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Zappos.com 2009: Clothing, Customer Service, and Company Culture

On July 17, 2009, Zappos.com—a privately held online retailer of shoes, clothing, handbags, and accessories—learned that Amazon.com, Inc.—a $19 billion multinational online retailer of books, electronics, toys, and other merchandise—had won its board of directors' approval to offer to merge the two companies. (See **Exhibits 1**, **2**, **3**, and **4** for selected financials for both companies.)

Amazon had been courting Zappos since 2005, hoping a merger would enable Amazon to expand and strengthen its market share in soft-line retail categories such as shoes and apparel—categories the company considered strategically important to its business growth.[1] While Amazon's interest intrigued Zappos' CEO, Tony Hsieh, and chairman, COO, and CFO, Alfred Lin, the two senior executives had not felt the time was right until now. Amazon's offer—10 million shares of stock (valued at $807 million),[a] $40 million in cash and restricted stock units for Zappos' employees, and a promise that Zappos could operate as an independent subsidiary—was on the table. Zappos' financial adviser, Morgan Stanley, estimated the future equity value of an initial public offering to be between $650 million and $905 million; this estimate skewed the Amazon offer—at least in financial terms—toward the high end of Zappos' estimated market value. (See **Exhibit 5** for market values of comparable online and footwear retailers.) Hsieh and Lin knew that much of Zappos' growth, and hence its value, had been due to the company's strong culture and obsessive emphasis on customer service. In 2009, they were focusing on their three Cs—clothing, customer service, and company culture—the keys to the company's continued growth. Hsieh and Lin had only a few days to consider whether to recommend the merger to Zappos' board at their July 21 meeting.

Zappos and the Rise of Online Footwear Retailing

In late 1998, Nick Swinmurn, a 26-year-old marketing manager for an online car-buying service, went to a San Francisco–area shopping mall to purchase a pair of Airwalk shoes but could not find any in the color, style, and size he wanted. Swinmurn turned to the Internet but was frustrated by the

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[a] Stock value based on the average closing price of Amazon shares for the 45 trading days ending July 17, 2009.

lack of online footwear-only retailers: "[There were] a bunch of little sites but nothing that jumped out at you," he said.[2]

His experience inspired him to create an online footwear retail site, and in June 1999, Swinmurn launched ShoeSite.com. "We are taking a more dynamic approach to what has been a poorly presented category online," said Swinmurn, who soon renamed the site Zappos.com because, he explained, it was easy to remember and there was a "recognizable relation" to *zapatos*, the Spanish word for shoes.[3]

Zappos initially secured inventory through independent shoe stores, but by October 1999, the company had begun creating direct relationships with footwear manufacturers. By the end of 2000, Zappos offered more than 100 brands, including Bostonian, Sperry, Dexter, G.H. Bass, and Tommy Bahama.[4] The manufacturers agreed to ship orders directly to Zappos' customers so that the company could avoid carrying inventory.

In 1999, there were more than 1,500 retailing sites on the Internet with footwear offerings—though most were apparel retailers stocking a handful of complementary shoe styles.[5] U.S. online shoe sales were just under $48 million—less than one-tenth of 1% of the $37 billion U.S. footwear market. By contrast, mail-order catalog sales were 6.4% of U.S. footwear sales.[6]

The online footwear industry gained a higher profile after Nordstrom joined its ranks. The high-end retailer had launched its own apparel website in 1998 and learned that shoes sold disproportionately well online (30% of sales), compared to retail store sales (20%).[7] As a result, Nordstrom launched its own dedicated shoe site in the summer of 1999 with a $17 million advertising campaign.[8]

By the end of 1999, Zappos had begun to institute services such as free shipping, which fueled growth.[9] Indeed, from its inception, Zappos focused on delivering outstanding customer service to make the online shopping experience as easy and as close to a visit to a retail store as possible. For example, visitors could print a shoe sizing template or initiate live online chat sessions with product experts.[10] In addition, each shoe was photographed from nine different angles by Zappos photographers. Zappos employees wrote product descriptions for each shoe that included far more details about style, fit, and materials than those prepared by the shoes' manufacturers.

Early 2000s

By 2000, Zappos had 150 brands and 400,000 pairs of shoes in stock and was billing itself as the world's largest shoe store. The company had begun to switch from having manufacturers ship directly to its customers to carrying inventory.

