

# The TOMS Effect



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By

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## AUTHOR'S NOTE

When I first started writing this book, in the summer of 2018, TOMS was going through a major transition from carrying five product lines that corresponded to five giving projects, to divesting of three of those lines (women's handbags, backpacks, coffee), back to the original first two lines: shoes (2006) + sunglasses (2011). This meant that their giving component structure would have to change as well – because the way TOMS works is that the products directly support a specific project: shoes support giving shoes; sunglasses support the 'gift of sight'; handbags support Safe Birthing Kits; backpacks support anti-bullying programs; coffee supports clean water. Without handbags, backpacks, or coffee, there could be no Safe Birthing Kits, anti-bullying programs, or clean water. However, from about June 2018 to November 2018, there was some confusion on the TOMS.com website in that they still advertised that these last three giving programs were still in place, yet they had removed the products lines that fed them.

In Chapter 1 of *The TOMS Effect*, I try to sort through that confusion, and then point the reader toward the dramatic pivot in November 2018, when Blake added a new giving program, End Gun Violence Together (EGVT). However, there is still not a clear One-for-One model with this latest iteration of the TOMS effect; but there are three products that are now branded with EGVT, and Blake's pledge that TOMS will give \$5 million to support an end to gun violence. The EGVT campaign is still evolving as I write, and so we don't know how it will ultimately turn out or even if it will be sustainable. We don't know the time frame for the \$5 million TOMS gift, and we don't know the beneficiaries; for example, will the Margery Stoneman Douglas High School shooting survivors in Parkland, Florida, and their March for our Lives organization be funded with TOMS money?

We also don't know what the ultimate fate of the Bain Capital 50% buy-out of TOMS (in 2014) will result in. TOMS faces two major fiscal due dates related to the buy-out Bain stipulations: an \$80 million loan will expire in October 2019, and a \$307 term loan will come due in October 2020.

We also don't know if Blake will remain as Chief Shoe Giver of TOMS (his fun but official, original title).

So, as this book goes to press, there are several crucial questions about the strategic direction and the looming finances of TOMS.

However, one thing is certain: the legacy of TOMS is secure. The influence of the One-for-One exchange, where a for-profit company includes a giving component within its business model, not as a charitable or philanthropic after-thought, has changed the business world. Walmart, Walgreen's, Nestle, Stella Artois, Michael Kors, Warby Parker, Nadaam, and many more all now include giving-to-purchase programs, which have both generated sales, garnered positive attention, won public relations, created media buzz, and helped a lot of people have food, or vaccines, or coffee plants, or clean water, or school meals, or glasses, or fair-trade cashmere.

On a personal note, I have attempted to contact Blake Mycoskie about this book, hoping possibly to interview him. To no avail: while he is very visible on the socials and on late night television, he is not generally accessible to the public. Also, I will state that I myself do not buy any TOMS products, with the exception of 'having had to buy' my daughter a pair of red, classic, TOMS *alpargatas* back in middle school (12 years ago?). This book is not an attempt to boost TOMS sales, but rather, to examine the TOMS effect.

Elizabeth Ferszt  
Tempe, Arizona

# CHAPTER 1

## TOMS BACKGROUNDER

### The story of TOMS, spreads



It's been thirteen years since Blake Mycoskie started the TOMS shoe company (2006), with its unique 'one-for-one' socially responsible, for-profit business model. Since that time, the TOMS model has directly (and indirectly) affected individual entrepreneurs and corporate business culture. For example, Walmart's '1 Item, 1 meal' campaign; Stella Artois partnering with water.org; Salesforce CRM and its "1-1-1" (equity, products, employee time) giving model; Walgreen's 'get a shot, give a shot' program; Nescafe's '*tu compras una*

*frasca, ellos reciben una planta*'<sup>1</sup> project in S.A. markets; Warby Parker uses the one-for-one model to give prescription glasses to those in need, and there is a one-for-one partnership between newcomer Brandless and Feeding America.

There are many more examples of companies overtly including a giving component either in their business model in the start-up phase, and/or in their extant operations, or in their corporate charity. Such a shift in business practices affects both marketing and management; according to Blake/TOMS, giving can be seen as 'good business,' and will generate new sales and partnerships; but it's also a matter of management style and company culture.

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<sup>1</sup> 'You buy a jar [of instant coffee], they receive a [coffee] plant'

At present, TOMS has scaled to five (5) product lines that together represent a kind of business-based United Nations in that each product line aims to mitigate specific, global health and social well-being crises. For example, SHOE sales generate shoe drops and prevent shoelessness in children in developing countries, as well as foot-borne diseases such as *podoconiosis*. EYEWEAR sales generate ‘the gift of sight’ (eye exams, treatments, surgeries) for folks in developing and/or war-torn countries. HANDBAG sales generate safe-birthing kits and safe-birth training for women in developing countries. BACKPACK sales support bullying prevention programs and training for schools and students in the U.S. And COFFEE sales generate clean water engineering and systems assistance for folks in developing and/or war-torn countries. This is the TOMS Effect, how a simple shoe company start-up has saved the world.

