



INDIAN INSTITUTE OF TECHNOLOGY KHARAGPUR

Mid-Autumn Semester Examination 2024-25

Date of Examination: _____ Session: (FN/AN) _____ Duration: 2 Hrs Full Marks: 30

Subject No.: EP60025

Subject: SPECIAL TOPICS IN ENTREPRENEURSHIP

Department/Center/School: Rajendra Mishra School of Engineering Entrepreneurship

Specific charts, graph paper, log book etc., required _____

Special Instructions (if any) : _____

1 Read the case carefully and Answer the questions (1A & 1B) stated below

In 2005, Blake Mycoskie, a serial entrepreneur, needed a break. After starting 5 companies in 12 years, he traveled to Argentina looking for some time to relax. He met some expatriates who were doing social work in villages on the outskirts of Buenos Aires and asked if he could tag along. In one village in particular, he noticed that most of the children didn't have shoes. He stopped a few of the kids to look at their feet and saw cuts, abrasions, and infections. He knew the villagers were poor and couldn't afford to buy their children shoes and wondered what he could do to help. He also knew there was an inexpensive shoe in Argentina called the alpargata. What would be the best way to provide poor Argentinean children alpargata shoes?

Mycoskie thought about starting a charity but felt the charity model wouldn't work. He envisioned himself asking his family and friends for contributions, and knew they would contribute once, or twice, or maybe even several times. But it would be hard to continue to ask. What he needed was an approach that would sustain itself by selling a product that people needed to buy anyway. The approach Mycoskie came up with he later dubbed "one-for-one." He would create a for-profit business to sell alpargata shoes, and for every pair sold he'd donate a pair to a child in need.

Mycoskie returned to the United States and set up shop in Santa Monica, California. He started TOMS with no shoe industry experience. The company was originally called Shoes for Tomorrow but was quickly shortened to TOMS. To get started, Mycoskie went from one retail store to another with his unique business idea. A few Los Angeles boutiques agreed to sell the shoes. His first break came when the Los Angeles Times ran an article about his business. To Mycoskie's surprise, the article spurred \$88,000 in orders in a single weekend.

Fast forward to today. TOMS is now an international brand. Its one-for-one model has been expanded to include shoes, eyewear, coffee, and bags. (As of early 2017, TOMS had given away 60 million pairs of shoes in 75 countries, had helped restore sight for 400,000 people in 13 countries, and has helped provide over 335,000 weeks of safe water in 6 countries.) The one-to-one model has been tweaked some, but the intention is the same. TOMS still gives away a pair of shoes for every pair it sells. Eyewear was added in 2011. Rather than donating a pair of glasses for every pair it sells, TOMS donates an equivalent amount of money that is used for sight-saving measures, such as eye surgery, medical treatment, or a new pair of prescription glasses. Coffee was added in 2014, under the "TOMS Roasting Company" brand. For every bag of coffee that's sold, TOMS Roasting Company works with its Giving Partners to provide 140 liters of safe water (a one-week supply) to a person in need.

In 2015, the TOMS Bag Collection was founded. The Bag Collection includes different types of bags for women, including backpacks, tote bags, travel bags, cross-body bags, and clutches. The mission of the Bag Collection is to help provide training for skilled birth attendants and distribute birth kits containing items

that help a woman deliver her baby safely. As of 2016, TOMS has supported safe birth services for over 25,000 mothers. Many of TOMS' initiatives have ripple effects. For example, by supporting the creation of sustainable water systems, TOMS is able to provide entire communities with access to safe water, which leads to improved health, increased economic productivity, job creation, and access to education.)

TOMS' mission is "One-for-One." The mission is made possible by the way TOMS is structured. TOMS has two parts. TOMS is a for-profit company that manages the overall operations and logistics. Friends of TOMS is a nonprofit organization that assembles volunteers, delivers the shoes, and coordinates the eyewear/sight restoration and coffee/clean water initiatives.

An important decision Mycoskie and his team made early on, when TOMS was strictly a shoe company, was that the cost of providing shoes to children in need would be built into the shoes' selling price. The same approach now applies to eyewear and coffee. As a result, as long as TOMS sells its products, it can fulfill its philanthropic mission. It does not need to rely on donations, as most charities and nonprofits do, to sustain itself.