In January 2000, Zappos secured $1.1 million in venture capital funding from Venture Frogs, an investment and incubation firm that Hsieh and Lin had formed two years earlier. Venture Frogs specialized in early-stage Internet, e-commerce, information, and telecommunications technology companies that were entering a "phase of unusual growth."[11] Hsieh and Lin knew something about such companies, having started—at the ages of 24 and 25, respectively—LinkExchange, an advertising network that they sold to Microsoft for $265 million in November 1998.[12] Hsieh and Lin met in college when Hsieh was running a pizza business (he rented his dorm's kitchen at night to make pizzas for students), and Lin, who bought whole pizzas and resold them by the slice in his dorm, was his best customer. When they encountered Zappos, said Lin at the time, they were "thoroughly impressed" with what it had accomplished over the previous seven months. "With our investment," they conjectured, "Zappos.com can continue to hold their position as the world's largest shoe store."[13]

When *PC Data Online* released its annual ranking of the top 10,000 e-commerce websites (segmented by category) in 2000, Zappos was honored as the highest-ranking "pure-play" online footwear retailer.[14] Zappos offered a larger selection of footwear than any other shoe store, online or offline. Zappos sales were outpacing online sales of retailers such as Lands' End, J. Crew, and Abercrombie & Fitch.[15] The site's overall ranking (1,134) indicated a 0.9% reach, which meant that almost 1% of all Internet users visited Zappos' site during June 2000.[16]

The investment community, however, was growing disenchanted with online footwear retailers. Some analysts claimed that the online footwear industry was little more than a high-tech catalog, serving to supplement sales for established brick-and-mortar chains or as a means for customers to research future in-store purchases. "The footwear market is not a hotbed of activity," said one analyst in 2001. "We view [it] as relatively laggard versus other categories of online retail. This is a market filled with more browsers than buyers, and dot-coms that don't have an offline presence are going to have a relatively inefficient business."[17]

Hsieh joined Zappos as co-CEO (with Swinmurn) in May 2001, noting that Zappos was "the most fun and the most promising" of all the companies he had encountered as a venture capitalist and would probably generate the greatest return for Venture Frogs. His instincts were good. By year's end, Zappos had grown to $8.6 million in gross merchandise sales. "We're still not at the point where we're trying to maximize our profit, because we still think there are a lot of growth opportunities," Hsieh said at the time.[18] In 2002, he announced a financial goal for Zappos: to grow to $1 billion in gross sales by 2010.[19] In 2003, Hsieh became sole CEO and Swinmurn became chairman.

2005 to 2008

By 2005, Zappos had outgrown its San Francisco headquarters. The company employed 100 call center staff and was in search of a less expensive base of operations. Las Vegas, Nevada, emerged as the best option because wages were lower and workers plentiful. In addition, the city was considered a good fit for the Zappos lifestyle. "Las Vegas is a 24-hour town and we have a 24-hour call center," said Donavon Roberson, Zappos' business development account manager. After receiving $35 million in investment capital from Sequoia Capital in 2005, Zappos moved its headquarters to Las Vegas.

Swinmurn, however, did not fully enjoy the move and the growth. "[Zappos] had become about processes and lawyers and getting a bunch of people to sign off before you could do anything," he said. "I prefer . . . being able to jump in and change things."[20] Shortly before Swinmurn left to pursue other interests, Lin joined as CFO, later taking up the roles of chairman and COO as well.

In the meantime, the online footwear retailing industry had grown to $2.9 billion in 2006, compared with just $954 million in 2002, and was projected to reach $5.2 billion by 2010.[21] Zappos, a $597 million company in 2006, faced new competition from mega-retailers: Gap Inc.–backed Piperlime.com and Amazon.com, which owned Endless.com, both launched footwear sites in early 2007.[22]

By 2008, Zappos had become a $1 billion retailer and reported net income of $10.8 million on 2008 net revenue of $635 million.[23] (See **Exhibit 6** for gross sales by year.) The company employed 700 "team members," as employees were called, in its Nevada office: 300 in its call center, 200 in merchandising, and the balance in supporting departments ranging from legal to accounting.

The First C: Company Culture

Zappos' leadership viewed the company culture as the differentiator that afforded the company a competitive advantage. "Our belief is that if you get the culture right, then most of the other stuff—like great customer service or building a long-lasting, enduring brand—will happen naturally," Hsieh said. Lin agreed:

> I attended a conference where someone in the audience asked Starbucks chairman/CEO Howard Schultz why everyone at Starbucks smiled, and he said, "We only hire people that smile." We try to do the same thing at Zappos. We only hire happy people and we try to keep them happy. Our philosophy is you can't have happy customers without having happy employees, and you can't have happy employees without having a company where people are inspired by the culture. We view this as a strategic asset. We may have 1,200 to 1,500 brand relationships and a good head start against the competition, but that can be copied. Our Web sites, policies—all can be copied, but not our special culture.

In 2005, just after moving its company headquarters, Zappos had debuted its list of core values—developed as a means to ensure that everyone in the company played a role in building and supporting the culture. To create what would become the company's 10 core values, Hsieh solicited feedback from employees on what those values should be and, from that feedback, compiled an initial list of 37 potential core values and sent it to everyone in the company. A yearlong evaluation process pared the list down to 10. (See **Exhibit 7** for Zappos' core values.) "We now have a set of committable core values, meaning we are willing to hire and fire based on whether people are living up to those core values, independent of whether they're doing their specific job function well enough," said Hsieh. "Most organizations don't care about culture, at least not at the senior level. But if you truly care and manage for it, it is like managing anything else in the business. It is not hard; you just have to fundamentally support it."

