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**SPRINGER NATURE**

# TOMS: "We are in Business to Improve Lives"

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## ABSTRACT

This paper analyses the use of the "buy one give one" model as part of the cause-related marketing activities that firms can develop. The specific case of the firm TOMS is studied as a paradigm for the application of this type of model. First, the model is described, and a reflection is made about the main advantages and disadvantages of its application. Second, the temporal evolution of the model is detailed. Since its creation (2006), TOMS has applied the "buy one give one" model. During that trajectory, a clear three-phase evolution is apparent: an initial stage and classic application of the "buy one give one" model (starting in 2006), a stage of slight evolution of the initial model (starting in 2014), and the current stage (starting in 2015) in which the model is further relaxed through the creation of a donation fund. Currently TOMS is managing to combine the classic "buy one give one" model with more sophisticated formulas, while always keeping profits above 30%.

## LEARNING OBJECTIVES

The following are the main learning objectives of this case:

- ⤴ Reflect on the potential effect of the implementation of cause-related marketing actions oriented to reducing poverty, especially in underdeveloped and developing countries.
- ⤴ Identify the main advantages and disadvantages for firms of the "buy one give one" strategy.
- ⤴ Point to the main advantages and disadvantages for NGOs of the "buy one give one" strategy.
- ⤴ Analyse the application by the firm TOMS of the "buy one give one" strategy as an essential part of cause-related marketing.
- ⤴ Explore the evolution of the model experimented with by TOMS, in particular, of the "buy one give one" model, in its approaches to cause-related marketing.

## 1. INTRODUCTION

This study analyses the case of the TOMS firm as a paradigm of the application of the "buy one give one" model in the context of cause-related marketing.

The TOMS firm was founded by the American Blake Myckosie in 2006 in Venice, California (USA). The CEO of TOMS was an entrepreneur who made his way in different businesses and through different channels. From setting up a laundry to participating in reality shows that allowed him to develop a creative spirit and a social mindset, he was led later to create a business model based on cause-related marketing. TOMS was created after a trip he made to Argentina where he saw that there were poor children who were not wearing shoes. The base of his business consisted, therefore, in creating a cause-related marketing firm, applying the "buy one give one" strategy which consisted in donating a pair of shoes to disadvantaged people for each pair that his firm sold.

The activity was carried out, and continues to be carried out, through a series of organizations that help to calculate the possible demand in each area and provide support in delivering the products to their recipients. Therefore, the firm has a vast network of partners who guarantee that its mission is achieved, and who are coordinated from within the organization itself. In a short time, TOMS in this way became the paradigm of the "buy one give one" donation model, within cause-related

marketing, to eradicate poverty or at least lessen its effects. According to the world poverty index (United Nations, 2019), approximately 1300 million people live in multidimensional poverty, which means that they suffer from deficiencies in the areas of health, education, and living standards. This figure represents almost a quarter of the population of the countries included in the United Nations report. Although multidimensional poverty is present in all developing regions of the world, it is particularly severe and significant in Sub-Saharan Africa and South Asia. Given this context, the firm solidly based its business objectives on this social objective, and has worked on a large scale to achieve it.

### 1.1. The "buy one give one" model

The basis of the "buy one give one" model is to make donations for each unit of product sold, with the collaboration of a series of partners such as collaborating organizations or NGOs that operate on-site in those areas where the need is detected. Although TOMS can be considered to be the paradigmatic firm for the application of this model, the truth is that the model has been extensively replicated by various firms (Table 1).

*Table 1: Examples of some firms from different sectors that use the "give one buy one" model.*

BUSINESS	SECTOR	ACTION PERFORMED
KNO Clothing	Fashion	Donating 50% of its profits, part of which include an article of clothing.
Baby Teresa	Children's fashion	Donation of a set of baby clothes for each sale.
Roma Boots	Fashion/footwear	Donation of a pair of boots and school supplies for each pair of boots sold.
Soap Box Soaps	Household products	Donation of soap bars for each unit sold.
Nouri Bar	Food and drink	Donation of a school meal for each snack bar sold.
1 for 1 water	Drink	Financing of bio-sand water filters for each bottle sold.
Smile Squared	Dental hygiene	Donation of a toothbrush for each one sold.
Ark Collective	School supplies	Donation of a backpack for each unit sold.
State bags	Textile, fashion	Donation of a backpack for each unit sold, in addition to providing school support to children
Hand in hand soap	Hygiene	Donation of bars of soap and facilitation of access to clean water for each purchase of their hygiene and beauty products
Mitscoots	Textile, fashion	Donation of a pair of socks to a homeless person for each pair sold
FCbola	Sport	Donation of a ball for each football sold

Source: The authors and adaptations from Marquis & Park (2014, p. 32).

The main advantages of the "buy one give one" model are: its versatility in the way it can be applied to different business models, the ease with which it can be explained, and its connection with social causes. The growth of these activities is due to the favourable response they get from customers, who are seeking to support causes with immediate effect.

