

Toms shoes

[Business](#), [Industries](#)



Although TOMS Corporation is profitable and well known, like all companies, they have many issues that challenges that affect their organizational outcomes. Examples of their issues and challenges include their one-for-one business model, minimal advertising, and the continuing amount of retailer complaints. There are also inadequate and poorly fitting elements of TOMS focal organization in the context of the changing environment. In order for TOMS to expand its brand and market share to its already successful business, they must find solutions to resolve these problems.

TOMS believes that their one-for-one business model benefits people in third world countries, but many experts believe differently. TOMS one-for-one business model is based on giving a free pair of shoes away to kids in third world countries when someone buys a pair of their shoes. Cheryl Davenport of Mission Measurement a strategic consulting firm based in Chicago, stated “ Instead of building the economies of developing countries, TOMS succeeds only to make consumers feel morally superior” (Davenport 2012).

This suggests the goal for TOM’s business model is to make their customers feel morally superior. Blake Mycoskie didn’t take time to do any research on what the people actually needed nor did he talk to experts on a solution to get third world countries out of poverty. The TOMS one-for-one business model is currently facing many challenges that are threatening the business success. An article entitled “ The Broken Buy-One-Give-One Model: 3 Ways to Save TOMS Shoes” addresses three problems with the model. The first problem challenges the fact if the model actually solves a social problem.

Giving a free pair of shoes to a third world country is more of a short-term fix to a problem that needs long-term solutions in more important areas than

shoes like developing the economy or education. The second problem is from a business perspective, TOMS Shoes is at risk. Research has shown there is an unstable market for a “feel good about your purchase”, like TOMS model. Other shoe companies can adopt similar “feel good” approaches which will likely push TOMS out of fashion in the future, unless TOMS develops product that is more differentiated and less replicated. The third problem is the most important.

The kids in the third world countries will not be able to afford new shoes once their free shoes wear out. They will be back to being exposed to the health issues and economic dangers that surround them. Certain issues also create problems for TOMS in regards to their minimal advertising and low brand awareness. Overall, TOMS does not have a very strong nor broad marketing plan. Due to this, it is difficult to establish the company's name brand. The consequence of not having a good marketing plan gives the opportunity to competition to gain a competitive advantage over TOMS.

TOMS competitors advertising is mainly found in; magazines, billboards, television, and social media. TOMS on the other hand mainly relies on word of mouth marketing and only has one commercial on TV. The word of mouth marketing strategy can be effective, but can only take a company's brand recognition so far and will take more time to grow the name to a nationally recognized product. They do not focus on brand recognition or marketing components such as traditional or guerrilla marketing.

The only marketing in which TOMS uses besides word of mouth marketing is their one television commercial with AT&T. Besides AT&T, TOMS also has a partnership with Ralph Lauren, as they help design their shoes, Ralph Lauren

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does no marketing on behalf of TOMS. This causes problems by not allowing for maximum growth. TOMS has undoubtedly experienced success in their journey, however, they are not fully maximizing their profits without doing as much as they can to increase their market share. Their product is also devoid of substantial differentiation.

Their shoes can easily be copied and do not have many unique qualities. Most of their differentiation lied in the eyes of the consumer believing that they were donating to a good cause. However, with fickle consumer tastes, this trend may die out in a few years. Apart from contributing to a doomed marketing plan, this will also because those aided communities to go right back to where they started, before TOMS. An international expert, Sandra Schimmelpfenning, states “ TOMS Shoes is a good marketing tool, but it is not a good aid. She goes on by criticizing TOMS for competing with local producers.

“ The idea of creating jobs that pay a fair wage and provide necessary benefits,” she says, “ can have far more impact than aid” (Schimmelpfenning 2012). Socialresponsibilityhas always been viewed as in good taste in regards to today’s business world. With many companies engaging in unethical business practices, social responsibility has been increasingly stressed as a means to ward off this immoral trend among corporations. TOMS is a company which very well exemplifies what corporate social responsibility.

As mentioned early, TOMS model known as the “ one for one” strategy, they are able to help out undeserved children in areas of extreme poverty. Through stylish designs and word of mouth marketing, TOMS had quickly
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grown to be an extremely profitable company. Besides the trendy looks of their shoes, people felt good about themselves upon buying a pair as they believed they were doing for the world. TOMS had shown that not only could social responsibility be easily incorporated into profitable companies, but it could also serve as a marketing tool and incentive to buy a certain product.

However, despite the good-willed nature of TOM's business mission, there have been many critics with qualms as to why the TOMS business model could actually create a wealth of problems. An example of this is people's perception of how ethically responsible TOMS organization is internally. With TOMS having manufacture warehouses in countries like China and Ethiopia where the labor laws are not strict is a problem TOMS organization faces internally. The idea of having a charity type business model is good because it can help people who are in need, but using sweat shop like manufacturing conditions to achieve that could be unethical to people.

By doing this they are contradicting their business model of helping kids in need through unethical business practices. While giving away free shoes to children may sound like a great idea ethically, it does much harm in business and practical terms. For one, giving away free shoes to children does not actually solve a social problem. Rather it assuages the problem in a way were the only solution is constant aid from a third party source. This rids the community of the opportunity to fix their problems with a more sustainable and local solution.

Furthermore, giving away free shoes also does much harm to local economies. " The one-for-one model has a negative long-term impact on local economies and creates a dependency, removing responsibility to <https://assignbuster.com/toms-shoes/>

provide from the poor themselves to some unknown outside source” (Cheeseman 2012). Also, free shoes harm and distort local markets, especially the most vulnerable ones which TOMS serves. By undermining the price of shoes, the economy as a whole takes a hit. From workers and merchants, to farmers and traders; numerous people who play an important role in local economies are affected.

TOMS has also been noted as having relatively minimal advertising. With only about one commercial on television, the marketing plan is very transparent. These issues and challenges most certainly affect organizational outcomes. For one, TOMS want to do their best to help out underserved communities in poverty ridden areas. The fact that they are not actually solving the social problem is their greatest flaw. They are doing practically nothing in regards to building the community. Instead they are teaching communities that dependency on outside sources for free handouts is the norm.

Social problems must be solved internally and the communities need to learn how to become self-dependent and are not able to fully do that as a result of TOMS giving away free shoes. Apart from teaching a community that outside aid is normal, TOMS also rids these communities of the resources it needs to become independent. By hurting the local economies, TOMS make the idea of a self-sustainable community unattainable. Workers and farmers have trouble finding work and making money. Without this local stimulation, the economy suffers and the effects are exponential.

Giving away free shoes also hurts the domestic economy as well. As a business, one of the main goals of the company should be to increase the

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value of stock for the company's shareholders. However, the fact that TOMS gives away a pair of shoes that is worth just as much as the one they sold represents missed opportunities in terms of profit-oriented goals. Instead of giving away a significant amount of money to charity, TOMS may give away potential profits by handing out free pairs of shoes. ?