

Branded Culture

Zappos: Creating a Viral Brand Powered by Culture and Service

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I think that I have got a contagious virus. Don't fret. It's a happy virus. I caught it from a company that I recently visited while in Las Vegas. The symptoms are that I want to tell everyone that I meet about this company. In the United States, the symptoms are even more visible. The virus has resulted in millions of people doing business with this company – and wanting to tell others about it as well. This company has become unbelievably successful in a short period of time. After just 10 years in business, it was bought over by Amazon.com for US\$1.2b. It has been ranked as one of the best places in the USA to work. The USA is abuzz with what this company is achieving – and how it is achieving it. The name of the company is Zappos.com.

75% of orders are from repeat business and word of mouth has gone viral!

Zappos commenced business in 1999 as an on-line shoe retailer. Before you think, “Right, this is one of those internet get-rich-quick stories”, let me share some facts with you. Zappos started up in 1999. Sales reached US1 billion less than 10 years later. In the last 12 months, more than 4 million Americans have purchased shoes on-line from Zappos. Seventy five percent of orders are from repeat customers. Whoa! The “holy grail” for every brand is repeat business and viral word of mouth. Zappos has achieved both!

But let me digress a bit. The Zappos call centre is located in Las Vegas. And, believe it or not, it runs 4 tours a day, free of charge! You have to book in advance to reserve your place. You will believe it when, like me and my TMI Malaysia colleague Arvind Kumar, you go on the tour. And Zappos will even take you to the airport if you are in a hurry. WOW!

You feel that you are about to experience something unique when you enter the colourful Zappos visitor registration lobby. There is a popcorn dispenser, free drinks and a “giving library.” This consists of bookcases well stocked with business books that Zappos encourages its employees to read.



The twist is that anyone – employees and visitors – can take the books home and keep them. I took one book. I saw one person walk away with 5!

Zappos appreciates that it is people who create results.

The Zappos office is like nothing that you have seen before. But it's much more than an unusual physical space. Rather, it's a part of the living culture of this amazing organisation. When you go on the tour, you will walk through a corridor that is lined with framed “platinum records” - like the ones that musicians get when they reach a certain level of sales. The Zappos platinum records commemorate their sales milestones since start up, e.g., when first time sales hit US\$4m in a single day, or the date that sales hit US\$1b in a year. Underneath the framed records, there were caricatures of Zappos employees. Zappos appreciates that it is people who create results! If I was a Zappos employee, I would feel really special as I walked through this space.

The Zappos culture is anchored around delivering the very best customer experience



When you enter the call centre space, you are definitely in a different zone. This is where you feel that one of Zappos' core values is well and truly alive – Create Fun and a Little Weirdness. You will feel that the culture is about fun, people and, of course, shoes! There is a

WOW wall where colleagues share WOW stories of how their colleagues have delivered WOW for them. The meeting room that I saw was definitely fun and a bit weird...and WOW. Apart from the whiteboard, it has a rack with kitchen utensils hanging from it. This feels like a space which encourages your creative juices to overflow! I'm just scratching the surface here and have left out most of the details – there is so much to share with you, but so little space in this article! I will give you some web addresses to check out at the end of the article.

3 building blocks to create a great company

So, what is the story behind this company's success? Enter Tony Hsieh, the 37 year old CEO who is one of the founders of Zappos. Tony is a soft-spoken, low-key CEO. What makes him extraordinary is that he has a clear picture of how to stack together the building blocks to create a great company. The Zappos building blocks are pretty simple.



They are based on the “3Cs” – clothing, customer service and culture. It may *sound* simple, but, as with all good things, the key is not in the thinking, but in the discipline of consistently *doing*.

Let's get the easy part out of the way with the first "C" – clothing. Zappos is fundamentally an on-line shoe retailer. It offers the widest range of shoes available on the planet. Go to www.zappos.com to check out their range.

Let's move on to the second "C" – customer service. This is where it starts to get interesting. Zappos does not spend much money on advertising. Rather, it allocates that money towards providing the best customer service and the best customer experience.

Just imagine. You want to buy a pair of shoes for someone special in your life. This is a pretty personal thing, agreed? Zappos makes it easy for you by offering a great website, a 365 day return policy and free shipping both ways. In other words, you may order 5 different pairs of shoes from your laptop while you are watching Oprah on TV. They are shipped, often overnight, to you for free. You try them on and decide to return 4 pairs, or even all of them. No problem, you can do that for free as well!

Every contact is an opportunity to build the Zappos brand

While only about 5% of sales come through the call centre, Zappos believes that the phone is one of its best branding tools. Zappos receives thousands of emails and calls a day. The company sees each contact as an opportunity to build the Zappos brand. Tony Hsieh has said that every interaction is seen through the branding lens rather than through the expense minimization lens. This philosophy has led to the call centre being run differently.

Three examples:

First, there are no scripts. Employees are empowered to deliver WOW. For example, one of the "Customer Loyalty Representatives" (the people who man the phones at the Zappos call centre) may choose to answer the phone with, "I hope you are having a Zappo-licious day, this is Andrea speaking."

Second, there are no guidelines on maximum call handling times. The longest phone call went for over 7 hours! (That's what I call a choosy customer!).

