

# It's Not About The Shoes

## How Zappos Rebuilt Itself with a Single Idea

2008  
\$1 Billion

2009  
Amazon bought Zappos

### The Internet is hot... so what can we sell online?

How to Sell Shoes Online?  
Zappos is run online and does not have a warehouse, how can they fill orders and carry hundreds of brands? Chafkin

#### Embraces drop shipping

No shoe company had ever done drop shipping before. With drop shipping, a company can run operations and fulfill orders in a small office without having to stock inventory; products are shipped to the customer directly from the manufacturer. Zappos adopts this model to stay agile and reduce risk. Hsieh, 9

#### Buys own warehouse

Zappos abandons drop shipping and starts buying inventory and storing it in its San Francisco warehouse facilities. Hsieh, 103

#### Moves to Kentucky

Zappos hires eLogistics to manage and control inventory, begins using a contracted warehouse in Kentucky. The central Kentucky location allows everyone in the country to receive shoes in only 2 days. Hsieh, 60

**STILL NO PROFIT**  
Even pulling in 70 million gross, Zappos still struggles to make a profit.

## BIG IDEA

Zappos decides to reinvent its entire identity around dedicated customer service.

### Culture and Core Values as Our Platform

#### 10-Core Values Zappos, 9

1. Deliver WOW through service
2. Embrace and drive change
3. Create fun and a little weirdness
4. Be adventurous, creative and open-minded
5. Pursue growth and learning
6. Build open and honest relationships with communication
7. Build a positive team and family spirit
8. Do more with less
9. Be passionate and determined
10. Be Humble

#### Powered by Service Hsieh, 142

- Risk-Free Purchasing through free shipping both ways
- 365 day return policy
- Marketing based on engagement rather than creating buzz
- 24/7 Workforce: insufficiently man to enable the fastest filling of orders (some orders can be delivered in as little as 3 hrs.)
- No Up-selling and call center calls are not timed.

#### CIT, Customer Loyalty Team Hsieh, 131

Zappos name for their call-center. Most companies have satellite call-centers to handle customer service but in order to stick to their mission their entire call-center had to be integrated into their headquarters and was renamed the "Customer Loyalty Team"

#### Deliver WOW Through Service Hsieh, 161

"At Zappos, anything worth doing is worth doing with WOW. Wow is such a short, simple word, but it really encompasses a lot of things. To WOW, you must differentiate yourself, which means do something a little unconventional and innovative. You must do something that's above and beyond what's expected. And whatever you do must have an emotional impact on the receiver. We are not an average company, our service is not average, and we don't want our people to be average. We expect every employee to deliver WOW." Hsieh, 160

### How they did it...

#### Not enough brands

How can we offer more brands to our customers?  
Many of the top shoe brands flat out refuse to drop ship inventory, so they're not available through Zappos. Hsieh, 100

#### Offsite warehouse mixes up orders

How can we give our customers more reliable orders?  
The Kentucky warehouse is a mess with frequent incorrect orders, quickly affecting customer service. Hsieh, 107

