



GIVING|2.0|

When he founded Toms, Blake Mycoskie reinvented the idea of a company that does well while doing good. So what's next for him?

Doing that again

By **LEIGH BUCHANAN**
Photograph by **JOE PUGLIESE**



LAKE MYCOSKIE IS THE MOST relaxed intense person you will ever meet. Two days after this year's Academy Awards, Mycoskie sits in his world-bazaar-flavored office, one leg hooked over the arm of a chair, sipping sparkling water and munching almonds from Whole Foods. He seems recovered from the Oscar parties (*Vanity Fair*, *InStyle*) and ill-timed caffeine cleanse that left him yawning in meetings the previous day. At the ceremonies, his company, the virtuous shoe business Toms, took home what amounts to the statue for Best Publicity. During the broadcast, AT&T debuted an ad extolling Toms' growth and ethos of giving. And Abraham Attah—the 15-year-old co-star of *Beasts of No Nation*—turned up for his presenter's gig shod in a pair of the company's signature alpargata slip-ons, made specially for him from embroidered black velvet.

As Attah explained to red-carpet interviewer Ryan Seacrest—another Toms admirer—the business won him over by promising to donate 10,000 pairs of shoes

to his native Ghana. It was a one-off escalation of Toms' famous one-for-one model: Every time a consumer buys one of its products, the company donates a related product or service to someone in need. (In Toms-talk, such donations are "gives.") Toms sealed the deal with Attah four days before the Oscars in a last-minute scramble. At the time, Mycoskie was incommunicado at the Hoffman Institute, a personal-transformation retreat. Right before that, he'd been in Colombia, delivering shoes to poor children.

"Everyone was like, 'Blake, we have this massive thing happening and you are checking out for nine days,'" says Mycoskie, 39 and youthfully scruffy in the best Bradley Cooper way. On this day, he is wearing green-gray harem pants (he has several pairs in various colors) and a triangle necklace to commemorate the birth of his son, Summit. Among the wrist-load of bracelets he's collected in his travels is a new one, made for him at Hoffman. It looks like a coin and says "Present." When everything you encounter is a springboard to new ideas, being present is something you have to work at.

In the 10 years since he founded the Los Angeles-based Toms—whose revenue for the 12 months ending last June 30 was estimated by Moody's to be \$392 million—Mycoskie has accumulated enough karmic capital to disappear for a week or two in pursuit of spiritual healing. His for-profit company has brightened more than 51 million lives with new shoes, restored vision, clean water, and safe births. Whoever writes the four-decade history of for-profit social ventures will devote a chapter to Toms' pioneering business model.

Yet Toms has been attacked for the unintended consequences of its good works and questioned, sometimes harshly,

"I COME BACK," SAYS MYCOSKIE, "AND I FEEL LIKE I NEED TO PROVE MYSELF."

about the effectiveness of its giving model. At the same time, its message—although never its mission—briefly drifted. For years, the business carefully balanced stories about products with stories about giving. But over time, the marketing scales tipped toward lifestyle, which is dangerous when an idea,

rather than a shoe, is the heart of your brand. Scaling a for-profit business is hard. So is scaling a philanthropic organization. Toms' task is doing both, at the same time, and the only way it all works is if one doesn't overshadow the other.

Given that challenge, Mycoskie may have been wise to prioritize Hoffman over recruiting a celebrity for the Oscars. Although no longer CEO, he is still the company's public face, chief idea generator, and animating spirit. In that context,

understanding his own motivations and behaviors is a core competency.

At Hoffman, Mycoskie says, he recognized a vicious cycle. "I work so hard and I am so maniacally focused on accomplishing something

that I shut out other things in my life," he says. "Then I get burned out and I do something like go to Fiji for a month of surfing. And then I feel guilty because I actually do love Toms. So I come back and I feel like I need to prove myself. I have to launch the new product and have the new silver





PARTNERS

Mycoskie, seen here in October 2013, on a farm in the Shyara Mountain region of Rwanda, where Toms sources its coffee beans.

there wasn't as much soul." Disenchanted, he took a sabbatical, moving with his wife, Heather, back to his hometown of Austin. True to his pattern, Mycoskie recharged and, in 2013, came back with a more ambitious vision.

