

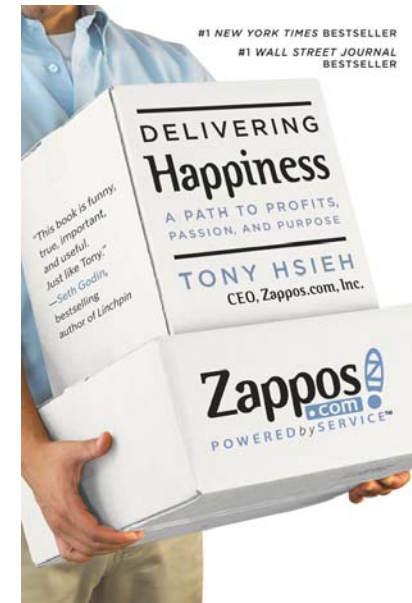
DELIVERING HAPPINESS

A PATH TO PROFITS, PASSION, AND PURPOSE

Tony Hsieh

Milken Institute

September 23, 2010



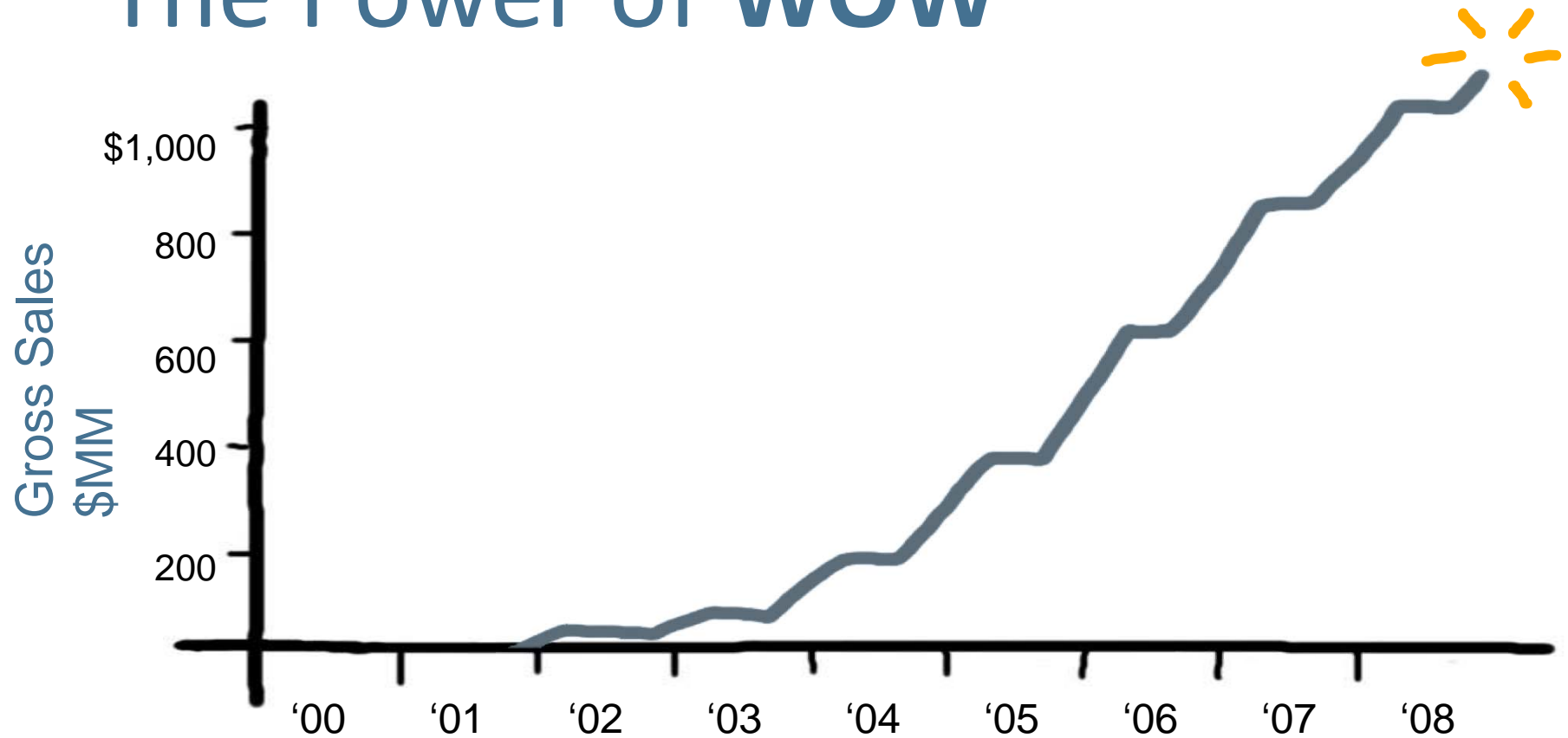


A Little About Me (Tony)