In general terms, the "buy one give one" model is applied to a greater extent to consumer products, in many cases to products related to fashion. The fact that these types of products have a strong link with the personality of the customer makes the success of these approaches (linking the brand with those social issues) more easily achievable. But two essential conditioning factors should not be overlooked: the quality of the products or services offered, and the coherence between the brand and the social action carried out.

One question to address before applying these types of strategies is how to avoid losses. To make the approach profitable, there are firms which offer their products at a higher price than the market, with a desire to make the public understand that they are paying more for a good cause. Another way would be to try to reduce costs (through savings in the system of distribution, online sales,...). Finally, there are firms that choose to reduce their profit margins, although in this case the long-term sustainability of the model may be compromised. Apart from avoiding losses, it is necessary to consider the difficulty of maintaining the strategy in the long term and at large scale. The reason is that the firms lose control of the aid they offer, which is often managed by intermediaries, with

the consequent risk of damage to the image and reputation of the brand.

The model has been both applauded and criticized. Among the most frequent criticisms is the fact that this type of aid only alleviates the symptomatic part of the problem (lack of shoes, in the case of TOMS), but does not contribute, or does so to a very limited extent, to solving the true essence of the problem (poverty, in the case being observed). In this sense, one may think that firms offer individual solutions to collective problems, distracting attention from any proposal consisting of more effective solutions.

## **2. CASE DEVELOPMENT: EVOLUTION OF THE MODEL IN THE TOMS FIRM**

TOMS is a for-profit organization that since 2006 has based its strategy and business model on a social cause – helping the underprivileged in areas of extreme poverty, providing shoes, glasses, and other aid to the native communities through the application of the model "buy one give one".

The first destination for the application and development of the model was Argentina, the country in which the founder of the firm had arrived without business pretensions and for other more trivial reasons. However, it turned out to be the place where he found inspiration when he made contact with the local communities and perceived the scarcity of their resources.

TOMS relies heavily on institutions and organizations with experience in the areas of action and in delivering humanitarian aid. These include other intermediary organizations, NGOs, and foundations of all kinds, which help in their different areas: Shoe Giving Partners, Sight Giving Partners, Safe Water Giving Partners, Bully Prevention & Response Giving Partners, Solar Light Giving Partners, Impact Grant Giving Partners (see Annex I).

Some of these organizations only focus on a single country, while others are international. The relationship of TOMS with its partners is bidirectional since, according to a poll by the firm of 66 of its partners whose data are published in its annual report (TOMS® 2019; Global Impact Report), 66% of these partners state that they gain further visibility and credibility inside or outside of the communities served, 79% get to serve a greater number of individuals or communities, 68% find themselves strengthened and able to create alliances or partnerships with other organizations, and 44% get additional support such as more volunteers.

It is important to highlight that TOMS follows a protocol to accept its Giving Partners. This comprehensive process involves in-depth research, visits, and interviews. The qualities that the firm looks for in a potential partner are summarized in four basic points:

- ⤴ The Giving Partners must be local experts with deep roots within the community, to be able to take advantage of their experience so long as they do not depend on international volunteers to maintain their programs.
- ⤴ The Giving Partners should address the local needs in a way that allows the community to evolve in the future.
- ⤴ The Giving Partners should be ready to integrate TOMS resources into their already existing programs. TOMS believes that this produces a more sustainable relationship, and helps to maximize the impact of the ongoing programs.
- ⤴ The Giving Partners must demonstrate proven capabilities to be able to monitor and evaluate. All must compile annual reports to allow it to be seen how TOMS resources are used and whether they follow the plan foreseen.
- ⤴ The Giving Partners must accept the rules of TOMS, without forcing anyone to follow any religious or political ideology, without discrimination, and always provided that the commitment to collaboration is long-term.

## **2.1. Stages of the "buy one give one" model**

The model has gone through different stages, and has evolved to become more complicated as it tried to reach more areas and satisfy other needs than just those of footwear. It has expanded to cover gaps related to access to opticians, access to drinking water, electricity, etc., and recently to supporting other causes not directly linked to the reduction of poverty (support to victims of the use of weapons, actions against bullying, homelessness...).

The following are the three stages that summarize the evolution of the "buy one give one" model in TOMS.

### ***Stage 1. The beginning and success of the classic "buy one give one" model***

From 2006, and as part of the first stage, the firm centred on helping disadvantaged children, donating a pair of shoes for every pair sold. At the start, the founder of the firm, in collaboration with some friends and family, and without prior agreement with any other organization, chartered a plane to Argentina to personally distribute 10 000 pairs of shoes (corresponding to the first 10 000 pairs of shoes sold by the firm) to children in need who, in as far as it was possible, could get there by their own means.

In 2009, TOMS took one step further by investing in the creation of an international cooperation team consisting of non-profit professionals, called The Giving Team. Over the course of the years, this team has developed relationships with over 200 non-governmental and humanitarian organizations (the Giving Partners) in 80 countries worldwide. Working with these organizations helped to understand the needs of the communities they served, by acting locally and allowing TOMS resources to be integrated into their existing programs.