Many of Zappos' 10 core values were grounded in research on factors such as worker efficiency and productivity. For example, Hsieh cited a study that found that people were happier and more engaged in their work if they made friends on the job. As a result, Zappos developed core value 7—build a positive team and family spirit—and encouraged managers to spend 10% to 20% of their time socializing with team members outside of work. "There's not so much separation between work and life here as there is at most companies," said Hsieh. "Zappos is like a lifestyle."

Zappos' culture soon caught on, attracting interest from other companies, the media, and academics interested in learning about the company. Zappos welcomed any and all visitors by offering guided tours of its Las Vegas headquarters. Visitors encountered a three-ring-circus ambience. In the lobby stood a three-seat shoeshine stand (like those traditionally found in railway stations) populated with full-sized costumed skeletons. A freshly stocked carnival-style popcorn machine sat next to the reception desk, and opposite that stood a Dance Dance Revolution arcade game. (See **Exhibit 8** for photographs of the Zappos headquarters.) The decor was testament to Zappos employees' drive to "create fun and a little weirdness."

Zappos hosted 8 to 10 tour groups per day in 2009. Roberson, who occasionally served as tour guide, led visiting academics down a corridor past the legal department to "Monkey Row," a group of cubicles positioned underneath a canopy of dense plastic vines, where senior managers, including Hsieh and Lin, sat. As the group passed the call center, merchandising, and accounting departments, Zappos employees greeted them with waves, hoots, cheers, and even, literally, bells and whistles. Roberson noted that the tour roughly followed the company's unofficial parade route: departments often sponsored themed parades—sometimes costumed—through the headquarters' halls.

Just across the hall was Dr. David Vik's office: "For when you need a checkup from the neck up," explained Roberson, who noted that Vik was a retired chiropractor turned full-time employee performance coach. Next to Dr. Vik's office was a wall-mounted "confession bell," which employees rang for acts of public contrition (e.g., when they hit "reply all" on an e-mail). "They then make the walk of shame up to the bell to announce their transgression," explained Roberson.

In January 2008, Hsieh sent an e-mail to all Zappos employees asking them to write a few sentences describing what the Zappos culture meant to them. "We asked them to tell us what is different about it compared to other company cultures and what they like about the Zappos culture," explained Roberson. The resulting responses were compiled and published—unedited—in a 450-page book.

Hiring for Cultural Fit

Zappos screened job applicants to ensure they would fit within the Zappos culture. The evaluation began with the initial application—which featured a crossword puzzle on its cover and cartoon characters posing off-beat questions. (See **Exhibit 9** for a sample page from the Zappos employment application.) Applicants were asked to name their personal theme song, to rate themselves on a "weirdness" scale, and to assess how lucky they considered themselves to be. "If someone rates herself as being on the high end of the lucky scale, then she is probably going to be the type of person that we're looking for, who will be creative, adventurous, and can think outside of the box," said Christa Foley, recruiting manager.

All candidates underwent two interviews: a traditional skills-based interview conducted by the hiring manager and a "culture" interview conducted by recruiters in the human resources department. "The hiring manager will look for fit with team, relevant experience, and technical ability. The recruiting department is interviewing purely for culture fit. Candidates have to pass both interviews to be hired. We have actually passed on hiring a lot of really talented people that we know could make an immediate impact on the top or bottom line, but if they're not a culture fit, we won't hire them," said Hsieh.

"We ask 10 to 15 behavioral-based interview questions for each of our core values," Foley explained. "A successful candidate may not necessarily score high on each core value, but they cannot oppose any core value." That said, there *were* some deal-breaker questions. For example, if a candidate scored at either the very top or very bottom on the weirdness question, he or she would not be considered a good fit for the company. Coming up short on humility, another of the company's core values, could also disqualify a candidate, particularly for hires at the senior management level. "If someone is egotistical," Hsieh explained, "there's not even a discussion; we know we're not going to hire them."

Orientation and Initial Training

All new hires were expected to complete four weeks of paid training, which focused largely on call center training, regardless of the position of the new hire. "If you don't pass your four weeks of training, no matter what department you're in, you won't keep your job at Zappos," said Foley. In addition, the company weeded out uncommitted new hires by offering them $2,000 to leave the company; the offer was made during the first week of training. "The offer started at $100, but we slowly raised it because we want more people to take it," explained Rob Siefker, customer loyalty team (CLT) manager, though he noted that very few accepted the offer.

Pipeline

In 2008, Zappos' training communications and process developer, Roger Dana, and his team formalized a pipeline: a process used to develop employees from entry level to "the highest level of management." The pipeline required that all employees undertake 225 hours of "core level" training; this included 160 hours of initial new hire/customer loyalty training as well as additional courses on communicating effectively, coaching others, overcoming conflict, and managing stress. The newest class was entitled "Science of Happiness." "I'll admit, we went back to our desks and giggled a little bit when Tony asked us to develop a class on happiness," said Dana, but he explained that Hsieh had spent a year researching the science of happiness and believed a class on the subject—which Hsieh defined as finding meaning and a larger purpose for life—would support the corporate culture. "Zappos' larger purpose should be about spreading happiness—delivering happiness to the world," said Hsieh.