In 2011, after five years of successfully running and scaling up TOMS, Blake Mycoskie decide to write a memoir about how the TOMS company came about, and how young, socially minded entrepreneurs, as well as established corporations can ‘start something that matters.’ Short on personal details, and long on examples of how TOMS was formed, grew, and has been sustained, that book, *Start Something that Matters* is a watershed in business how-to books. It’s not really a biography of Blake (thankfully – he was raised in relative privilege in suburban Dallas, Texas), as much as a primer in Blake’s philosophy on business. It includes eight chapters, six of which form the core structure of that philosophy: **Have a story** (key to marketing a product); **Face your fears** (to mitigate risk); **Be resourceful** (by this Blake means be frugal to the point of being cheap – no office, no titles, not over-capitalized); **Practice simplicity** (in product design and in business management); **Practice and seek trust** (of employees, partners, and customers); **Give** (incorporate a giving component into your business model – it will reward you with gratis publicity and positive marketing which will in turn generate partnerships and sales).

Each chapter is framed by an example of another company (not TOMS) that reflects that particular core philosophy or theme. The theme is then applied to TOMS; for example, how trust is valued at TOMS, or how Blake was extremely resourceful in the formative years of TOMS. There is a selflessness to the book, where sharing

other companies' stories seems designed to inspire and to spread the effect.

The book also explains how the socially-minded, for-profit business model works. However, what Blake does not explain, or rather emphasize (maybe due to modesty?) is just how revolutionary this model is. Today, thirteen years later, we can see the effects of the TOMS business model being used directly (one-for-one), and in part, by everything from the world's largest retailer (Walmart), to start-up on-line grocer (Brandless). As Blake puts it,

When I started TOMS, people thought I was crazy. Longtime veterans of the footwear industry ('shoe dogs') argued that the model was unsustainable, or at least untested – that combining a for-profit company with a social mission would complicate and undermine both.<sup>2</sup>

We know now that the shoe dogs were wrong, that the model is sustainable and is replicable, based on how many other companies are now trying it. But exactly just what is that model, and how does it work? The one-for-one model is simple; it involves a straight exchange between one product sold (i.e. a pair of TOMS shoes), and one product given (i.e. a pair of TOMS shoes). As Blake explained to his Argentinian friend Alejo:

"I'm going to start a shoe company that makes a new kind of *alpargata* [the traditional, flat, canvas shoe of Argentina]. And for every pair I sell, I'm going to give a pair of shoes to a child in need. There will be no percentages and no formulas."<sup>3</sup>

Of course, the pricing was not quite that simple, and certainly percentages and formulas had to be considered if TOMS could both make a profit, and give product away. For example, the original price point at retail for the updated TOMS alpargata was about \$60. Let's speculate about the logic and breakdown of that price in terms of profit margins, to both TOMS and the retailer (say, Nordstrom – one of the first big stores that carried TOMS), and how much the give-away alpargata cost.

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<sup>2</sup> Blake Mycoskie, *Start Something that Matters*, Spiegel & Grau, 2012, p. 19.

<sup>3</sup> Mycoskie, p. 6.

	Manufacture cost of Alpargata	TOMS price to retailers	Retail price to customer	Cost of give-away Alpargata
Cost/price	\$15	\$30	\$60	\$5
Profit	----	\$15	\$30	\$10

The take-away here is that in the early days of TOMS, because their business model mandated giving away a pair of shoes for every pair sold, their profit margins at retail were low, perhaps only about \$10 per pair. However, their profit margins for on-line sales were more robust. And to its credit, TOMS was one of the most successful, early users of an on-line sales platform which both cultivated an aesthetic and product, but also an ethic and a movement. Here is speculative data for on-line sales that shows that perhaps the profit margin was as much as \$40 per pair sold as sales volumes increased.

	Cost of Alpargata	TOMS price on line	Cost of give- away Alpargata
Cost/price	\$15	\$60	\$5
Profit	----	\$45	\$40

The alpargata is the original TOMS shoe – the one that everybody had to have in the 2006-2009 era. It was at the time their only product, and it varied only in canvas color or pattern. Today, TOMS boasts a full line of shoes for men, women, and children, with multiple styles including espadrilles, wedges, ankle boots, flat sandals, stack heel sandals, sneakers, slip-ons, dress shoes, and ‘Classics’ (i.e. the alpargata). TOMS also has scaled to four other product lines available at their website, at select retailers (like Nordstrom and Whole Foods), and at limited TOMS bricks-and-mortar stores. These products

include Eyewear, Handbags, Backpacks<sup>4</sup>, Coffee, and Apparel (socks + t-shirts). The give-away shoes also come in different styles now, but seem to all be in black or neutral colors, with an emphasis on practicality, daily use, durability, and local climate and/or culture.

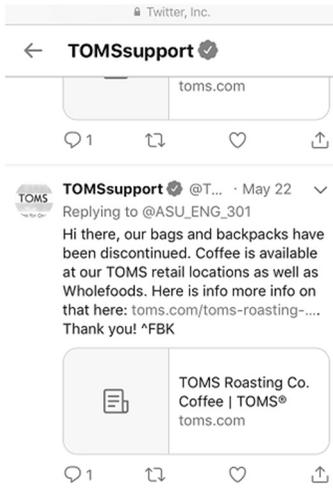
## WHAT WE GIVE

TOMS offers brand new, made-to-order shoes in a variety of styles to meet the needs of the children our Giving Partners serve.



