

# Real Marketing 3.1

## TOMS Shoes: “Be the Change You Want to See in the World”

If the world were a village of 1,000 people, 140 of the 1,000 would be illiterate, 200 would be malnourished, 230 would drink polluted water, 250 would have no shelter, 330 would have no electricity, and 400 would have no shoes. In 2006, these stark facts, especially the last one, struck Blake Mycoskie up close and personally as he visited Argentina to learn how to play polo, practice his tango, and do some community service work. While there, the sight of barefooted children, too poor to have shoes, stunned him.

So in May 2006, Mycoskie launched TOMS Shoes with \$300,000 of his own money. The founding concept was this: For every pair of TOMS shoes that customers bought, the company would donate another pair of shoes to a child in need around the world. Mycoskie had previously started five successful strictly for-profit businesses. “But I was ready to do something more meaningful,” says Mycoskie. “I always knew I wanted to help others. Now, it was time to do something that wasn’t just for profit.” Mycoskie remembered Mahatma Gandhi’s saying: “Be the change you want to see in the world.”

“Doing good” is an important part of TOMS’ mission. But so is “doing well”—the company is very much a for-profit venture. However, at TOMS Shoes, the two missions go hand in hand. Beyond being socially admirable, the buy-one-give-one-away concept is also a good business proposition. In addition to scratching Mycoskie’s itch to help people, “the timing was perfect for the American consumer, too,” he says. “With the rise of social and eco-consciousness and the economy in a downturn, people were looking for innovative and affordable ways to make the world a better place.”

With all these “do good” and “do well” goals swirling in his head, Mycoskie returned home from his Argentina trip, hired an intern, and set about making 250 pairs of shoes in the loft of his Santa Monica, California, home. Stuffing the shoes into three duffel bags, he made the fledgling company’s first “Shoe Drop” tour, returning to the Argentine village

and giving one pair of shoes to each child. Mycoskie arrived back home to find an article about his project on the front page of the *Los Angeles Times* Calendar section. TOMS had been in business for only two weeks, but by that very afternoon, he had orders for 2,200 pairs of shoes on his Web site.

By October 2006, TOMS had sold 10,000 pairs of shoes. True to the company’s one-for-one promise, Mycoskie undertook a second TOMS Shoe Drop tour. Consistent with his new title, “Chief Shoe Giver of TOMS Shoes,” he led 15 employees and volunteers back to Argentina, where they went from school to school, village to village and gave away another 10,000 pairs of shoes.

“We don’t just drop the shoes off, as the name might imply,” says Mycoskie. “We place the shoes on each child’s feet so that we can establish a connection, which is such an important part of our brand. We want to give the children the feeling of love, and warmth, and experience. But we also get those feelings as we give the shoes.”

The one-for-one idea caught fire. As word spread about TOMS, a not-for-profit organization called “Friends of TOMS” formed to “create avenues for individuals to volunteer and experience [the TOMS] mission,” participate in Shoe Drops, and “perform good works in their own communities and their own lives.” *Vogue* magazine and other major publications ran stories on the company’s philosophy and good works. In November 2007, 40 TOMS employees and volunteers embarked on the third Shoe Drop, travelling to South Africa to place shoes on the feet of 50,000 more children.

Next, TOMS Shoes turned its attention to Ethiopia, where 11 million people are at risk

for podoconiosis, a disease often caused by silica in volcanic soils. Children’s bare feet absorb the silica, which can cause elephantitis, severe swelling of the legs and feet. The disease progresses until surgery is required. The simple preventive cure? Shoes. As part of the Christmas season in 2008, TOMS offered gift card packages, which included a certificate for a pair of shoes and a DVD telling the TOMS story. The goal was to give 30,000 pairs of shoes to Ethiopian children in 30 days.

TOMS has also focused on needy children in the United States, stepping in to help children whose families were still recovering from natural disasters, such as Hurricane Katrina in Louisiana. Also in the United States, TOMS started a grassroots marketing movement called “TOMS Vagabonds.” These traveling groups of TOMS disciples hit the road in vans full of TOMS shoes and help to organize events on college and school campuses and in communities all around the country. The Vagabonds’ goal is to raise awareness about TOMS, sell shoes, and inspire more people to get involved with the company’s movement. The Vagabonds chronicle their travels on TOMS’ Facebook page ([www.facebook.com/TOMSVagabonds](http://www.facebook.com/TOMSVagabonds)), blog ([www.tomsshoesblog.com](http://www.tomsshoesblog.com)), and Twitter site (<http://twitter.com/tomsshoes>).