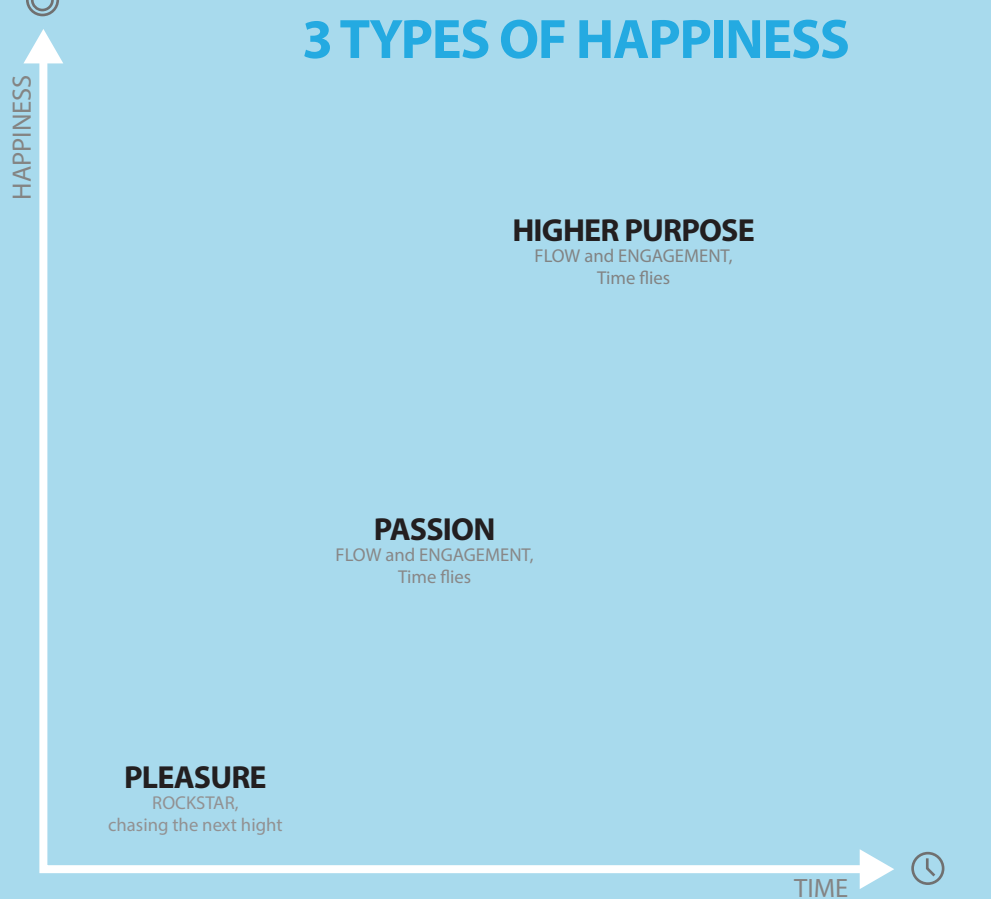
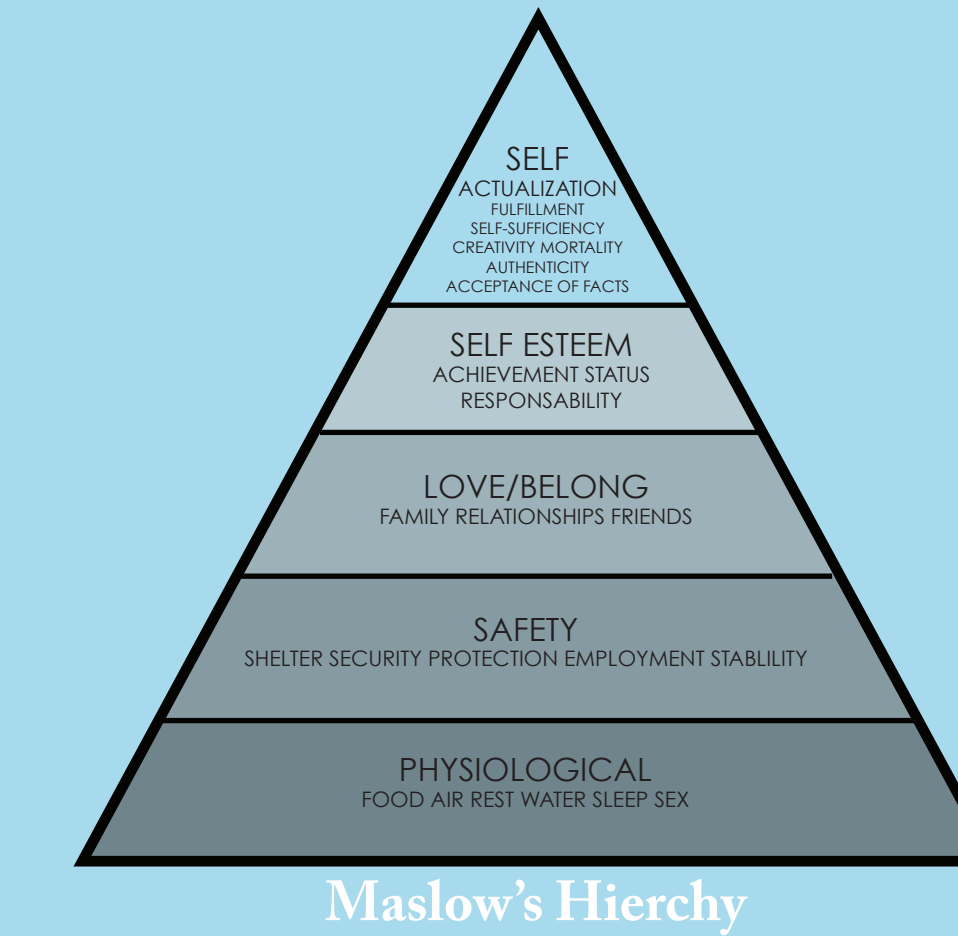
#### A week is too long

How can we get our product to customers in fewer than 7 days?  
By only shipping from the west coast, customers on the east coast have to wait up to 7 days to receive shoes. Hsieh, 104

### Delivering Happiness

#### Happiness Framework Hsieh, 233

- Resilient Character
- Resilient Progress
- Connectedness
- Vision / Meaning (Being a part of something bigger than yourself)



### ALL IN

CEO Tony Hsieh decides to sell his own house and invest \$2,000,000 of his money to save the company.



CEO  
Tony Hsieh

Founder  
Nick Swinmurn

Nordstrom Executive  
Fred Mossler

2006  
\$597,000,000

2005  
\$370,000,000

2004  
\$184,000,000

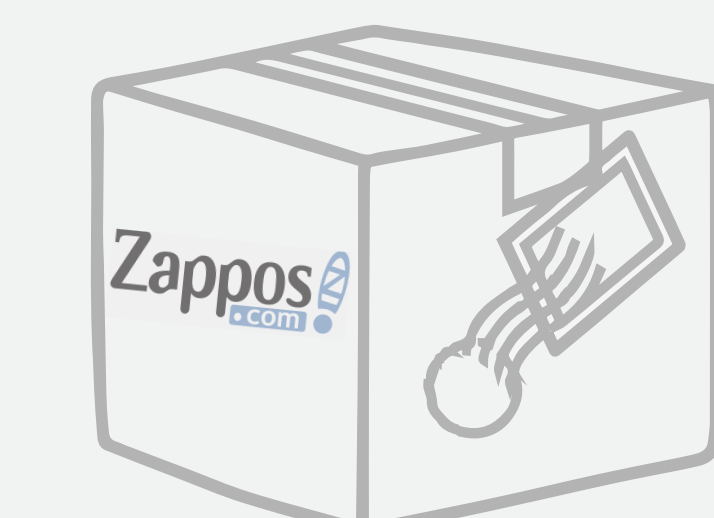
1999

2000  
\$1,600,000

2001  
\$8,600,000

2002  
\$32,000,000

2003  
\$70,000,000



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Katherine Bennett  
Alexander Livingston  
Tom Smiley  
Jibum Jung

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