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be resourceful
without resources

Imagination is more important than knowledge.

—ALBERT EINSTEIN

When TOMS started, we had what could only be called very limited resources. Actually, it might be more accurate to say we had just about none.

Because the concept of giving a product away to match a product sold was unique, we had no proven model to convince others to back us. The truth is, we didn't even know if it would work; therefore, it was difficult for us to raise money the way someone starting a traditional business does. Instead, we kept explaining the idea over and over again to

number-crunching wizards trained to make investment decisions based on the potential for profit, not philosophy.

With no money, no likelihood of raising it, and no proven business model, we had to cut more corners than corners existed.

As mentioned, one of the first things I did—and this was when TOMS' entire workforce in America consisted of me—was to place an ad for interns on craigslist. The ad offered summer internships in design and marketing and referred people to the TOMS website, which was quite nice—nice enough to make it seem as if we were the real deal.

POSTING ID: 143649614

REPLY TO: tomsshoes@gmail.com

SUBJECT: (marketing jobs) Hip Shoe Company seeks SUPER FANTASTIC Interns!

If you are smart, creative, and entrepreneurial minded, this is a fantastic opportunity . . .

TOMS is an up-and-coming shoe company based in Venice, California. Our product line is a fusion of Argentine fashion and California Surf Culture. For every shoe that we sell, we will give a FREE pair to a less fortunate person in Latin America or Africa.

Our company is looking to fill several positions:

1. SUPER FANTASTIC Business Intern—The person chosen for this position will work directly with the CEO

of TOMS. No coffee making. You will have a huge hand in advertising, marketing, brand development, and distribution.

2. WEB DESIGN Intern—Must be an experienced and AMAZING Design Student. Your work will directly affect the growth of our business. This is a great opportunity to build your resume.

Although this is a non-paid internship, there is a very serious chance that this could lead to a lucrative full time job.

For more information, please send resume to tomsshoes@gmail.com.

Thanks!

Blake Mycoskie

Many people applied, excited at the prospect of learning so much at what must have sounded like a strange and interesting company. But when they showed up at the company headquarters—aka my apartment—for many, the excitement quickly evaporated.

At the time, my Venice neighborhood was more welcoming to drug dealers than to young summer interns. In fact, to let applicants into the apartment, I had to usher them past a somber-looking, barbed wire fence. Then I sat them down at the kitchen table where they might see the remains of that morning's breakfast tacos next to a few pairs

of shoes and a bunch of papers. Those who had pictured a more traditional internship—a big company filled with hip young professionals—didn't pan out. But a few applicants recognized that this was a chance to get in on the ground floor of something that could really take off.

TOMS' first three interns started in May, and then we took on three more in July. One of them was my brother, Tyler—families are excellent places to raid for resources.

Because we weren't paying anyone yet, we made up for the lack of funds in fun. We would work hard and then play hard. Sometimes the two collided: Once, after a very late night at the apartment, Tyler fell asleep in my bedroom and slept in the next day. Meanwhile, I had to get up early for an appointment, and Jonathan was meeting with our UPS regional rep (UPS was one of our few vendors at the time). Because my apartment was our office, we held meetings in my bedroom, where we had placed two desks (the kitchen and living room were filled with boxes and shoes to be shipped out).

About ten minutes after they started the meeting, a white-sheeted, ghostlike creature arose from my bed. The woman from UPS screamed.

It was Tyler, waking up—they hadn't noticed that he was asleep beside them under a heap of bedding. Luckily, he was wearing clothes. And the UPS rep turned out to be a good sport, once she calmed down.

The apartment had two other bedrooms, occupied by my two roommates. Both of these guys had nine-to-five jobs, so when they went to work, I turned our home into the TOMS office. The roomies were cool with this as long as everyone was gone and the apartment was clean when they

came home by six o'clock. And they didn't want us to use their bedrooms, which was fair.

