

A little about Tony our CEO

- 1994-1995: Pizza business in college
- 1996-1998: LinkExchange (online advertising)
Sold to Microsoft for \$265 million
- 1999: Venture Frogs, LLC (angel investment fund) 20/20 – Invested about \$20M in about 20 companies
Invested in Zappos.com
- 1999-Today: Zappos.com



Slide #2

PUT A LITTLE
ZAPPOS
IN YOUR DAY!

Zappos at a Glance

Corporate Background

- Founded in 1999
- 1400 employees (half in Las Vegas headquarters, half in Kentucky)
 - #23 in FORTUNE MAGAZINE's "100 Best Companies To Work For"
 - Highest debut for a newcomer in 2009
- Zappos is "Powered by Service"
 - Providing the best online shopping experience possible.
 - Fast, Free Shipping. Free return shipping. 365-day return policy.
 - Fast fulfillment. Expedited delivery. Fast, friendly & expert customer service.
- Best selection
 - Over 1200 brands, over 200,000 styles, over 900,000 unique UPCs.
 - 4 million items in warehouse
 - 100% of products inventoried (no drop ship).
- Zappos is a service company that happens to sell clothing, shoes, handbags, eyewear, watches (and eventually a bunch of other stuff).



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Recent Recognition:

Nice, but we pay more attention to our customers

- **TV Stories**
 - Donald Trump-Apprentice (2009)
 - Oprah (2008/2009)
 - ABC Nightline (2008)
 - 60 Minutes (2007)
- **Fortune "100 Best Companies to Work For"**
 - #23 (2009) – Highest ranking newcomer to list
- **Fast Company "50 Most Innovative Companies"**
 - #20 (2009)
- **BusinessWeek Top 25 "Customer Service Champs"**
 - #7 (2009)



Slide #4

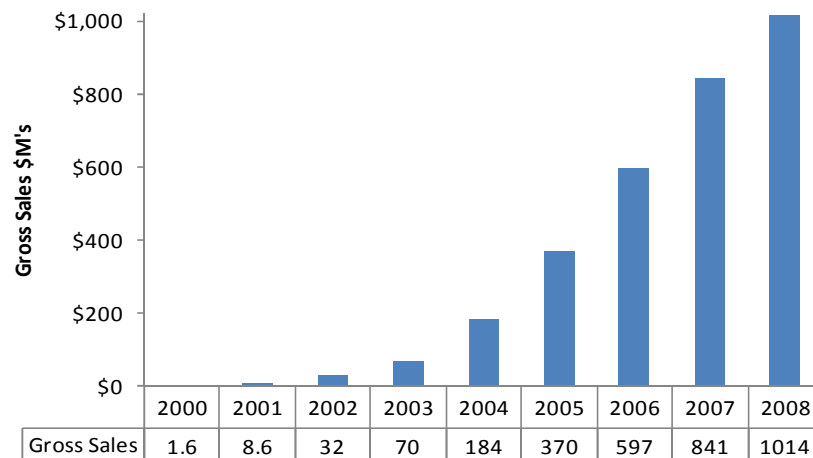
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Customer service value proposition in action... Zappos is committed to WOWing every customer.

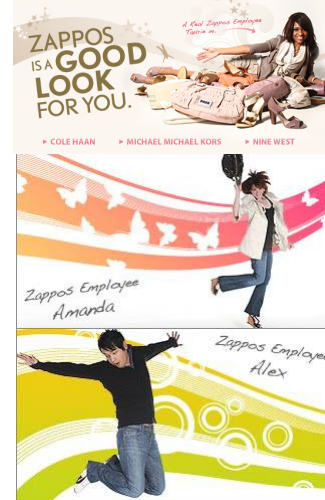
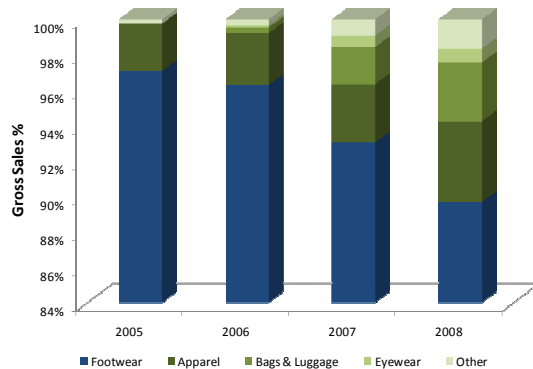
- Customers come...
 - 9.9M total purchasing customers (3.3% of US population)
 - 4.1M have purchased in the last 12 months
- Customers come back...
 - On any given day, about 75% of purchases from returning customers
 - Repeat customers order >2.5x in the next 12 months
- Customers come back, order more and order more often...
 - Repeat customers have higher average order size
 - \$123.86 – first time customers in Q407
 - \$156.27 – returning customer in Q407



Power of repeat customers and word of mouth...