From 2010, the firm grew in popularity and carried out other actions which, although they were not exactly cause-related marketing campaigns, also served to raise awareness. Thus, for example, it managed to gather more than 250 000 people at more than 1600 sites (El Correo, 2011) who voluntarily participated in the fourth edition of the solidarity march "One day without shoes". This event had been taking place since 2008, and consists of participating in a celebration attended by ordinary citizens and famous celebrities who walk barefoot to raise awareness of what it means to always live without shoes.

The success of this solidarity philosophy led the firm, in 2011, to become involved in a new project, that of helping people's health by creating the TOMS *Eyewear* line through which, for each pair of glasses acquired, TOMS helped a person with sight problems. Given that 253 million people worldwide are blind or are visually impaired (TOMS® 2019; Global Impact Report), and that there is limited access to the detection and care for eye diseases in remote and neglected communities, the firm decided to provide optician services locally. TOMS *Eyewear* first partnered with two main collaborators – SEVA (a foundation dedicated to expanding the "buy one give one" model) and BRAC (a non-profit organization dedicated to fighting poverty and inequality of any kind). Through these associations, it provided medical treatment, surgery to save sight, and prescription for glasses for those most in need. These two organizations are connected to local health centres and hospitals, which allowed for a better understanding of where new optician clinics and more direct action were needed. The firm thus invested in optician centres to provide a comprehensive service for eye care: examinations, glasses, emergency care, and referrals to hospitals. Apart from providing aid, these optician centres also created stable employment, which translated into a boost of those communities' economic development.

In 2012, the two "buy one give one" strategies (delivering shoes and glasses) coexisted, and the figure of the first million shoes delivered to more than forty countries was reached. Furthermore, by 2015, the firm had already helped more than 250 000 people with a pair of glasses to improve

their sight (TOMS® 2019; Global Impact Report).

In summary, in its first stage, TOMS matured its model. It successfully applied it through the sale of espadrilles and sunglasses. It fulfilled its objective of being faithful to its commitment to underdeveloped countries, and presented some evolution by opening the model to a new product line as represented by sunglasses.

### ***Stage 2. First change and evolution within the "buy one give one" model***

Given the severe criticisms about the form of fighting against poverty without contributing to the development of underdeveloped countries, in 2014 the firm opened itself up to a new initiative. It opened its first two TOM Roasting Co coffee shops in Austin, Texas (USA). They used a new product sold by the firm. It was a brand of high-quality coffee bought from underdeveloped countries. Although all the coffee beans were roasted in the United States, the blends came from different countries such as Guatemala, Malawi, Honduras, and Peru (TOMS® 2019; Global Impact Report).

The organization decided that for every cup of coffee purchased, TOMS would provide one day of drinking water to a disadvantaged area. Selling a bag of coffee would offer the equivalent of one week. Given that more than 785 million people do not have access to drinking water (TOMS Annual Report, 2019) and that the minimum amount of safe water that a person needs daily to drink, eat, and wash is 20 litres, this new commitment would contribute to the firm's mission and the expansion of the model, although this time the product donated had nothing to do with the product sold.

Whichever the case, TOMS coffee sales helped to provide safe living conditions and economic prosperity to developing communities through the installation of sustainable drinking water systems. To this end, it partnered with the organizations *WaterAid America* and *Water for People*. Both are non-profit associations that work to develop sustainable water systems and implement them in different communities around the world. In this case, the support of *WaterAid America* and *Water for People* allowed TOMS to help finance safe water initiatives. These partners have extensive experience in water, sanitation, and hygiene, not only establishing drinking water systems in under-served communities but also working to make them accessible.

In summary, this stage shows how the firm expanded the classic model out to a new line, and slightly modified its modus operandi looking for highly experienced non-profit organizations. This saved it some logistics costs, and mitigated its lack of knowledge about how to apply the model through the acquisition of a basic necessity such as water.

### ***Stage 3: Evolution of the "buy one give one" model to the donation fund***

Since 2015, the donation process through the direct sale of TOMS products has become more complex (with participation in other programs concerning health, access to solar power, and bullying) than applying only the pure "buy one give one" model.

However, it was 2019 when TOMS officially announced that it was modifying the "buy one give one" model, of which it was a pioneer, in favour of another more flexible donation model. Although TOMS continued to distribute shoes as well as other items like glasses and water, it has evolved as its business diversified and expanded. While the initial model continues for certain collections, its new model is focused on creating a donation fund. The starting point in the operation of this donation fund is that for every US\$ 3 the firm earned, it kept US\$ 1 for the fund created (one-third of the net profits). Therefore, TOMS created its own donation team whose members helped identify how they could donate money more effectively and through which partner organizations.

The firm used the information it had on knowledge of its customers to ensure that the topics it focused on were aligned with the ones their customers liked. In early 2019, it launched a proposal to poll its customers. This was called "Choose your style, choose your position" (choose what suits you best to help society), which allowed the buyers to select a specific topic towards which a percentage of their purchase would be directed. Three areas of work emerged from the poll: physical security, mental health, and equal access to opportunities (TOMS® 2019; Global Impact Report).

