**Case study:TOMS shoes Company**

Founded in 2006 by blakemycoskieTOMS Shoes was an American footwear companybased in Santa Monica, California. Although TOMS Shoes was a for-profit business, its mission was more like that of a not-for-profit organization. The firm’s reason for existence was to donate to children in need one new pair of shoes for every pair of shoes sold. Blake Mycoskiereferred to it as the company’s “One for One” business model.

While vacationing in Argentina during 2006, Mycoskie befriended children who had no shoes to protect them during long walks to obtain food and water, as well as attend school. Going barefoot was a common practice in rural farming regions of developing countries, where many subsistence farmers could not afford even a single pair of shoes. Mycoskielearned that going barefoot could lead to some serious health problems. Podoconiosis was one such disease in which feet and legs swelled, formed ulcers, emitted a foul smell, and caused intense pain. It affected millions of people across 10 countries in tropical Africa, Central America, and northern India. For millions, not wearing shoes could deepen the cycle of poverty and ruin lives. Upset that such a simple need was being unmet, Mycoskie founded TOMS Shoes in order to provide them the shoes they needed.

Realizing that a not-for-profit organization would be heavily dependent upon sponsors and constant fundraising, Mycoskie chose to create an innovative for-profit business model to achieve a charitable purpose. For every pair of shoes that the company sold, it would donate one pair to a child in need. Mycoskie felt that this model would be more economically sustainable than a charity because sales would be used to achieve the company’s mission. He saw this to be a form of social entrepreneurship in which a new business venture acted to improve society through product donations at the same time it lived off society through its sales.

Mycoskie believed that the firm’s One-for-One model would be self-sustaining because the company could make and sell shoes at a price similar to other shoe companies, but with lower costs. “Selling online (www.toms.com) has allowed us to grow pretty rapidly, but we’re not going to make as much as another shoescompany and the margins are definitely lower,” he admits. “But what we do helps us to get publicity. Lots of companies give a percentage of their revenue to charity, but we can’t find anyone who matches one for one.”

TOMS Shoes kept expenses low by spending only minimally on marketing and promotion. The company’s marketing was primarily composed of presentations by Blake Mycoskie, fan word-of-mouth, and promotional events sponsored by the firm. The company won the 2007 People’s Design Award at Cooper-Hewitt’s National Design Awards. Two years later, Mycoskie and TOMS received the annual ACE award given by U.S. Secretary of State Hillary Clinton. This award recognized companies’ commitment to corporate social responsibility, innovation, exemplary practices, and democratic values worldwide. Mycoskie spoke along with President Bill Clinton at the Opening Plenary session of the Second Annual Clinton Global Initiative Conference in 2007. With other business leaders, he also met with President Obama’s senior administration in March 2009 to present solutions and ideas to support small businesses. He was also featured in a CNBC segment titled “The Entrepreneurs,” in which he and TOMS Shoes was profiled.

Mycoskie explained why he spent so much time speaking to others about TOMS Shoes. “My goal is to inspire the next generation of entrepreneurs and company leaders to think differently about how they incorporate giving into their business models. Plus, many of the people who hear me speak eventually purchase a pair of Toms, share the story with others, or support our campaigns like *One Day Without Shoes*, which has people go barefoot for one day a year to raise awareness about the children we serve.”

Celebrities like OliviaWilde, Karl Lagerfeld, and Scarlett Johansson loved the brand and what it stood for. Actress Demi Moore promoted the 2010 *One DayWithout Shoes* campaign on *The Tonight Show with Jay Leno*. It didn’t hurt that Mycoskie’s fame was supported by his

Bill Clinton-like charisma, Hollywood good looks, and his living on a boat in Marina del Rey with “TOMS” sails. Famed designer Ralph Lauren askedMycoskie to work with him on a few styles for his Rugby collection, the first time Lauren had collaborated with another brand.

By early 2007, TOMS Shoes had orders from 300 retail stores, including Nordstrom’s, Urban Outfitters, and Bloomingdale’s, for 41,000 pairs of shoes from its spring and summer collections. The company introduced a line of children’s shoes called Tiny Toms in May 2007 and unveiled a pair of leather shoes in Fall of that year. By September 2010, the company added Whole Foods to its distribution network and had given over 1,000,000 pairs of new shoes to children in need living in more than 20 countries in the Americas (Argentina, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Peru), Africa (Burundi, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, South Africa, Swaziland, Uganda, and Zambia), Asia (Cambodia and Mongolia), and Eurasia (Armenia). The shoes were now selling for $45 to $85 a pair.

TOMS shoes were manufactured in Argentina, China, and Ethiopia. The company required the factories to operate under sound labor conditions, pay fair wages, and follow local labor standards. A code of conduct was signed by all factories. In addition to its production staff routinely visiting the factories to ensure that they were maintaining good working standards, third parties annually audited the factories. The company’s original line of alpargata shoes was expanded to include children’s shoes, leather shoes, cordones youth shoes, botas, and wedges. In January 2009, the company collaborated with Element Skateboards to create a line of shoes, skate decks, and longboards. For each pair of TOMS Element shoes and/or skateboard bought, one of the same was given to children at the Indigo Skate Camp in the village of Isithumba in Durban, South Africa.

Blake Mycoskie was the company’s Chief Executive Officer and joked that he was also its “Chief Shoe Giver.” He spent much of his time traveling the country to speak at universities and companies about the TOMS Shoes’ business model. According to CEO Mycoskie in a June 2010 article in *Inc.*, “*The reason I can travel so much is that I’ve put together a strong team of about ten people who pretty much lead the company while I am gone. Candice Wolfswinkel is my chief of staff and the keeper of the culture. . . . I have an amazing CFO, Jeff Tyler, and I’ll check in with him twice a week. I talk to my sales managers on a weekly basis. I also call my younger brother,*

*Tyler, a lot—he’s head of corporate sales*.” The company had 85 employees plus interns and volunteers. In 2009, more than 1,000 people applied for 15 summer internship positions.

The company depended upon many volunteers to promote the company and to distribute its shoes to needy children. For example, Friends of TOMS was a registered nonprofit affiliate of TOMS Shoes that had been formed to coordinate volunteer activities and all shoe drops.

The company sponsored an annual “Vagabond Tour” to reach college campuses. Volunteers were divided into five regional teams to reach campuses throughout the United States to spread information about the One-for-One movement. To capture volunteer enthusiasm, the company formed a network of college representatives at 200 schools to host events, screen a documentary about the brand, or throw shoe decorating parties.

Mycoskie believed that a key to success for his company was his generation’s desire to become involved in the world. “*This generation is one that thrives off of action. We don’t dream about change, we make it happen. We don’t imagine a way to incorporate giving into our daily lives—we do it. TOMS has so many young supporters who are passionate about the One for One movement, and who share the story and inspire others every day they wear theirTOMS. Seeing them support this business model is proof that this generation is ready and able to create a better tomorrow*.”

***Reference****: Hunger, J.D (2014)-(Mini Case 23, Textbook, pp. 765-768).*

**Questions.**

Read carefully the above text and answer the following questions:

1. What is the competitive strategy used by TOMS Shoes Company? *1 mark*
2. Identify **opportunities** and **threats** as well as **strengths** and **weakness** of the company.(Illustrate them within a table ). *2 marks*
3. Describe the roles of **directional,marketing, operations** and **human resource** strategiesin the overall well-being of TOMS Shoes Company. *2 marks*