



An Interview with Tony Hsieh,  
Chief Executive Officer, Zappos.com

**EDITORS' NOTE** In 1999, at the age of 24, Tony Hsieh (pronounced Shay) sold LinkExchange, the company he co-founded, to Microsoft for \$265 million. He then joined Zappos as an advisor and investor, and eventually became CEO, where he helped Zappos grow from almost no sales to over \$1 billion in gross merchandise sales annually, while simultaneously making Fortune magazine's annual Best Companies to Work For list. In November 2009, Zappos was acquired by Amazon.com in a deal valued at \$1.2 billion on the day of closing. His first book, *Delivering Happiness: A Path to Profits, Passion, and Purpose*, a #1 New York Times Bestseller, was published in June 2010 and is available at [www.amazon.com](http://www.amazon.com) or [www.deliveringhappinessbook.com](http://www.deliveringhappinessbook.com).

**COMPANY BRIEF** Zappos.com was established in 1999 and has quickly become a leader in online apparel and footwear sales. The company currently stocks millions of products from over 1,000 clothing and shoe brands, and was recognized in 2009 and 2010 by Fortune magazine as one of the "100 Best Companies to Work For."

## What made you feel the timing was right for your book *Delivering Happiness* and who are you targeting?

The target audience could be anyone who is interested in happiness in the workplace, but also specifically entrepreneurs and business leaders. Maybe 50 years ago, most businesses felt they had to choose between maximizing profits and making customers or employees happy, but we're at the beginning of a special time where because everyone is hyper-connected and information travels so quickly, it's possible to have it all – to make customers and employees happy and to drive profits and, ultimately, make shareholders happy.

## Is that easier in companies that have an entrepreneurial feel? For many that are large players, it's hard to penetrate culture.

We found that it works at Zappos and our number-one priority is company culture. We made a lot of mistakes along the way and learned from them, so we want to help spread this message.

We also now offer one- and two-day seminars where companies from all over the world come to our offices for a few days to observe and we help them figure out their own core

values that are right for their company to help them create their own strong culture.

So it's great to see it can work in other types of industries and businesses.

## What process did you go through in creating your core values?

We e-mailed the whole company for suggestions and got a bunch of responses, and eventually came up with our final list of 10.

We wanted a list of committable core values, meaning we're willing to hire or fire people based on whether they're living up to our core values, completely independent of their actual job performance. The same thing applies to the hiring process. Even if someone is smart and talented, if his or her values aren't in line with our corporate values, we won't hire that person. Fifty percent of our performance reviews are based on whether you're living or inspiring those values.

### Zappos Core Values

- Deliver WOW Through Service
- Embrace and Drive Change
- Create Fun and A Little Weirdness
- Be Adventurous, Creative, and Open-Minded
- Pursue Growth and Learning
- Build Open and Honest Relationships with Communication
- Build a Positive Team and Family Spirit
- Do More With Less
- Be Passionate and Determined
- Be Humble

## Do you foresee broadening into new product categories or are you happy with the range of collections?

We started out in footwear and we're making a big push into apparel, which is four times the size of the footwear market in the U.S. We also sell beauty products, housewares, kitchenwares, and a few other categories.

## What approach do you take to marketing the Zappos experience?

Our philosophy is, let's take most of the money that we would have normally spent on

paid advertising or marketing and invest it into the customer experience. So that means things like, free shipping both ways;

our 365-day return policy; surprise upgrades to overnight shipping; running our warehouse and call center 24/7; no scripts for our call center; and directing customers to competitor Web sites. We put our money into the customer experience and let our customers do the marketing for us through word of mouth. We've grown from no sales in 1999 to over \$1 billion gross merchandise sales every year, and the number one driver of that growth has been through repeat customers and word of mouth.

## As Zappos has grown, has it been important to you to maintain an entrepreneurial culture within the organization?

Definitely. We try to cultivate that entrepreneurial spirit at Zappos and you don't need to be an entrepreneur to have that spirit – that spirit is more about having a combination of creativity and optimism, and real world practical street smartness. We have tried to instill in our employees, if you are passionate about something, go for it even if it's not in your job description. We also try to instill the sense that it's easier to ask for forgiveness than permission.

## Will there come a time when you'll need a challenge to build something else?

The great thing about building the Zappos brand is it's not just around shoes, but around the very best customer service. So we talk about how maybe 20 or 30 years from now there will be a Zappos airline that is about the very best in service. It makes more sense to do it within the Zappos platform than to start a new company.

## As you look two to three years out for Zappos, what are you most focused on to make sure the strength of the brand continues?

For many companies, as the organization gets bigger, the culture ends up going downhill. For us, not only do we want to prevent that from happening but we want the culture to scale and get stronger as we grow. Part of it is making sure that every employee views living and inspiring the culture in others as part of his or her job because it can't just be me or a few people; it needs to be everyone's job. ●