Since then, Toms has undergone big changes. A private equity firm now owns 50 percent of the company; a new CEO is chief strategist. The culture is different too. Just as Silicon Valley companies are laboratories for new technologies and business models, so Toms is becoming a kind of Darpa for the social-venture set.

To identify the best ways to improve lives, Mycoskie is putting more than \$150 million of his own money into innovative social ventures. Toms Social Entrepreneurship Fund has so far invested from \$25,000 to \$250,000 in a dozen companies whose missions range from helping homeless and disabled artists to making organic food affordable. And Toms is experimenting with its own giving model: expanding the definition of one-for-one, venturing into local manufacturing, and tweaking its use of donations to achieve more targeted goals. With a mountain of village dust and a sprinkling of stardust, Toms is embarking on its second act.

PLAYA VISTA IS A BLAND community on L.A.'s Westside, near Marina del Rey. Nestled at the end of a cul-de-sac, Toms' headquarters is a whimsical outlier. A pirate flag flaps alongside those of the United States and Argentina. Three yellow camping tents provide outdoor meeting space for conference-room claustrophobes. The building's interior, designed by the firm that did J.J. Abrams's office, is a warm, wooden confabulation of playfulness and inspiration. Near the entrance, a barista serves beverages by Toms Roasting Co. "Coffee for you; water for all" reads the inscription behind the bar, a reference to the company's coffee-for-clean-water proposition.

The Toms story is everywhere, from a small museum that resembles a barn and holds company memorabilia to the immense photos from giving trips. Toms' initial success, and much of its growth, derives from storytelling, of which Mycoskie is a master. And Toms has a damn fine story to tell.

In 2006, Mycoskie, a serial entrepreneur who was running an online driver's-ed business, travels to Argentina for a little polo, a little tango, and a little vino. The trip turns serious when a woman he meets in a café brings him along on a volunteer mission to deliver shoes to poor children. Shaken by what he sees, Mycoskie wants to supply shoes himself, and to fund those donations through commerce rather than charity. His solution is elegance incarnate: Sell a shoe, give a shoe.

Cue the montage. Mycoskie fabricates his first shoes—an

bullet. And the whole pattern starts again."

That pattern contributed to the rough patch at Toms. For years, the company seemed almost magical—Mycoskie built not just a business but also a movement. Toms has inspired similarly high-minded imitators, including one-for-one companies like Smile Squared and Blanket America. Corporations such as Unilever and Walgreens have based promotions on the buy-one-give-one model. And high schools and colleges across the country have fielded Toms Clubs dedicated to volunteerism and social entrepreneurship. "Social impact is not for the faint of heart," says Katherine Klein, vice dean of the Social Impact Initiative at Wharton. "What Mycoskie did is deeply impressive."

But even unconventional companies suffer conventional-company ills. Toms and its nonprofit partners continued their good work in dusty schoolyards and rural community centers. But by 2012, the business had hired new executives, and "all they wanted to do was talk about price and create funny videos that sell products," says Mycoskie. "I felt like

Americanized version of Argentina's soft, slip-on alpargatas—in tiny artisanal shops. Back in the States, Mycoskie wakes up an overnight sensation, thanks to a prominent article in the *Los Angeles Times*. Interns hide from Mycoskie's landlady in the bedroom of the Venice, California, apartment from which Toms will sell 10,000 pairs of shoes in one summer. On his first shoe "drop" in Argentina, Mycoskie cries while slipping shoes onto children's feet.

Today, Toms has 550 employees and five product lines, each with an associated give. The logistics of the gives differ in each country, as do the target consumers for some of the products, like handbags and backpacks. "When I started, I intended it to stay simple," says Mycoskie. "It was the demand that caused it to become so complex."

The inviolable core of Toms is a promise to the consumer that each purchase translates into a better life for someone halfway around the globe. Because the company sold so much, "we had to give so much," says Mycoskie. "And to give so much and do it in a responsible way, the learning curve is basically the same as if you were to start a massive NGO."

OF COURSE, MYCOSKIE DIDN'T START an NGO. But accomplishing Toms' charitable goals requires collaborating with over 100 NGOs and other nonprofit "giving partners" in more than 70 countries. Much of its experimentation involves how it works with those partners.