However, in May 2018, the TOMS product line and giving projects began to change; indeed, the support staff on the TOMS.com website clarified that TOMS now has indeed scaled back its product lines, going back to the original two: shoes and sunglasses, plus TOMS

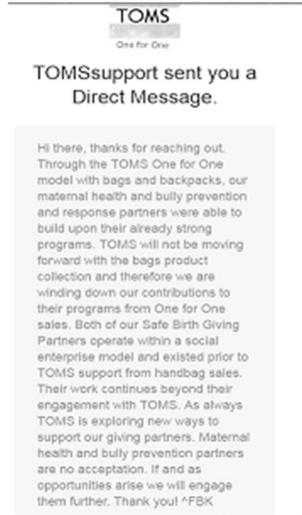
coffee (only available at Whole Foods, not on-line). What will become of the giving component projects that are directly connected to handbags and backpacks is not clear. Similarly, if you own a TOMS handbag or backpack, these might become collector's items or at least a form of business nostalgia – a lost or discontinued product line. No word from TOMS.com about why they ended selling handbags or backpacks – could it be supplier issues? Could it be competition (from FEED?)? Could it be sales were down, or that they want to introduce a completely new product line and do not want a



<sup>4</sup> As of May 17, 2018, on the TOMS.com website, handbags and backpacks are not available, but they are still listed in the Improving Lives, How We Give tab, as the products for the safe birth and anti-bullying projects.

cluttered product portfolio? But the more compelling question is, what will happen to the Safe Birth and Anti-Bullying campaigns that were dependent on the revenue from these products?

Recently, in June 2018, the TOMS Support folks on Twitter re-clarified their position on these two projects and product lines: “TOMS will not be moving forward with the bags product collection [including backpacks], and therefore winding down our contributions to their programs from One for One sales.” They also emphasized that their “maternal health and bully[ing] prevention and response partners were able to build up their already strong programs.” This is all significant if not interesting, in that TOMS is apparently scaling down in terms of product lines and social justice projects: Shoes and Sunglasses are now the remaining core product lines; while ‘Apparel’ is offered on line, only socks and t-shirts are available.<sup>5</sup>

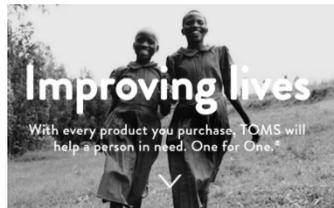


The TOMS.com website reflects and reinforces the one-for-one giving component, although it has changed over the years (we’ll look at this in more detail in Chapters 5, 6, 7). In the past three years (since about 2015), the TOMS website has gone through a few different organizational iterations, as well as message-casting changes. For example, there used to be a whole tab called Resources at the footer, bottom, or scroll down section of any page. This tab contained a 30 page .pdf called the *TOMS Wedding Toolkit*, (see Ch. 5), where viewers were invited to download and print a TOMS branded wedding planner, with ideas on shoe + eyewear pairings for the bridal

<sup>5</sup> As of Nov. 2018, with the introduction of TOMS End Gun Violence Together (EGVT) campaign, the product lines again changed; as of Feb. 2019, the website interface changed (again), and a new product line called ‘Accessories’ was added, including the EGVT handbag, t-shirt, and hoodie, which will be discussed in Ch. 7 in detail.

party. This ‘resource’ was removed in late 2016. The home page of the TOMS.com website also used to land on a picture of two blue-uniformed school girls who appear to be Afro-Caribbean or African (based on their quaint style of dress and the lush natural background). In other words, the first thing you saw on the website was not a pair of shoes; indeed, the sales platform was hidden in a tab called ‘Shop’ – the first thing you used to see were two smiling school girls. The message-casting here was clear – that TOMS is intrinsically about helping people, not about selling things. The picture of the girls has now been moved to the ‘Improving Lives’ tab, which is the catch-all, intra-site that explains transparently, the specifics of how TOMS gives.

According to current data at the website, TOMS has given away over 75 million pairs of shoes; TOMS (eyewear) has helped restore sight to over 500,000 people; TOMS Roasting Co. (coffee) has provided over 450,000 weeks of clean water;



TOMS (handbags) has supported safe birthing services to over 175,000 mothers; and TOMS (backpacks) have provided training for school communities and counselors to prevent bullying. These achievements alone are impressive in terms of execution. But what is even more astonishing is that Blake Mycoskie and TOMS were not satisfied with just the one-for-one model for shoes; no, they took further risks where they saw other endemic, persistent global problems that were not being addressed by local governments, churches/faith-based charities, or NGO’s. And, they used social entrepreneurialism to help.

No business has ever done giving at the scale of TOMS. Wait, you might argue, what about the Ford Foundation, or the Bill and Melinda Gates Foundation, or the Rockefeller Foundation, or Newman’s Own? Yes, these are all organizations that certainly have given a lot of money, material support, and social platforms to worthy causes and needy people. But none of these has purposefully and directly incorporated a giving component INTO THEIR BUSINESS MODEL, nor do they give away the same or similar product that they make– in other words, for example: Ford Motors does not give away a car to a person who needs a car when a customer buys a car. The

Ford Foundation is a separate philanthropic organization that supports the arts, science, and social justice projects. Started in 1936 by Edsel Ford (the only son of Henry Ford), the Ford Foundation's focus was to promote "scientific, educational, and charitable purposes, all for the public welfare."<sup>6</sup> In the context of the Great Depression, the comprehensive nature of this vision is understandable. It is generous, high-minded, and humanitarian. But it is philanthropy, not a giving component within a business model. Similarly, the Bill and Melinda Gates Foundation does philanthropic work, post-Microsoft, that seeks to ameliorate the world's most intransigent challenges, such as poverty, illiteracy, unemployment, and HIV/AIDS, because "All lives have equal value."<sup>7</sup> However, they do not give away a license or copy of Microsoft Office software to an entity in need when MS Office is purchased by a consumer.

