

Does Your Customer Really Need You?



Lessons from Zappos
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I suspect that in a few years we will be hearing about people who watch “how to” videos on YouTube and then decide to remove their own tonsils, as opposed to paying a doctor for the service. Let’s face it, every business is at risk of becoming a commodity, thanks in large part to the speed of information delivery, consumer empowering technologies, and media outlets that tell consumers that the economy is too fragile for them to be spending money. So how is it that some travel agents still thrive after the advent of Priceline and Travelocity? Why do some companies maintain premium pricing while similar businesses have to resort to discounting to attract price sensitive consumers? And the most important question of all, how can YOU assure that YOUR business doesn’t fall into the commoditization trap?

The recent recession has only reinforced the economic truth that brands that “wow” customers thrive and survive. Conversely, brands that simply satisfy consumers are at the risk of extinction. Over my career, I have worked with many companies that have found ways to not only satisfy customers but also emotionally engage consumers through “craveable” experiences. While the lessons I’m sharing here could have just as easily been drawn from my books about Starbucks, The Ritz-Carlton, the Pike Place Fish Market, or UCLA Health System, I’ll offer insights and tools courtesy of Zappos, the source for my current book, *The Zappos Experience: 5 Principles to Inspire, Engage and WOW*.

For those of you not familiar with Zappos, the company is an online retailer who defied the odds and built an Internet empire, initially as a virtual shoe store and now expanding its inventory well beyond shoes alone. Zappos has always charged top dollar for its products and has succeeded primarily because the leadership innovated an experience that consistently exceeds the expectations of customers, vendors, and people who simply encounter the brand.

Unlike other failed online vendors from the “dot gone” bust, Zappos invested in both the delivery infrastructure and the corporate culture necessary to produce customer evangelists. To help you appreciate how Zappos might serve as a provocative benchmark for your customer experience, let me give you a few highlights from the 5 principles outlined in *The Zappos Experience*, namely:

1. **Serve a Perfect Fit**
2. **Make it Effortlessly Swift**
3. **Step into the Personal**
4. **S T R E T C H**
5. **Play to Win**

Serve a Perfect Fit. Let's assume you have a job opening. Your final decision comes down to a choice between two equally qualified candidates; both applicants present well and have impressive work histories in addition to glowing references. How do you decide which will be a better fit for your organization? The Zappos answer is "by determining which candidate best embodies the Zappos 10 Core Values." Those values are:

- 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

These Zappos values serve as the filter for every decision made by the company's leadership including the determination of the "perfect fit" job candidate. For example, applicants are scrutinized across a variety of interviews and in a myriad of contexts to see if they are "a little weird" and/or "humble." All Zappos staff members (referred to as Zapponians) who come in contact with applicants are tasked with looking for the presence or absence of these stated values and are charged with being defenders of the existing Zappos culture by actively sharing their observations of prospective job-seekers. Applicants are challenged to do ardent introspection to assure that they are truly congruent with the culture. In fact, there are warnings on the Zappos employment site that indicate if you attempt to fake the fit, you will likely not pass the screening and even if you eek through, you will be miserable on the job.

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After applicants circumnavigate the gauntlet to be selected for employment, those potential new hires have to engage a probationary month of training where they continue to be evaluated for values fit. A final moment-of-truth opportunity comes for new hires to make sure Zappos is right for them, as the applicants are offered \$4,000 to leave at the end of their training process.

The take-away for most business leaders studying the Zappos “serve a perfect fit” concept is that your company has to STAND FOR SOMETHING. This process of taking a stand begins with distinguishing your authentic values (not copying pretty sounding words). It then requires disciplined leadership to make all major decisions through the lens of those defined values while enlisting your people to defend and contribute to the growth of those values.

Make it Effortlessly Swift. Once you have clarity of values and the right people in place to drive a values-based culture, the next order of business for building positive customer experiences is executing to “get it right” (delivering exactly what customers want the first time you serve them) and “make it easy” (reducing the overall effort required for customers to get their needs met). The importance of accurate and easy service delivery is well demonstrated by research conducted by Matthew Dixon, Karen Freeman and Nicholas Toman, who report in the *Harvard Business Review* that:

- Delighting customers should not be the first priority in building customer loyalty;
- Reducing your customers’ effort to get their problems solved is the “low hanging” fruit in the loyalty journey, and;
- Acting to reduce your customers’ effort can actually reduce service costs.

Given the importance of effortless customer service, Zappos dedicates extensive resources in areas such as:

1. Building a website with one of the fastest load times among retail competitors;
2. Answering customer calls swiftly;
3. Expediting product delivery (by not relying on manufacturers to drop ship product but instead purchasing inventory and shipping it from warehouses strategically placed near the worldwide air hub for UPS), and;
4. Constant qualitative and quantitative assessment of customer effort through all portals in which customers encounter the brand.