Shira Shafir, a UCLA epidemiologist brought in to run part of Toms' giving department, has a plaque on her desk with a quote often attributed to Einstein: "If we knew what we were doing, it wouldn't be called research." In an entrepreneurial company like Toms, "we have freedom to experiment," says Shafir. "Very often, in the NGO space when you are reliant on donor dollars, if you fail, it is catastrophic."

Toms is always seeking better ways to give. In particular, it seems to be addressing one criticism that has dogged it for years: that it offers humanitarian aid rather than economic development. "The whole principle of buy-one-get-one-free for a poor person—that's not a sustainable model," says Andreas Widmer, director of entrepreneurship at the Catholic University of America. In 2006, Widmer, who was then running a social venture fund, gave Toms an innovation award. But he later grew skeptical. Being a giver of fish rather than a teacher of fishing "is not the way to deal with poverty," says Widmer.

A concern related to sustainability is dependency. In 2012, Bruce Wydick, an economics professor at the University of San Francisco, and two colleagues conducted randomized trials at Toms' behest on the effect of the shoe giveaways in El Salvador. Their research showed, among other things, that children receiving shoes were 10 percent more likely than nonrecipients to say that others should provide for their families. That increased reliance was "probably the most negative effect we found," says Wydick.

The paper ignited a backlash, led by a particularly scathing Vox article. But that article "rather dramatically misses the larger story about Toms—and that is that poverty work is very difficult," says Wydick. "We don't know what works and what

FOLLOWING IN TOMS' FOOTSTEPS

At least 40 one-for-one businesses have sprung up in Toms' wake, selling (and donating) everything from medical scrubs (Figs) to pet food (Bogo). Taking critiques of straight donations to heart, some are following Toms' lead by supplementing or replacing straightforward product gives (Toms 1.0) with more dimensional offerings (Toms 2.0).



MITSCOOTS

1.0 Buy a Mitscoots product—hats, gloves, socks, scarves—and the company donates a product of equal value to a needy individual.

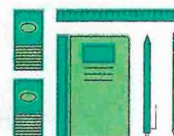


2.0 Those Mitscoots accessories are packaged by the transitioning homeless.

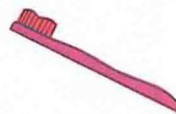


ROMA BOOTS

1.0 Buy a pair of Roma rain boots and the company donates a pair to a child in need.

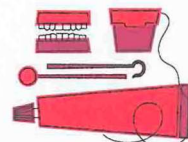


2.0 Roma also donates school supplies and money to local schools. The business plans to operate learning centers in underserved markets.



HUMBLE BRUSH

1.0 Buy a biodegradable, bamboo-handle toothbrush from Humble Brush and it will donate a toothbrush to someone in need.



2.0 Its Humble Smile Foundation, among other things, trains dental and dental-hygiene students to care for underserved populations.



LOVE YOUR MELON

1.0 Buy one of the company's hats or caps and Love Your Melon will donate a hat to a child battling cancer.



2.0 The company now donates 50% of net proceeds to medical research and organizations that support children with cancer.

doesn't work. We have to test those things to find out." Toms, says Wydick, is an "incredibly nimble organization" that studies its impact in the field and adjusts its approach accordingly.

Among those adjustments is Toms' pivot toward gives that promote things, like health, that enable self-sufficiency. For example, Toms sells sunglasses and glasses frames, but in poor regions, instead of distributing those products, the company provides eye exams and medical care. "What makes Blake's giving program unique is that it offers surgery," says Suzanne Gilbert, senior director of the innovation and sight program at the Seva Foundation, a Toms partner. Mycoskie "saw the importance of a program's being able to offer a much more full spectrum of the eye care people need."

Such gives make up less than 10 percent of Toms' business. The rest is still shoes. Toms says both independent and its own research demonstrates that shoe distribution prevents diseases, like hookworm. But the company also works with its partners to apply the shoes to broader goals. To cite one example, giving partners are testing the shoes as an incentive for women to bring children to clinics for vaccinations, and to participate in microfinance programs aimed at encouraging entrepreneurship.

Job creation is another way to tackle the cause, rather than the symptoms, of poverty, and in 2013 Toms began manufacturing shoes in markets where it donates, starting with Haiti. It has since added facilities in Kenya, India, and Ethiopia, which together employ more than 500 locals. Toms now produces 40 percent of its giving shoes in these countries; it has made child care, meals, and transportation to and from its facilities available so that more women can work.