Newman's Own will be discussed more thoroughly in



Chapter 4, but suffice it to say that this company comes closest to TOMS in terms of a giving component, with its '100% of profits to charity'<sup>8</sup> slogan and model. But it still uses the traditional sell something (i.e. salad dressing) at a certain price point, and then gives a share of that money, the profit, to charity. Paul Newman's charities include the Whole in the Wall Gang an Serious Fun Camps for kids with serious and terminal illnesses. While

Newman's Own does wonderful work and makes high quality food and beverage products, it is still performing quasi-philanthropy while giving money (not products) away in a one-for-one model. Paul Newman leveraged his celebrity status to start this company in 1982,

<sup>6</sup> The Ford Foundation, About Us, Our Origins, <https://www.fordfoundation.org/about-us/our-origins/>

<sup>7</sup> The Gates Foundation, <https://www.gatesfoundation.org/>

<sup>8</sup> Newman's Own, 100% profits to charity, <https://newmansown.com/100-percent-profits-to-charity/>

and as a well-paid and famous actor, he could afford to ‘give it all away’ as he joked.

Blake also leveraged his celebrity status, albeit minor, to start TOMS. Blake and his sister Paige were contestants on *The Amazing Race* in 2002. They finished a disappointing second place and did not win the \$1 million prize. Nevertheless, it could be argued that this experience whetted Blake’s appetite for being in front of the camera, as he clearly learned the importance of Los Angeles/Hollywood-based media coverage. These skills, coupled with his rugged good looks and charming personality, surely did not hurt in selling TOMS to shoe buyers and to the press. In this way, Blake himself was the first effect of the TOMS Effect; he seemed to be living the life that his business stood for, and he had the world-traveling and media chops to prove it.

The backstory of how Blake came up with the idea for TOMS is told in Chapter 1 of *Start Something that Matters*, where Blake describes his vacation to Argentina, which comes off at first as sounding a bit self-indulgent, privileged, and elitist (e.g. he says, “For years I’ve believed it’s critical to my soul to take a vacation, no matter how busy I am”<sup>9</sup>). He spent a month drinking local wine, dancing the Tango, and playing polo. But the vacation veil soon fell off and Blake saw the sad truth about Argentina, that there were a lot of poor kids who went around barefoot. He also saw many other people wearing the *alpargata* shoe, the ubiquitous, casual, flat canvas-clad shoe that became the proto-type for the TOMS shoe. He also met an American woman who worked as a volunteer for a shoe drive. This perfect storm of impression and opportunity clicked in his creative brain, and he wanted get involved and to help. But instead of volunteering himself, or starting his own shoe-based charity, he decides that “the solution is entrepreneurship, not charity.”<sup>10</sup> He leaves Argentina weeks later with three duffle bags full of 250 alpargata-styled shoes, ready to break into the LA shoe market. The rest, as they say, is business history.

Nine months later, TOMS had sold 10,000 shoes, the tipping point for the giving component action to be triggered. Blake arranged the first shoe drop back in Argentina, taking his family and a few

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<sup>9</sup> Mycoskie, p. 4

<sup>10</sup> Mycoskie, p. 6

employees/interns along for the help and the experience. It was transformative. As Blake explains, “We spent ten days traveling through Argentina, driving from clinic to soup kitchen to community center, hand-placing 10,000 pairs of shoes on kids’ feet.”<sup>11</sup> While the logistics might not have been smooth, the effect was astonishing:

The kids, anticipating a new pair – or their first pair – of shoes were so eager for our arrival that they would start clapping with joy when they spotted the bus rolling into town. I broke down in tears many times . . . . At each stop, I was so overcome with emotion that I could barely slip the first pair of shoes on a child without crying with love and happiness.<sup>12</sup>

Blake was fully open to wherever this new business would take him, and although TOMS experienced early and somewhat linear success, it was not all easy or exultant. In Chapter 3 of *Start Something that Matters*, Blake admits that he had plenty of days feeling “completely doomed” during the first few years of TOMS, because, “we were doing something totally different and it was scary.”<sup>13</sup> While TOMS surely did struggle financially and they feared losing a lot of money, the real fear was failure to follow through. In other words, as Blake puts it, TOMS had made a “bold declaration that we were changing the concept of business and philanthropy . . . . A failure would have been very public.”<sup>14</sup> Blake’s great fear was being found “a fraud,” that TOMS was not giving one pair of shoes for every pair purchased, and that TOMS was not changing the face of poverty in the developing world. But Blake’s solution was to remember his “core motivation” and to “live your story”:

When you live your story, you don’t have to pretend you’re someone you’re not. You can just be yourself. It’s been said there’s nothing more dangerous than someone who has nothing to lose – and it’s true in business too. When you are living your story, it means your actions and your mission are the same.<sup>15</sup>

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<sup>11</sup> Mycoskie, p. 15

<sup>12</sup> Ibid.

<sup>13</sup> Mycoskie, pp. 52-53

<sup>14</sup> Mycoskie, p. 57

<sup>15</sup> Mycoskie, p. 58

That mission, that model, created a movement that is now not just a trend, but a full-blown effect that has changed the way consumers and customers think about their purchases, as well as defied the idea that this should NOT be the work of a for-profit. As Blake states,



“Our goal is to help people and to make money doing it.”<sup>16</sup> TOMS has also affected young people, in particular, high school and college students who imagine themselves soon in the work force, and wanting to work somewhere that is not evil in the corporate stereotype.