An aspect worth highlighting is that the firm had not openly communicated to its customers that it was changing its traditional model for a donation fund to which it would dedicate 1 out of every 3 dollars of its earnings. Therefore, a priori, it was unknown what the money was used for. This lack of information was made up for by the publication of a detailed impact report that described the change, the new projects, and the ongoing objectives.

The rationale for the change of model was about ensuring that the firm had the greatest possible impact on the Third World and to be able to show to its customers that this was being done in a way aligned with their interests. TOMS thus launched aid actions for the prevention of gun violence, the improvement of mental health, and female empowerment. The form of action was to identify the problem, seek the collaboration of an NGO, and provide an annual donation to try to resolve it. However, local activation was also pursued. In many cases, TOMS partnered with an influential person dedicated to advocating for the cause.

By way of summary, Table 2 presents the cause-related marketing actions financed with the TOMS donations fund.

*Table 2: Areas financed with the TOMS donation fund.*

<b>Funded area</b>	<b>Actions carried out</b>
Prevention of gun violence in the United States	In 2018, TOMS launched the initiative to end gun violence, committing a total of US\$ 5 million for violence prevention, intervention, and victim support through the following partners: Black & Brown Gun Violence Prevention Consortium, Everytown for Gun Safety Support Fund, Faith in Action's LIVE FREE Campaign, Giffords: Courage to Fight Gun Violence, March For Our Lives, Moms Demand Action for Gun Sense in America
Survivor recovery	The UK-based <i>Helen Bamber Foundation</i> has worked with more than 600 victims of extreme situations, providing multidisciplinary support to men and women from Albania, Ghana, Iran, Eritrea, Sri Lanka, Afghanistan, Turkey, and Vietnam. This aid included psychological support and physical health services, legal experts, housing, and social assistance. TOMS gave US\$ 100 000 to the <i>Helen Bamber Foundation</i> , supporting 33 people and providing them with vital services.
Homelessness in Asia-Pacific	Given that, according to TOMS, there are approximately 116 000 people in Australia who are homeless, of whom approximately 43 500 are under the age of 25 (TOMS® 2019 Global Impact Report), in 2019 TOMS gave US\$ 50 000 to the HoMie organization to finance its work. HoMie is a Melbourne-based clothing firm that spends 100% of its profits providing new clothing, training, and job opportunities for homeless or struggling youth.
Prevention and response to bullying	Nearly one in three students aged 12 to 18 in the United States admit to being victims of bullying (TOMS® 2019 Global Impact Report). From 2015 onwards, TOMS has offered a line of backpacks for sale, with sales through the purchase of those backpacks providing, through its Impact Grant partners (Annex I), assistance to programs of prevention and training school staff, as well as other services.
Electricity supply program	An estimated 1.1 billion people (14% of the world's population) do not have access to electricity (TOMS® 2019 Global Impact Report). From 2016 to 2018, TOMS helped provide access to electricity supply with the sale of their Apple Watch straps, which resulted in greater economic opportunity and a reduction in the cost of consumable energy sources, such as kerosene. The NGOs SolarAid and Solar Sister were the partners in charge of helping TOMS in this action.

Source: The authors, from TOMS® 2019 Global Impact Report.

At this stage, an evolution can be seen from the pure "buy one give one" model towards a version that mixes cause-related marketing with others of the firm's social responsibility actions. For example, the Tomorrows Project program is a platform that allows the firm's full-time employees to act as advocates for the causes that interest them. Each month the employees are invited to submit a project idea that would result in drawing attention to an existing organization they would like to support. Voting is open across the firm, and the project or organization that receives the most votes is funded with US\$ 10 000.

In summary, today, a large part of the monetary contributions to the donation fund are made based on the units sold, but the distribution of that money to each cause is no longer always directly linked to a product line as it had been before, such as with shoes or glasses, for example.

The principal milestones of the three stages and the firm's trajectory are summarized in Table 3.

*Table 3: Main milestones in the history of TOMS.*

Year	Milestone
2006	TOMS' creation and first shoe donation.
2008	One day without shoes. Solidarity march to raise awareness about poverty and early childhood education in disadvantaged areas.
2009	TOMS begins working with humanitarian organizations to integrate shoe delivery into existing programs.
2010	First million pairs of donated shoes.
2012	Donations department growth, with the supervision of all aspects related to donations.
2014	The Safe Water program begins. Every coffee purchase helps provide safe water to people in need.
2015	Diversification of donations, including financing (through the sale of its products) for safe births, prevention of bullying, and access to solar power. 50 million pairs of donated shoes reached.
2016	Launch of the Tomorrow project. Every month, TOMS employees have the opportunity to donate US\$ 10 to the causes they wish.
2018	TOMS donations begin through strategic impact programs such as fighting gun violence in the United States ( <i>#EndGunViolenceTogether</i> ). TOMS achieves B Corp certification (as a responsible firm).
2019	95 million pairs of donated shoes.

Source: TOMS® 2019 Global Impact Report.

### 3. RESULTS

Over the last years, according to the activity of the firm itself, TOMS can be said to have influenced more than 96.5 million people in an exponential form, giving shoes, sight examinations, safe water, and aid to lessen the impact of poverty and helping disadvantaged people (TOMS® 2019; Global Impact Report).

