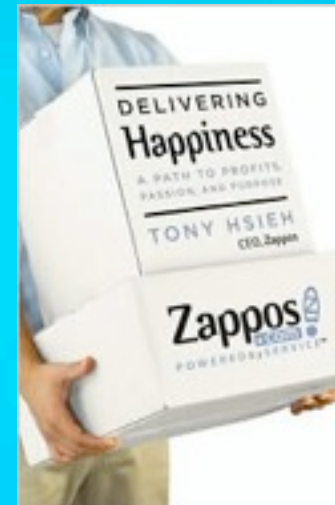


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VISUAL BOOK SUMMARY



Introduction

As the sun was rising over the top of Mount Kilimanjaro, Tony Hsieh was there waiting for it with tears in his eyes. Looking down from the highest peak in Africa didn't seem like something that humans were meant to experience, Tony thought. But then again, Tony had experienced a number of things that most human beings would never experience.

Like graduating from Harvard while barely attending classes. Like earning enough money through college that it didn't matter what job he landed after graduation - but still landing what many would consider the "dream job" at Oracle. Like quitting that job to start a web design company that turned into an Internet advertising company that they called Link Exchange. Like turning down multiple offers from potential suitors to buy that business until finally selling to Microsoft for the paltry sum of \$265 million. Like walking away from \$8 million in pay when he decided he didn't want to stick it out an extra few months at Microsoft. Like buying a 4,000 sq ft loft on the top of a building in San Francisco and turning it into a party pad he called Club Bio after somebody

had mistakenly read his apartment number "810" as BIO. Like doing all of this by the time he was 26 years old.

But standing there at the top of Mount Kilimanjaro, crossing another big todo off his bucket list, life wasn't all sunshine and rainbows for Tony. That's because 9,876.66 miles away, a real estate agent was busy trying to liquidate Tony's last major asset, Club BIO, so that Zappos could stay in business for a few more months. And with that decision, all of Tony's money was gone - invested in what would become a world-famous Internet e-commerce giant in the span of less than 10 years.

Tony's story would be fascinating enough if we rolled the credits at the top of Kilimanjaro, but as it turns out, Tony Hsieh, the sequel, is even more mind boggling. This is the story of Zappos - and how delivering happiness can lead the path to profits, passion, and purpose. This is how you build a \$1 billion company in less than 10 years by focussing on customer service, your core values, and treating people with a little respect.

Part I - Customer Service Rules

Somewhere along with way from selling \$0 in shoes to \$1billion online in the same year, Tony and the gang at Zappos decided that their brand would be customer service. Rather than spending their money on advertising they would invest it into customer service and customer experience instead. (What a concept, actually investing in making an amazing business rather than trying to put lipstick on a pig!). Here are just a few of the ways they are re-writing the rules of business:

1. In the United States, they offer free shipping both ways so that you can order a bunch of shoes, and return the ones you don't want.
2. They also offer a 365-day return policy. Doesn't THAT cost a lot of money? Of course it does.
3. They make it incredibly easy to contact a real human being. In fact, they train their employees to spend as much time on the phone as they need in order to deliver a WOW experience to their customers.
4. For most customers, they upgrade shipping to overnight rather than standard ground shipping.

But doesn't that cost a lot of money? Surely there's a way to dramatically cut costs at Zappos to maximize revenues. Pfff, clearly these guys need a few great consultants to show them the way.

Except here's the deal: while most companies are busy trying to figure out how to cut costs and generate buzz, Zappos is busy stealing your customers by running an amazing business. By being so damn good that you can't help but tell your friends and neighbours how awesome this little shoe company is. And then you turn around and this little shoe company isn't so little anymore.

Tony and the gang at Zappos realized something that not everybody has caught on to yet: today, your brand isn't hatched in a board room and then blasted out over the airwaves to the world. Because of the Internet and the transfer of control to the consumer, your brand is what you do. Your brand is how you treat your customers. Your brand becomes, quite simply, how good you are at business. And Zappos, as it turns out, is pretty damn good.

Part II - Creating a culture

So, as it turns out, all that talk about how important your culture is turns out to be true. If your customer experience becomes your brand, you better damn well have a team of people who can deliver that experience.

Most people would be inclined to hole up in a conference room with the top leaders in the company and think about what they wanted their core values to be, rubber stamp it, create some plaques and posters, and pat themselves on the back for a job well done.

They could have done that at Zappos, but of course they didn't. Instead, they would ask everybody at the company a simple question: in a few paragraphs or less, what does Zappos culture mean to you? Then, except for correcting typos, they would leave it unedited and publish everything in a book. WTF????? From this exercise, they've boiled down the Zappos culture to 10 defining 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 and Open and Honest Relationship with Communication.