The TOMS effect has also spread to at least three college students in particular, all of whom attended or still attend Arizona State University (ASU). Here are their stories.

In 2011, ASU undergraduate student Tyler Eltringham wrote a long letter to Blake Mycoskie, founder of TOMS shoes. In the letter, Tyler explained how the TOMS One-for-One business/giving model inspired him to solve a serious problem: the spread of meningococcal meningitis on campus, as well as in the so-called ‘meningitis belt’ of Africa. As Tyler put it, “My idea was to create a local solution to a global challenge, applying the TOMS One for One initiative toward preventive medicine and epidemiology.”<sup>17</sup> The letter was reprinted in full in the book, *Start Something that Matters* (2012) by Blake Mycoskie. Ultimately, Tyler and a team of four other ASU students entered, and won, the grand prize of \$10,000 for Changemaker Challenge for the 2010-11 school year. Their project was called **OneShot**, and it had the full backing of ASU itself, as well as partnerships with the CDC (Center for Disease Control) and other credible, local and national, health care operators, including GSK (Glaxo Smith Kline), who provided the dosages.



### Tyler Eltringham

Creative Producer  
Greater Los Angeles Area | Entertainment

Current     Riot Games  
Previous     Riot Games, ONeshot Global, W.P. Carey School  
                  of Business  
Education     Arizona State University, W. P. Carey School of  
                  Business

The story of **OneShot** is also the very personal story of Tyler Eltringham, who channeled

<sup>16</sup> Mycoskie, p. 144

<sup>17</sup> Qtd. in Mycoskie, p. 179.

his mom’s severe health crisis, and his experience being partially homeless, while combining it with the requirement for all ASU students to get a Meningitis vaccine, and his personal love of TOMS shoes, to come up with OneShot. As Tyler puts it:

“One day, after reading about ASU Innovation [Changemaker] Challenge, a college competition for people hoping to get seed funding for big ideas . . . I looked down at my shoes, which happened to be TOMS, and started thinking, ‘One for One, so much could be accomplished with that sort of movement.’<sup>18</sup>

“I can’t say exactly what happened next, but I had an idea, based on a disease I’d heard about when I was preparing to move into my residence hall my freshman year: Meningococcal meningitis.

“The idea was simple: College students need vaccinations, and populations within the meningitis belt of Africa needed vaccinations... For every single vaccine administered stateside, OneShot donates a vaccine to the meningitis belt of Africa.”<sup>19</sup>

Unfortunately, the project was short-lived, and only delivered a few rounds of vaccines in fall 2011- Jan. 2013. About four years later, Walgreen’s pharmacy appropriated the OneShot model with its ‘Get a shot, Give a shot’ vaccination program. Unfortunately, neither Tyler nor his OneShot team were paid for any licensing or naming rights.

According to their mentor, Michael Mokwa, Chair, Marketing



Department, W. P. Carey School of Business, Arizona State University, Walgreen’s “became interested along the way, and they started a program a few years ago based on this idea. If you listen to their flu shot

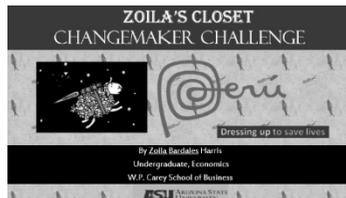
<sup>18</sup> Tyler Eltringham, qtd. in Mycoskie, pp. 177-78.

<sup>19</sup> Tyler Eltringham, qtd. in Mycoskie, pp. 178-179.

promotions, they have adopted a similar model.”<sup>20</sup> This is a high-level example of the TOMS Effect. Tyler graduated in 2013, moved to Los Angeles, and is currently Creative Lead R& D at Riot Games, *Inc. Magazines’* Company of the Year 2016. His LinkedIn page still lists OneShot as one of his professional credentials.

At ASU, OneShot legacy lives on. Indeed, if you look at the ASU Changemaker Challenge application site, you will find that OneShot remains the gold standard; their ‘Sample Executive Summary’ and ‘Sample Slides’ are still posted for future Changemakers to model. This project is the first ASU example of the TOMS Effect. Because Tyler’s letter to Blake Mycoskie is featured as the first five pages of Chapter 8 of *Start Something That Matters*, ASU innovation culture is validated in the context of one of the most innovative business models ever to be implemented – one that combines for-profit with a rigorous giving component, and ends up putting shoes on children’s feet, as well as providing safe birthing kits, eye exams and surgery, anti-bullying programs, and clean drinking water -- through five product lines that directly give back per consumer purchase.

Another example of the TOMS Effect at ASU occurred more recently. In November 2016, ASU undergraduate Zoila Bardales-Harris was a finalist for her project **Zoila’s Closet** (the ‘Goodwill of Peru’) at ASU



Changemaker; she won \$2500 to start up a community center, food bank, clothing exchange, and artisan space in her small town in rural Peru (Nuevo Tingo). Harris was inspired by reading *Start Something that Matters*, by Blake Mycoskie, which was the required 'textbook' for English 302 Business Writing<sup>21</sup>. In the book, which describes how the TOMS shoe company and other social justice business models were founded, Mycoskie urges readers to think big but start small: "You owe it to the world to act."<sup>22</sup> While her project, **Zoila’s Closet**, was not exactly a one-for-one, it was generally inspired by TOMS and

<sup>20</sup> Michael Mokwa, email to the author, Nov. 4, 2016.