- 1994-1995: Pizza business in college
- 1996-1998: LinkExchange (online advertising)
Sold to Microsoft for **\$265 million**
- 1999: Venture Frogs (investment fund) - Invested in Zappos.com, Inc.
- 1999-Today: Zappos.com, Inc.
- Nov 2009: [Amazon acquires Zappos](#), shares valued at **\$1.2 billion** at closing
- June 2010: ["Delivering Happiness"](#) book published
www.deliveringhappinessbook.com



The Power of WOW

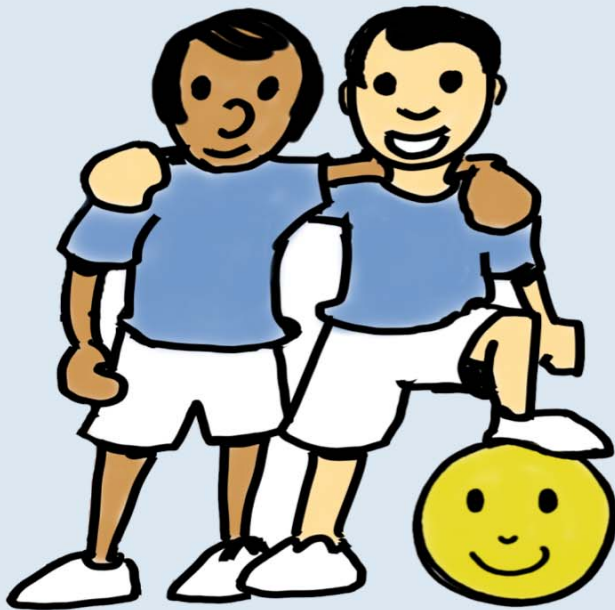


Customer Experience

- ▣ What do customers expect?
- ▣ What do customers actually experience?
- ▣ What emotions do customers feel?
- ▣ What stories do they tell their friends?
- ▣ How can culture create more stories and memories?