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Zappos leadership understands that dissatisfiers for customers include slow service, inaccurate order delivery, and situations where they have to exert additional effort to get their needs met. By focusing on “making it effortlessly swift,” Zappos aspires to an experience that is unusual when compared to that provided by many other service businesses. For example, in the drive-

through restaurant sector, order inaccuracy continues to disappoint consumers. Despite the significance of this customer expectation, MAX International, a company that provides solutions for recording customer transactions, reports that drive-through orders are wrong 10% to 15% of the time. Given that 70% of restaurant visits are processed through the drive-through lane, MAX International calculates industry-wide losses from inaccurate orders and customer dissatisfaction amounting to more than \$8 billion. That's a lot of missing french fries!

Zappos is a classic example of consumer loyalty built in part on the relentless pursuit perfect, quick, and effortless service.

Step into the Personal. Clear values, staff chosen based on those values, and vigilance for operational excellence dedicated to accurate, swift, and easy customer experiences sets the foundation for the greatest insurance against commoditization—a personal relationship with your customers. Companies that seek an emotional connection without operational excellence might spark a short-term customer bond, but that fascination quickly wanes and those companies wash out as fads.

Conversely, companies that only “get it right” and “make it easy” often endure, but are vulnerable to competitors who replicate the operational excellence while building the emotional engagement

with those they serve. Organizational development expert and management guru Charles Handy put it this way, “The companies that survive longest are the ones that work out what they uniquely can give to the world—not just growth or money but their excellence, their respect for others, or their ability to make people happy. Some call those things a soul.”

At Zappos, happiness, not customer or employee satisfaction, is the ultimate destination. Zappos CEO Tony Hsieh even entitled his book about his life as a leader *Delivering Happiness*.

Often when I talk about service, I suggest that customers today are tired of being treated like “wallets with legs.” Zappos gets that. The leadership at Zappos understands that business can be more than discrete transactions or money/product exchanges. Business can be, and increasingly must be, about the development of personal relationships that span a customer’s lifetime. While average managers might think business is about selling to consumers, true leaders understand that all business is personal. In the end, business success relies on one group of people caring for or profiting another. Ordinary brands often take a “one size fits all” approach to service, but legendary companies, like Zappos, find ways to create individualized experiences that extend beyond their solid service platform.

At Zappos, personalized service comes in many forms including:

1. Setting the expectation that employees in the Zappos call center (referred to at Zappos as the Customer Loyalty Team or CLT) will make a PEC—personal emotional connection—in every call and, as such leaders do not hem staff in with customer service scripts;
2. Training staff by having them experience “great calls” where strong customer connections were forged;
3. Giving CLT staff full authority to take as much time on a call as a customer desires or needs, even if the customer does not have interest in actually buying something from Zappos, and;
4. Encouraging staff to do what it takes to deliver happiness and meet the short- and long-term needs of the customer, up to and including sending customers to and finding product at a competitor website if Zappos doesn’t have it in stock.

Even in settings where nothing is for sale, Zappos staff members understand they are not in the shoe or merchandise business, but that they exist for happiness, wow, PEC and long-term customer relationships. Zack Davis, who drives a shuttle bus for Zappos, notes, “Just like everyone else in the company, I have a very important job. I am in the relationship and kindness business.

My relationships may only last from the time it takes for me to pick someone up at the airport to bring them to our headquarters for a tour, but if I extend kindness and listen to people, their relationship with Zappos could last a lifetime.” When your shuttle drivers see themselves as more than transporters and are passionate about building brand loyalty through kindness, you are a service organization that is likely not to become commoditized.

STRETCH. Consistent with the Zappos core values “embrace and drive change” and “pursue growth and learning,” leadership at Zappos understands that in order to create innovative and relevant experiences for customers, Zapponians must constantly be given opportunities to develop their skills and push the company’s product offerings as well as service experiences. To that end, Zappos has developed the “Pipeline” team, something I refer to as Zappos University. In essence, the Pipeline team more closely resembles a university than a traditional corporate training department. Rather than Zapponians having to face the mandatory, often boring, typically predictable, and marginally relevant seminar training programs, the Pipeline team has created a vast catalog of dynamic, interactive offerings. This curriculum of courses was developed at Zappos to address two overarching business questions: 1) What are the knowledge sets and behaviors needed to produce strong departments and leaders at Zappos? and 2) What should be offered to grow the culture and increase the happiness of Zapponians? In essence, the Zappos Pipeline serves to facilitate personal, team, leadership, and business growth.

Loren Becker, supervisor of Pipeline, notes that the Pipeline team assists department leaders to develop the coursework that helps Zapponians systematically reach the next level in their respective departments. He also emphasizes that completion of coursework alone is not a sufficient basis for advancement at Zappos. As such, managers work with staff members to create individu-

alized progression plans. The plans factor in completion of the formal training and add such things as behaviors and activities that need to be in place to warrant promotions.