<sup>21</sup> A class taught by the author

<sup>22</sup> Mycoskie, p. 184.



by reading *Start Something that Matters*. Zoila's Closet was created using this giving ethic. Currently, Zoila acts as CEO of her registered 501-c3 organization, whose Mission Statement reads: "We empower impoverished families to become

independent, by providing food, clothing, literacy, and a venue to display and sell hand-crafted, Peruvian goods." In terms of deliverables, Zoila has set up little free libraries, has donated clothing (dresses) to the townswomen, as well as chickens, books, and miscellaneous food items. They have begun construction of the community center which will feature the clothing exchange, artisan space, as well as a more permanent library with computers and other technology. As Zoila wrote in her Executive Summary:

"I am proposing a project that meets the immediate need for food, as well as providing for long term economic sustainability. To do this, I will also meet a third need. There are artisans in the area who have wonderful works of art and handicrafts, but no place to display and sell their work . . . It is a complex project that begins with a special and unique library. This library will be on the only road to a major tourist attraction in the area, 'Kuelap' (a 6<sup>th</sup> c. walled city built by Pre-Columbian, indigenous people). This library will have books that are provided similarly to the Little Free Library, designed to educate and promote reading to a community that is very illiterate. The library will also have dresses and suits for the



local people to borrow for use in the myriad of special events that present themselves in Peru (hence the name Zoila's Closet). The charge to rent a dress or suit will be an exchange of food or local produce, such as: beans, wheat, vegetables, potatoes, fruit, chicken, etc. The food will then be given to the impoverished starving families. As Blake Mycoskie said, 'If whatever you do

helps just one person, you've done something wonderful' (184). This project may never reach the masses, but to those lives it does save, it will mean literally everything."<sup>23</sup>



In June 2018, Zoila and her husband took another bold step to monetize their project in a more sustainable way, namely by including a permanent hospitality deliverable. Here is that story: Deep in the lush countryside of rural Peru, a boutique

hotel is being built. It's part of the 2016-17 ASU Changemaker Challenge project, Zoila's Closet, that seeks to create a community center, library, food bank, and clothing exchange for the impoverished residents of Nuevo Tingo, Peru. The hotel, called *Zoila's Suite Escape*, will house Zoila's Closet, and will encourage and drive eco-friendly, social-justice tourism to the area, along the lines of what Me-to-We is doing in Kenya and elsewhere in the developing world; it's called Volunteer Travel, or 'Voluntourism.' The hotel is the brainchild of Zoila Bardales Harris, W.P. Carey class of Dec. 2018, undergraduate in Economics. The hotel is presently under construction, and is set for grand opening in Jan. 2019. The hotel will have six guest rooms, and a dormitory able to sleep 24, as well as a restaurant, bar, and recreational area. It will be listed on Airbnb as well as Expedia. Local workers and local materials are being employed, and the entire village is participating in the excitement of the promise of Zoila's Closet. According to Bardales-Harris, hunger is very real in this part of Peru. It is an unfortunate reality that children often die of mal-nutrition. Most are not properly schooled, and have few clothes or shoes to wear. Zoila's Suite Escape Hotel is a student-led, on-going example of the TOMS Effect.




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<sup>23</sup> Zoila Bardales Harris, Executive Summary, Zoila's Closet

One year after that, in fall 2017, another ASU student, Hilliary Faison, competed in the ASU Trash Hack, an event sponsored by TerraCycle founder Tom Szaky, a business innovator and company also featured in *Start Something that Matters*. Here is a narrative of how her project was conceived: What do condoms, plastic bottle



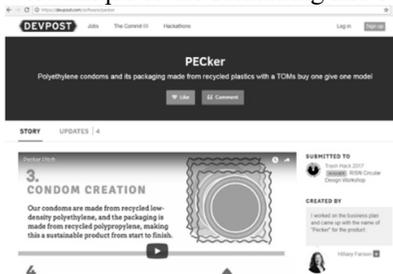
tops, and the book, *Start Something that Matters* (SSTM) have in common? Together, they become **PECKER** – the Oct. 2017 ASU Trash Hack winner – a project proposal that focuses on recycling heretofore unrecycled plastic bottle caps into polyethylene condoms (PEC), and using the TOMS one-for-one model. PECKER gives a free package of condoms to communities in the AIDS/HIV belt of Africa, when one pack is purchased in U.S. markets. Where did this bold, ingenious idea come from? From an ASU undergraduate student who



was reading *SSTM* for classwork in ENG 302 Business Writing– indeed, according to her, she was literally doing her homework – reading questions for Ch. 5 of *SSTM*, while working with her Trash Hack teammates to design the web pitch for PECKER. This project, and its potential

to help stop the spread of HIV/AIDS, not to mention unwanted pregnancies and other STD's, was in some ways made possible by *SSTM* and by Blake Mycoskie, founder of TOMS.