TOMS' strategy is built on selling practical products. Shoes, eyewear, coffee, and bags are products that are sold widely. Its shoes are pricey (\$55 to \$89 for a pair of simple slip-ons), but people know that when they buy TOMS shoes they are paying for a pair that will be donated to a child in need. TOMS relies heavily on volunteers, interns, and partners to do much of its work. Many of the people who volunteer and work with TOMS are motivated by the company's mission, which changes lives. In some countries, shoes are required in order to attend school. Owning a pair of shoes provides a child a chance to be educated and to have a better life. TOMS is not reluctant to share these types of realities, which deeply resonate with volunteers and customers. TOMS has almost as many interns, for example, working in its facilities as employees. Friends of TOMS works with nonprofits and NGOs to distribute its products. It does this in part because local organizations, already embedded in a country, know the needs better than TOMS does and can direct the company. An example is TOMS' partnership with the Seva Foundation to implement its eyewear/restore sight program. The Seva Foundation runs sight programs in Tibet, Nepal, Bangladesh, and throughout sub-Saharan Africa. It is uniquely equipped to help TOMS make the best use of its dollars.

TOMS has been diligent in the execution of its one-to-one model. Its products are appealing, its philanthropic efforts are making a difference, and it involves a lot of people in what it does. These factors have enabled TOMS to build a strong brand. Its core strategy is also working. It has remained sustainable without needing donations. TOMS has also excelled at creating excitement and passion in others for what it is doing. It does a lot to elicit this. For example, every two weeks a group of TOMS' volunteers travels to Argentina or another part of the world to make a "shoe drop," which is the term that TOMS uses for distributing shoes. Anyone can apply for the trip, and for many it is a life-changing experience. Every shoe TOMS gives away is placed on a child's foot by a TOMS volunteer. Volunteers pay their own travel expenses, but the trips are organized by TOMS.

TOMS also listens. It has both proponents and critics who are vocal in their feedback. Rather than ignoring the feedback, TOMS reacts, which encourages additional feedback. For example, one source of criticism that TOMS has faced is that when it gives a child a pair of shoes, it is a one-time event. The child will eventually grow out of the shoes and be right back to where he or she started. TOMS acknowledged this criticism as a valid point, and has responded by putting a program in place that tracks the children to whom shoes have been provided. It makes sure the children receive additional shoes when needed.

TOMS has a number of key assets. It has a healthy corporate culture, which draws people in. It has an entire apparatus to get people involved in its initiatives, including community groups, students, educators, and others. You can see TOMS' work in this area by accessing the TOMS Community website (www.tomscommunity.com). TOMS also frequently touts the work of its volunteers on its Twitter account, which is available at @TOMS. TOMS supports a network of students at colleges and universities across the United States who have formed TOMS' campus clubs. There are more than 280 such clubs in the United States and a dozen or so in Canada. Students who participate in TOMS' campus clubs participate in TOMS' awareness days, host TOMS-inspired events, spread the word about TOMS on their local

campuses, and most importantly volunteer in their local communities.

TOMS also organizes events, which are heartfelt and draw attention to its products and causes. Two popular events are the One Day Without Shoes campaign and the World Sight Day. The One Day Without Shoes campaign was started in 2008 to raise public awareness of the importance of shoes. It asks ordinary people to go one day without shoes, just to see how it feels. The point is to instill in people what a difference a simple pair of shoes can make, particularly for children. The campaign grows every year. You can see highlights of the most recent year's campaign at www.toms.com/one-day-without-shoes. World Sight Day is a day dedicated to raising global awareness about blindness and visual impairment. You can learn more about World Sight Day at www.toms.com/world-sight-day.

TOMS' revenue comes from product sales. TOMS is a cost-driven business. It contains costs via its partnerships, volunteer network, and by avoiding traditional marketing. TOMS does very little traditional marketing, such as print media, radio, and television. Instead, it relies on word-of-mouth, social media, and prominent placements in retail stores by its retail partners. TOMS does not manufacture its products. Instead, it relies on contract manufacturers and growers (for its coffee) spread throughout the world. TOMS' approach to manufacturing has raised eyebrows because it produces products in China, where labor practices are suspect. TOMS aggressively polices its manufacturers and other suppliers. It maintains strict standards that everyone in its supply chain is obligated to adhere to, particularly when it comes to fairness to workers. TOMS' employees regularly visit its manufacturers to monitor compliance. TOMS funds its operations from profits. It also benefits from the work of its volunteers.

To produce its products, TOMS manages a global supply chain. Its shoes are made in low-wage countries such as China, Argentina, and Ethiopia. Its eyewear is made in Italy. Its coffee beans are sourced from growers across the world and are roasted in the United States. Some of its most popular selections come from growers in Rwanda, Malawi, and Guatemala. In regard to distribution, TOMS delivers its products to its retail and online partners, who in turn sell to their customers. TOMS does not dropship or sell on a consignment basis.

Manufacturing and selling is only the first step in TOMS' overall process. Its philanthropic efforts come next. To distribute its shoes, TOMS partners with nonprofits and NGOs in the countries in which it distributes products. These organizations are called "Giving Partners." The Giving Partners identify the children in need. The process of actually distributing the shoes is referred to as Shoe Drops. Friends of TOMS helps coordinate the Shoe Drops. TOMS' eyewear/ restore sight and its coffee/clean water initiatives are executed in a similar manner. TOMS works with Friends of TOMS and local organizations to make the distributions.