Clothing: moving beyond shoes...great selection of clothing delivered with great service



Slide #7

PUT A LITTLE ZAPPOS IN YOUR DAY!

Customer Service: the Zappos way...establishing a personal emotional connection with the customer

| See | Experience | Feel |
|--|--|--|
| What customers first see on Zappos web site? <ul style="list-style-type: none"> • Great selection • Easy to navigate web site • 24/7 800 # on every page • Free shipping • Free return shipping • 365-day return policy | What customers experience after their order? <ul style="list-style-type: none"> • Fast, Accurate Fulfillment • Most customers are "surprise"-upgraded to overnight shipping • Friendly, helpful "above and beyond" customer service • Occasionally direct customers to competitors' web sites | What we do to establish a personal emotional connection? <ul style="list-style-type: none"> • Manage Call Center Differently <ul style="list-style-type: none"> • No call times • No sales-based performance goals for reps • Manage Fulfillment Differently <ul style="list-style-type: none"> • Run warehouse 24/7 • Inventory all product (no drop-ship) • Manage Culture Differently <ul style="list-style-type: none"> • Interviews and performance reviews are 50% based on core values and culture fit • 5 weeks of culture, customer service, and warehouse training for everyone in Las Vegas • Offer \$2,000 for trainees to quit • Culture book |



Slide #8

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CLT Vision & Philosophy

- Provide the best possible customer experience
- Deliver happiness and build relationships with our customers through “Personal Emotional Connections” (PEC)
- Hire people who are passionate about customer service to preserve our strong culture
- Invest in the development of people and cultivate our culture
- Evaluate employees on their commitment to service and culture
- Continue to improve operation efficiencies

Build and sustain an excellent culture that keeps service as the major driver



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Customer Loyalty Departments

- | | |
|-----------------------------|---|
| • Phones/Email/Chat | New Orders, General Calls, Return Calls |
| • Resource Desk | Escalations, Liason, Passwords, Alerts |
| • Order Verification | Questionable, Fraud, Police Calls |
| • Metrics | Track & Analyze all CLT Metrics |
| • Scheduling | Real-Time Workforce, CMS |
| • Kaizen | CLT Continued Training |
| • QA | Assess Calls, Feedback to Manager |
| • 6PM | Support Calls/Emails to 6PM |
| • Canada | Support Calls/Emails to Canada |
| • Incubation | 3 Week Phone Boot Camp |
| • Business Unit | Kids, Comfort, Ride Shop, Outdoor, Athletic |
| • Graveyard | Phones, Email, Chat, OV, Rdesk Responsibilities |



Slide #10

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Forecasting Staffing

- Based on historical data, knowledge of call arrival patterns & company sales goals, we calculate monthly/daily/half-hour intervals
- Forecast takes the form of a matrix with expected call volumes for each half-hour interval for each day of the week
- After we know how many calls we are expecting, we can determine how many people we need to meet service level objectives
- Goal is to answer 80% of calls in under 20 seconds
- Variables to equations: volume, AHT, service level, traffic intensity, and non-facing activities
- CMS Real-Time Management



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Q109 Average Contacts

| CONTACTS | WEEKLY AVG (Q109) | MONTHLY AVG (Q109) | Q109 |
|--------------|-------------------|--------------------|----------------|
| PHONE | 34,805 | 139,220 | 417,661 |
| EMAIL | 11,669 | 46,676 | 140,028 |
| CHAT | 2,794 | 11,178 | 33,536 |
| TOTAL | 49,268 | 197,074 | 591,225 |



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Customer Loyalty Progression

- All-Star path or Leadership/Management path
- Two paths that intersect at many points throughout an employee's career and they are free to change paths at any time
- Each path outlines responsibilities and milestones so employees know from the moment they walk in the door what steps they need to complete and how long it will take to reach any particular level
- Examples: Zappos Specific testing, tour certification, Pipeline Classes, Mentor/Ambassador Skill Sets



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What is the Zappos Culture?