PECKER's Trash Hack business plan, proposal, and pitch were unique to the formatting and content requirements of the Trash



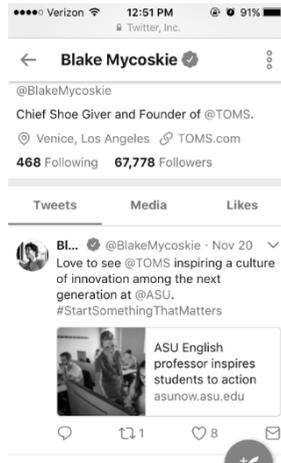
Hack contest, in conjunction with their devpost website, reflecting time-sensitive, engaging writing in the business context. Trash Hack also has a direct connection to TOMS and to the *SSTM* book in that the keynote speaker for the ASU Trash Hack was none

other than Tom Szaky, founder of TerraCycle, a company featured in Ch. 4 of *SSTM*, “Be Resourceful without Resources.” As Blake explains, in 2001, Tom Szaky was looking for a cheap packaging

solution to sell his “liquefied worm-poop fertilizer”<sup>24</sup>; he decided that discarded plastic pop bottles were the best choice because they were free and plentiful. TerraCycle, a company which started as a gardening products venture, soon transformed its core competency into repurposing waste packaging such as single use coffee pods, juice bags, toothpaste tubes, and little green army men.

Blake Mycoskie does a great job of curating the companies and their founders who are included in this book; they were chosen as examples of people who brought a simple idea to the market, whose companies are givers, and whose products are changemakers. Similarly, student Hilliary Faison loves recycling, and when she read about TerraCycle in *SSTM*, and then found out about ASU Trash Hack – it was the perfect blend of opportunity and interest, and she knew she had to be a part of. Zoila knew that her hometown needed help in terms of basic food, clothing, literacy, and fellowship. She started Zoila’s Closet and Zoila’s Suite Escape to address these needs. Tyler, the only actual TOMS customer of the three ASU students, felt the TOMS effect literally, in his soles.

A few more examples of what happens when you pursue something that matters: In November 2017, a reporter from *ASU Now* wrote an article about what I called, ‘the TOMS Effect’ – students and companies that have been inspired either by reading *Start Something that Matters*, and/or by knowing about the TOMS one-for-one business model. Then,



<sup>24</sup> Mycoskie, p. 78

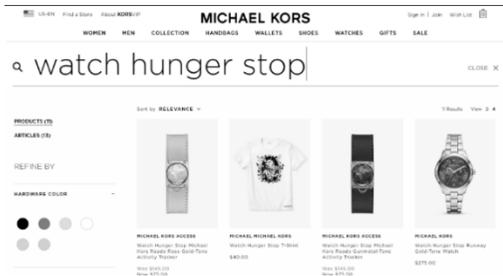
about a week later, Blake Mycoskie himself ‘Tweeted’ about the ASU Now article. When ASU ENG 302 student Hilliary Farison saw this tweet (it was actually in class) on Twitter – she was close to tears (of joy). As Hilliary explained, she “worked on the business plan and came up with the name.” This is the kind of real impact that a great (business) book can have on students – and she is not alone. Tyler, Zoila, Hilliary, and I all experienced the TOMS effect at our shared, public university. In terms of publicity, The TOMS Effect helped Blake make the cover of *Inc.* magazine in 2016, and the cover of *Fortune* in 2011 (“40 under 40”). The TOMS effect spread to me by being covered by ASU Now, ASU Lincoln Center for Applied Ethics, ASU Gammage Playbill, W.P. Carey Alumni magazine, and by Blake on Twitter. The TOMS Effect is real, and while it may be hard to quantify, it is easy to qualify in regard to real, albeit anecdotal experience. The missing piece is wide-spread recognition of it in the business world, and greater credulity and respect for it in business schools.

# CHAPTER 2

## DIRECT EMULATION

### The TOMS Effect spreads

In fall 2013, Michael Kors offered an accessory called Watch Hunger Stop, an expensive luxury item to be sure, but one with a direct giving component: For every watch purchased, the **Michael Kors** brand would give 100 meals to the World Food Programme. This year, the product/project offering continues in a limited fashion as Michael Kors sells at least ten (10) watch styles, and a t-shirt, to sustain and continue this giving campaign. The Michael Kors (MK) website states the watch is “Part of our Watch Hunger Stop Collection . . . . For each watch sold, 100 meals will be donated to the WFP [World Food Programme].”<sup>25</sup> Similarly, “100% of the profits [from the



Watch Hunger Stop t-shirt, designed by Brazilian artist Eli Sudbrack] go to help feed hungry children” according to the WFP website.<sup>26</sup>

What is significant about Watch Hunger Stop is that MK brands did not have to do this; indeed, in the last two fiscal cycles, MK brands have been struggling. Although they announced that they would buy Italian fashion house

<sup>25</sup> Michael Kors, 2018, [https://www.michaelkors.com/search/\\_/N-0/Ntt-watch+hunger+stop](https://www.michaelkors.com/search/_/N-0/Ntt-watch+hunger+stop)

<sup>26</sup> World Food Programme, “Watch Hunger Stop 2018,” <http://watchhungerstop.org/#restofofext>

Versace in September 2018, and they acquired high-end, British shoe-design brand Jimmy Choo in 2017, Michael Kors Holdings Limited (KORS) stock prices have been declining since the end of 2017. It would seem to be a good time to spend less, and give away less, even to a great cause like the World Food Programme. But the TOMS Effect has a powerful hold on even the wealthiest businesses, and the most sought after brands, even when their normally lucrative product lines (clothing, handbags, shoes, accessories, and watches) are not flying off the shelves or whipping through the Ethernet. According to Michael Kors on the World Food Programme website, the Watch Hunger Stop + MK partnership has worked toward ending world hunger by 2030: “Hunger is a global problem, but it’s also a solvable one . . . . One of my dreams is to see a world with Zero Hunger, and we are working hard with the United Nations World Food Programme to make that a reality. I’m proud of what Watch Hunger Stop has been able to accomplish so far, but we’re not done.”<sup>27</sup>

