Stanford SOCIAL INNOVATION REVIEW

Inside the Buy-One Give-One Model

By Christopher Marquis & Andrew Park

Stanford Social Innovation Review
Winter 2014

COVER STORY | The buy-one give-one model is not only a viable way to create both commercial and social value, but a model of social entrepreneurship that is likely to increase in prevalence and power in the coming years.

BY CHRISTOPHER MARQUIS & ANDREW PARK

Inside the BUY-ONE GIVE-ONE Model

Illustration by Mark McGinnis

Since the inception of TOMS Shoes in 2006, the buy-one give-one business model has been widely embraced (and criticized) by consumers and businesses alike as an effective model for creating both commercial and social value. Blake Mycoskie founded the for-profit TOMS after a visit to Argentina, where he met children who were so poor that they had no shoes. Inspired to help, Mycoskie designed a shoe after the common Argentinian *alpargata*, and pledged that for each pair sold, TOMS would donate a pair to a child in a developing country. Donations were channeled through a nonprofit entity, Friends of TOMS, and were also coordinated through Shoe Drops, trips that took volunteers abroad to participate in giving. Since its founding, TOMS has donated more than two million pairs of shoes, with approximately one million of those pairs donated in the past two years alone.

The success of TOMS has encouraged other entrepreneurs, both social and otherwise, to adopt similar business models. Eyewear retailer Warby Parker, for example, has been tremendously successful, donating more than 100,000 pairs of eyeglasses to people in need. Younger enterprises, such as Soapbox Soaps and Two Degrees Food, are promoting buy-one give-one models as solutions to poor hygiene and childhood hunger. Online marketplaces, such as Roozt and Given Goods, host hundreds of brands that use a buy-one give-one or similar model.

The buy-one give-one model has become widely popular, but serious questions have been raised about its long-term viability. Much of the success of these pioneers stems from their novelty. But as more and more businesses adopt the model, companies will no longer be able to use it as a differentiator, and the benefits of the model will likely diminish.

Questions have also been raised about the actual social impact of this type of giving, saying that it only alleviates the symptoms of a problem (lack of shoes or eyeglasses) and does not address the roots of the problem (poverty or lack of health care). Even though this issue is important, we don't address the question of social impact in this article. Instead, we focus on understanding the model itself and assessing its long-term financial sustainability to understand whether it is simply a fad or an effective new way for businesses and consumers to jointly create commercial and social value.

In our research we interviewed more than 30 entrepreneurs and leaders at both established and start-up buy-one give-one companies, conducted secondary research on the model and companies, and explored similar initiatives undertaken by larger corporations. We have also written a Harvard Business School case study on one of the models' pioneers, Warby Parker.[1]

Based on our research and analysis, we believe that the buy-one give-one model is not only a viable way to create both commercial and social value but also a model of social entrepreneurship that is likely to increase in prevalence and power. Trends in consumer behavior, particularly in the millennial generation, which puts a high value on social issues, along with the model's simple yet effective marketing message, provide a way for companies to leverage their core competencies for a social cause.

As more companies adopt this model, however, there are some risks. Having multiple companies in a market segment, such as shoes or eyeglasses, will make it more difficult for consumers to

differentiate among competing buy-one give-one companies. And as larger companies adopt these models to take advantage of the business opportunity, consumers may become suspicious about the authenticity of the overall concept. Despite these concerns, we are optimistic about the overall prospects.

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The authors thank Matthew Lee, Maggie Setler, and Zoe Yang for their comments and suggestions on prior versions of this article.

UNDERSTANDING THE MODEL

To understand the future of the buy-one give-one approach, it is important to understand the business model itself. We'll do that by examining four important characteristics of the model: the typical companies and products, the pricing and cost considerations, the marketing and economic benefits, and the different types of donations.

Typical companies and products | The buy-one give-one model has been most widely adopted in the consumer products industry, particularly apparel. According to Brent Freeman, founder and CEO of Roozt, an online marketplace for buy-one give-one products, most companies find success selling consumer products, more specifically accessories and jewelry, because these types of products provide a way for people to publicly express their unique style and personality while also provoking conversations that allow them to share the buy-one give-one story with other people.