To communicate and summarize its work, the firm has created a comprehensive report detailing the ins and outs of its activities aimed at improving people's lives and how it makes this possible. Some data from the TOMS annual report shows how to date it has given almost 100 million pairs of shoes (mostly to Kenya, India, and Ethiopia), as well as 780 000 eye examinations (by the end of 2019; TOMS had created 37 vision centres in Bangladesh, India, and Nepal) and 722 000 weeks of water in regions of North America, South America, Sub-Saharan Africa, South Asia, and Southeast Asia.

In addition, the firm has dedicated US\$ 6.5 million as donations for annual projects that help relevant causes related to reducing poverty or the situation of disadvantaged people. In the first year, TOMS dedicated US\$ 1.2 million to subsidies in the USA, and US\$ 60 000 to subsidies in the UK, collaborating with 14 non-profit organizations that are committed to projects that are clear and have the potential to stand on their own feet after receiving a first donation as an impulse.

Likewise, TOMS has collaborated in general with more than 85 different countries, involving more than 200 collaborating organizations.

The results may be considered as even overwhelming when one considers them also to be in line with the benefits of the organization. This means that TOMS is profitable since, as stated in its annual report, the organization only helps to the extent that its profitability is not compromised since it is a business and therefore for-profit, and this is the motive for the model having been enriched as it has evolved. In any case, the organization has as yet not published the specific figures of profitability that it manages, but it has confessed to giving as much as it can while maintaining a sustainable for-profit business, not letting the organization's profit fall below 30%.

#### **4. CONCLUSIONS**

The conclusion is that, for the TOMS firm, working in cause-related marketing meant at the beginning giving a new pair of shoes to a child in need for each pair sold. The model changed slightly, with the donated product no longer being the same as that sold, as in the case of donating the possibility of access to drinking water based on the coffee sold. Currently, the firm is committed to dedicating at least a third of its net annual earnings to a donation fund, managed and led from within the organization itself.

The change in the form of applying the cause-related marketing model of "buy one give one" to the model of contributing US\$ 1 for every US\$ 3 earned from the sale of different products is explained in that each purchase supports a wide range of initiatives, impacting the lives of both individuals and communities. The change of model did not affect the relationships with its team of Giving Partners. With most organizations, these relationships continued, and new and better ways of helping were sought.

It goes without saying that the great challenge for the TOMS brand was that, without leaving the cause-related marketing strategy and having become a paradigm of "buy one give one", the change to a more diverse model was risky. The firm's reasons for this change can be summarized as follows:

- ^ Customers are open to understanding a more complex donation model because they are much more committed to causes which are relevant for them.
- ^ The "buy one give one" model had lost popularity and media interest since the creation of TOMS, leading to a stagnation in the firm's growth in recent years.
- ^ Maintaining the classic "buy one give one" model complicated the firm's possibilities to keep being profitable. However, the biggest difficulty was still to match a sizeable and impact-making donation with profitability.
- ^ The "buy one give one" model had been criticized for being too simplistic, for not addressing the most pressing problems of the communities or the fundamental causes of their poverty, for reducing the demand for locally manufactured goods, and even for perpetuating imperialism. A more thoughtful and holistic approach like the one TOMS seems to be taking now could be more effective, especially when implemented by a firm with so much donation experience.

It is difficult not to wonder whether the decision of TOMS as the leading firm in the "buy one give one" model might mean the end of pure models as we know them. It is therefore possible to ask whether the initial model will cease to be generally effective and will have to migrate to new, more solvent and creative formulas for organizations and their stakeholders.

#### **Discussion Questions**

1. From the context of cause-related marketing, would you say that the "buy one give one" model is a useful strategy to eradicate poverty? What other approaches to solving this problem might

firms consider?

2. What would you say are the main advantages and disadvantages for firms of the "buy one give one" model? Do you think this is a valid model for any type of firm whatever? Is there a profile of firms that are better suited to this type of initiative?
3. What would you say are the main advantages and disadvantages for NGOs of the "buy one give one" model? Do you think this is a valid model for any type of NGO whatever?
4. What do you think are the main difficulties for the development of the "buy one give one" model implemented by TOMS? And the main advantages?
5. Do you consider the model's evolution that was implemented by TOMS to have been fortunate? Reflect on the main reasons for that evolution.

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Annex 1: Impact Grant Partners (2018).