Through the implementation of the pipeline, Zappos was highly transparent about the skills and courses employees were required to master in order to progress within the company. "We're a nonhierarchical company," explained Foley. "Everyone's role is important, and everyone has the same foundation," she said. Dana elaborated: "The pipeline sets the expectation that anyone could potentially rise to senior management." Indeed, after completing management training, managers could opt to undertake an additional 39 hours of leadership training, which included courses entitled "Inspiring Great Teams," "Leadership Zappos Style," and "Cultivating Culture." In addition, aspiring leaders were expected to teach either a pipeline or department course and deliver a presentation to Zappos employees, visitors, or a local school.

The Second C: Customer Service

Hsieh and Lin believed that a significant part of the company's rapid growth was due to its customers' loyalty (75% of Zappos orders were from repeat customers), which they attributed to their obsessive focus on delivering superior customer service. For the 96% of sales placed via the Zappos website, customer service took the form of fast, free shipping (in both directions); a wide selection of more than 1,200 brands (2.9 million products in inventory); the availability of special sizes; and a highly intuitive, consumer-friendly interface. Customers could simultaneously search by style, size, width, color, and gender and expect to find tens if not hundreds of matches—certain to be in stock (the site displayed only those shoes that were in inventory.)

While the vast majority of customers placed their orders directly through Zappos' website, an average of 5,100 calls per 24-hour day were handled by CLT members (call/contact center representatives). The CLT members were considered problem-solvers, since often customers who called had questions they could not answer for themselves using Zappos' website. For example, a CLT member might help a customer find a brand Zappos did not carry; indeed, in such a circumstance, CLT members were instructed to use the Internet to search for the shoes at multiple competitor websites.

In many traditional call centers, workers were given a time limit—perhaps 180 seconds or less—to finish a customer call. "Here, there's nothing like that," said Dana. "We want customers to think, 'Wow, I didn't feel rushed.' Our vision is that they'll tell 10 of their closest friends and they'll become customers." Zappos CLT members were held accountable for "wowing" customers with their outstanding service. "Quality assurance team members listen to the calls to ensure that CLT members establish a personal, emotional connection—we call it PEC—with customers," explained Lin.

CLT members were authorized—even encouraged—to take as much time as necessary to assist customers with their orders, answer their questions, and troubleshoot their problems. On July 5, 2009, one CLT member set a record with a 5-hour, 20-minute call from a woman interested in MBT "anti-shoes," which simulated the effect of walking on soft, uneven ground; the previous record was just over 4 hours, set by a call with a woman suffering from a condition that dulled sensation in her feet.[24] In both cases—and as often happened when CLT members engaged with Zappos customers—the conversations turned personal. "We started talking about her sister," said one CLT member. "She told me childhood stories," said another.[25] After such conversations, CLT members routinely sent handwritten thank-you notes to customers—thousands each month—and were quick to send bouquets of flowers or boxes of candy in sympathy or celebration. One CLT manager recalled that Hsieh had once remarked that service could always be improved. "If we didn't have to think about cost, the reps would personally get on a plane today and deliver that box."[26] Some of the highest costs were in staffing (more than 25% of the company's employees were CLT members earning an average of $14 to $15 per hour), and shipping costs, which were 17% of sales. This figure for shipping was higher than for comparable retailers since Zappos paid for upgraded shipping and return shipping; 35% of all sales were returned.

CLT members were not evaluated using traditional call center metrics such as average call handle time or cost per contact. Though Zappos did keep track of call-related statistics (average speed to answer the telephone was 17 seconds and the average call length was 5 minutes, for example), it did not use those statistics as performance metrics. Instead, Zappos relied on customer feedback to evaluate its CLT members. Customers wrote letters, blogged about their experience with Zappos, and even created and uploaded video testimonials onto Zappos' website. (See **Exhibit 10** for a sample of customers' e-mailed testimonials.)

Jane Judd, CLT senior manager, noted that call center turnover in 2009 was 7% (the industry standard was 150%). Some turnover could be ascribed to the transient nature of the Las Vegas community, and a portion was due to performance-based firings.

Fulfillment Operations

Zappos maintained its fulfillment center just outside Louisville, Kentucky, in two warehouses totaling 1 million square feet.

Receiving New merchandise and returned goods were accepted through separate warehouse receiving bays. The company's fulfillment centers were in a foreign trade zone,[b] which meant that its vendors could ship to Zappos directly, bypassing customs. Goods were received directly from airports' shipping docks in locked trailers that were not opened until they arrived at Zappos. It was a federal crime to take anything out of the Zappos building; the company had to account for all goods bought and sold, and had to keep whatever was not yet sold within the building.

Received goods were moved via conveyor belts from the receiving bays to the receiving platforms, where team members used foot pedals to move the boxes. "When workers de-case products, they only need to push them onto the conveyor belt, because if you have to pick up 5,000 shoe boxes a day, it becomes difficult for the workers," said Craig Adkins, vice president of services and operations.

