

No need to Tom Tom: Doing good is doing great for brands!

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How This Company Makes Money While Making a Difference

In [The Business of Good](#), serial and **social** entrepreneur Jason Haber intertwines case studies and anecdotes that show how **social** entrepreneurship is creating jobs, growing the economy, and ultimately changing the world. In this edited excerpt, Haber profiles **TOMS** Shoes, which is the poster company for the one-for-one model of **social** entrepreneurship.

Social entrepreneurship in America seeks to solve vexing **social** problems. It builds bridges to those who have otherwise been left behind. And **social** entrepreneurship isn't limited to the developing world -- it's a global movement. In the developed world, **social** entrepreneurs can take aim at societal problems at home or abroad. They've established companies that provide aid in Darfur or even next door.

How do they do it? The for-profit space uses consumer markets to power change at home and abroad. The nonprofit sector develops innovative programming and partnerships to deliver lasting and meaningful results. And when it all comes together, the results can be extraordinary.

By 2006, more and more **social** entrepreneurs were operating in the developed world, using our consumer markets to foster change. Especially interesting was the one-for-one model, whose pitch went something like this: You buy X, we do Y. No company came to embody this model -- its strengths or its shortcomings -- like **TOMS** Shoes.

For many Americans, the first exposure to **TOMS** came through a commercial. It was May 5, 2009. Season eight of *American Idol* was well underway, and more than 23 million people tuned in that night. During a commercial break, AT&T aired the 60-second version and, as they say, the rest is history. **TOMS** Shoes saw an instant spike in business, going from 9,000 visitors a day on their website to 90,000.

Here's what the ad says:

*My name is Blake, and I'm the chief shoe giver at **TOMS** shoes. I operate my entire business from my phone. I need a network with great coverage because for every pair of shoes we*

sell, we give a pair away to a child in need. It would be impossible to do this without a network that works around the world.

The visual, audio, and emotion crescendo comes on the words “. . . because for every pair of shoes we sell, we give a pair away to a child in need.” It’s a touching ad and made all the more significant because it’s true.

What was so powerful about the ad? Why did it strike such a chord with Americans? It had to do with the message and the messenger. The ad featured the founder of **TOMS** Shoes, Blake Mycoskie, who single-handedly redefined **social** entrepreneurship in America.

Mycoskie is one of those people who just breathes entrepreneurship. He started his first venture, a laundry business, while in college. He then started an **advertising** company that he later sold and pursued other ventures as well. Mycoskie had what turned out to be one of his 15 minutes of fame as a contestant on the CBS reality show *The Amazing Race*.

During a trip to Argentina, Blake met women who were collecting shoes to give to children so they could meet the school dress code. That conversation spurred Mycoskie into thinking more deeply about how he could help these children and more. He came up with a plan that centered on a single, elegant solution. He would start a shoe company, and for every pair he sold, he would donate one to a child in need.

With its unique one-for-one model, fun **branding**, and stylish shoes, **TOMS** was a hit with customers. “The one-for-one model I’ve found is really effective in allowing a consumer to know exactly what’s going to happen. There is no ambiguity; there’s no crazy accounting. You buy a pair of shoes; we give a pair of shoes to a child in need,” Mycoskie says.

By 2013, the company had given away its 10 millionth pair. That of course means it had also sold its 10 millionth pair.

As an added benefit, Mycoskie notes, “When you incorporate giving into your business, your customers become your marketers. We spend very little money on advertng and **marketing**.”

The company simply exploded and is on the way to unicorn status (that’s a \$1 billion valuation in startup-speak). In 2014, the company hit a valuation of \$625 million and sold a 50 percent interest to Bain Capital.

With more than 10 million pairs donated and a company valuation of over \$600 million, **TOMS** was the embodiment of **social** entrepreneurial excellence. They did well for their company while at the same time doing well for society at-large. Or did they?

In the world of international development, **TOMS** spent years at the center of conversation, and not for the right reasons. Writing in *The New York Times*, Adriana Herrera of Fashioning Change said, “Rather than solve the root cause of why children don’t have shoes, **TOMS** has

created a business model that actually needs poor children without shoes in order to sell its shoes. Those children are an essential part of the company's **marketing**." In this same article **TOMS** admitted that it's "not in the business of poverty alleviation."

"At worst, it promotes a view of the world's poor as helpless, ineffective people passively waiting for trinkets from shoe-buying Americans," Vox Media declared. "While the shoes themselves probably won't lead to any kind of disaster, that worldview can lead to bad policies and real, serious harm."

So on one hand, you have a growing, thriving company that's giving away shoes. On the other hand, you have the **social** mission. Is it really working?

This gets back to the root of what **social** entrepreneurs do. They really don't just give away stuff. That hasn't worked. **Social** entrepreneurs go deeper to solve the heart of the problem.

It would have been easy for **TOMS** Shoes to ignore the critics. But **TOMS** did something else. They listened.

In the fall of 2013, Mycoskie decided to change course. "If you're really serious about poverty alleviation, our critics said, then you need to create jobs," he wrote. "At first I took that personally, but then I realized they were right."

Mycoskie decided to take aim at the underlying issue behind why people would need donated shoes in the first place: poverty. The way he saw that, the best way to alleviate poverty would be through education and jobs.

TOMS built shoe-manufacturing facilities in places like Haiti, Ethiopia, and Kenya. Over 700 jobs have been created to date. They've teamed up with giving partners and launched programs beyond their traditional one-for-one model. The company has moved to tackle clean water, vision, safe birthing, and bullying. Staying true to their for-profit **social** entrepreneurial roots, for each expanded **social** benefit, there's a new product to offer to consumers.

TOMS eyewear delivers not only free eyewear to those in need, but also an eye exam along with surgery and medical treatment when required. **TOMS** Roasting Company, launched in 2014, provides a week's supply of clean water to a person in need. A **TOMS** Bags purchase secures materials and training so health-care workers can deliver babies safely. **TOMS** StandUp Backpack funds programs here in the U.S. to combat bullying. On the newly launched **TOMS** Marketplace, **social** entrepreneurs can sell their products to **TOMS**' vast customer base.

TOMS went for a more holistic approach to servicing the developing world. **TOMS** Roasting Company acquires its coffee from small plantations in places like Peru, Malawi, Rwanda, Honduras, and Guatemala. According to Mycoskie: "I think once people understand the impact they can make buying a cup or bag of coffee, it will create an even stronger connection to **TOMS** than they might have already had. And that's what business is about." They haven't abandoned their original one-for-one model, but they've listened to the criticisms and made

adjustments.

Featured Image Credit: TOMS Shoes

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