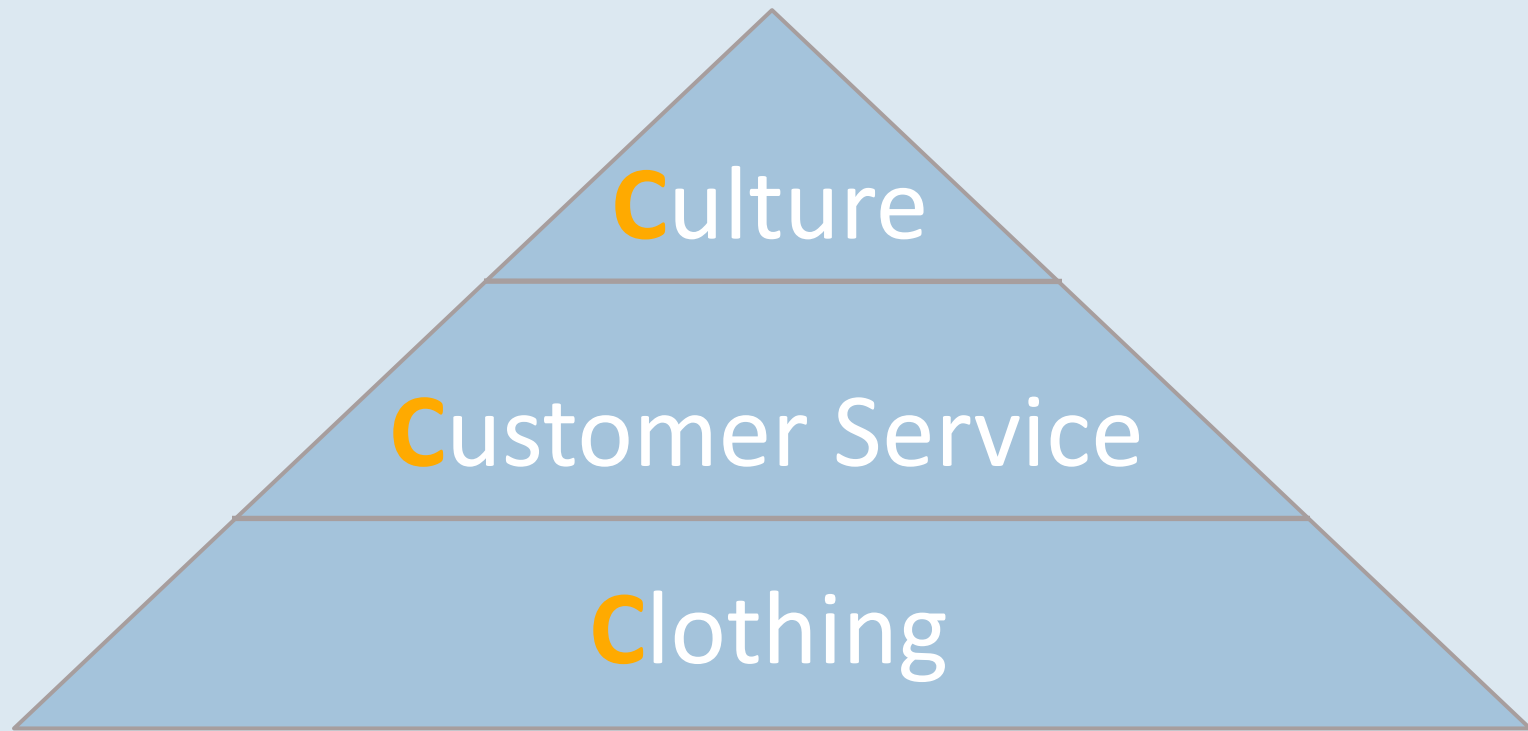
CULTURE

the #1 priority



- 😊 Hiring for culture
- 😊 5 weeks of training
- 😊 \$2000 to quit
- 😊 Culture book
- 😊 Twitter helps build culture