Two Degrees Food and Nouri are applying the buy-one give-one model to selling snack bars. One of the challenges they face is that because they are selling food, a product that is consumed rather than worn, they are less able to garner the free marketing and story sharing that has proven so beneficial for apparel companies. For this reason, Two Degrees and Nouri are focusing on communicating a simple message—and creating a superior product that consumers want to purchase repeatedly—in addition to promoting its cause.

Roozt has shown that the buy-one give-one model can be applied by an online marketplace company. In addition to promoting many of the companies mentioned in this article, the company operates its own buy-one give-one model by donating a meal to Feeding America for every member who signs up on its website. Members are then given access to deals promoted by the more than 200 different social enterprises on its website.

Although the buy-one give-one model has worked best with consumer products companies, it has been gaining traction in other industries. For example, CommonBond has committed to funding one year of education for a student abroad for every domestic student loan it makes. Along with its innovative method of connecting alumni and students to provide loans at less than market rate, the model developed by CommonBond has provided a new example of creating shared value in financial services, suggesting that there are many other potential applications yet to be explored.

Pricing and cost considerations | Most buy-one give-one companies are in the fashion and apparel business, with product prices rarely exceeding $100. Though the model is not incompatible with higher prices, the cost of donations increases as the price of the product increases, so it becomes more difficult to operate a true buy-one give-one model. That's why Bamboo Skateboards, which sells skateboard decks priced as high as $177.99, offers a variation of the model by donating one skateboard for every 100 purchased.

Funds for donations are typically taken out of profits. Buy-one give-one companies have addressed this cost in three ways: by charging a premium price for their product, finding ways to reduce costs, or accepting a lower profit margin with the hope of selling more units because of their social cause. (See "Buy-One Give-One Business Models" on opposite page.)

Smile Squared is an example of a company that sells its products for a premium price. It sells bamboo toothbrushes on its website for $5.95, a higher price point than the average toothbrush. The premium allows the company to cover not only the cost of the more expensive bamboo material, but also the cost of the slightly cheaper donated toothbrush. In the case of Everything Happy, the company's core product, a baby blanket, is priced higher than that of competitors because the company is positioning itself in the luxury gift market. Their premium price pays not only for the cost of donated blankets, but also for the additional packaging, customer service, and other features expected of a luxury good.

Warby Parker supports its donations by reducing its operating costs. The company mainly sells directly to consumers online and until recently has avoided the added costs of storefronts, brand licensing, and optical labs. Removing these costs allows Warby Parker to sell eyeglasses for as low as $95, a significant discount from the typical eyewear retailer, but a high enough price to pay for a pair of glasses distributed by VisionSpring, its nonprofit partner, which provides eyeglasses to needy people in developing countries. Through its innovative crowd-funding model, where funds are raised and pooled together from alumni for student loans, CommonBond is able to provide loans to students at a lower rate than that offered by traditional financial firms.

Other companies have decided to accept lower profit margins to support their donations. Two Degrees Food and Soapbox Soaps, for example, offer products at similar price points as their competitors, and so are likely selling their goods at a lower margin. Although this is certainly a noble endeavor, we anticipate that these companies will need to make some changes to achieve long-term sustainability.

Marketing and economic benefits | Putting aside the social value that buy-one give-one offers, it's an attractive business model because it offers companies several marketing and economic benefits. One of the chief benefits is that consumers are enticed to buy the products because of the simplicity and tangibility of the proposition: for every product purchased, one is given away to a person in need. The social impact is clearer, easier to understand, and more personal than that of a traditional cause marketing company, such as Product Red, that donates a percentage of sales.

Buy-one give-one companies also benefit from the free publicity they receive in the popular press. It is not uncommon to find a dozen or more articles or other media appearances highlighted on any given company website. The press is attracted to a story of a company doing good, and the simplicity of the message, the emergence of more and more buy-one give-one companies, and the growing consumer trends around social responsibility make these companies great candidates for media attention.