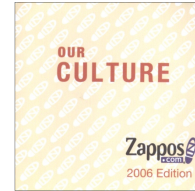


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Culture: establish “committable core values”...
Every employee is asked to live & breathe the core values
and inspire the culture in others.

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



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Culture

**Actively manage your culture based on
your core values**

**Make culture part of everyone's
performance review**



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Hiring for Culture

- **The Application (Beyond the Basics)**
 - If you entered a room and a theme song played, what would your song be and why?
 - How lucky in life do you consider yourself to be on a scale from 1-10?
- **The Tour**
- **The Hiring Process**
 - Managers interview for technical fit and department culture fit.
 - Human Resources interviews for culture fit.
 - Must pass both in order to be hired.



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Building Teams and Relationships



**“If you want to go quickly, go alone.
If you want to go far, go together.”
(Al Gore quoting African proverb)**



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Zappos = Delivering Happiness (customers and employees)

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

The Cab Ride by Kent Nerburn



Teams and Relationships

- **Relationships**
 - Socialize with co-workers
 - ZCN Clubs
 - Twitter
- **Manager's Role:**
 - Drive the culture, our Core Values should guide decision making
 - Build their team (Team Building)
 - Inspire new ideas and creative thinking
 - Help employees find their calling, reach their peak



Trust and Transparency



“Be Real and You have Nothing to Fear”



Trust and Transparency

- Employee Surveys
- Culture Book
- OCM Notes
- Sales Reports
- Ask Anything
- Media
- **Twitter**
- **Distribution Lists**
- **CLT**
 - No Scripts
 - No Call Times
 - Full Responsibility

“Trust men and they will be true to you; treat them greatly, and they will show themselves great.”



Seven Steps For Building A Brand that Matters



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Step #1

DECIDE

If you're trying to build a long term sustainable brand?

**Requires more patience with revenues & profits
in order to lay the foundation**

Decide sooner rather than later



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Step #2

VALUES & CULTURE

Figure out values & culture sooner rather than later



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VALUES & CULTURE

Figure out values & culture sooner rather than later

- What are your **PERSONAL** core values?
- What are the **COMPANY**'s core values?
- Start **EARLY**.
- It is surprisingly **HARDER** than you think.
- It doesn't **MATTER** what the values are.
- The most important thing is **ALIGNMENT**.
- ...and **LIVE** the **BRAND**.



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Step #3

COMMIT TO TRANSPARENCY

“Be real and you have nothing to fear.”

Your culture is your brand

Don't try to be someone you are not



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Step #4

VISION

“Whatever you're thinking, think bigger.”

Does the vision have meaning?

Chase the vision, not the money...



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VISION

**“Don’t chase the paper,
chase the dream.”**

Sean Combs aka “Puff Daddy” to rapper
Biggie Smalls aka “Notorious B.I.G.”
in Notorious



Slide #29

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Question for ENTREPRENEURS:

**“What would you be
passionate about doing for
10 years even if you never
made a dime?”**



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Question for EMPLOYEES:

What's the larger vision and greater purpose in their work beyond money or profits?



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VISION

**MOTIVATION
VS.
INSPIRATION**



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Step #5

BUILD RELATIONSHIPS

(not networking)

Be INTERESTED rather than trying to be INTERESTING



Slide #33

PUT A LITTLE
ZAPPOS
IN YOUR DAY!

Step #6

BUILD YOUR TEAM

**“If you want to go quickly, go alone.
If you want to go far, go together.”
(Al Gore quoting African proverb)**

**Hire slowly
Fire quickly**



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Step #7

THINK LONG TERM

Repeat customers

Customer service

There is no “get rich quick” formula

**“Overnight” successes are years in the making
(both personally and in business)**



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Put a little Zappos in your day... ...some links to check out...

- <http://twitter.com/zappos>
(Tony Hsieh - CEO)
- <http://twitter.zappos.com>
(public mentions, employees)
- <http://blogs.zappos.com>
(photos & videos of culture)
- <http://about.zappos.com>
(more information about us & core values)
- <http://www.zapposinsights.com>
video Q&A from different depts., book recommendations)



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Q and A

Email me – rsiefker@zappos.com
Follow me on Twitter - @stopngorob
Follow Tony on Twitter - @Zappos

- Copy of our Culture Book (I'll need a physical mailing address)
- Tour of our offices when you're next in Las Vegas (takes about 45-60 minutes)
- Job Opportunities



Slide #37

Thank you all very much!!!!

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