Clothing, Customer Service, Culture



Clothing



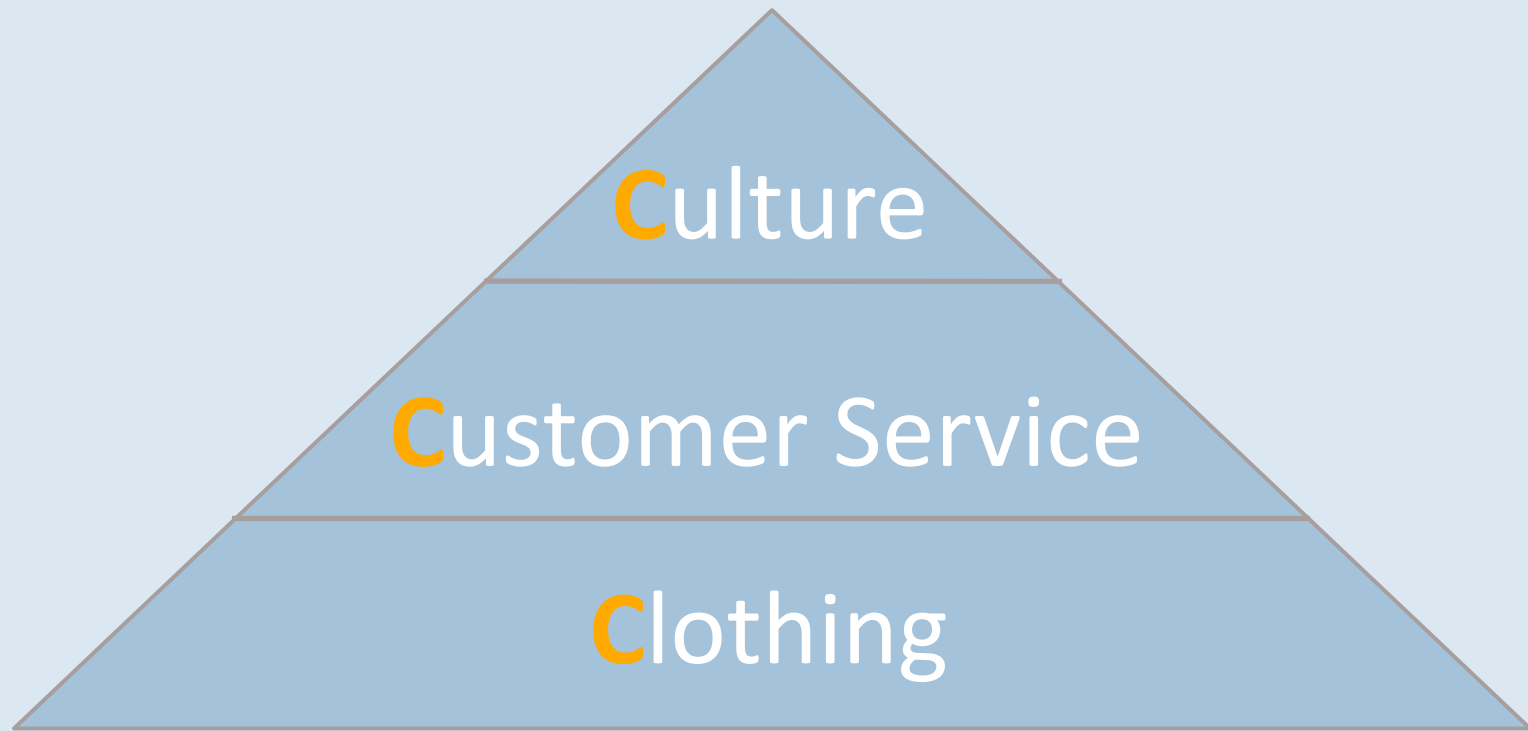
Customer Service



Culture



Clothing, Customer Service, Culture

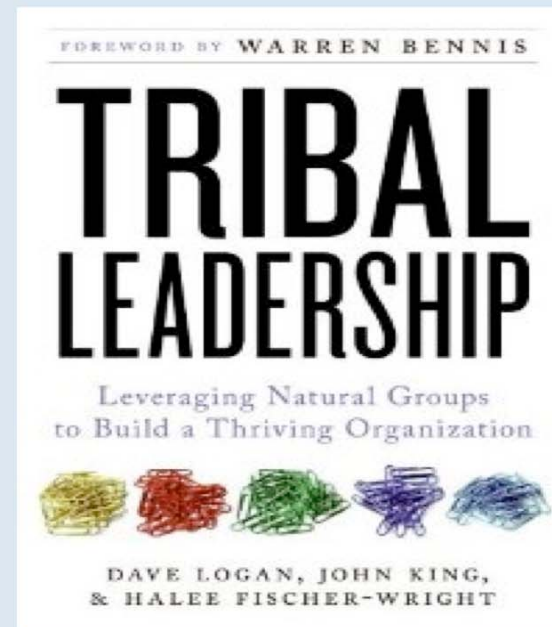
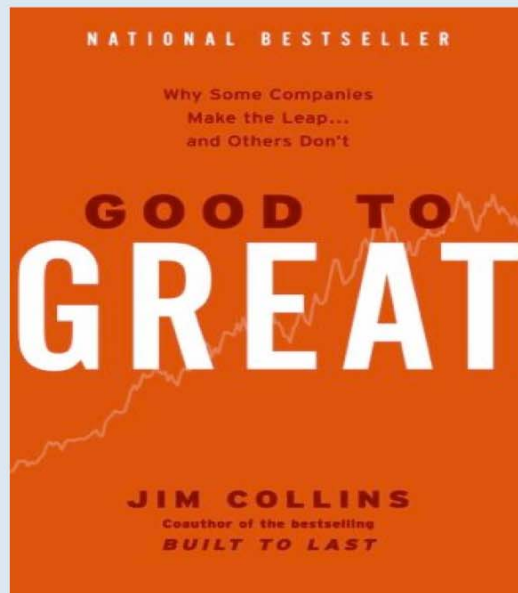


Delivering Happiness

(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**.”**

Building Great



CULTURE

“Committable Core Values”

Don't make your core values
just a meaningless plaque on the wall...

Example: Core Values

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

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

**“That’s great,
but it would
never work at my
company...”**

ALIGNMENT

**It doesn't matter what your
core values are...
as long as you
commit to them.**

From Mariana

Today I saw your workshop in Digital Age and I like to congratulate you. Definitely was the best workshop! Totally inspiring! Something about what you said today, really touched me. I don't know if you're going to read this e-mail, it's a little silly, but I was very anxious to tell you these.

I had my own theory of happiness. I call it "Yummy little thing", in Portuguese "Coisinha Gostosa". In my theory every day I allow myself to do something that's really makes me happy. For example: go to a bar with friends, read a page off a book, have lunch in a place I love, buy clothes, play with my nieces. In other words, I have listed all things that I love to do, and every day I do something. It may even be eating a candy! Has the more complex items to the simplest.

So, I really identified with your personality, spirit and concept of life. Else, I practice in my daily this "theory" with my team. I coordinate a team of 11 people. I'm responsible, in a technology's company, for a department of creation and communication (www.totvs.com). My principle is "we have to be happy every day." We spent 80% of our life inside the company, so we HAVE to be happy there! I give priority to people and not to projects. Very polemic, don't you think?

You know why I am see as a competent professional? Because all my projects are delivered in days, with quality. You know why? Because when I can do it, the return I have from my client, makes me happy! Simple like this!!

Well, I hope you had understood me. And I'm very happy to know that there someone else in the world who thinks like me! Good luck in propagation this concept!

From John Koriath

My name is John Koriath. I also go by the nickname “College.” It’s a long story I can tell you later, but yes, I did finish college.

When I did finish college in 1990, the economy was almost as bad as it is today, and it was tough to get a job. A friend of mine was opening a bar and asked if I wanted to bartend until something more substantial came long. Nineteen years later, and I am still in the business.

There have been some ins and outs during those 19 years, but today I co-own a bar (SIX) in Austin, Texas. We have 14 investors, and it just so happens that one of the more famous investors is Tour de France Champion Lance Armstrong.

I have known Lance for more than 15 years, and he is one of my best friends. When he was diagnosed with testicular cancer in 1996, I left the bar business to co-found the Lance Armstrong Foundation with Lance. After three years of being the executive director, I left and went back into the bar business. I still help out at the Foundation as much as I possibly can and as much as they will let me. It is something that will always be close to my heart.