Consumers are typically attracted to a brand by either the functional appeal of the product or the image associated with the brand. By also offering a social cause that consumers can become a part of, buy-one give-one companies attract a broader segment of potential consumers. Warby Parker, for example, attracts customers who are primarily fashion-focused along with those who are also socially conscious. Similarly, KNO Clothing, an online fashion retailer, has found that shoppers who normally would not consider KNO to be "their style" have bought products because of their commitment to help end homelessness.

Studies have long shown the importance of customer loyalty for sustained sales and profitability. Loyal customers are more likely to repurchase products, pay more for products they are aware of and trust, and recommend the brand to other potential customers.[2] Because buy-one give-one companies tap into consumers' personal passions, they are more likely to create lasting and deep relationships with their customers. Jeff LeBlanc confirms that this has been the case at the company he cofounded, Out of Print, which sells shirts, accessories, and stationery. Not only has his company's social mission driven repeat purchases, he recounts instances of consumers asking how they can further involve themselves in the cause.

The buy-one give-one model also provides intangible benefits to the organization's culture, primarily by helping companies recruit and retain high-quality employees who are aligned with the social mission. Neil Blumenthal, co-CEO of Warby Parker, often cites this as a primary benefit of the model. David Klein, CEO of student loan platform CommonBond, cites similar benefits: "We're finding that our social mission makes our brand unique. And investors want to invest in brands that are unique. It also attracts incredible talent to the firm. Finally, it welcomes and appeals to the customer you want to bring in the door. Financial community, employees, and end consumers—this is a win, win, win."

Differing types of donations | In addition to having varying business models, buy-one give-one companies often differ in the manner in which they donate the products. Most have traditionally followed the same basic format, either producing the donated item themselves and relying on a nonprofit partner to distribute the product (as Soapbox Soaps does), or donating matching funds for a single item to their partner organization which then sources and distributes the product (as Warby Parker does).

Although the name of the business model might imply a literal one-for-one donation, some businesses donate cash or a different product altogether. Out of Print, an online t-shirt and accessories company, donates a fee to its partner, Books for Africa, to cover the cost of donating one book for every product that is sold.

Buy-One Give-One Business Models

	DESCRIPTION	EXAMPLES
Premium Price	Premium price over competitors or comparable products	■ Smile Squared ■ Everything Happy ■ Baby Teresa
Lower Costs	Lower costs, allowing for reduced prices or similar profit margin	■ Warby Parker ■ TOMS ■ CommonBond
Lower Margins	Lower profit margin than competitors or comparable products	■ Two Degrees Food ■ Soapbox Soaps ■ Out of Print

Buy-One Give-One Donation Models

	DESCRIPTION	EXAMPLES
One-for-One	Donates same or similar product for each one sold	■ Smile Squared ■ Warby Parker ■ Two Degrees Food ■ Soapbox Soaps
Percentage of Sales or Profit	Donates percentage of sales or profits for each one sold	■ Out of Print ■ 1For1 Water ■ The Naked Hippie
Combination of the Two	Mix of product and percentage donation	■ CommonBond ■ KNO Clothing ■ Roma Boots

Even the more literal buy-one give-one companies, such as Soapbox Soaps, donate a product that is slightly different from the one sold to consumers. Manufactured at approximately 50 percent of the cost of retail soaps, the donated soaps are less costly because expensive scents and oils are removed. Other companies combine the two models, donating a product and a percentage of profits or sales for every product purchased. For example, KNO Clothing donates 50 percent of profits in addition to a pair of socks to partner organizations that are combating homelessness in the United States. (See "Buy-One Give-One Donation Models" below.)

Companies also vary in their approach to marketing the social mission. Although Soapbox Soaps and TOMS communicate the giving model clearly on or with their product, others, such as Out of Print and Warby Parker, practically eliminate explicit messaging of the social mission altogether because they want to be known foremost as fashion brands.

