

Zappos.com Builds Brand on Platform of Core Values and Culture



Best Practices Case Study

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The following case study is based on a presentation made by Zappos.com CEO Tony Hsieh at the J.D. Power and Associates Customer Satisfaction Roundtable in Las Vegas, NV, in February 2011.

What makes a company a truly great service provider and a trusted brand with consistently loyal customers? For Zappos.com, it's all about the customer experience. One of this year's J.D. Power Customer Service Champions, Zappos.com is a non-traditional online shoe and apparel retailer, which was launched in 1999 and is based in Henderson, NV. The company has been recognized in a J.D. Power and Associates 2011 special report, *Achieving Excellence in Customer Service: The Brands That Deliver What U.S. Consumers Want*, for achieving high scores in customer service in the retail sector, as well as for earning the highest scores when compared with more than 800 other companies across all industries that J.D. Power analyzes.

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How has Zappos.com achieved such high levels of satisfaction in customer service? CEO Tony Hsieh (pronounced "Shay") described a few of the steps in the Zappos.com journey to become a Customer Service Champion during the J.D. Power Customer Satisfaction Roundtable held earlier this year. He said the main focus has been on establishing Zappos.com's core values and culture, which in turn leads to great customer service. "Our whole belief is that if we get the culture right, then most of the other stuff—delivering great customer service, or building an enduring brand and business—will be just a natural byproduct."

The culture of an organization, which needs to be consistently reinforced among employees—especially in the contact center—is what differentiates great companies from the not-so-great companies, according to Mark Miller, Senior Director, Contact Center Solutions at J.D. Power and Associates.

An Internet Company Focused on Contact Center Service

Intrinsic to Zappos.com's culture is the company's Customer Loyalty Team, or contact center, which is a critical touch point in interacting with customers. Hsieh points out that Zappos.com's contact center is instrumental in branding, marketing, and retaining customers. "The telephone is a low-tech, but high-touch tool," he said, adding, "Our call center is a branding lens and not an efficiency or revenue lens. Call time is not measured. No scripts are used. Call center members do not up-sell." Hsieh continued, "A few weeks ago, Zappos' call center set a record for the longest call ever—8 hours and 23 minutes. It's not about efficiency, but about customer experience."

J.D. Power Customer Service Champions

J.D. Power and Associates has identified key differentiators that distinguish Customer Service Champions from all other companies by examining and analyzing Voice of the Customer feedback from its studies and research on more than 800 companies across 20 industries. While there is no silver bullet when it comes to meeting the needs of today's consumers, J.D. Power research indicates that companies that excel in five key areas will truly stand out. These five key areas are: People, Process, Presentation, Product, and Price. Excellent customer service requires delivering on all five.

Zappos.com's Core Values

Zappos' 10 core values define the online retailer's culture, brand, and business strategies. The company broadcasts them online and makes them available to employees in a 480-page guidebook. The company's 10 core values are:

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

Zappos.com Leverages J.D. Power Best Practices in Customer Service

Although Zappos.com's culture includes some non-traditional core values, the online retailer's Customer Loyalty Team model utilizes a number of best practices that are similar to those developed and promoted by the J.D. Power Contact Center Solutions team through the *J.D. Power and Associates Call Center Certification Program*.SM A few of these common best practices or strategies are highlighted below.

J.D. Power Best Practice: The Contact Center Needs to Enhance a Company's Brand

Members of the contact center leadership team should be well-trained so they will not only have the ability to set a clear vision and communicate that vision to customers, but also will be able to lead any change efforts. J.D. Power finds that among company contact centers that receive high satisfaction scores, the contact center director, vice president of customer service, or the company CEO are frequently on the phone with customers.

Zappos.com's Approach:

Nearly every team member hired at Zappos.com—including executives, accountants, lawyers, and software developers—is required to take a 4-week customer loyalty training course, which features at least 2 weeks of talking on the phone with real customers in the Zappos contact center. According to Hsieh, "Customer service shouldn't just be a department—it should be the entire company."

J.D. Power Best Practice: Employee Engagement—Communication Helps Solve Problems

The best contact centers keep their eye on only a few metrics, including employee satisfaction scores. Maintaining consistent coaching levels at all times is a way to engage contact center employees. It's important to integrate coaching and quality assurance into customer satisfaction.

Zappos.com's Approach:

Zappos.com maintains a laser focus on brand message consistency through on-the-spot training. It's been observed that if a supervisor thinks a representative needs to be trained in a certain area, that representative will immediately be referred to a training module or receive individual coaching. Zappos has adapted a training process to give Customer Loyalty Team representatives control over their own training and certification.

“If you are better on the phone and you are servicing your customers better, you are going to experience higher retention and increase advocacy. Customers will be praising your brand, which makes it easier for your marketing efforts to work, reduces the sales cycle, and also protects your pricing power.”

— Mark Miller,
Senior Director,
Contact Center
Solutions at
J.D. Power and
Associates

Representatives receive raises as they complete each of 20 skill sets, rather than waiting for an annual raise. The self-serve training process seems to make employees more satisfied with their work.

Employee Engagement Also Drives Superior Service

Connectedness is part of the engagement process in Zappos.com's contact center, as well as across the whole organization. Hsieh points out that the number of good friends an employee has at work correlates with how engaged that employee is. This reinforces two of Zappos' core values: "Build a Positive Team and Family Spirit" and "Build Open and Honest Relationships with Communication."

Zappos.com continues to evolve as a brand that focuses on making its customers, employees, and vendors happy, according to Hsieh. The brand's recognition as a J.D. Power Customer Service Champion is an outcome of the company's dedication to lessons learned and built into the company's business model. Providing a great customer service experience also pays off in terms of long-term financial performance. Hsieh acknowledges that two key ingredients of great companies are a strong culture and a vision that has a higher purpose beyond money or profit or being No. 1 in the market. In addition to culture and vision, establishing trust in a brand also makes a company a truly great service provider with consistently loyal customers.

CEO Tony Hsieh Stakes Claim to "Deliver Happiness" at Zappos.com

- Zappos.com CEO Tony Hsieh, an Internet company entrepreneur and a business and customer service visionary, started LinkExchange in 1996. Just 2 years later, he sold the online advertising network to Microsoft for \$265 million.
- In 1999, he got involved with building a second online business that he invested in, Zappos.com, which is today touted by the business press for providing an exceptional customer service experience.
- Although Zappos.com was sold in 2009 to Amazon.com, Hsieh remains the online retailer's CEO, and continues to develop a dynamic customer experience philosophy for the company that is built around 10 core "committable" values, culture, and brand.
- His latest effort is to create a model and vision for discovering happiness in business and in life, which he wrote about in his book, *Delivering Happiness: A Path to Profits, Passion and Purpose*, available at Amazon.com. The book has been on the best-seller lists of *The New York Times* and *The Wall Street Journal*.



Zappos.com CEO Tony Hsieh

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