Local manufacture is itself an experiment, particularly in markets, like Haiti, that have no experience in the shoe industry. Mycoskie says it's possible "some companies in the United States could be making shoes in Haiti." He adds, "We are seeing if you can take a population that has been devastated through natural disaster and help them rebuild through creating jobs, and attracting other people to do the same."

MYCOSKIE STILL LOVES the one-for-one model. But when it comes to his many speaking gigs, he compares himself to a musician who has had a huge hit. "Maybe after five years of singing the song they love so much, they almost begin to hate it, because that's all anyone wants to hear."

One-for-one, says Mycoskie, "was our greatest hit." But during his 2012 sabbatical, "I looked at all the things the Toms brand can do, and I could see that our mission is much bigger. It's about using business to improve lives."

Back in the office, Mycoskie fell into his "prove myself" mode. Searching for more sustainable approaches, the company started to work on three one-for-ones—clean water paired with sales of coffee; support for safe births paired with

handbags; and, finally, antibullying initiatives paired with backpacks. (The coffee launched in 2013; the other two in 2015.) Mycoskie announced plans for a new give every year.

Eager to quickly roll out categories that would, in turn, help more people, the company skipped some steps. With the handbags, for example, Toms launched with too many options—and failed to stuff them with paper, so that they lacked shape and looked unappealing in retailers' displays. The sales team was short on handbag expertise, leaving retail customers with little support.

Meanwhile, Mycoskie, as the 100 percent owner of the business, had been dealing with major issues, like whether to roll out company stores. He felt the stress acutely. "I started to have insecurity that these are big decisions, and every one

ASKED WHY HE SOLD HALF OF TOMS TO BAIN, MYCOSKIE SAYS, "I NEEDED SOMEONE ELSE TO HAVE SKIN IN THE GAME." THAT DEAL ALSO HELPED HIS GIVING AMBITIONS GET GRANDER.

of them I'm writing a personal check for," he says. "I really needed someone else to have skin in the game."

That skin, Mycoskie realized, would have to come from a suit. He began meeting with private equity firms. "I was very skeptical," Mycoskie says. "Maybe it's like how someone originally views online dating. And then they meet the love of their life." The object of his affection—chosen from 11 possibilities—was the private equity arm of Boston's Bain Capital. Bain acquired a 50 percent stake in Toms in 2014, which it valued at \$625 million.

Ryan Cotton, the Bain managing director who led the investment, identifies three strengths that he believes will make Toms, one day, a multibillion-dollar public company: its reputation as a philanthropic pioneer, its enthusiastic customers (who may want to become shareholders), and its potential to expand beyond footwear into a broad lifestyle brand. "We can fix up the back of the house and make the company a little more efficient and a little more effective," says Cotton. "And because of the strength of the brand and because of the vision of Blake, that would catch on like wildfire."

The Bain deal enabled Toms to hire a well-qualified CEO—Jim Alling—who also understands socially conscious entrepreneurs. For 11 years, he was an executive at Starbucks working with Howard Schultz, an icon of conscious capitalism. Starbucks famously took its eye off what had made it successful. At Toms, Alling is making sure that won't happen.

If Mycoskie's vibe conjures *The Endless Summer*, Alling's is business-casual. That fits his role as the benevolent realist wrangling passionate idealists just enough to keep things on track. "People running around in all directions just wind us up in the same place or backward," says Alling, 55. "We have pulled back on certain initiatives that were out

there, and really focused on the core of the company.”

Eventually, Alling wants nonfootwear products to account for one-third of sales. But for now, he is doubling down on shoes, improving quality and adding new styles, like the popular women’s wedge and the men’s lace-up. Renewed focus is paying off: In 2015, sales grew—by what Alling characterized as “high single digits”—for the first time in several years. The CEO is moving forward on the other existing lines and their associated gives, but more cautiously. For the time being, Mycoskie’s one-new-give-a-year plan has been skunked.

