in a sneaker fashion and has been given out since 2013. This shoe was made to encourage children to engage in an active lifestyle. "Locally produced shoes" perhaps have the most impact on the locations they're given in. These shoes (predominantly produced and given in India) meet the given countries standards and are integrated into education and school meal programs. These shoes have been given since 2013.

The Gift Of Sight

Toms works with a network of 14 providers in 13 countries to help provide eye care to underprivileged communities and help people regain their independence through the gift of sight. They provide prescription glasses, sight saving surgery and medical

care that includes removing objects from the eye, curing infections, and provide follow-up care and teach patients how to maintain healthy eyesight.

The Gift Of Water

TOMS Toasting Co has provided 175,000 weeks of clean water to people in need. Each bag of TOMS roasting co. coffee provides 140 liters of water to a person in need, intended to be a week's supply. TOMS is working to provide clean and sustainable water systems in 7 countries, which happen to be the regions they source their coffee beans from.

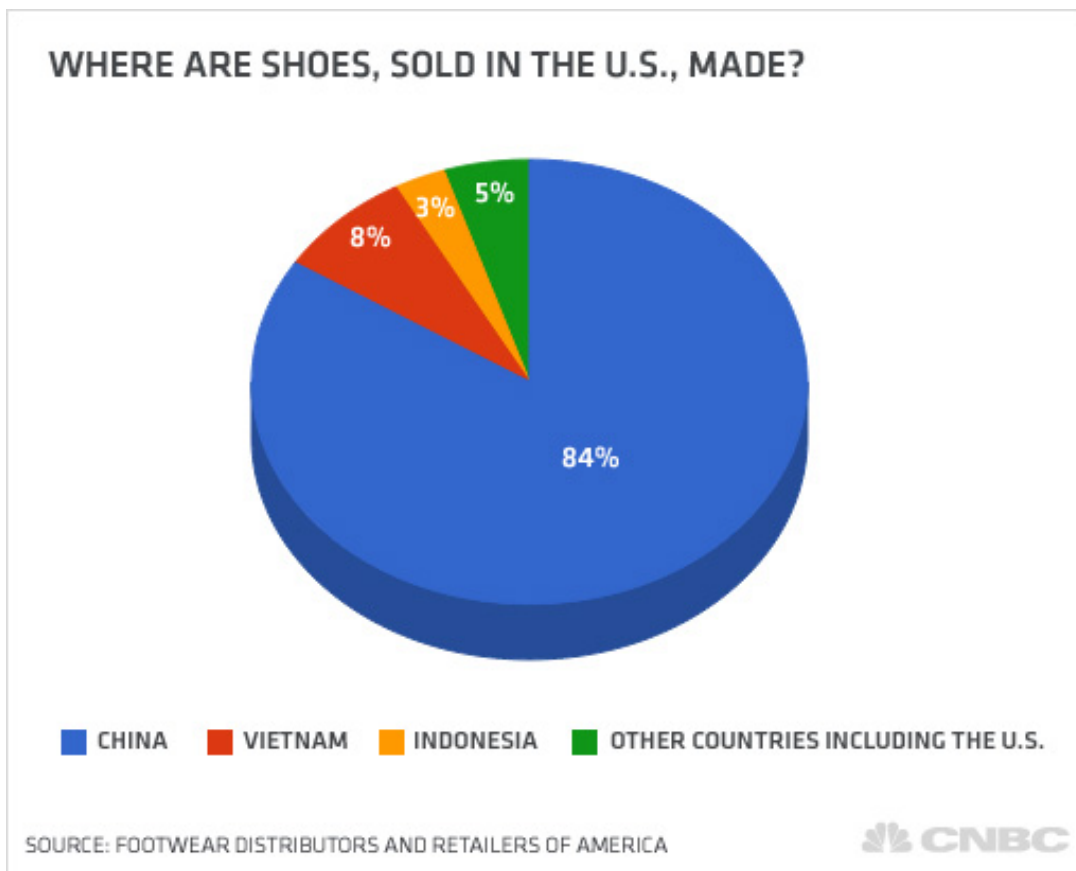
The Gift Of Safe Birth

Unfit birth conditions are the leading cause of mother and infant mortality in different places all over the world. The purchase of TOMS bags contributes to partners that help provide proper care and well-equipped facilities to expectant mothers to reduce infant mortality and infections in mothers. They aim to deliver safe birth kits, training to birth attendants and by extension healthy delivery for both the mother and the baby.

