

Video Transcript

How Tony Hsieh Grew Zappos to \$1.2 Billion Value in Just 10 Years by IWD Agency

A business idea that came to fruition after an unsuccessful shoe shopping expedition at the mall was bought out at a 1.2 billion value just 10 years later. Let's talk about the success story of Zappos.

Nick Swinmurn went shoe shopping for a pair of air walk desert boots. He found the color he wanted but not the size. Then he found a size that fit but not in the colour he wanted. Unimpressed, Nick left the shopping mall, later to quit his job, and founded what is today known as Zappos. In 1999 Nick had this idea that no investor wanted to touch, selling shoes online, but this did not stop him. He had done his research. Meeting VentureFrogs, Tony Hsieh's investment company he delivered his pitch in three sentences:

- Footwear is a 40 billion dollar industry in the United States of which catalog sales make up 2 billion dollars.
- It is likely that e-commerce will continue to grow.
- It is likely that people will continue to wear shoes in the foreseeable future.

Nick knew there was a turning point coming in the retail market. Tony Hsieh saw the vision and potential and bought into the idea by investing 500 million dollars and soon became co-CEO with Nick. Zappos was initially launched under the domain name shoesite.com but was soon changed to something more unique. Zappos name was adapted from the Spanish word for shoes, zapatos. Nick and Tony very early on defined their core business values. They wanted to be the company known for wowing their customers and delivering the best customer service. They quickly learned if they were to deliver the best service they needed to be in full control of each customer's buyer's journey. So, they switched the inventory model, abandoned 25 percent of their revenue stream that was drop shipping, and expanded their own warehouse. This was a risky move financially in the short term as well as the long term. Many brands would not sell to them anymore because they were worried that Zappos would cannibalize their brick and mortar sales. A turning point for this was when Doc Martens came on board. Other brands then began to see that Zappos was not killing their brand.

In 2006, Nick decided to leave Zappos, leaving Tony the sole CEO, which today he still remains. A few years later in 2009, Amazon acquired Zappos in an agreement with 1.2 billion dollars at closing. At this time, this acquisition was one of the biggest in retail history, leading Zappos to be one of the biggest companies in the world. Part of the agreement was that Amazon would maintain a hands-off approach and allow Zappos to run the way it always had with a unique company culture full of fun and weirdness. Zappos was, and today still, is no ordinary business.

They weren't just in the business of selling shoes they were in the business of delivering happiness and exceptional service and just happened to sell shoes. They raised the bar for customer service and taught customers to demand better satisfaction at the same time. One of the ways they have offered the best customer experience is by never charging for shipping. Someone could buy 10 pairs of shoes, try them all on at home, see if they work with their outfits or not, and return any of them without paying a single cent for shipping. They actually made a loss by offering free shipping but no one else was doing this at the time. They chose the option to rather invest in things that improved the customer experience rather than use those funds for marketing. To them they were investing in what really matters in delivering their core business principles.

So, customer service was the emphasis of their business but their number one priority was their company culture. Hiring the right people is the main path to success. By creating and maintaining the culture of the company the rest will be a natural byproduct. Zappos hired those who are passionate about what Zappos stood for, service. They didn't care if these individuals were passionate about shoes or not. Once recruited, no matter their role, every single new hire went for the same four week training. Towards the end of this training new hires were even offered a payment to leave the company. This weeded out those who really weren't invested in the job, company, or what it stood for. A large part of this training was on the customer service side of things. Zappos focused on customer service through direct calls which is often overlooked. Zappos is easy to contact. they're available 24/7, and have friendly reps who go above and beyond to surprise customers.

There have even been instances where Zappos has given up on immediate profits for customer relationships. They've provided links to their customers to their competitors websites if their competitors had stock of a product that they did not. Customer service reps did not have scripts nor were they there to upsell the customer. They were empowered to help. Over the years, Zappos has learned, when you treat your customers well you are making sure they will buy again. Creating a positive, productive culture is Zappos bread and butter. They identified their core values, hired by them, onboarded team members by them, and truly live by them. From there a business is a long-term path to success, profit and growth. A little over 20 years ago shoesite.com was a small online retailer that sold only shoes. Today, now known as Zappos, they sell shoes as well as clothing, handbags, accessories, and more. That more is providing the very best customer service, customer experience, and company culture. Zappos has built their success on these foundations.

So, what core principles do you and your company stand for? What type of business culture do you have? We'd love to hear about these so let us know in the comments below. Thanks for

checking us out today. We hope you enjoyed the success story. Stay tuned for more ecommerce related topics coming your way. Until next time.