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[b] Foreign trade zones provided special customs procedures to U.S. companies that imported international goods for sale. Duty payments were deferred on goods until they were sold into the U.S. market and left the foreign trade zone.

There were 20 receiving stations on the receiving platform, and the department processed 40,000 items, on average, in a 24-hour shift. "Our goal in receiving is to process incoming merchandise within 24 hours of the time it comes off the truck," said Mary Johnson, a receiving team member. All products—shoes, clothing, accessories—were received and processed in the same area, with the exception of high-risk items (those deemed highly fragile or valuable).

A license plate number (LPN) label was assigned and affixed to each product that entered the warehouse. A receiving worker scanned each product's universal product code (UPC) and then linked the UPC to an LPN—a process that associated the product type, size, color, style, and other attributes with the LPN. Adkins explained:

> The LPN reveals the entire life history of an item: I know who received it, who put it away, who picked it, who shipped it, which customer had it, when they returned it—everything. And the benefit of this knowledge is quality. If something falls out of a bin, for example, I know exactly where it came from and can do an instantaneous inventory adjustment. We borrow against our inventory, so banks come in and do audits periodically. As long as I have worked here, we have never had a discrepancy on an audit—not by one single unit.

Once labeled, the product was pushed onto a conveyor belt and passed up through a sorter that directed the product to one of three storage areas: static racks, carousels, or the Kiva robot system. Shoes were housed primarily in the static shelves and carousels, while clothing, accessories, electronics, and other items were mainly stored in the Kiva system.

Put-away areas—static racks Static racks (also called put-away racks) were freestanding shelving units located near the middle of the warehouse. There were four sections on each of four floors, divided by five conveyor belts (three bringing in merchandise from receiving and two carrying picked merchandise to packing/shipping), with 101 shelves per section that together could hold 2.6 million items. Though shoes (and some apparel items) were assigned by section to the static racks, the precise shelf location was assigned by the put-away person. Johnson explained:

> If a team member is working the put-away area, they select an incoming product from the conveyor, scan the LPN, then select any available space in the static racks to store the product. They scan a location sticker on the shelf (which applied to an area measuring 18 inches wide by 20 inches high by 15 inches deep, roughly the size of 15 shoe boxes), and the system married the product to its shelf location. Team members can put away well over 100 items per hour.

Using this process, different brands, sizes, and types of shoes were shelved together. Although the result was a disheveled-looking warehouse, Johnson asked, "Can you imagine if you're trying to find an LPN on a whole rack of nothing but identical boxes? It would be very hard to do. So when the boxes are mixed up like this, it's very easy to find [the] product [you are looking for]."

Put-away team members worked side by side with pickers—those team members who retrieved products from the static shelves once an order was received. Pickers were given scanner guns that digitally displayed their picking assignments. Johnson explained:

> A "wave" of items (containing items from several orders) is sent, via scanner, to a picker. The wave displays items one at a time, only moving on to a new item once the first has been scanned as picked. Picked items are then dropped into oversized shopping carts that are then wheeled alongside the conveyor belts where each wave was loaded. Although items within a single wave are limited to one floor of the building, pickers might have to walk across several rows.

Johnson noted that a team member picked an average of 86 items per hour.

Carousels Zappos' carousel system held 1.5 million items and was the largest horizontal merchandise carousel in the United States. The company operated 30 carousels on each of four floors. Each carousel had 200 bays, and each bay contained four shelves, housing 12 to 15 boxes of shoes. Johnson explained how the carousels operated: "There are floor mats positioned in front of each carousel. When the carousel stops, that means that an order has been received and there's an item there, ready to be picked. Or, if someone is putting away, they can program the carousel to stop at the next available put-away shelf." As with the static shelves, there were conveyors moving merchandise in and out of the carousel area.

Though workers could pick merchandise from the carousels at nearly twice the rate (180 picks per hour) as the static racks, software crashes and mechanical breakdowns lowered the carousel utilization rate to 70%, compared with 100% for the static shelves. Both systems were installed in 2006 when the new warehouse opened, but the original plan called for 300 carousels and no static shelving. When Adkins joined the company just after the plan was approved, he expressed concern about the high capital expenditure of the carousels, predicting that the system's complexity and breakdowns would cost the company productivity. "At the time, I favored a low-tech approach," said Adkins, who recommended a mix of carousels and static shelves. "Our volume did not justify tens of millions of capital spending. We considered other methods, such as a tray system, but they do not offer sufficient return on investment until you're processing hundreds of thousands of units per day."

Pack/Ship The pack/ship area, which was used to box static shelf and carousel orders, had two packing lines: one for single-item orders and another for multiple-item orders, or multis. Single items were easiest to process. After a single item entered the packing area via conveyor (en route from the static racks or carousels), a team member scanned its LPN and printed out a packing slip, which contained a sticker with a bar code that was then applied to the outside of the shipping box. The packing slip was put into the shipping box along with the item, and the unsealed box was then conveyed to the "tape-and-apply" area.