By mid-2010, TOMS had provided more than 600,000 pairs of shoes to children in need around the world, selling their counterparts at roughly \$55 each. That rings up to \$33



**Cause-related marketing: TOMS pledges: “No complicated formulas, it’s simple . . . you buy a pair of TOMS and we give a pair to a child on your behalf.” Here, TOMS founder and CEO Blake Mycoskie gives out shoes in Argentina.”**

million worth of shoes. Retailers such as Nordstroms, Urban Outfitters, and even Whole Foods Market are now offering TOMS in more than 400 U.S. outlets. In fact, Whole Foods Market is the company's biggest customer.

TOMS' rapid growth is the result of purchases by caring customers who then tell the TOMS story to their friends. Whereas the typical shoe company spends about 20 percent of sales on traditional advertising and promotion, TOMS hasn't spent a single dollar on it. It hasn't had to. "Ultimately, it is our customers who drive our success," says Mycoskie. "Giving not only makes you feel good, but it actually is a very good business strategy, especially in this day and age. Your customers become your marketers."

Moreover, as TOMS' success shows, consumers like to feel good. A recent global study

found that 71 percent of consumers said that despite the recession they had given just as much time and money to causes they deemed worthy. Fifty-five percent of respondents also indicated they would pay more for a brand if it supported a good cause.

TOMS Shoes is a great example of cause-related marketing—of "doing well by doing good." Mycoskie hopes that his com-

pany will inspire people to think differently about business. "My thinking was that TOMS would show that entrepreneurs no longer had to choose between earning money or making a difference in the world," he says. "Business and charity or public service don't have to be mutually exclusive. In fact, when they come together, they can be very powerful."

**Sources:** Quotes and other information from Tamara Schweitzer, "The Way I Work," *Inc.*, June 2010, pp. 112–116; Stacy Perman, "Making a Do-Gooder's Business Model Work," *BusinessWeek*, January 26, 2009, accessed at [www.businessweek.com/smallbiz/content/jan2009/sb20090123\\_264702.htm](http://www.businessweek.com/smallbiz/content/jan2009/sb20090123_264702.htm); Blake Mycoskie, "Shoes for a Better Tomorrow," presentation made March 13, 2009, accessed at [www.clintonschoolspeakers.com/lecture/view/toms-shoes-better-tomorrow](http://www.clintonschoolspeakers.com/lecture/view/toms-shoes-better-tomorrow); Michael Bush, "Consumers Continue to Stand by Their Causes During Downturn," *Advertising Age*, November 17, 2008, p. 4; Jessica Sambora, "How TOMS Shoes Founder Blake Mycoskie Got Started," *Fortune*, March 16, 2010, accessed at [http://money.cnn.com/2010/03/16/smallbusiness/toms\\_shoes\\_blake\\_mycoskie.fortune/index.htm](http://money.cnn.com/2010/03/16/smallbusiness/toms_shoes_blake_mycoskie.fortune/index.htm); Christina Binkley, "Style—On Style: Charity Gives Shoe Brand Extra Shine," *Wall Street Journal*, April 1, 2010, p. D7; and information found at [www.toms.com](http://www.toms.com) and <http://friendsoftoms.org>, accessed November 2010.

● **Cause-related marketing:** The Pepsi Refresh Project is awarding \$20 million in grants to fund hundreds of worthwhile ideas by individuals and communities that will "refresh the world."

Cause-related marketing has become a primary form of corporate giving. It lets companies "do well by doing good" by linking purchases of the company's products or services with fund-raising for worthwhile causes or charitable organizations. Companies now sponsor dozens of cause-related marketing campaigns each year. Many are backed by large budgets and a full complement of marketing activities. ● For example, PepsiCo's year-long Pepsi Refresh Project is awarding \$20 million in grants to fund hundreds of worthwhile ideas by individuals and communities that will "refresh the world." "What do you care about?" asks one Pepsi Refresh ad. "Maybe it's green spaces. Or educational comics. Maybe it's teaching kids to rock out." PepsiCo is spending millions of dollars on a full-blown multimedia campaign promoting the cause-related marketing program.<sup>45</sup>

Cause-related marketing has stirred some controversy. Critics worry that cause-related marketing is more a strategy for selling than a strategy for giving—that "cause-related" marketing is really "cause-exploitative" marketing. Thus, companies using cause-related marketing might find themselves walking a fine line between increased sales and an improved image and facing charges of exploitation.

However, if handled well, cause-related marketing can greatly benefit both the company and the cause. The company gains an effective marketing tool while building a more positive public image. The charitable organization or cause gains greater visibility and important new sources of funding and support. Spending on cause-related marketing in the United States skyrocketed from only \$120 million in 1990 to more than \$1.6 billion in 2010.<sup>46</sup>