

Zappos: *Facing Competitive Challenges*

Zappos, based in Las Vegas, is an online retailer. Its initial goal has been to be the best website for buying shoes, offering a wide variety of brands, styles, colors, sizes, and widths. The zappos.com brand has grown to offer shoes, handbags, eyewear, watches, and accessories for online purchase. Zappos's vision is that in the future, online sales will account for 30 percent of all retail sales in the United States, and Zappos will be the company with the best service and selection. As a result, Zappos believes that it can become the online service leader, drawing customers and expanding into selling other products. Zappos believes that the speed at which a customer receives an online purchase plays a critical role in how that customer thinks about shopping online again in the future, so it focuses on making sure that items get delivered to customers as quickly as possible.

In 2009, Zappos was acquired by the Amazon.com, Inc. family of companies, which share a strong passion for customer service. In 2010, Zappos had experienced tremendous growth, resulting in the need to restructure the company. Zappos was restructured into ten separate companies under the Zappos family umbrella, including Zappos.com, Inc. (the management company) and companies devoted to retail, gift cards, merchandising, and order fulfillment. Zappos has received many awards for its workplace culture and practices, including being recognized by *Fortune* magazine in 2013 as the #31 Best Company to Work For.

Zappos CEO Tony Hsieh has shaped the company's culture, brand, and business strategy around 10 core values:

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

Deliver WOW Through Service means that call center employees need to provide excellent customer service. Call center employees encourage callers to order more than one size or color because shipping and return shipping are free. They are also encouraged to use their imaginations to meet customer needs.

Zappos's employment practices help to perpetuate its company culture. For example, the HR team uses unusual interview questions, such as "How weird are you?" and "What's your theme song?" to find employees who are creative and have strong individuality. Zappos provides free breakfast, lunch (cold cuts) and snacks, and a full-time life coach (employees have to sit on a red velvet throne to complain). Managers are encouraged to spend time with employees outside the office, and any employee can reward another employee a \$50 bonus for good performance. Most employees at Zappos are hourly. All new hires complete four weeks of training, including two weeks working the phones. New recruits are offered \$2,000 to leave the company during training—an unusual practice designed to weed out individuals who will not be happy working at the company.

To reinforce the importance of the ten core values, Zappos performance management system asks managers to evaluate how well employee behavior demonstrates the core values, such as acting humble or expressing their personality. To evaluate task performance, managers are asked to provide employees with regular status reports on such things as how much time they spend on the telephone with customers. The status reports and evaluations of the core values are informational or used to identify training

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needs. Zappos believes in helping others understand what inspired the company culture. The company created the Zappos.com library, which provides a collection of books about creating a passion for customer service, products, and local communities. These books can be found in the front lobby of Zappos offices and are widely read and discussed by company employees. Zappos also believes that its culture is enhanced through use of social media, including blogs and Twitter, that links employees with one another and with the company's customers. Also, Zappos takes the pulse of the organization monthly, measuring the health of the culture with a happiness survey.

Employees respond to such unlikely questions as whether they believe that the company has a higher purpose than profits, whether their own role has meaning, whether they feel in control of their career path, whether they consider their co-workers to be like family and friends, and whether they are happy in their jobs. Results from the survey are broken down by department, and opportunities for development are identified and acted upon. For example, when it was clear from the survey that one department had veered off course and felt isolated from the rest of the organization, a program was instituted that enabled individuals in the group to learn more about how integral their work was. To keep the company vibrant, CEO Tony Hsieh is spending \$350 million to develop a neighborhood in downtown Las Vegas,

which will be the home of Zappos.Com new headquarters. Hsieh wants to provide employees with a great place to work as well as to live and socialize. Visit the Zappos website at www.zappos.com. Go to the bottom of the page under “About” and click on “about.” Review the videos, the media kit, and the information provided about customer service, the family story, the culture, and the values. Review the Tweets especially those focusing on training, learning, and development.

What challenges is Zappos facing that may derail its attempt to be the best online retailer? How can training and development help Zappos meet these challenges? Do you think that employees at Zappos have high levels of engagement? Why? Which of Zappos’s ten core values do you believe training and development can influence the most? The least? Why?