CREATING SUCCESSFUL COMPANIES

In our research on buy-one give-one companies, we found several characteristics that many companies shared that enabled them to be successful. Most striking are having an authentic story, choosing the right market, and creating effective messaging.

Having an authentic story | In our discussions with social entrepreneurs from leading buy-one give-one companies, we found that many had unique stories that led to the genesis of their enterprises. In nearly every case, the founders' personal experience or passion was the impetus behind the company's pursuit of shared value.

Eric Cope is the founder of Smile Squared, a company that donates one toothbrush to a child in a developing country for every toothbrush sold. He describes a trip he took to Guatemala to pick up his adopted child in May 2010 that motivated him to create Smile Squared. "My wife and I were asked to help out at dental clinics, and I realized that the children who did have toothbrushes were probably sharing them with their family. They had a lot of preventable diseases. ... I realized donating toothbrushes was just a short-term fix, but I knew of the TOMS model."

These personal narratives are critical not only because they help create an authentic and compelling brand, but because these stories help get customers personally engaged with the company. Most of the buy-one give-one companies that we studied are very active in social media, inviting customers to engage in open communication with them in the hope that they will continue to share stories and become brand ambassadors.

Although there is a clear advantage in having the company founder be able to talk about her personal passions and experiences and how that led her to adopt the buy-one give-one model, it may not be essential. Skechers USA Inc., a large mainstream shoe retailer, recently launched a brand of shoes called BOBS, or Benefiting Others by Buying Shoes, which some consider to be simply an imitation of TOMS. A *BusinessWeek* article[3] said that Skechers' efforts at introducing a charitable brand "seem like a naked marketing ploy to spur sales and could backfire." Yet in Skechers' Q3 2012 earnings call, CFO David Weinberg reported triple-digit growth in the BOBS line, with two million pairs of shoes donated to children around the world (matching the number that TOMS has donated, in much less time). So even though this approach may open the firm up to criticism, clearly there is a segment of consumers who still find the model appealing.

Choosing the right market | Since the inception of TOMS, companies have tried to implement the buy-one give-one model in all sorts of markets, ranging from baby apparel to snack bars to backpacks. It's become clear, however, that the model works far more effectively with certain products than with others. As noted, the greatest success has been with products, such as eyewear and shoes, that allow consumers to make a personal statement. In addition to making a statement, these highly visible products promote the sharing of stories, providing invaluable word-of-mouth advertising for the enterprises.

With showrooms in its New York City headquarters and on Newbury Street in Boston, Warby Parker has become a brand equally known for its fashionable yet affordable alternative to designer eyewear and for its social mission. Some customers admit to being unaware of its buy-one give-one model altogether.

Out of Print cofounder Jeff LeBlanc believes that to be successful the product must have a unique value proposition in addition