We opened “SIX” in 2005, and just like a lot of new bars, things seemed to be great at first. We were the new game in town, and things were rolling our way. The nice thing about the bar business is when you first open and you do it right, you can really cash-flow fast. Everyone loves you when you’re new. The deciding factor in the bar business is, how do they love you after two years. This is where a lot of bars fail and have to shut down and totally reinvent themselves. Or at least they think they do. We started to go through this same cycle until I ran into two of my competitors. They were absolutely miserable; both wanted to sell their bars or just shut them down. They hated everything about the business and, most of all, they disliked their employees. I am pretty sure their employees didn’t much like them.

From John Koriath

I have to admit, I was feeling the same way; and then I thought to myself, there has to be a better way. It just doesn't have to be this way! That's when I saw Jim Collins, author of ³Good to Great², speak at the Livestrong Summit. I loved his book and thought it was the best business book ever written. I guess I didn't read it very well, because in his speech he reminded me that "Life is about 'who', not 'what'".

In the bar business, we tend to think it's all about concept, look, location, music systems, et cetera. Well, it's not. I sat down with my business partner Chris and said, we have to change or I am out of the business. I didn't want to become like our competitors. Chris agreed. We started out on a mission to change our staff to give the best customer service that the bar business has ever seen. We started taking employees to lunch every day for 2 weeks and asked them what they thought great customer service was and how they thought we ought to do it. They thought we were crazy and didn't understand what we were trying to do. This became very frustrating for us and our employees: we were thinking about giving good service, and they were thinking we already did. It left Chris and me very frustrated and searching for answers.

There is an old saying, "When the student is ready, the teacher will appear." I figure this is where Zappos and Tony came into play. I was having lunch with Doug Ulman, the current CEO of the Lance Armstrong Foundation. I told him what we were trying to accomplish at SIX and how frustrated we were. He told me about Tony and Zappos. So I went to look at Zappos' website and ordered some shoes to see what would happen. It amazed me how fast I got them, and the shipping was free.

I thought to myself, well, that's just promotion and systems, Not being so impressed. Chris and I just started doing all the research on Zappos we could. We came across many articles about Zappos and the culture at the Zappos Headquarters. Chris even took a trip out to Vegas and took the tour of the Zappos Headquarters. He came back with many great stories and, also, the 2008 Zappos culture book. We started to share our research and this book with our employees.

From John Koriath

We really knew that Zappos and Tony were starting to have an effect on our business when we saw him speak at the South by Southwest Music Festival, a big music and interactive festival that has been going on in Austin for over 25 years. You might be thinking that we went down to an auditorium and watched with a couple of thousand other people - well, we didn't. I didn't even know he was going to be speaking. It was one of our cocktail waitresses (Julie) who understood very well what we were trying to accomplish, and she found it online and shared it with the rest of the staff. When she did that, we knew we had changed the culture of SIX. Of all the bars that Chris, myself and many other of our employees had worked at, we had never seen or heard of the staff sharing this type of information with one another.

When I watched Tony speak, the one thing he spoke of that really stuck out to us was that he didn't want to be the same run-of-the-mill internet company. He wanted to be part of something different and better. Even though they were selling shoes like a bunch of other companies, they wanted something better, something more rewarding, a company that was going to set them apart from the rest and make himself and the rest of the employees happy to come to work. This was preaching to the choir, but how? During Tony's speech something he said something that we never really thought about and it was that you may think that Zappos priority was "customer service". Tony explained that the number one priority at Zappos was really "company culture". If you get the culture right the rest of the stuff will just happen naturally.

Over the course of the next six months, which was eight months after our initial thought to change, we learned what Zappos had figured out: It's about the culture of your business that derives everything good and bad. You want to have great customer service? You better have a great culture. You want employee retention? You better have a great culture.

From John Koriath

How did we do this? We started to pay more attention to our employees and what they were telling us, We got them more involved in the process of decisions. We started to give them better customer service. For example: At the end of every night a simple manager log is created and emailed to all the managers and owners. It has the sales numbers and general thoughts of how the night went. It also has maintenance items that the employees may have noticed or just thoughts on how they think the night could have gone better. If they list a maintenance item we do everything we possibly can do to have that item fixed by the time they walk in the next day for work. We also call, email or text them and tell them we fixed the problem or that we are working on it. This tells them that we listen to them and we take it seriously. If it is an idea that they might have to improve the customer experience or work environment, Chris or myself will follow up with them in person to discuss it.