Because the place was small and we had boxes all over, that summer I decided to move my office outside into the yard, where I placed a desk and a chair. As a result of being outside all day, I looked tanner than I ever had before. When people came to meet Jonathan, they would walk past me and then ask him, "Who's the random dude out there in surf trunks?"

However, as business picked up, we had to use the roommates' bedrooms; there was no other space left. The guys knew it, but because at the end of each day we ran around making the rooms look absolutely immaculate, they didn't say anything.

Well, almost immaculate. The person whose room we used the most was Jimmy, then the president of my online driver-ed company. After running that company all day, Jimmy would come home wanting to chill, only to find little cardboard shavings littered throughout his room. That was the one thing we couldn't always clean up—those tiny pieces of padding that fall out of boxes. Because Jimmy was anal about cleanliness, the little pieces drove him crazy. For nine months he was frustrated, but because he paid the least in rent, he did his best to cope. (It's a good thing his frustration didn't get the best of him, because we ended up hiring him to run our international sales.)

When we got our first big media hits and stores started calling with orders, TOMS had only three interns and me and our low-rent infrastructure. We owned one cordless phone with a constantly dying battery, so no one could talk

long when prospective customers called. Whenever the phone rang, whoever was closest would answer.

One day it rang, and since I was nearest, I said, "Hello, TOMS Shoes."

The man on the other end of the phone was very nervous. "I'm calling from Nordstrom," he said. "I need to place a test order for one hundred pairs immediately."

Now, Nordstrom is known for having an incredible shoe department. It can take years for the company to even hold a meeting with you. But the man on the phone said that his boss had seen TOMS featured in a fashion magazine, and that shoppers were already coming into stores asking for them as a result. So he wanted to try us out.

"I'm an assistant buyer," the man continued. "My boss is on my back. I need to get this order processed right away."

"I would love to send them to you," I said, "but we don't have any shoes now." This was true.

"No, you don't understand," he said. "This is Nordstrom calling. I need the shoes immediately."

"Sir," I said, "I don't have any."

The man started to get a little testy. "Just put me in touch with the sales department," he snapped. "Right now."

Not sure what to do, I tossed the phone to one of the interns. She shrugged. "Hi," she said. "This is the sales department."

The Nordstrom guy repeated the same rap for the intern—he didn't know we were all sitting in one small room—and she in turn repeated what I had said. The man became so frustrated that this time he demanded to speak to

customer service. So the intern handed the phone over to another intern.

But before the Nordstrom buyer could complain again, the next intern said, "Look, that first guy you talked to was the company founder, the second person was an intern, and I'm just another intern."

The guy finally laughed. "You guys are that small?"

"Yes, we are," he said.

The man couldn't do anything but wait, and in two weeks we sent him the shoes. Today, Nordstrom is one of our largest customers.

THE ENCHANTED GARAGE

These stories are not just fun to tell, they also capture the excitement and sense of possibility that compensate for the deprivations and anxiety of the start-up period. Many of the greatest business stories in recent history have similar creation myths—usually involving a magical space called "the garage" (and for "garage" you can substitute "apartment," "basement," "attic," or even "car"). Starting up in a small, improvised space is not only fun but can be an advantage with interns and early employees. For one thing, by operating out of an unconventional space, you're automatically lowering their expectations. No one expects an immediate financial reward from an internship or start-up gig, particularly one that shares its office space with the family car; everyone is excited to be a part of something

new. And, unlike working out of an office, working out of the garage makes everyone feel equal; there are no corner offices or other perks to compete for, so the pecking-order mentality disappears. Everyone feels they are part of one team, and that helps create a great company culture from the start.

Many of the greatest companies in the world were started out of a metaphorical garage. Bert and John Jacobs, founders of the apparel brand Life is good, got their start selling shirts out of the back of their van. Kenneth Cole's first shoe display was in the trunk of his car. Two guys named Ben and Jerry, with \$8,000 in savings and a \$4,000 loan, leased an old gas station in Burlington, Vermont, as their first ice-cream store. Mark Zuckerberg co-created Facebook in his Harvard dorm room. Kevin Rose began Digg in his apartment. Reid Hoffman began LinkedIn in his living room. And Steve Jobs initiated Apple in his actual family garage.