Buy-One Give-One Companies

COMPANY	INDUSTRY CATEGORY	TYPE OF ORG.	FOUNDER(S)	YEAR FOUNDED	PARTNER ORGANIZATIONS	STRUCTURE OF DONATIONS
KNO Clothing	Apparel	Private, for-profit	Anthony Thomas & Stephen Caldwell	2010	Bethesda Mission, 100,000 Homes Campaign	Donate 50 percent of profits, part of which includes an article of clothing
Out of Print	Apparel	Private, for-profit	Jeff LeBlanc & Todd Lawton	2009	Books for Africa	Pay fee to Books for Africa, which in turn connects publisher to destination in Africa
Roma Boots	Apparel	Private, for-profit	Samuel Bistrian	2010	Roma for All Foundation	Donate a pair of boots and school supplies for every pair purchased, as well as 10 percent of all sales to the Roma for All Foundation
The Naked Hippie	Apparel	Private, for-profit	Adrien Edwards	2009	Various microfinance organizations	Invest 100 percent of profits into microloans
Baby Teresa	Baby apparel	Private, for-profit	Kirsty Dunphey & Sammie Appleyard	2009	Individual donors, Rotary	Donate a baby outfit for each one purchased
Everything Happy	Baby apparel	Private, for-profit	Emily Holdridge	2010	Christian Life Ministries, Trinity Dream Center, The Pregnancy Center of Greater Toledo, Let's Make a Difference, Ronald McDonald House, and other hospitals and organizations	Donate a product for every Everything Happy product purchased
1 for 1 Water	Food & beverage	Private, for-profit	Matt Keller & Brent Trapp	2010	Clean Water for Haiti	Donate funds for bio-sand filters in Haiti for every bottle of water purchased
Nouri Bar	Food & beverage	Private, for-profit	Veneka Chagweder & Jared Crooks	2011	Stepping Stones International	Donate one school meal for every snack bar purchased
Two Degrees Food	Food & beverage	Private, for-profit	Will Hauser & Lauren Walters	2011	Action Against Hunger, Akshaya Patra, IMA World Health, Partners in Health, Relief International, Shining Hope, Valid Nutrition, and World Food Program USA	Donate funds to purchase a meal for every snack bar sold.
Smile Squared	Dental hygiene	Private, for-profit	Eric Cope	2011	International Justice Mission, Buckner International, Hands of Hope, Feed the Children, Save Their Smile, Give Kids a Smile, etc.	Donate a toothbrush for every toothbrush purchased
Warby Parker	Eyewear	Private, for-profit	Neil Blumenthal, Andrew Hunt, Jeffrey Raider, & David Gilboa	2009	VisionSpring	Donate funds to VisionSpring
Ark Collective	School supplies	Private, for-profit	Kevin Moshayedi	2009	Various nonprofits to help facilitate donations	Donate backpack for each one purchased.
CommonBond	Financial services	Private, for-profit	David Klein, Michael Taormina, & Jessup Shean	2011	African School for Excellence, KIPP Charter Schools	For every degree fully funded, CommonBond will fund the education of a student abroad for a full year. Will additionally fund the financial literacy programming for a child and his or her family through partnership with KIPP
One Million Lights	Lighting	501(c)(3)	Anna Sidana	2008	Agami, Inc., CARE, Elephant Energy, Jordan International, One Acre Fund, Peace Corps Volunteers, etc.	Sell rechargeable lamps to consumers to raise money to fund its charitable operations
Roozt	Online platform	Private, for-profit	Brent Freeman, Nick Reder, & Norma LaRosa	2009	Feeding America	Provide a meal to an American in need for every member who signs up
Soapbox Soaps	Household goods	Private, for-profit	David Simnick & Eric Vong	2010	Various partnership programs to facilitate aid drops and donations (e.g., visitingorphans.com)	Donate bar of soap for each one purchased.

to its social cause. To achieve this, LeBlanc always seeks to "nail the product first," which means delivering fun and novel apparel. The response to these products has been positive. The company's statement tees and accessories, such as ebook covers, have received glowing reviews from consumers and publishers alike.

Creating effective messaging | Even if a company has a compelling story and high-quality products, it will have difficulty succeeding if it can't communicate these attributes to consumers. It is possible to have a great product with terrible messaging, and vice versa. On Roozt's website, companies are limited to a 140-character description of their brand and purpose. "The simpler, the better," says Roozt's director of operations, Nick Nomann. "A simple message gives customers the opportunity to share your story."

The factors behind TOMS's success are undoubtedly varied and complicated, but their founding message was not—"With every pair you purchase, TOMS will give a pair of new shoes to a child in need. One for One" (a total of 77 characters). The statement has since been even further simplified to just "One for One."

In addition to its simplicity, the delivery of the message is vital to its being understood and adopted by consumers. Many companies keep counts of the number of donations that have been given to date (Two Degrees Food's website counter currently boasts a 928,000 donation mark). In an effort not only to deliver its buy-one give-one message, but also to engage customers, Baby Teresa has customers and volunteers aid in the actual donations by taking onesies on their trips abroad. The company then asks the volunteers to take pictures and write back, sharing the story with others through their website. Coupled with a simple message, effective delivery moves customers from awareness to preference with regards to these brands.