The Gift of Kindness

TOMS sale of StandUp back packs help provide training to various school staff in bullying and crises situations. Bullying prevention programs and bullying response programs are the two initiatives that TOMS invests in. The Bullying prevention program trains entire communities to deal with bullying and the aftermath of some of the situations that are later byproducts while the bullying response program makes it as easy as possible for students to report incidents of bullying, and to offer help to students stuck in either the bully or the victim role.

Market Information



The majority of shoes sold in the US are made in china, but very few US based shoe companies give back to the country that they are manufacturing in; aside from the wages they pay for labor. (Graphic as of 2013)

<http://www.cnbc.com/2013/10/23/new-england-footwear-wants-to-return-shoemaking-to-the-us.html>

TOMS shoes obviously fall under the larger umbrella that is the shoe industry, but is both a part of both domestic and international markets. The products are priced between \$44-120 and vary depending on the fabric, colors and textiles used on the product. TOMS shoes are predominantly sold in the US but are offered in almost 30 countries. None of the shoes are actually made in the US, which is how it ties into the international market. TOMS creates job opportunities by having a significant portion of their shoes manufactured in the countries that they are distributed in. They have factories located in Ethiopia, China and Argentina. The shoe market is obviously very large, but TOMS has found a very niche demographic for the company. Their target audience is younger men and women who are price conscious and environmentally conscious as well. They're looking for comfortable every day shoes that tell a story and are not just any other pair of shoes.

TOMS are distributed through both physical retail stores and e-commerce sites. Their retail partners include Nordstrom, Urban Outfitters, Neiman Marcus, Amazon.com, Zappos.com, karmaloop.com. Once a pair of shoes has been sold, it takes about 4-6 weeks for the shoes to be delivered to a child in need.



<https://averima.files.wordpress.com/2011/09/toms-pr-plansbook.pdf>

The process pictured above is what happens each time someone buys a pair of shoes. Once a pair of shoes is purchased, another pair is manufactured then sent on a boat, then transported to the child in need by truck once it gets to its destination. It's the journey that each "one for one" return goes through to get to those in need.

Competition

Keds was established in 1916 and has become a well-known brand synonymous with affordable footwear. Their target demographic is in the same age group as TOMS target demographic, and they try to stay relevant by partnering with different brands and musicians to create capsule collections. What they lack is a story to tell; their shoes are also not made of sustainable material and rely heavily on plastic. They also often offer promotions and discounts and have many physical and e-commerce retail partners, some of which overlap with TOMS.

Sketchers Bobs operate with the same goal as TOMS, but offer far less variety and exclude an important demographic: men. Bobs only offers women and children's styles and does very minimal promotion. For each pair of Bobs sold, Sketchers makes a donation to Soles4Soules, which gives two pairs of shoes to a child in need. The price range for these shoes is \$30-45, but do not have an online presence or a

physical retail store. They are carried in various department stores including Sears and DSW and are also offered on a few e-commerce sites.

TOMS also operates, as Mykoskie pointed out, in a very healthy market. The shoe and eyewear markets have very high margins already, so they don't need to create an extra margin because the market already allows that extra. TOMS also doesn't spend as much on advertising as other companies in the industry do. Since TOMS is in the business of giving, they create customers for life that then become their greatest advertisement. Their exposure comes organically through customers sharing TOMS related information via social media. They have essentially flipped the funnel and turned their customers into their greatest asset and biggest cheerleaders.

Management/ Founders

Blake Mykoskie always had an eye for entrepreneurship and began his own ventures right after he graduated from college. He moved to Nashville to start Mykoskie Media, a billboard company that primarily focused on advertising country music. He then tried his hand at the college student demographic with EZ Laundry, but took a different turn when he competed in the amazing race with his sister in 2002. This show would be the pinnacle that took him to Argentina, the country that would later inspire him to start his shoe company. After witnessing the intense poverty that plagued small villages across the country, he decided to start TOMS and became Chief Shoe Giver. At the time he was one of the founders of DriversED

Direct, a drivers education program that used hybrid vehicles and raised environmental awareness while teaching people to drive. He shifted his focus to creating TOMS. Mykoskie runs a relatively small company that encourages the break down of silos and operates in a setting with no levels that encourages open conversation and creativity. TOMS encourages an environmentally conscious lifestyle, rather than simply a product. Mykoskie realized that “One for One” could be applied to more than just shoes. His efforts earned him the Secretary of State’s 2009 Award of Corporate Excellence (ACE) and was named on Fortune Magazines “40 under 40”. As of August 2014, Bain Capital owns a 50 percent stake in TOMS, while the other 50 percent still belongs to Mykoskie.