Another example is most employees in the service industry hate employee meetings. They are usually on their day off and are full of information they already know. We took a hard look at how to make these more enjoyable, interactive and more rewarding. We now usually take them to dinner instead of hosting the meeting at our location. This puts them in a different mindset of something new and interesting. We may also require them to be prepared to tell a story of some good or bad customer service experience they encountered at another business. This usually results in some good laughs and some good moments of perspective of how they should treat our customers. I use to spend 20 minutes preparing for these meetings now I take 4 hours, it makes all the difference in the world.

From John Koriath

What does this do for us? Everything! Employee retention is way better than any other place I have ever worked or owned. All of our cocktail waitresses are part time due to the nature of our business. Most of them have other part time jobs or are in school. Just the other day I was talking to one of them (Kathleen) and she told me that she had 7 other jobs in the past year and she quit all of them because the work environment was so bad and nothing compared to SIX. The last meeting employee meeting we had one of our oldest employees (Rod) stood up out of the blue and said he had worked at 10 other bars and restaurants and they never discussed the things we do and it has totally changed the way he looks at coming to work. When a customer walks into a our place and sees the same people working it makes them feel at home. It may sound cheesy from the TV show Cheers but “you want to go to a place where everyone knows your name”.

We are going into our 5th year of business, and we have matched the previous year's sales each year. You might be thinking that we should have experienced growth. This economy, and other circumstances, have hit other bars and restaurants in our area very hard. Some good establishments are down 30 - 40%. Every bar is probably down except us. We tend to think we are up 30% even though we just matched last year's sales. We know one reason for that is our culture and Zappos.

The most rewarding thing to us is, when we are walking around in Austin and we see some of our friends, the first thing they say to us is that they were in SIX and our employees were just so nice. They ask me how I get them to act like that when other bars are not that way. I just smile and say, “Zappos, Baby.” I don't tell them the whole story; I let them try and figure it out for themselves like we did. As I said earlier, “when the student is ready, the teacher will appear.” Thanks, Tony!

From Dave Brautigan

A few thoughts on how you guys "infected" me!

I use infected, as I think that for me, going to Zappos is like a spa for business owners. I leave charged back up and ready to take on the world. I also leave ready to spread the happiness. So they are infecting me somehow. Its either in the air or the mixed nut machines all around the office!

With Atlanta Refrigeration, I loved work prior to going to Zappos. I got up every day ready to knock the day out. I thought I had a great company and did not know any better. The way my dad ran it was the way I ran it. I took the other jobs I had in life and used that, all the same type of cultures. Something though started to sit a little weird (maybe I saw an article, read a blog) not really sure how that feeling started, but it did. I found out about Zappos and I was interested, but very skeptical.

After Zappos Insights I was amazed and seeing it made me realize that you could operate a business in a fun, happy atmosphere and have a reason to work more than just the profit. You could empower, trust, and really make work a special place. Since my return from Zappos, we have made great strides in building up our culture, something we had all along, but did not know what it was, how to build it, or how important it was in making decisions! The foundation, core values, was something that we have to give 100 percent thanks to Zappos for, as I would have never done it, but listening to Tony talk about them, I knew it was what needed to be done.

On a personal level, Tony's happiness research really hit home with me. He inspired me to really step back and look at my life and see what made me happy for the long term, not just short term happiness. With work taking priority of my life since I was little watching my dad run the company, I found that I did not want that same thing with me and my sons (2 and 6).

From Dave Brautigan

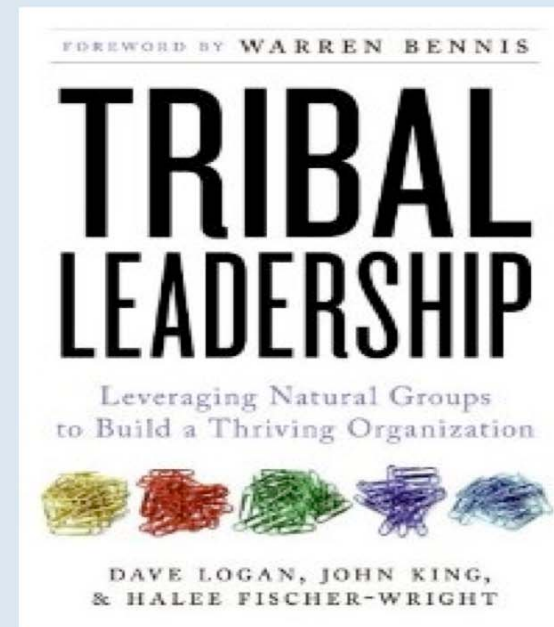
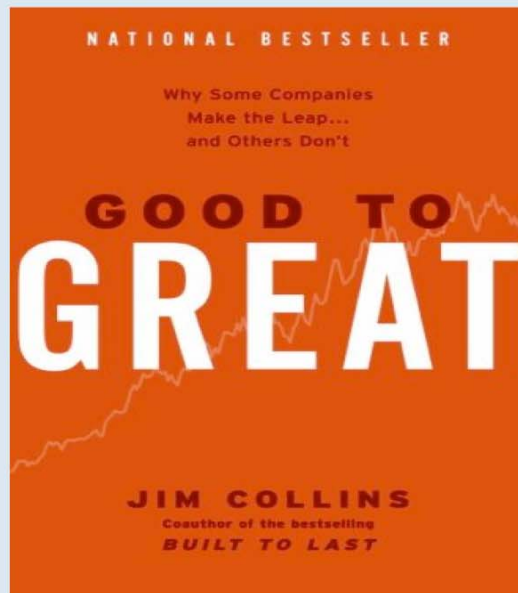
Since Zappos, I am happier now than I can ever remember in the past. I ditched stressful lunch meeting and took up exercise. It led to me to dropping 20lbs and starting triathlons and coaching. I am doing an Iron man in May and have a side job as The North Face store weekly run leader! I am happy when I am out on the road, the bike, or the pool. I also use it to reduce my stress at work allowing me not to take it home to my family.