The power of the “PEC”

Third, Zappos aims to deliver a “PEC” – a Personal Emotional Connection - to every customer. For example, let’s say there is this customer whose name is Ismail. Andrea from the Zappos call centre picks up the call. Ismail explains that he needs a particular pair of shoes to be delivered by next Thursday, as he is heading off to the Bahamas with his family on Friday. Andrea will create a PEC by engaging in conversation and sharing in Ismail’s excitement. The conversation proceeds, “Wow, the Bahamas, and you are staying at the Hilton! That sounds great! Ismail, I tell you what. I will put you onto a VIP upgrade so that you will receive your shoes within 24 hours or less. I hope that you and your family have a great time – and enjoy your new shoes!” Once the call is over, Andrea takes one of the selection of Zappos greeting cards and hand-writes a note to Ismail: “Hi Ismail, Just to confirm that your new shoes will be delivered to you on overnight upgrade – which means you will get your shoes before you receive this note in the mail! Have a great time with your family in the Bahamas. All the best from the Zappos team. Zappo-licious feelings, Andrea.”

Now, after this experience, how do you think Ismail is feeling? Do you think that he will talk to other people about his experience? Do you think that he will want to buy from Zappos again? The answers are “yes” and “yes”! And, by this time, there is a good chance that Ismail has caught the Zappos virus!!

“People may not remember exactly what you did or said, but they will always remember how you made them feel.”

Let’s take a bird’s eye view of what is happening here. Tony Hsieh not only wants to give customers what they want, but he also has two more things on his viral brand-building to-do list: **1.** Create an emotional connection with customers so that they **2.** Tell stories to lots of others about their experiences with Zappos. Emotion plays a huge role in branding. With a very keen understanding of this, Tony says, “People may not remember exactly what you did or what you said, but they will always remember how you made them feel.” You may now be getting some clues as to why millions of people have caught the Zappos virus!

While Zappos says that it is “powered by service”, the company’s success is turbo-charged by its culture – the third “**C**” of the “3Cs”. In fact, Tony Hsieh has said that having the very best company culture is the number one priority for Zappos. The company has 10 core values.

These include Deliver WOW Through Service; Create Fun and a Little Weirdness and Be Adventurous, Creative, and Open-Minded. Now before I hear you groaning and saying, “Core values are a waste of time – they are never made real,” read on to learn how to make core values come alive.

Committable core values

Tony Hsieh talks about “Committable Core Values.” Zappos commits to its core values by hiring based on them, performance managing based on them and, if necessary, firing based on them. Zappos received 25,000 job applications a year, and employs 300 new people in that same time. The company assesses candidates for skills and for culture fit. It does this by asking questions to get examples of how the employee has in the past lived by, and is likely to live by, Zappos values. That’s just the start of it. Each new employee – from senior management down – undergoes a 5 week training program, which includes 2 weeks in the call centre. During this time, employees are offered US\$2,000 if they want to leave the company before the end of the induction period. Tony Hsieh said that this is one of the best investments the company can make, as it helps to ensure that only people who are right for the job will actually take the job.

“Many companies fail in their branding efforts as they think short term.”

The “numbers people” will ask, “What is the ROI on initiatives like the Culture Book?” This is where Tony Hsieh thinks differently. He knows that you cannot put a short term KPI to building a great brand that is propelled forward by the very best company culture. This is where many companies fail in their service culture building efforts. They are driven by short term KPIs. When you think long term like the Tony Hsiehs of the world, you appreciate that it may take 2-3 years to get a payback on the significant investment of time and effort in your service culture. If you make your service culture your number one priority – just as Zappos has done – then you will get a huge payback. It’s a matter of feeling comfortable in the “white zone” before your new culture becomes “business as usual”.

“What’s the best way to build a brand for the long term? In a word, it’s culture.”

When asked, “What’s the best way to build a brand for the long term?” Tony Hsieh’s answer is, “In a word, it’s culture. If you get your culture right, most of the other stuff – great customer service, branding and passionate employees – will happen on its own.” Tony Hsieh sees branding and culture as flipsides of the same coin. He appreciates that branding is about creating emotional connections. He says in his book

“*Delivering Happiness*” that a common trap that companies fall into is that they try to figure out how to generate a lot of buzz, when really they should be focused on building engagement and trust.” And this is achieved through the customer experience.

The final message to you is that there will be only one Zappos. Your company will not be a Zappos. Nor should you try to be. It’s a matter of taking the golden nugget lessons from Zappos and making them work, in an authentic way, for your company. Some of these golden nuggets take aways include:

1. Make building your culture your number one priority – and follow through by example.
2. Be clear on your company’s customer experience.
3. Be clear on how you want your customers to feel when they deal with you.
4. Use the power of emotion and stories to build customer and employee engagement...and plan to make it go viral.
5. And, from a return on investment point of view, think long term.

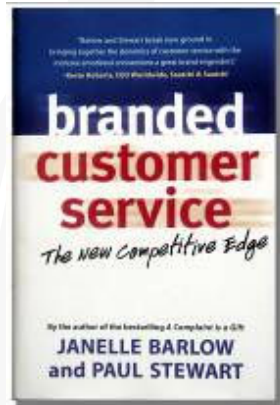
The symptoms of my Zappos virus are that I want to tell you a lot more. If you want to learn more about this fabulous company, then I suggest that you order Tony’s best selling book, *Delivering Happiness, A Path to Profits, Passion and Purpose*. Go to www.deliveringhappinessbook.com for some great resources. Or, if you want to explore more information on Zappos, go to <http://blogs.zappos.com>, www.zapposinsights.com, www.zappos.com, or, do a search for Zappos on the internet. You will find that Zappos has gone viral. But beware: in doing so, there is a chance that you too will catch the Zappos virus that is, in a very happy and positive way, striking millions of people around the world.

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Talk to TMI about how you can develop your unique branded culture, where your whole organisation is focused on delivering WOW!



You have the opportunity to differentiate your company by delivering your **unique** branded customer experience.

TMI has a full branded customer service implementation process which embeds On-Brand into your culture. This process has been inspired by the thought-leading book, written by 2 senior TMI Partners, Dr Janelle Barlow, President, TMI US and Paul Stewart, Director, TMI New Zealand.

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