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Social Enterprise Case Series: TOMS Shoes

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TOMS Shoes

Founded: 2006
Current Leader: Blake Mycoskie
Location: Santa Monica, California
Sector: Social Apparel & Accessories
Website: www.TOMS.com

Introduction

TOMS, an American footwear and eyewear company, and its non-profit subsidiary Friends of TOMS were founded in 2006 by Blake Mycoskie following an inspirational trip to Argentina. Mycoskie is currently the CEO of TOMS but prefers to be referred to as its CSG -Chief Shoe Giver. Though based in Santa Monica, California, TOMS operates internationally; TOMS shoes are produced in Argentina, China and Ethiopia, are sold by retailers throughout the United States and nearly thirty countries abroad, and have been donated by means of "shoe drops" worldwide. Furthermore, www.TOMS.com averages over 200 thousand views per day and generates more daily sales than all its global retailers combined.

The Beginnings of a Chief Shoe Giver

Blake Mycoskie had only completed several years of undergraduate school at Southern Methodist University in his native state of Texas when he and his sister were chosen to compete on the second season of The Amazing Race, an American reality television show. While competing, Mycoskie visited Argentina and experienced first-hand the extreme poverty and strife of the rural villagers living there. It was not until his second visit to Argentina, however, that Mycoskie's revolutionary idea was born: One for One.

Mycoskie, who during his visit had grown accustomed to wearing Argentina's traditional *alpargata* or "espadrille" style of footwear, sought a response as to how to combat the growing issue of shoelessness in Argentina and developing countries worldwide. Mycoskie as a result developed a business to carry out his One for One mission: a for-profit footwear company in which each pair of shoes purchased results in a pair of shoes donated to a child in need.

In order to fund his business venture, Mycoskie sold his existing one. Prior to traveling to Argentina, Mycoskie owned and operated an online driver's education course. Upon selling it, Mycoskie was able to finance the beginnings of what would soon become one of the most renowned and successful social businesses worldwide.

Why Shoes?

Though Mycoskie experienced a number of social issues amidst his travels in Argentina -notably, lack of medical care and education -he chose to focus his efforts on what he considered the sole of said issues: shoelessness. A great deal of the sickness and debility he experienced in the Argentinian villages, especially among their children, were rooted in their lack of footwear. Podoconiosis, a highly prevalent disease among the rural poor, enters through pores in the feet and causes

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swelling and disfigurement, eventually destroying the host's entire lymphatic system. The fungus that causes podoconiosis – as well as other common ailments, such as hookworm, jiggers and tetanus -is transmitted from the soil to humans who fail to protect their feet with shoes.

In addition to the medical implications that result from shoelessness, Mycoskie also discovered the effects it has on adolescent education. In order to provide a safe and healthy environment for their students, the vast majority of schools worldwide require a uniform or dress code. Though hard to believe, the simple requisite of shoes keeps millions of impoverished adolescents from attending school, thus disabling both the children from realizing their full potentials and their struggling communities from educating entire generations. Mycoskie hoped that tackling shoelessness -not only by providing shoes, but also the information as to why they are so important -would in turn combat both the extreme medical and educational inadequacies prevalent in the developing world.

Barefoot Today, TOMS Tomorrow

Mycoskie's idea rapidly developed into a successful business by year's end of 2006. Though initially called the "Shoes for Tomorrow Project," the name of Mycoskie's business quickly evolved to simply "TOMS." In recognition of those Mycoskie wished to serve, TOMS shoes were designed from the start with the traditional alpargata style in mind. Made entirely out of canvas and rubber, TOMS shoes -though very simple to make -maintained durability and ease of wearing, characteristics vital to early penetration of the footwear market. In addition to utilizing their traditional style of footwear, Mycoskie also incorporated the Argentinian flag into the TOMS logo. In order to save the money he would otherwise spend on opening and maintaining retail locations, Mycoskie instead chose to develop an online shop. Additionally, he negotiated with well-known retailers, such as Nordstrom, Neiman Marcus and even Whole Foods, to aid him in getting his product to the people. With a simple product, a miraculous mission, and just the right amount of start-up capital and support, Mycoskie was able to bring TOMS worldwide.

A number of his critics disapprove of his venture, openly accusing Mycoskie of attempting to profit from the poor. Mycoskie, however, maintains that he developed his plan with sustainability in mind, and thus wrote off developing a charity from the start. His One for One methodology transforms "customers into benefactors," thus yielding a sustainable enterprise that refuses to solicit or accept donations. As a for-profit company, Mycoskie worked to develop a product with an extremely low production cost (what with its cheap materials, minimal overhead cost, and affordable cost of labor) and a seemingly high price so as to maximize profits and achieve self-sufficiency. At the same time, as a socially-minded company, Mycoskie stressed the importance of maintaining ethicality and sustainability throughout all the facets of his business process. In addition to ensuring sound conditions for its laborers in Argentina, Ethiopia and China, TOMS operates with environmental standards in mind; for example, TOMS now offers a line of shoes made entirely out of recycled materials. The final, and most relevant aspect of TOMS' socially-minded ventures, is its non-profit subsidiary, Friends of TOMS.