For multis, each item in the order was picked and delivered to the packing area individually, so the items had to be gathered before they could be packed into shipping boxes. When the first item in an order arrived in the multis area, its LPN was scanned and identified to the team member as the first item in a multiple order. The team member then assigned that item to a bin and scanned the bin bar code, which married the item (and the order) to the bin. The next item in the order would automatically tell the team member which bin the first item had been assigned to; and if that next item was the last item in the order, the scanner would indicate that the order was complete. As in the single-product area, once the last item was scanned, a packing slip was printed out and the items were collected from the bin, boxed, and conveyed to the tape-and-apply area. Team members packed approximately 102 items an hour in the singles area and 125 in multis.

The elapsed time from when an order was received to when the box was loaded on a truck averaged 45 minutes for single-item orders and 3 hours for multis. "Most companies measure in hours, some in days. *Nobody* measures in minutes. And almost nobody believes our data when we tell them these numbers," said Adkins. "We have customers who place an order and then call and say, 'I just placed an order an hour ago and want to make a change,' and we tell them it has already shipped." Orders that were loaded onto a truck by 1:00 a.m. were usually delivered to customers the next day because of Zappos' proximity to its primary shipping company, UPS. "We try to push our volume into the evening because it will sit at the airport until 2:00 a.m. anyway," added Adkins.

Kiva In July 2008, Zappos purchased the Kiva Mobile Fulfillment System (Kiva MFS) because the company had exceeded its capacity for storage and processing. The Kiva MFS was an automated storage and retrieval system that used sophisticated software to control footstool-sized robots that moved inventory around the warehouse.[c] Products were stored in inventory pods (3,000 five-shelf storage units) in the center of the warehouse while team members stood at fulfillment stations at the front of the warehouse. When an order was received, one of Zappos' 75 robots retrieved the pod (or pods, in the case of multiple items within an order) where the ordered item was stored and brought the pod to a team member, who picked out the appropriate item and placed it in a shipping box. The team member then "released" the pod, and the robot carried it away to an open location on the warehouse floor.

The system could simultaneously pick orders and replenish inventory; on one side of the floor, goods were received into the system while, on the other, inventory pods were moved to team members for picking and packing. Although the put-away goal for the Kiva system was 150 items per hour, one worker noted that she worked at nearly twice that rate; the picking rate was 200 items per hour.[d]

Adkins noted that the Kiva MFS was twice as efficient as the static shelves and carousels in part because the receiving and put-away functions were done simultaneously. "We have 75 robots, but they are not all in use at the same time. If one fails, we have more off to the side so we can continue operations seamlessly," said Adkins.

In 2009, the Kiva MFS held about 15% of the company's inventory, but Adkins believed that Zappos would eventually increase its investment in the system. "The system's capital expenditure was the same as static shelves (and lower than the carousels), and it had lower installation and operational costs than either of our other two systems," he said. In addition, Kiva was quickly and easily scalable; Zappos could add capacity by merely adding inventory pods and additional robots.

Working in the Warehouse

The Kentucky warehouse ran shifts from 6:00 a.m. to 11:00 p.m. (though often the pack/ship department ran as late as 4:00 a.m.) and employed between 500 and 600 workers. Though Zappos' starting pay of $8.25 for a warehouse worker was average for the Louisville area, the benefits (free lunch, for example) added several dollars to the hourly rate, which, in addition to the traditional Zappos perks, aided with recruitment and retention. Johnson explained:

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[c] Adkins explained the value of the Kiva MFS software:

In the past, technology has been developed primarily for companies that operate distribution warehouses—in other words, they are designed to route boxes of products to retail stores. Accuracy was not necessarily a key metric. If the orders are only 90% accurate, what's the difference? Every Wal-Mart uses the same 55,000 SKUs [stock-keeping units]—if they receive too much of one product in error, they'll still be able to sell it. Most of the existing software was adapted from this type of fulfillment, but Kiva is the first technology designed specifically for direct-to-customer fulfillment.

[d] Adkins explained why the system was so fast:

Kiva effectively eliminates bin dwell time—the amount of time one item sits awaiting the arrival of another in an order—because it retrieves products simultaneously. Robots retrieving different items for an order are coordinated to travel at the same time. For example, a customer orders sunglasses and body lotion. The sunglasses are stored in a pod located five minutes away, and body lotion is in a pod located three minutes away. When the order is received, the sunglasses pod begin to move toward the fulfillment station and, when it is three minutes away, the second pod begins to move so they both arrive at the pick station at the same time.

> There are computers set up for our Internet café and you can karaoke during your lunch break. We have Wii Guitar Hero and Rock Band video games—we get lots of perks. All the vending is free and they serve us soup, sandwiches, and salad three days a week; two days a week they even cater in. So that alone saves me a lot of money. It is a hot, boring job, and we may not get paid top dollar, but with our benefits and free food, it really makes a difference.