I am at a new level of happiness. My life is simpler now. I have started a passion project, helping employees reach their dreams. I ask them for 101 and we are knocking them out! I am currently working on two that are really unique. One of my customer service ladies wants to go to the Oprah show and another lady wants to meet the Gosslin kids (from John and Kate plus 8). Not sure how I am going to pull those off, but I know it can be done!!

It's funny, the one thing that sticks in my mind on every visit (I have done a few now) to Zappos is how freaky the door opening is. People go out of their way to hold a door open in that place. That small gesture is edge of the culture waterfall you go over when you walk in. I tell myself now when I am having a bad day or not living my personal values to stop, smile, and go open a door for someone. Its amazing how something small can bring back a rush of emotions and thoughts of such a happy place out there at Zappos.

I am excited, as I wonder what is next! Tony and Zappos has made realize there is no end to how much you can increase your happiness. You just have to take it step by step, and when in doubt, hop a plane and go to one of the best places on earth! It's worth every cent for the flight!

Building Great



VISION

“Whatever you’re thinking, think **bigger.**”

Does the vision have meaning?

Chase the vision, not the money...

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*

ENTREPRENEURS:

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

EMPLOYEES:

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

VISION

MOTIVATION

VS.

INSPIRATION

Vision & Culture
inspire
Passion & Purpose

Example of evolving vision and brand

- ▣ 1999 Selection
- ▣ 2003 Customer Service
- ▣ 2005 Culture and core values as our platform
- ▣ 2007 Personal Emotional Connection
- ▣ 2009 Delivering Happiness



Questions

- ▣ Where does the story begin?
- ▣ Where does the story end?
- ▣ How do you reinforce the good memories?
- ▣ What were the emotions, positive and negative?
- ▣ How can you create more stories and memories?

What's your business?

- ▣ You're not in the _____ business.
- ▣ Cirque du Soleil is not in the circus business.
- ▣ You're in the experience and emotions business.
- ▣ You're in the stories and memories business.
- ▣ Think bigger.

TAKE A STEP BACK...

WHAT IS YOUR **GOAL IN LIFE?**



WHAT IS YOUR GOAL IN LIFE?



RESEARCH HAS SHOWN

HAPPINESS

**People are very bad at predicting what
will bring them sustained happiness.**

“When I get ____, I will be happy.”

“When I achieve ____, I will be happy.”

HAPPINESS

- There is a **SCIENCE** behind many aspects of business including:
 - ▣ conversion
 - ▣ psychology of buying
 - ▣ direct marketing
 - ▣ customer acquisition metrics
 - ▣ repeat customer behavior, etc.
- What if you spent just 10% of your time studying and learning the **SCIENCE** of **HAPPINESS**?
- How much **HAPPIER** could you be?

WHAT IS YOUR GOAL IN LIFE?