For those who wish to advance at Zappos, progression plans typically involve minimum time in a department, completion of required Pipeline classes (both core and department specific) and a variety of other training, culture and community elements.

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To get a sense of the breadth of department-specific classes that have and are being built into progression plans, let’s look at the merchandising Pipeline. From the position of merchandising assistant, an entry-level job classification, to that of a Zappos buyer, an advanced role in merchandising, there are more than 40 department-specific training classes such as retail math, assortment planning, and forecasting. Progression plans for merchandising assistants also weave in 20 additional non-department specific Pipeline offerings to assist staff members move toward buyer status. Each promotion along a merchandising employee’s journey at Zappos is contingent not only upon taking defined Pipeline classes, but also demonstrating mastery

of that knowledge in the performance of that person's job. Additionally, Zapponians must complete all other aspects of their specific progression plan such as shadowing other employees, reading additional materials, contributing to the Zappos culture, and performing appropriate volunteer functions. To progress within the company, Zapponians are expected to be actively involved in projects dedicated to strengthening Zappos culture such as department-wide or Zappos-wide team building events. They are also expected to participate in corporate social responsibility projects such as the Zappos Holiday Gift Drive or LIVESTRONG Day.

In addition to stretching their people, Zappos leaders encourage employees to disruptively stretch the company's current product lines and delivery mechanisms. As such, Zappos has grown from exclusively selling shoes to being a provider of bags, accessories, clothing, housewares, beauty supplies, sporting goods and more. In fact, based on Zappos business success they have created, Zappos Insights (www.ZapposInsights.com), a business unit that offers training on the types of concepts discussed in this article and in my book *The Zappos Experience*.

Play to Win. Consistent with the core value “create fun and a little weirdness,” much of the genius of Zappos leadership is the way they blend the fun into the work. Visionary leaders at Zappos understand that work made fun gets done. Moreover, work made fun creates energized, happy, and cohesive teams which in turn build energized, playful relationships with customers.

While Zappos pays at the median level for most positions, it uses additional resources to enhance the experience of Zapponians through small playful and regular events. These modest investments include such things as:

- Giving staff money and authority to playfully decorate conference rooms;
- Encouraging managers to foster relationships with staff outside of the workplace;
- Incentivizing staff performance with fun activities including managers being willing to comply with fun requests from their teams (e.g., one leader rewarding team goal attainment by coming to work dressed as a garden gnome);
- Encouraging staff to take naps in “quiet rooms” the company provides, and;
- Welcoming spontaneous mini-breaks to include “Nerf wars” and “karaoke” events.

“Old school” managers are likely balking at the Zappos focus on short-term, daily fun. Some might even say, “I am a manager, not an activity director. Staff can worry about fun on their own time.” But, increasingly, scientists, inspirational leaders, and staff members agree that in order for people to create and produce, they must be given space and opportunities to re-create, re-energize, and find enjoyment in the very setting where they spend the largest percentage of their waking hours. Zappos is seeing the benefits of efforts to integrate work and play. Not only has it been chosen as one of *Fortune* magazine’s Top 10 best places to work but the company continues to enjoy steady and strong sales growth, while garnering more than 75% of its orders each day from repeat and inordinately loyal customers.

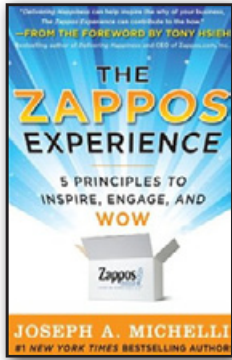
“Zappos understand that work made fun gets done. Moreover, work made fun creates energized, happy, and cohesive teams which in turn build energized, playful relationships with customers.”

How Zappified are You? How Connected is Your Customer Base?

Now let's bring this conversation back to you. What are your strengths relative to Zappos? What opportunities do you have to reduce your risk of commoditization through cultural enhancement, strengthening your platform of streamlined service delivery, making personal connections, stretching your brand, and/or playing to win? I suspect that if you take one idea from this discussion, talk about it in your organization, generate ideas, and execute improvement, you will go a considerable distance away from commodity and sail in the direction of greater “beloved brand” status.

So what idea resonates most for you? The time for action is now, lest customers decide they don't really need you—or a Zappos-like competitor happens along. 📌

Info



BUY THE BOOK | Get more details or buy a copy of [The Zappos Experience: 5 Principles to Inspire, Engage, and WOW](#).

ABOUT THE AUTHORS | Joseph Michelli, Ph.D. is an internationally sought-after speaker, organizational consultant, and New York Times #1 bestselling author of six books featuring companies such as Starbucks, The Ritz-Carlton Hotel Company, UCLA Health System, Pike Place Fish Market and, most recently, Zappos. Dr. Michelli has dedicated his career to helping companies worldwide achieve service excellence, employee engagement, and customer loyalty. For more information, go to www.themichelliexperience.com or contact Dr. Michelli directly at josephm@josephmichelli.com.

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