Team members were trained by department "qualifiers"—staffers responsible for awarding job qualification requirements (JQR) certification. "If you have a JQR, it means you are trained and qualified to do a particular job, such as receiving," explained Johnson, who noted that team members could earn as many as 10 JQRs for jobs throughout the warehouse.

Zappos rewarded its warehouse workers not for improving efficiency but for being flexible. "Pay increases are tied to JQRs, which allows us to flex to where labor is required. We had a snowstorm where we lost power for six hours. We didn't miss a truck, or miss any orders. We were able to shut receiving down and moved everybody to outbound because everyone was cross-trained. We made our orders for the day even though we were shut down for six hours," said Justin Williams, process manager.

Though many similar companies used pay-for-performance systems to boost worker productivity, Adkins believed Zappos workers were highly efficient due to the company's supportive culture. "I get calls all the time from efficiency consultants who say they can save me 20% if I use pay-for-performance. Then they come in and say, 'Your people seem to be working as fast as they can. You must have a pay-for-performance system already,' but we don't. Our workers work hard because we create an environment where they want to do well. We treat them with respect, treat them well, do extra for them, do whatever we can for them," said Adkins. Indeed, Adkins noted that Zappos' physical plant conditions were better than at other, comparable companies—cleaner and climate-controlled. "We installed chiller fans—32 feet in diameter—last year. That wasn't about efficiency, only about human comfort. The loss in labor efficiency [from overheated workers] could never pay for the cost of the chillers," he said.

Melissa Leary, fulfillment center recruiter, pointed out that although the Kentucky and Las Vegas operations shared core values, there was a noticeable difference between the cultures of the two sites. "We have the same values, and we're passionate [about them], but it is different because it has to be," she explained. "We're a production operation. In Las Vegas, 80% of their *job* is to be social [and interact with each other]. Here, we have to hit numbers. We have to make sure orders go out. We can't pull people from production to do parades; we use break time. That said, we encourage people to socialize with each other, but our proportions are more like 10% social and 90% production."

The Third C: Clothing

In 2006, Zappos began to pursue several additional lines of business, including purchasing a discount footwear site, running e-commerce sites for other companies, offering private-label products, and providing online business advice. (See **Exhibit 11** for summaries of these lines of business.) Zappos had already begun testing sales of new product lines, including handbags, sunglasses, and accessories. "We always knew we wanted to be bigger than a shoe company, so we started into other categories where customers had expressed interest," explained Lin.

In the third quarter of 2006, Zappos tested offering athletic apparel—a natural vertical market since nearly 30% of the company's sales were for athletic shoes. The U.S. clothing market was four times as big as the shoe market, making it an attractive category for Zappos to pursue. "It is a large market and one we think we can address by creating a personal emotional connection with our customers. People love shoes, but they also establish an identity with the clothing they wear. Apparel seemed like a more powerful engine for growth and expansion than trying to grow internationally in just shoes and accessories," said Lin.

Within a year, Zappos had signed up 300 apparel brands. "We started with brands where we already had a relationship. Asics sells running shoes, so we started to sell running shorts and T-shirts. The North Face sells outdoor shoes, so we began to buy their clothing, too. Whenever we go into anything we start small and stay focused," said Lin. "It allows us to test." Lin noted that the margins and the return rates were the same for apparel as for shoes, though there were significant differences in the business model for the two categories. "In the shoe industry, there are only two seasons, but in clothing, there are four," he explained. "So trying to figure out what to buy and how quickly you need to sell it through is a new challenge." Zappos also learned that sizing was less standard for clothing than it was for shoes, and Lin believed that as the company grew the category, it would likely experience higher return rates as a result.

Zappos adjusted its warehouse operations to enable it to process clothing. "We knew that we needed more flexibility in terms of how clothing would be stored—hung and put away—so we ordered Kiva," said Lin.

In 2007, apparel was 5% of Zappos sales. The company was finding it challenging to get customers to think of Zappos as more than a shoe company. "Trying to sell cross-category takes more time than one might expect in terms of getting customers to think of us as a clothing company," said Lin. "The time it takes to educate the customers is taking a little longer. Maybe we're impatient, but shoes should be only 20% of our sales because apparel is four times the size of the footwear market. It is the inverse today, but perhaps we can change it over time."

The company sold $31 million in apparel in 2008 and set a goal of $66 million for 2009. Though the growth trajectory for clothing was improving, it still represented a very small portion of Zappos' business. Regardless of how big the company's apparel business grew, in the long term Hsieh and Lin wanted Zappos customers to associate the Zappos name with service, not with shoes—or even clothing. "We are a service company that happens to sell shoes. And clothing. And handbags. And accessories. And eventually anything and everything," was a popular Zappos saying.[27]

Beyond 2009: Continuing to Grow Zappos

Zappos was affected by the 2008–2009 economic recession and laid off 8% of its workforce in November 2008. The company faced several financial challenges as it sought to reach its new growth goals. Although it anticipated generating sufficient free cash flow to pay off its inventory costs, capital loans, and equipment leases by the end of 2009, the company relied on several banks to provide it with a $100 million line of credit.