CHALLENGES FOR THE MODEL

The buy-one give-one model continues to gain traction among entrepreneurs and consumers. And although we are optimistic about its future, the model does come with challenges having to do with scalability, competition, and applicability in traditional companies.

One of the challenges companies confront is scaling up the donation side of the business to keep pace with the growth of consumer sales. VisionSpring, for example, recently ran into challenges expanding its Vision Entrepreneur model from Kenya to India even though its partner, Warby Parker, continued to enjoy tremendous sales growth. Baby Teresa faces a similar problem. The company relies on volunteers to take donations of baby clothes to underserved families and report back on their experiences, but Baby Teresa's sales are outpacing its ability to recruit volunteers.

As companies grow and expand their reach, they also face an increasing responsibility to ensure that the recipients are good stewards of the donations. A misuse of funds could cause irreparable harm to an organization's reputation, even if the donor is not to blame. To prevent this, companies are putting auditing practices and transparency standards in place to track exactly how the donated funds or products are being used.

As the number of buy-one give-one companies grows, both existing and new companies will lose some of the inherent benefits of the model. Opportunities for free publicity will become scarcer as the model loses its novelty, and companies will find themselves unable to rely on such avenues in place of traditional advertising and marketing. Additionally, companies may be susceptible to reputational damage simply by being associated with other poorly run buy-one give-one companies. It is plausible to think that consumers who have bad experiences with one company may come to associate that experience with other brands as well.

Though introduced and popularized by social enterprises such as TOMS, the buy-one give-one model is quite flexible, and traditional companies have adopted it for some of their products. In the beauty category, Sephora, Kiehl's, and Aveda have introduced buy-one give-one items. Whole Foods Market and Neiman Marcus are increasingly stocking their shelves with buy-one give-one products.

Last fall Specialized Bicycles came out with a limited-edition bike, announcing that for every sale the company would donate one bike to World Bicycle Relief, an organization that gives bikes to those in need in Sub-Saharan Africa. General Mills' brand Betty Crocker launched a campaign at the end of 2011 called "Win One, Give One," in which for every 100 UPC codes from fruit snacks entered into its website, it donated a laptop to a child in Africa (up to a total of 1,725 laptops). Using a slightly different model, the IKEA Group takes part in a campaign every year called "One euro is a fortune," in which for every soft toy purchased it donates one euro to organizations such as UNICEF and Save the Children. Since 2003, the campaign has raised $24 million.

THE MODEL'S FUTURE

Although few companies have achieved the level of success of TOMS or Warby Parker, the increased adoption—especially in larger, traditional companies—and the overall success of the buy-one give-one model indicates that it is here to stay. As these types of programs become more commonplace, however, companies won't be able to depend on benefits such as free publicity to sustain their sales. Our analysis suggests that the authenticity of the mission and the quality of the product will become absolutely paramount.

Although we have put forward a number of risks and challenges that companies must consider as they implement the model, we continue to be optimistic about its prospects. As this generation of consumers becomes increasingly drawn to companies with a social cause, social entrepreneurs and corporate executives alike will need to "do more by doing good." The buy-one give-one model offers not only a simple message but also a personal connection that can be easily conveyed to and understood by consumers—a critical component of success.

Just as cause marketing programs began as uncertain novelties when they were introduced 25 years ago and have since become ubiquitous, we believe that buy-one give-one models will come to dominate the cause marketing space in the years ahead. By creating a direct connection between a company's core business and the social value it brings through its donations, the model exemplifies the shared value approach that is becoming more and more popular in the business world. ■

NOTES

1 Christopher Marquis and Laura Velez Villa, "Warby Parker: Vision of a 'Good' Fashion Brand," HBS No. 413-051, Harvard Business School Publishing, 2012.

2 Frederick F. Reichheld & W. Earl Sasser Jr., "Zero Defections: Quality Comes to Services," *Harvard Business Review*, September-October 1990.

3 Cotten Timberlake, "Skechers Chases Toms Seeking to Woo Do-Good Millennials: Retail," *Bloomberg BusinessWeek*, August 2, 2012.