Friends of TOMS

Since 2006, TOMS has donated one million pairs of new shoes for children in need with the help of Friends of TOMS, a registered 501(c)(3) non-profit affiliate whose main objective is to facilitate "shoe drops" worldwide. Friends of TOMS coordinates shoe drops with the help of non-governmental organizations (NGOs) and other

After five years of providing shoes to children in need worldwide, TOMS decided that it could be more than a shoe company; it could be a One for One company. As of September of 2011, TOMS now offers eyewear. For each pair of glasses sold, TOMS gives another "the gift of sight."

In order to address the spectrum of vision related issues in the developing world, TOMS offers three different products and services: prescription eye glasses, medical treatment and/or sight saving surgery. TOMS identifies those in need by partnering with Sight Giving Partners, such as SEVA Foundation, to organize screenings in communities in Nepal, Cambodia and Tibet. TOMS plans to begin giving the gift of sight more globally in 2013.

non-profits -their "Giving Partners" -in nearly thirty countries throughout the world each year, including the United States. Operationally self-sufficient, Friends of Toms does not solicit or accept donations. However, they encourage those who wish to donate to seek out those Giving Partners that aid them in shoe drops as potential recipients of their charitable funds.

In addition to being financially stable, TOMS and its non-profit subsidiary's operations are currently operationally sustainable in terms of human capital. Because the social efforts of TOMS Shoes are dependent on their consumers continued purchase of shoes, it expected that TOMS Shoes will only become more active, as sales are expected to continue to rise. However, if the consumption of TOMS shoes peaks and begins to decline, their ability to carry out their One to One mission will decline, as well. In terms of Friends of TOMS, they are also currently sustainable in terms of human capital since there are a multitude of potential Giving Partners hoping to aid them in shoe-drops worldwide. However, like their for-profit subsidiary, interest in Friends of TOMS must rise or at least be maintained if they wish to continue their current operations.

TOMS Shoes' Trail

Mycoskie's blog has attracted a great deal of online traffic, especially from those involved in the field of social enterprise. In one entry, Mycoskie featured a letter from a member of TOMS' customer service department. In order to strengthen the mission of his enterprise, Mycoskie has sent a number of his employees, regardless of their position at TOMS, on shoe-drops. Following his first shoe-drop experience in Misiones, Argentina, Mycoskies' employee wrote:

"All of these feelings and emotions I had bottled up came to a head when I placed that first pair of TOMS on a child at a school we visited on that very first day. These were some of the most amazing children I had ever met in my life and I will never forget them. Many of the kids we got to know throughout our trip had badly infected feet and clothing in tatters yet the glowing smiles on their faces spoke of the true innocence they still had inside. Although the obvious visual told the story of true pain and the struggles that these children and their families must go through on a daily basis, I had finally realized why we had come so far and what our mission was. It was simple. We were there to give. Give to those that have little and give more to those that have none."

As long as consumers continue to consume and Giving Partners continue to give, TOMS and Friends of TOMS can continue to carry out the One to One mission their Chief Shoe Giver developed years ago. TOMS still has its critics, however. Are TOMS and its One to One mission replicable? What are the possible implications of providing poor communities with free shoes and medical services, with regards to their local economy? How does TOMS compare to Aravind? Does requiring local Giving Partners limit TOMS' ability to reach the poorest of the poor? ■

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About the Social Enterprise Institute

The Social Enterprise Institute (SEI) is grounded in the belief that business can be a powerful tool in helping to alleviate poverty in the developing world. Through this vision, the Institute offers resources and programs for students to act as agents and proponents for social change by using business solutions as a sustainable way to assist the poor. The Institute equips students with knowledge on social entrepreneurship and social enterprise development through our growing academic course offerings in Social Entrepreneurship and areas such as micro-finance, social investment and impact measurement. Additionally, the Institute provides students with field exposure with partner organizations in countries all over the world with hands on learning experience, preparing undergraduates at both the academic and 'practitioner' level. For more information about the SEI please visit: http://www.neu.edu/sei

About the Case Series

The purpose of the Social Enterprise Case Series is to help spread awareness of social enterprises operating today and to shed light on the issues affecting this rapidly expanding sector. We hope to make information about social entrepreneurship easily accessible to all students interested, no matter their academic discipline. We believe in the power of social enterprise and, more importantly, believe that learning about the extremely diverse approaches within this sector is crucial to driving innovation for new, impactful social enterprise models. In order to accelerate our mission of spreading awareness of social enterprise, we are committed to sharing our publications on an open and free platform.

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