Shoe Giving Partners	<p>Ahadi Kenya Trust  Americares  Anchor of Hope Charities  Anera  Baby2Baby  Bright Generation Community Foundation  Cambodian Children's Fund  CARE®  Children International  Child Fund International  COHESU  Convoy of Hope  Coprodeli  Dabaso Tujengane CBO  EDF Thailand  Feed The Children  Fundación Paraguaya  Goonj  Hai Hui  Hogar de Niños Enmanuel  Icddr, b  IMA World Health  International Medalist Association  International Medical Corps  Joint Aid Management  Jhpiego  Karuna Trust  LA's BEST Afterschool Enrichment Program  Los Angeles LGBT Center  Magic Bus  NaPAN  Partners In Health  Partnership With Native Americans  Project RENEW  Save the Children Federation  The Akshaya Patra Foundation  The Luke Commission  Together for Children  UAE Red Crescent Authority  USA for UNHCR  Yamba Malawi  YouChange</p>
Sight Giving Partners	<p>Aravind Eye Care System  BRAC  Fundación Visión  Helen Keller International  Ispahani Islamia Eye  Institute  LV Prasad Eye Institute  Quasem's Marium Eye Hospital  Sadguru Netra Chikitsalaya  Seva Foundation  Visualiza  Vivekananda Mission Asram  Netra Niramay Niketan</p>
Safe Water Giving Partners	<p>WaterAid America  Water For People</p>

Safe Birth Giving Partners	ayzh BRAC Bully Prevention & Response Giving Partners Crisis Text Line No Bully
Solar Light Giving Partners	SolarAid Solar Sister
Impact Grant Giving Partners	1Climb Black & Brown Gun Violence Prevention Consortium Centrepoint Downtown Women's Center Eighteenx18 Everytown For Gun Safety Support Fund Faith in Action's LIVE FREE Campaign Get Lit – Words Ignite Giffords: Courage to Fight Gun Violence Into Action March For Our Lives Moms Demand Action for Gun Sense in America Rock the Vote South Shore Drill Team Think Outside Da Block

Source: TOMS® 2019 Global Impact Report.



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# **TEACHING NOTES**

## **TOMS: "We are in Business to Improve Lives"**

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### **SYNOPSIS**

This case focuses on the TOMS company as a paradigm of application of the "buy one give one" model. TOMS has applied this model since the firm's creation (2006). Throughout its history, there has been a clear evolution in three phases: initial phase of classical application of the "buy one give one" model (making donations of products based on sales); a phase of a slight evolution from the initial model (starting in 2014) in which new products are included and the unit sold does not always coincide with the unit donated; and the current phase (starting in 2015) in which the model is made more flexible through the creation of a donation fund that provides aid based on the profits the firm obtains. Currently, TOMS is successfully managing to combine the classical "buy one give one" model with more sophisticated formulas.

### **Potential Audience and Instructor's Material**

This case has been developed to be used in the context of the book *Cause-Related Marketing: Case Studies from a Global Perspective*. Its contents are suitable for the study, with a real and paradigmatic example, of cause-related marketing and, more specifically, the model of "buy one give one". It can therefore be useful for undergraduate or graduate courses in Economics, Business, Marketing, or Advertising, among others.

### **Objectives**

The case is structured to attain the following objectives:

- ⤴ Reflect on the possible effect of the implementation of cause-related marketing actions oriented to the reduction of poverty, especially in underdeveloped and developing countries.
- ⤴ Identify the main advantages and disadvantages for firms of the "buy one give one" strategy.
- ⤴ Point out the main advantages and disadvantages for NGOs of the "buy one give one" strategy.
- ⤴ Analyse the application of the "buy one give one" strategy as an essential part of cause-related marketing for the TOMS firm.
- ⤴ Explore the evolution of the model applied by TOMS in its approaches to cause-related marketing and, in particular, of the "buy one give one" model.

### **Time Frame for Class Discussion**

This case can be taught in one session of 75 min.

### **Suggested Discussion Questions**

6. From the context of cause-related marketing, would you say that the "buy one give one" model is a useful strategy to eradicate poverty? What other approaches to solving this problem might firms consider?
7. What would you say are the main advantages and disadvantages for firms of the "buy one give one" model? Do you think this is a valid model for any type of firm whatever? Is there a profile of firms that are better suited to this type of initiative?
8. What would you say are the main advantages and disadvantages for NGOs of the "buy one give one" model?

- one" model? Do you think this is a valid model for any type of NGO whatever?
9. What do you think are the main difficulties for the development of the "buy one give one" model implemented by TOMS? And the main advantages?
  10. Do you consider the model's evolution that was implemented by TOMS to have been fortunate? Reflect on the main reasons for that evolution.

## **Analysis**

### ***Answer to question 1***

*From the context of cause-related marketing, would you say that the "buy one give one" model is a useful strategy to eradicate poverty?*

As analysed, most of TOMS' actions are carried out in underdeveloped or developing countries. In these cases, the "buy one give one" model can be useful to reduce poverty in the short term since it involves donating products (depending on sales), but it cannot fight poverty in the long term since it is not possible to guarantee the sustainability of the actions if the firms do not obtain sufficient benefits – in the case of TOMS, a minimum of 30%. Furthermore, poverty depends on other legal, political, and social factors that hinder more decisive actions.

Therefore, in general terms, the contribution of TOMS usually counteracts the effects of poverty, but not its causes. These are actions that do not focus on the essence of the problems which trigger poverty, and the model is therefore often criticized in this regard.