But this isn't just a recent phenomenon. In fact, almost all of the successful brands that people love and adore began with few resources. For example, in 1950s California, Ruth and Elliot Handler started a picture-frame business in their garage. They also made dollhouse furniture with excess material and soon realized that toys were more profitable than picture frames. After 1955, they released a doll to go with that toy furniture—her name was Barbie. Their company: Mattel.

Also in the 1950s, there was a man in Detroit who lived on the top floor of his home with his family while using the bottom floor as a recording studio; he eventually expanded to his garage. Soon artists such as Diana Ross and

the Supremes, the Temptations, Stevie Wonder, and Gladys Knight and the Pips were dropping by—the garage belonged to Berry Gordy, Jr., the founder of Motown Records; it is now part of the Motown Historical Museum.

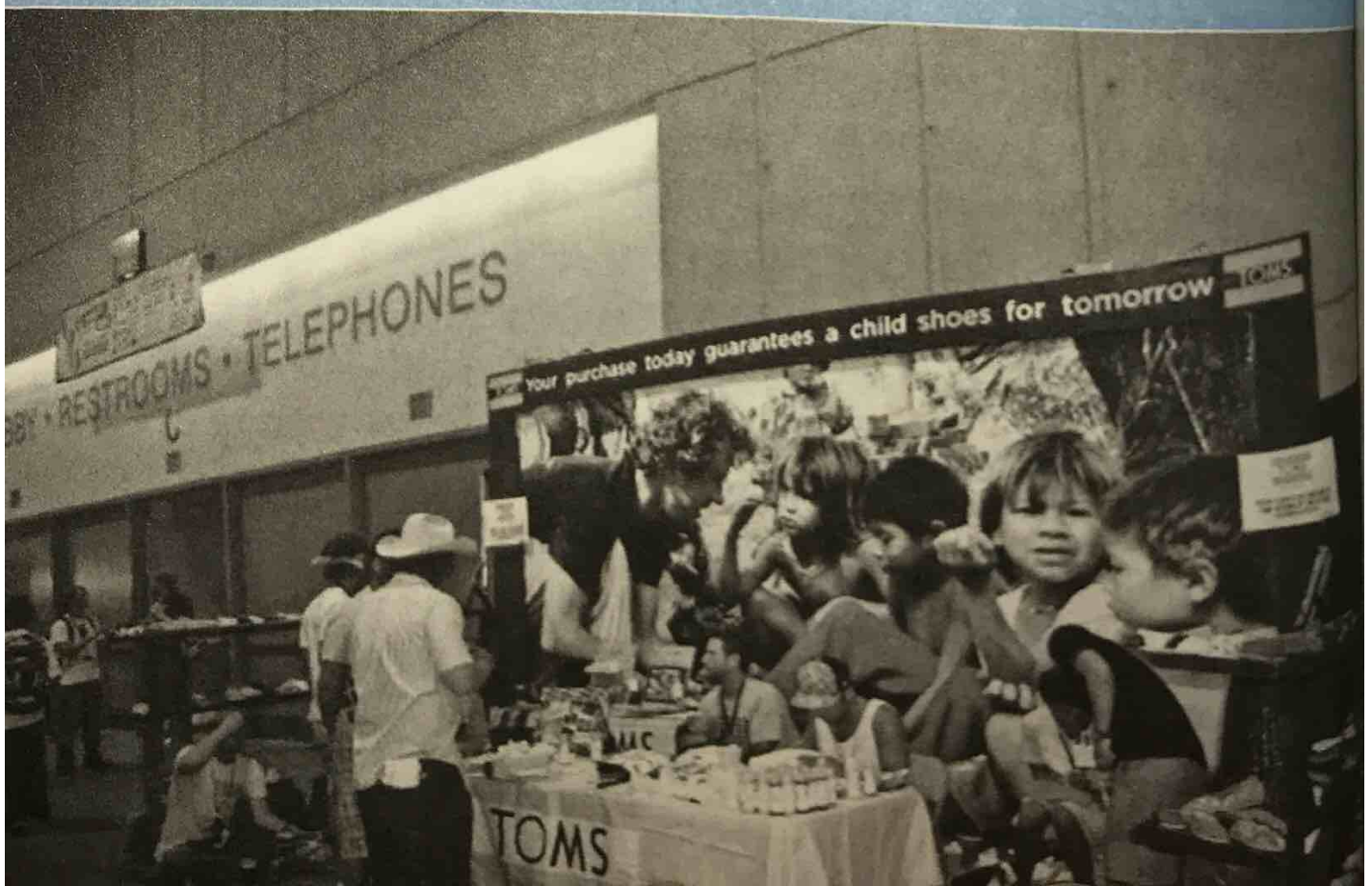
IMAGINATION TRUMPS MONEY

A lack of resources is no reason to avoid starting a company. If anything, it often inspires creativity and a competitive edge. Even though they may have excellent ideas, many people still believe that they can't start a business because they don't have enough of everything else. But our lack of resources when we started TOMS is one of the reasons we've succeeded. How can that be?

Being comfortable can hurt your creative entrepreneurial spirit. An early and unearned sense of security can be the worst thing that can happen to a business. If you have little money and have to bootstrap and improvise to pull things together, that becomes embedded in your company's DNA forever—so as you scale up, you maintain the frugality and efficiency that helped you survive your earliest days. For instance, now that TOMS is an established, successful business, we could throw resources around with a little less care than we used to, but we don't. We still emphasize creative problem-solving and are scrupulous with our expenditures. Our culture is lean and mean—well, maybe not mean. But being creative and resourceful are skills we honed in our hungry days, and they are just as useful now. It's an impulse that can lead to extraordinary success.