MYCOSKIE NO LONGER HAS the freedom to chase every new idea. (As Alling puts it, “There are a lot of shiny objects that can catch light around Toms.”) But he has something else: \$300 million from Bain. Bain and Mycoskie have established the Toms Social Entrepreneurship Fund to invest in social ventures—both initially contributed 1 percent of Toms’ value to endow it with \$12.5 million. “After the deal was done, I said that’s great,” says Mycoskie. “But my wife and I just personally believe that half of our money”—that \$150 million—“we should invest in social entrepreneurs.”

Toms has always had a multiplier effect on social entrepreneurship. In 2011, Mycoskie published the book *Start Something That Matters*, which shows up on the syllabuses

of college entrepreneurship classes. Members of campus Toms Clubs encourage students to launch their own startups. And of course, one-for-one companies have proliferated in Toms’ wake. After meeting Mycoskie while working at Neiman Marcus, Samuel Bistran launched Roma Boots in 2010, matching each sale of rain boots with the donation of a pair—along with school supplies—to poor children in 25 countries, including his native Romania. “Had it not been for Toms, I do not think Roma would be a reality,” Bistran says.

Being an inspiration is gratifying. Being a catalyst is satisfying. Toms Social Entrepreneurship Fund lets Mycoskie keep trying out new ways to improve lives. The fund invests in young businesses “that feel really Toms-y,” says Jake Strom, who runs it. That doesn’t mean one-for-one necessarily, but rather “businesses that are run entrepreneurially and where the giving is woven in,” he says. (This month, Mycoskie will host a pitch contest at *Inc.*’s Growco Conference in Las Vegas, aiming to award one such entrepreneur up to \$100,000.)

Oakland, California-based Back to the Roots is one portfolio company that does have a one-for-one handle. Buy one of its home-growing kits (mushrooms, herbs) or organic breakfast foods and the business will donate a product to a classroom of your choice. Co-founders Nikhil Arora and Alejandro Velez consult with the Toms team, and study its playbook to inspire campus evangelists and engage customers with their packaging.

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“A big focus for us is tapping into every customer so that they are not just buying the product but into the whole mission,” says Arora. “No one does that better than Toms.”

Mycoskie imagines all his efforts (he also funds one employee-suggested social venture project a month, at \$10,000 a pop) as part of an expanding ecosystem. He believes the young people who buy Toms’ products and join clubs on campus will generate a feeder system. “They become customers; they become advocates; and then a certain percentage of them will go work for a social enterprise or start one,” he says. “Some of them will apply for the money that we are providing. That’s how a movement is created.”

THE TOMS STORE IN VENICE is as quirky as Toms’ offices: a rambling, indoor-outdoor space that looks a bit like the common area of a college dorm. On a Tuesday morning, people crowd the chairs and couches, pecking at laptops while sipping Toms Roasting Co. drinks. A tent houses the shoes, as well as a station where customers can experience a virtual-reality giving trip to Peru.

Today, there are seven Toms stores around the world. In 2016, the company will open two or three domestically and a couple more in Europe. After that, the pace quickens. In five years, Alling expects 100 stores in the U.S. alone. Everything in each store will be carefully curated to tell the Toms story.

Telling that story, over and over in as many ways possible, is another priority. In 2014, Toms and Bain commissioned a study that produced a startling statistic: Just half of Toms customers were aware of one-for-one. “We fell into this belief that everyone knew our story,” says Mycoskie. “Associates who sell our shoes stopped telling the story, because they thought everyone knew it.”

Fortunately for Toms, more voices have been picking up the narrative. They belong to celebrities like Charlize Theron and Ben Affleck, who have partnered with Toms on various projects; to Toms’ portfolio companies, which cross-promote with their investor; and to corporations like AT&T and Avis, which have featured Mycoskie and Toms in their marketing over the years.

The most compelling voice remains Mycoskie’s. The AT&T ad that aired during the Oscars is similar to one that aired in 2009. In both, Mycoskie speaks in voiceover while scenes roll out of him alone on the beach; bumping along roads in foreign lands; surrounded by children. That Toms has grown substantially is clear. But the company’s message still fits clearly, cleanly, in a 30-second spot.

“I love telling the story,” says Mycoskie. “And I am going to continue to do that.” Because, after all, who could do it better?

— LEIGH BUCHANAN is an *Inc.* editor-at-large.



THE FUTURE IN HAND
Blake Mycoskie, surrounded by the next generation of Toms shoes, at his company's headquarters in Playa Vista, California.