Milestones and Challenges

Blake Mykoskie faced skeptics since the beginning, be it the manufacturers of his new and improved *alpargata*, who called him “loco” when he described what he wanted, to traditional business minded community that could not grasp how a company founded on the concept of giving could yield any profit. As of September 2010, TOMS had given over one million pairs of shoes to children in need through Giving Partners around the world, and taken off tremendously. It had grown exponentially and was obviously no longer operating out of Mykoskie’s apartment with a few interns.

Timeline

- February 1, 2006: Blake Mykoskie Starts TOMS

- May 2006: *Los Angeles Times* fashion critic Booth Moore writes about TOMS
- October 2006: TOMS featured in *Vogue* October issue
- December 31, 2006: 10,000 shoes given in the first year
- April 10, 2008: One Day without shoes begins-The campaign changes in 2015 to include an Instagram element that offered a longer time frame and gave more of an opportunity for people to participate. For each Instagram tagged “#withoutshoes”, TOMS gave away a pair.
- December 9, 2009: TOMS accepts the Award of Corporate Excellence (ACE) award.
- 2010: TOMS begins to manufacture shoes in Ethiopia, one of its give away countries, creating jobs in the local market.
- September 1, 2010: TOMS gives away its 1 millionth pair of shoes.
- June 7 2011: TOMS announces that “One for One” will expand to eyewear
- June 10, 2012: 2 millionth pair of shoes given
- December 2012: TOMS opens flagship store in Venice, CA.
- June 2013: TOMS hits 10 million donated shoes
- September 2013: TOMS announces that it will begin manufacturing shoes in Haiti in January of 2014.
- March 2014: TOMS expands “One for One” to coffee. For each bag of coffee sold, TOMS will provide clean water to someone who doesn’t have access to it for a week.
- March 2014: TOMS opens flagship store in Austin, TX, and begins serving TOMS coffee in in-store café.

- August 2014: Private investment firm Bain capital acquires 50 percent stake in TOMS, Mykoskie keeps other 50 percent.
- 2014: TOMS opens flagship store in NYC
- February 2015: TOMS Launches bag sales as the latest “One for One”- for each bag sold, safe birth is provided to a mother and child.

The Future of the business

Many have questioned the sustainability of the “One for One” model, especially in terms of keeping a business profitable. Experts argue that by giving away free pairs of shoes, they are treating symptoms of a much deeper issue. As the old saying goes: “Give a man a fish, and you feed him for a day. Teach a man to fish and you feed him for a lifetime”. Essentially TOMS is doing just that, they’re giving fish rather than solving the core issue. Although more recently, TOMS has relocated their manufacturing to the respective countries they’re going to be giving to. If a pair of shoes is going to be given out in India, it will be made in India. TOMS has been seemingly silent in response to these critics and it seems like Mykoskie has chosen not to engage because of all the debates sparked online, a medium he believes no one can win on: “It’s a debate you can’t win in that medium.” He expresses doubt that many of TOMS’s detractors genuinely want dialogue, and fears “that they’ll just take that one sentence out of context”(Chu, Fastcompany.com). “I’ve asked people, ‘What could Toms do better?’ I’ve learned that the keys to poverty alleviation are education and jobs. And we now have the resources to put investment behind this. Maybe five years from now, we’ll be able to say it’s really good for business. But the

motivator now is, how can we have more impact? At the end of the day, if we can create jobs and do one-for-one, that's the holy grail" (Chu, fastcompany.com).

Many have predicted that if a family is given a pair of shoes, they will not buy a pair of shoes, which will hinder growth in those local markets. Essentially it does not currently affect the market, but will have an effect on future shoe purchases. Despite the criticism, and the predictions that TOMS giveaways could hurt local shoe markets, there seems to be far less damage than was expected. Graciela Mabel Katz, owner of El Gato shoe company in Argentina, states that she has never heard of TOMS but does not think it's hurting their sales. She says *alpargatas* are seen as a commodity for people with limited means and therefore do not affect the sales of longer lasting pairs of shoes. "Alpargatas aren't really shoes," says Shoe store owner Gladys Pitsch, "It might have been different if Toms had given out waterproof shoes or long-lasting ones".

Since TOMS has expanded into other product ranges and found a "One for One" aspect in all of them, it is possible that the company may find another cause to contribute to and a product to compliment that cause. There is definitely space and capital for expansion and TOMS will be profitable for years into the future, mostly because they have created customers for life. They want their customers to feel that they have joined a movement, rather than just made a regular transaction. Becoming part of this movement is synonymous with becoming part of a community of likeminded people, and as long as TOMS has that sense of inclusion, they have customers for life and will sustain with their current model, which is what initially attracted these consumers.

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