In regard to channels, TOMS sells its products through both retail and online outlets. Over 500 retailers around the world now carry TOMS shoes. Its distribution network for eyewear and coffee is growing. A string of TOMS' café-stores are being rolled out. The café-stores sell TOMS coffee in a coffee house setting along with TOMS shoes, eyewear, and other products. As of early 2017, the company had eight stores. TOMS' business model would not be possible without key partners. Its most important partners are Friends of TOMS (its nonprofit subsidiary), the nonprofits and NGOs that distribute its products, and its volunteers. TOMS also has a robust affiliate program.

For some, it may be hard to imagine that TOMS has critics, but it does. Its critics point out flaws in TOMS' approach, which some go as far as to say threaten the firm's future. The criticism focuses on three main issues. First, critics argue that TOMS, along with similar organizations, makes people in poor countries dependent on the goodwill of others rather than creating opportunities for them to take care of themselves. Many social entrepreneurs believe that the best way to create sustainable change in an impoverished country is through education, job creation, and trade, rather than aid, which is what TOMS does. In fact, a mantra among some social entrepreneurs is "trade not aid." Microfinance, which provides loans to people in developing countries to start their own businesses, is based on these principles. The second criticism is that TOMS has manufacturing facilities in China and elsewhere where human rights violations have been documented. The third criticism is that by pouring a large number of

free shoes into countries such as Argentina and Ethiopia, TOMS is inadvertently stymieing local entrepreneurship. The idea is that by providing shoes for free, TOMS takes potential business away from local companies, which provide not only shoes but jobs. In response to this criticism, TOMS says that about 40 percent of all shoes given away are made in the countries where they are distributed. TOMS is aware of these criticisms, and in each case has responded in a proactive manner.

The question is, "Is TOMS' business model sustainable for the future?" The primary threats to its business model stem from the criticisms it receives, its reliance on people continuing to pay a premium for its products, and whether the one-for-one movement will continue to resonate with volunteers and nonprofit partners. Another threat is the nature of the products that TOMS sells. On the one hand, selling a physical product mitigates TOMS' risk because it does not have to rely on donations to fulfill its mission. On the other hand, TOMS has the dual challenge of managing a global supply chain while at the same time leading a worldwide philanthropic effort. The complexity of this challenge will grow as TOMS continues to scale its business. No company has attempted to scale a one-to-one business model to the extent that TOMS is contemplating.

Bain Capital apparently feels TOMS' business model is sustainable. In 2014, the private equity firm bought half of TOMS. Mycoskie owns the other half. At the time, TOMS was reportedly valued at around \$625 million.

- 1.A Explain the component of the Barringer/ Ireland Business Model Templets that entrepreneurs 7
can use to develop a business model for their firm? Write a business Model based on the above case study using Barringer/ Ireland Business Model Templets?
- 1.B Given the TOMS' mission and the way its business model is constructed Would You 3
Characterized TOMS' business Model as a Standard Business Model or a Disruptive Business Model? What Impact has TOMS' business Model had on socially-minded organizations?
- 2.A Describe an Industry/market feasibility analysis, explain its' purpose, and discuss the two 7
primary issues to consider when completing this analysis
- 2.B Why is the feasibility analysis template called First Screen? Write in details about this 3
template.
- 3.A Describe the techniques the Entrepreneurs use to generate Idea. 6
- 3.B Write about the five primary Industry types and the opportunities they offer. 3
- 3.C Why do most entrepreneurial firms initially choose to compete within a narrow target market? 1



INDIAN INSTITUTE OF TECHNOLOGY KHARAGPUR

End-Autumn Semester Examination 2024-25

Date of Examination: _____ Session: (FN/AN) _____ Duration: 3 Hrs Full 50

Marks: _____ Subject No. EP60025 Subject : SPECIAL TOPICS IN ENTREPRENEURSHIP

Department/Center/School: Rajendra Mishra School of Engineering Entrepreneurship

Specific charts, graph paper, log book etc., required: _____

Special Instructions (if any) : _____

- | | | |
|----|---|-----|
| 1. | Describe different types of patent and Write in details about the process for obtaining a patent | 10 |
| 2. | Write in details about the 4Ps of marketing activities used by entrepreneurial firms | 10 |
| 3. | Explain in details about the three most important sources of equity funding that are available to the entrepreneurial firm | 10 |
| 4. | Write in details about the role of Professional Advisers in a new venture team. | 10 |
| 5. | Short Note: A. Compare between different form of Business Ownership

B. Explain the difference between historical and Pro forma financial Statement | 5+5 |