For instance, in 2001, a man named Tom Szaky was looking for a bottle in which to put the product he was selling—liquefied worm-poop fertilizer—and decided that even the cheapest bottling options were too expensive. He found that discarded plastic soda bottles, which were essentially free, worked fine. He soon started TerraCycle, a company that produces a natural plant food made from worm waste packaged in reused containers, many of which are collected through fund-raising programs. Today the company also repurposes waste packaging into new products ranging from cellphone holders to messenger bags, thereby reducing the amount of waste that goes into our nation's landfills. In the decade since the company started, its sales have more than doubled each year and its products can now be found in

Bootstrapping our first trade show with a homemade booth at the Action Sports Retailers show (ASR) in San Diego.



Home Depot, Target, Walgreens, OfficeMax, and Walmart, among many other locations.

Szaky funded the early days of his start-up by winning business-plan competitions and he saved money by hiring a team of thirty-five dedicated interns and housing them all in one house, where they slept three or four to a room. Szaky would personally wake up each intern in the morning, blasting Vanilla Ice music over the loudspeakers.

According to renowned Silicon Valley venture capitalist Mike Maples, companies that start off overfunded actually are in more danger of faltering than those that are underfunded; too much money, he says, is not only unnecessary, but also toxic. Maples points out the inverse relationship between the amount of money an entrepreneur spends at start-up and the business's ultimate success. It's no coincidence that blue-chip companies like Cisco, Google, Facebook, Digg, and even Microsoft began as hyperfrugal start-ups.

Yes, it's hard to turn down money. But if you raise more than you really need, you'll probably end up with a three-bin copy machine when one bin would do, or a fancy telephone system when cellphones would do just as well. Or you might create fancy positions, hire extraneous personnel, like vice presidents who don't do anything except hand out business cards that say they're a vice president. Worst of all, that money comes with strings attached: You'll have to answer to investors who tell you how to run your business but might not share your core values.

So
decade

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i. Who