*What other approaches to solving this problem might firms consider?*

In the case studied, the model has evolved into the creation of a donation fund that is nourished by the profits of the firm (1 out of every 3 dollars earned is donated), and that translates into investments which, with the support of partners who know the context well, contribute to alleviating poverty by addressing some of the root problems (such as aid for the access to electricity or to drinking water). With these types of initiatives, these countries are offered aid, not products (such as the basis of the traditional "buy one give one" model), specific solutions to tackle the base of the problems detected – lack of financing, lack of infrastructure, etc.

Lastly, the donation fund also helps to alleviate other social problems linked to populations liable to social exclusion or victims of social problems indirectly linked to poverty, although not in underdeveloped countries.

Firms like TOMS are not going to solve the problem of poverty without the help of governments and without a commitment to maintaining investments or to long-term supervision, maintenance, and control. These may be incompatible with TOMS' profit motive, and which it has openly recognized as a limitation to its task of helping, in the terms of giving while it continues to earn.

### ***Answer to question 2***

*What would you say are the main advantages and disadvantages for firms of the "buy one give one" model?*

The main advantages that firms can obtain from applying the "buy one give one" model are fundamentally the following:

1. A priori it is a versatile model, easily adaptable to firms with different profiles, although it tends to be more easily applied to large firms that market consumer or fashion products where it is possible to obtain a significant margin. Therefore, firms with strong and consolidated brands can obtain higher margins than less well-known brands. Moreover,

such a major brand can many times become a reflection of the causes supported by its customers, and therefore enhance its customers' identification with it, and consequently the sales of these products.

2. The "buy one get one" model is easy to explain, and, in general terms, stakeholders usually have positive responses to this type of action due to its direct application. For each unit sold, another is offered to some social cause, with the assistance of an intermediary organization. Sometimes, the donation-based models may be more complex for stakeholders to understand. In this regard, TOMS moved to this donation-based model when the application of the simplified model had been internalized by its customers, thus avoiding their complaining that the rules of the game had been changed. It must be kept in mind that it could be risky to eliminate the application of the traditional "buy one give one" model, since the customers may feel cheated if they lose the benchmark of why they buy a certain product.
3. Although a significant logistical effort is necessary, when a firm has partners with great knowledge and experience in managing the problems to be tackled, it may find it relatively easy to integrate its own resources into programs previously put into operation by those partners.

Nevertheless, there are a number of issues that may be considered to be drawbacks, or at least difficulties, in the application of the "buy one give one" model for firms:

1. First, firms must ensure that the supported cause is consistent with their brand. A wrong selection of the cause could lead to efforts with futile, or even counterproductive, results for the firm.
2. The model involves some loss of total control of the aid, as it is managed through intermediaries (partners) already operating in the area. Therefore, a rigorous selection of partners is key in this model.
3. Another issue mentioned in the case is the difficulty of maintaining long-term profitability in this model. In this sense, some firms choose to make their products more expensive, reduce profit margins, or lower the quality of the donated products. In the first case, the public may not be willing to pay that extra amount to purchase the usual product. In the second and third cases, long-term sustainability might be compromised. In the case of TOMS, the evolution of the model prevented any decline in business profitability.

*Do you think this is a valid model for any type of firm whatever? Is there a profile of firms that are better suited to this type of initiative?*

Although, a priori, the versatility of the model makes its application possible for any firm, it is true that its implantation is commoner in large firms which sell consumer products or fashion and can obtain significant margins. As indicated, support for certain social causes can be a reason for the identification between the customer and the firm. Identifications of this kind occur more in the type of firms referred to above.

### ***Answer to question 3***

*What would you say are the main advantages and disadvantages for NGOs of the "buy one give one" model?*

NGOs can benefit from the application of the "buy one give one" model. These advantages include the following:

1. The aid received contributes to supporting their actions, and may lead to improved attention in the areas (and problems) in which they operate.

2. The communication efforts firms make to promote their "buy one give one" actions can also benefit NGOs, giving greater visibility to the actions carried out in their various fields. Therefore, these alliances could serve to improve awareness of the NGOs and of the causes they are working for.
3. Beyond that, this visibility can serve for NGOs to attain a greater number of resources and volunteers, as well as to establish different types of association with other organizations working on similar causes or simply for those organizations to see fit to join forces.

Despite all the advantages described, the model may entail some difficulties for NGOs:

1. Sometimes, it is possible that the NGOs, the entities who know in detail the context where the aid is being provided, have to work to resolve certain impositions on the part of the firms regarding the management of the aid.
2. Just as the NGOs can benefit from the results of corporate communication actions, it is true that an unfortunate action by the firms could also have negative consequences for the image and reputation of the NGO (although this may occur in either direction).
3. NGOs must submit themselves to the firm's control processes, which can cloud the number of resources allocated to this control, and increase the pressure on them.

*Do you think this is a valid model for any type of NGO whatever?*

In principle, any NGO which works with social causes and which can integrate into its aid model the product donations per unit sold could be suitable for participation in this type of initiative. However, as described in the case, organizations must have a number of features that each firm sets down, and must also accept the particular rules of each firm. This limits the scope of the collaboration to large, broad-focus NGOs.