Build a Positive Team and Family Spirit.

Do More With Less.

Be Passionate and Determined.

Be Humble.

Part III - Building a Pipeline

If customer service and culture are the keys to Zappos' success, it's pipeline is what's going to cement those things as long-term competitive advantages. Rather than spewing the same old corporate line that "people are are most important assets", they take it one step further by creating a

"pipeline of people in every single department with varying levels of skill and experience, ranging from entry level all the way up through senior management and leadership positions".

They hire almost exclusively at the entry level, but then give those people the training and mentorship they need to move up the chain so that any employee has the opportunity to become a senior leader within 5 or 7 years.

There is a complete and comprehensive training program that employees have to take in order to be promoted to certain levels of the company. Here's a sampling of the courses you might take as an employee at Zappos:

Zappos History

Zappos Culture

Communication

Science of Happiness 101

Tribal Leadership

Time Management

Public Speaking

Grammar and Writing

Part III - Building a Pipeline (con't)

If it seems like it's college or university all over again, you'd be right. And when you think back to their core value of "pursue growth and learning", it makes a lot of sense.

And don't think that they are satisfied with this 7-year pipeline plan. No, no no! They have plans to extend the training and development up to four years before a person becomes a Zappos employee by having them become interns at Zappos in their freshman year.

So that makes an 11 year pipeline of talent. Not too shabby.

Part IV - Delivering Happiness

To quote the amazingly insightful Dan Pink, there's a huge gap between what science knows, and what business knows. Tony realized this when he started to become interested in the field of positive psychology. Prior to Martin Seligman (and a few others) starting the movement in 1998, almost all of psychology was devoted to figuring out how to get people who had problems, get better. Positive psychology flips this thinking on its head and tries to figure out what makes normal people happier.

The thought hit Tony like a brick on the head: everything they did at Zappos was geared towards making customers happy. In fact, they viewed every shipment that left the Zappos warehouse as "Happiness in a Box". So, they started to apply the findings from the science into their business.

One of the most consistent findings from the research is that human beings are incredibly bad at predicting what will bring them sustained happiness. That's why you look at somebody who has all the fame and fortune in the world, and wonder what's wrong with them when you hear they are depressed or turn to drugs to mask their pain. As it turns out,

it's because it's been proven that money has no long term effect on how happy you are.

There are 4 things that truly impact happiness: perceived control, perceived progress, connectedness and vision/meaning.

Perceived Control

When you believe you have more control over the things in your life, the happier you are. Have you ever met somebody that mentioned how happy they were that "things are so out of control"? Didn't think so. Zappos applies this thinking to how it gives raises to their reps. Rather than dishing out a consistent raise year over year regardless of their performance, they have set up about 20 different skill sets that their reps can learn. Take the training on a skill set, get a raise. The kicker here is that they leave it up to the reps to determine how many skill sets they want to obtain and how fast they obtain them. That way, the reps have complete control over how fast their salary rises.

Part IV - Delivering Happiness (con't)

And just to be clear - the person who decides that they don't want to climb as fast as another person, or even at all, still retains that sense of control, making EVERY employee happier as a result.

Perceived Progress

We are wired to look for progress in our lives. How fast is our bank account rising. How fast is our waist shrinking. How quickly am I getting promoted? It doesn't matter where you look in your life, you are looking for progress everywhere.

At Zappos, they've taken this principle and applied it to their promotion structure. They used to promote employees from the entry-level position of merchandising assistant to the next level after 18 months. They later decided to give smaller promotions every six months. The employee would be no further ahead after the same 18 months, but they'd arrive there more motivated and inspired by the constant reinforcement of perceived progress.

Connectedness

There are plenty of studies to show that engaged employees are more productive, and that the number of good friends a person has at work is highly correlated to how productive that person is. This is why there is such an emphasis on culture at Zappos - more connections, more happiness, more productivity.

Vision/Meaning

Having a higher purpose in life is strongly correlated to how happy you are. Dan Pink would call this intrinsic motivation. Not only are these people happier, they are consistently more successful than those motivated solely by extrinsic rewards like money.

So there you have it - building your brand, culture and pipeline, and wrapping it in a nice large dose of happiness, really can lead to a business that not only profits, but can take on the world.

As a side note: 10 years after founding the company, Zappos was acquired by Amazon for \$1.2 billion. How's that for success?



So there you have it. Everything you need to know about how to create a great company built on culture. Oh yes, and one that creates insane amounts of profit too.

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