To be clear, no one is saying that Michael Kors and Blake Mycoskie have talked to each other (at all) much less even met casually or professionally. However, it can be extrapolated that Kors knows the fashion industry (since 1981), including shoes and accessories. It can’t have escaped his attention what TOMS has been doing since 2006, and that the trend in giving has turned from merely trend, to business strategy infrastructure must-have. Assuming Kors is not a cynic, and not merely a rapacious fashion business mogul, his company’s involvement with the World Food Programme seems genuine ‘TOMS Effect’: doing well by doing good. It also emulates FEED Projects, a for-profit handbag company founded by Lauren Bush and Elle Gustafson in 2007. They were among the first fashion manufacturers to partner with the WFP.



Another, smaller example of the Michael Kors version of the TOMS Effect can be seen in jewelry company, **Alex and Ani**, founded in 2004 in Rhode Island by Carolyn Rafaelian. Just like Michael Kors,

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<sup>27</sup> Ibid.

Alex and Ani limits its giving component to only one line of products (for MK, watches); for Alex and Ani, a line called Charity by Design, which was established in 2011. They state that 20% of profits from this line of bangles and charms will go towards charities such as UNICEF, the American Heart Association, and the David Lynch Foundation.<sup>28</sup> They also offer design partnerships with celebrities who want to leverage their profile and brand to give back (just like TOMS, as we will see in Chapter 5). For example, there are Mandy Moore, Elizabeth Olsen, and Kaley Cuoco EMBRF bracelets, 100% of proceeds go to finding a cure for Epidermolysis bullosa<sup>29</sup>; there are also generic causes such as ASPCA and Make-a-Wish that feature a dog paw print and a shooting star, respectively, for these charitable entities. This is a lovely, albeit narrow-niche, TOMS effect.

Why is the TOMS Effect so sustainable? As Blake tells us in ‘Chapter 7: Giving is Good Business,’ that ultimately, the double-entendre of the chapter title is true:

When I went on that first Shoe Drop to give away shoes, it was a life-changing experience. Giving felt good. But over the last few years, I’ve also experienced how giving is truly good for the business as well.

So many good things happen to you when giving is integrated into your business – and I’m not even talking about the wonderful results of the giving itself . . . I’m talking about the business.<sup>30</sup>

Blake goes on to explain, as he had in previous pages of the book, that when you give, “your customers become your partners in marketing your product”<sup>31</sup> and that giving-businesses also attract corporate partners who can use their larger size and deeper pockets to achieve what each company on its own could not: public relations nirvana. For example, in 2009, **ATT** approached Blake to make a one-minute

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<sup>28</sup> “Charity by Design,” Alex and Ani, 2019, <https://www.alexandani.com/charity-by-design>

<sup>29</sup> Epidermolysis bullosa is a genetic condition that causes severe blistering of the skin.

<sup>30</sup> Mycoskie, p. 156.

<sup>31</sup> *Ibid*, pp. 156-57.

commercial; the short film showed emotional clips of actual shoe drops, as well as Blake on site at the TOMS offices in Santa Monica, California. Blake narrates the film. It's all about him and TOMS, and there is really no product placement for ATT; EXCEPT that Blake tells us he could not run his business 'without a reliable (cell phone) network' – when the final tag line, 'ATT, More Bars in More Places' runs, we get it. ATT used TOMS to show how it contributes, obliquely, to the giving-model of TOMS, even if it cannot directly do so on its own with its own products or services. After all, at the time, it was not like ATT was giving away a Blackberry for everyone purchased; no, its core competency was/is Communications, not giving. But by partnering with TOMS (and paying for the commercial that featured Blake, a real ATT customer), ATT was able to position itself as still relevant, cooler, younger, and generous. Not as what it really is, a century-old telecommunications monolith.

Another example of direct emulation of the TOMS Effect can be seen in **Walgreens** 'Get a Shot, Give a Shot' program, a riff on (or rip off) of OneShot (ASU Changemaker Challenge winner 2011). This program at one of the nation's largest drugstore chains pledges to give (for free) "a lifesaving vaccine to a child in a developing country"<sup>32</sup> for every flu shot purchased in U.S. markets. According to their website data, "From 9/1/18, until 8/31/19, for every immunization administered, Walgreens will donate \$0.23 to the United Nations Foundation, up to a maximum donation of \$2,600,000."<sup>33</sup> This implies that a literal interpretation of 'get a shot, give' a shot' would not be accurate in terms of the logistics: Walgreens is not sourcing, shipping, staging, or administering actual shots; it is paying for partners within the United Nations Foundation and UNICEF to do the on-ground logistics. The so-called developing countries that it contributes to are Central African Republic, Chad, Tanzania, and East Timor. Still, this program is surely an example of the TOMS Effect, alive and well at Big Pharma Retailer, Walgreens.

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<sup>32</sup> Walgreen's, "Get a Shot," 2018, [https://www.walgreens.com/pharmacy/immunization/shot\\_at\\_life.jsp](https://www.walgreens.com/pharmacy/immunization/shot_at_life.jsp)

<sup>33</sup> Ibid.