#### ***Answer to question 4***

*What do you think are the main difficulties for the development of the "buy one give one" model implemented by TOMS?*

The main difficulties of TOMS are in the line of maintaining the model unchanged in the long run. As described in the text, because of the logistical difficulties, among others, implied in the continuity of the traditional model as the areas of aid expanded, TOMS has had to evolve towards a more flexible model involving a donation fund. Moreover, the donation of shoes (the initial axis of the model) is not an effective way to resolve the poverty of the receiving areas, and it is in that sense that TOMS has received criticisms.

Another difficulty inherent in the model is to rigorously identify, select, and monitor the intermediary partners. TOMS works with more than 200 partners who collaborate in different aid areas (shoes, sight, water, safe births, electricity supply, and sundry types of aid). This large network obviously makes managing its donations more complex. To do this, TOMS has had to dedicate some of its own resources to the creation of a donations department that deals with all aspects related to these activities that the firm carries out.

*And the main advantages?*

As for the advantages that the "buy one give one" model brings to TOMS, one can highlight that the simple model was initially perfectly well suited to its business purpose (the sale of espadrilles). Likewise, the model allowed it to start its association with social causes that it has diversified over the years and that have allowed it to gain recognition and corporate reputation – intangible assets of great value for its brand and that continue to be made use of, even though the model has changed.

Additionally, the products that were the object of donations following the pure "buy one give one" model (shoes, glasses, and water) were easily integrable into programs already set up by different NGOs with which TOMS partnered to make its donations.

Finally, it should be recalled that the classic model was applied by TOMS ever since the firm's beginnings (2006). This early and large-scale application by TOMS has allowed the firm to become the paradigm of application of the model. Despite this, as can be seen in the development of the text, the firm has evolved significantly to other forms of donation that deviate from the simplicity of "buy one give one" with which they still coexist.

### ***Answer to question 5***

*Do you consider the model's evolution that was implemented by TOMS to have been fortunate? Reflect on the main reasons for that evolution.*

As indicated above, the "buy one give one" model has to face a fundamental criticism – this is the lack of impact it has on the roots of the problems it is trying to help solve, because of being so much on the symptomatic side. In this sense, in the third stage indicated in the text, TOMS began on a process of diversification while maintaining its "buy one give one" actions (shoes, water, and glasses). Thereafter (the announcement was made in 2019 although diversification was already appreciable from 2015 onwards), it has focused on the creation of a donation fund (one-third of the net profits) and giving its customers a voice in deciding the destination of the donations. The modus operandi then shifted to the next chain: identify the problem, select the partner NGO, and offer an annual donation to the chosen cause.

TOMS' evolution seems to be appropriate because its system has progressed, without losing profitability, towards a model that allows action on the axis of the problems rather than just on their consequences. Neither has TOMS abandoned its original "buy one give one" actions which made it popular and are part of its brand identity.

Another successful aspect of the evolution is the diversification of actions, although they correspond not to cause-related marketing but rather to social responsibility, they demonstrate the firm's commitment to society and to its employees by giving its staff the possibility to choose and even participate in aid actions. This invitation can without doubt have positive consequences for the firm's business culture, allowing workers to, at their own request, associate themselves with the causes that the firm supports, thus reaching its internal stakeholders.

Finally, the fact of polling its customers to decide on the destination of the donation fund is itself a decision that brings it closer to its stakeholders and to the causes that they identify as being truly important. This approach can help to strengthen the link between the firm and its stakeholders through the brand, and enhance brand loyalty.

### **Suggested Assignment Questions**

*1. What can application of the "buy one get one" model contribute to a firm like TOMS?*

- a) It allows the firm to associate itself with certain social causes. This generates a strong emotional bond with the organization. Although the model is criticized because of addressing only the symptomatic part of the problems, it benefits the organization's image and improves its social dimension especially in the short and medium terms.
- b) This usually has good stakeholder acceptance, and is a simple model to explain since the benefit is direct and clearly seen.
- c) The fact of working with partners who are knowledgeable about the supported causes and their

context guarantees success and visibility. In addition, it allows the firm to more safely integrate new forms of the model such as the incorporation of aid that comes from a donation fund rather than from the direct delivery of goods.

*2. What do you consider to be the great milestones in the evolution of the model put into practice by TOMS?*

One could say that the first milestone in this evolution was the actual launch of the "buy one give one" model in 2006. Since its foundation, the TOMS footwear firm represents one of the best known cases of the application of that model. At that time, following the visit of its founder, Jake Myckosie, to Argentina, the firm launched the donation of a pair of espadrilles for each pair sold.

The second milestone is the evolution from the traditional donation model based on the direct sale of products towards the creation of a donation fund, to which the firm allocates a third of its annual net profits. This makes TOMS' contributions much more flexible for adaptation to the different supported causes.

This is the main change from the pure "buy one give one" model to a new version of the model within cause-related marketing, which above all involves the firm's customers in the selection of causes to support.

Today, a large part of the monetary contributions to the donation fund are made based on the units sold, but the distribution of money to each cause is no longer always directly linked to a product line, as was initially the case with shoes, for example.



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