A FEW DIFFERENT FRAMEWORKS OF HAPPINESS



A FEW DIFFERENT FRAMEWORKS ON

HAPPINESS

Perceived Control

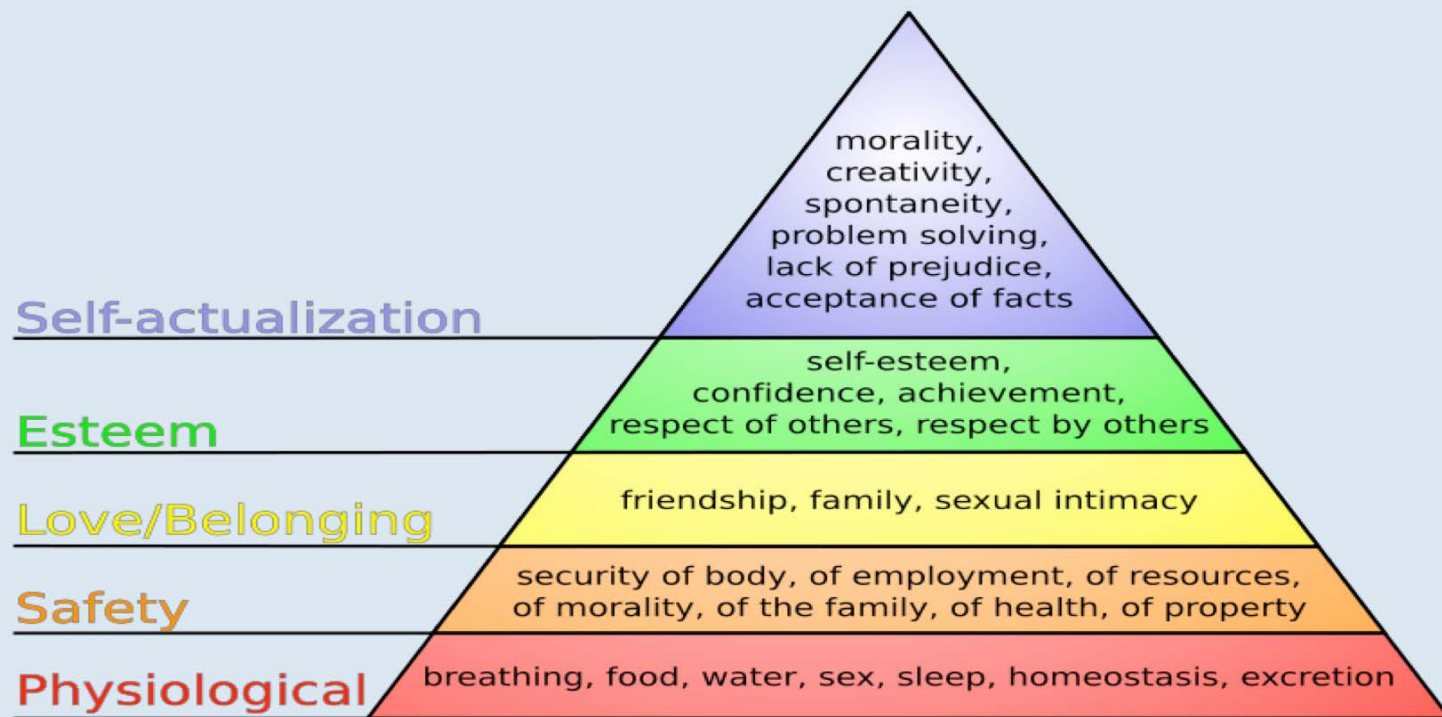
Perceived Progress

Connectedness

Vision / Meaning

(Being part of something bigger than yourself)

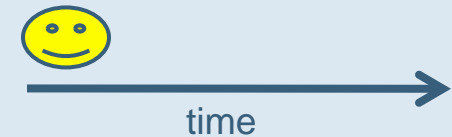
Maslow's Hierarchy



3 TYPES OF HAPPINESS

Rock Star

(Pleasure – chasing the next high)



Flow

(Engagement – time flies)



Meaning / Higher Purpose

(Being part of something bigger than yourself)



RECOMMENDED BOOKS

PEAK

Chip Conley

TRIBAL LEADERSHIP

Dave Logan, John King & Halee Fischer-Wright

FOUR HOUR WORK WEEK

Tim Ferriss

HAPPINESS HYPOTHESIS

Jonathan Haidt

Contact info and tours!

- **Email tony@deliveringhappinessbook.com for:**

- This presentation
- Free culture book
(need physical mailing address)

- **Go to <http://tours.zappos.com> for:**

- Tour of Zappos offices when you're next in Las Vegas
(takes about an hour)

GREAT
BUSINESS

Profits

Passion

Purpose

GREAT
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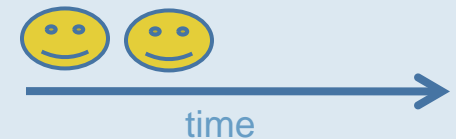
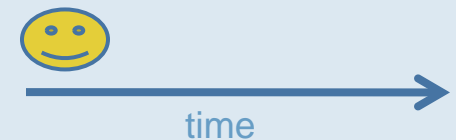
Purpose

HAPPINESS

Pleasure

Passion

Purpose



**What % of your time do you want
to spend learning about the
SCIENCE of HAPPINESS?**

**How can the SCIENCE of HAPPINESS help your
business, your brand, and yourself?**

**If the research shows that
vision / meaning / higher purpose
leads to **HAPPINESS**...**

What is your company's higher **purpose?**

What is your higher **purpose?**

Delivering HAPPINESS





My new book is titled “Delivering Happiness”

Now available in bookstores

www.deliveringhappinessbook.com