In 2009, the company focused on reducing capital expenditures and debt to improve cash flow. This meant that Zappos might need to defer growing its Kiva MFS. "The static shelves and carousel systems were built to last 15 to 20 years, and ours are only 3 years old. We have millions of dollars of underappreciated capital, so we really can't rip them out yet," said Adkins, who nevertheless hoped to be able to expand the Kiva MFS by 2012.

Hsieh and Lin considered the Amazon offer in light of Zappos' needs and opportunities. Lin summed up the situation:

> Amazon's technology and infrastructure are at a much higher scale than Zappos. Their website gets more hits, they have more R&D resources, they have much more targeted e-mail technology and a recommendation engine that they have built. We don't have the time or resources to build some of these tools. On the infrastructure side, they are operating at a much larger scale, and they know how to operate more efficiently. They have $4 billion on their balance sheet so that helps with our desire to grow faster. We do want some growth capital. We've been young and scrappy, managing business very tightly. With more people as well as capital, we can grow much faster.

In the meantime, Zappos needed to fund inventory for new lines and businesses. "Our inventory needs only grow," said financial analyst Chris Marlin. "Until now, 6pm.com, a new site which sold discontinued and past-season merchandise at a discount, has been using old Zappos inventory, but now it is beginning to buy its own." Lin pointed out that Zappos was quickly expanding its apparel offerings and expected the business to rival its footwear sales. "We should be able to accelerate our growth rate by being in apparel. Between 2009 and 2014, we want apparel to have the same growth rate as we had for the first five years of our footwear business," said Lin. "We want to outfit a person head to toe," he added.

Hsieh focused on inspiring Zappos employees. "Why don't all companies try to build strong cultures? I believe we accomplish more through inspiration than motivation," said Hsieh. "Inspire employees with a vision that's bigger than themselves, that goes beyond money, profits, and the size of the market share. It is about raising the bar for everyone," he said.

Exhibit 1 Zappos Income Statement, 2007 to 2009 ($ thousands)

	2007	2008			2009	
	12 months ended Dec 31	3 months ended June 30	6 months ended June 30	12 months ended Dec 31	3 months ended June 30	6 months ended June 30
Net revenues	526,829	152,613	285,323	635,011	165,236	309,099
Cost of revenues	333,884	97,158	181,406	411,650	106,555	201,092
Gross profit	192,945	55,455	103,917	223,361	58,681	108,007
Operating expenses:						
Sales, marketing and fulfillment	123,260	37,862	70,792	153,285	36,870	71,688
General and administrative	18,962	5,870	11,997	23,041	5,788	10,989
Product development	18,224	6,154	12,443	25,262	5,767	11,514
Total operating expenses	160,446	49,886	95,232	201,588	48,425	94,191
Income from operations	32,499	5,569	8,685	21,773	10,256	13,816
Interest and other income, net	731	133	325	559	101	173
Interest benefit (expense) associated with preferred stock warrant	(10,825)	(5,771)	(5,746)	9,670	(12,441)	(13,721)
Other interest expense	(6,930)	(1,067)	(2,814)	(5,825)	(826)	(1,775)
Other financing charges	(335)	(121)	(280)	(832)	(102)	(226)
Income (loss) before provision for income taxes	15,140	(1,257)	170	23,345	(3,012)	(1,733)
Provision for income taxes	(10,288)	(1,562)	(1,550)	(5,208)	(3,343)	(4,356)
Net income(loss) from continuing operations	4,852	(2,819)	(1,380)	20,137	(6,355)	(6,089)
Discontinued operations, net of tax	(3,084)	(679)	(1,525)	(9,365)	30	(14)
Net income (loss)	1,768	(3,498)	(2,905)	10,772	(6,325)	(6,103)

Sources: Amazon.com Inc. S-4, filed July 27, 2009; and Amazon.com Inc. S-4/A, Pre-Effective Amendment to S-4, filed September 25, 2009.

Exhibit 2 Zappos Balance Sheet, 2007 to 2009 ($ thousands)

	As of December 31		As of June 30
	2007	2008	2009
Assets			
Current assets:			
Cash and cash equivalents	6,761	8,590	4,470
Restricted cash	1,687	2,245	2,176
Accounts receivable, net	8,461	6,772	5,039
Inventory, net	161,988	168,131	176,918
Deferred income taxes	12,267	15,890	15,890
Prepaid exp and other assets	2,496	3,253	3,328
Total current assets	193,760	204,881	207,821
Property and equipment, net	44,286	48,962	49,069
Deferred income taxes	3,098	708	708
Intangible assets, net	4,405	8,646	8,296
Other assets, net	705	2,075	1,860
Total assets	246,254	265,272	267,754
Liabilities and stockholder's equity			
Current liabilities:			
Accounts payable	76,055	69,792	61,823
Accrued and other liabilities	28,467	51,409	76,464
Deferred income taxes	527	559	559
Accrued sales returns	16,762	18,637	13,988
Current portion of loan obligations	2,747	4,863	18,722
Current portion of capital lease obligations	1,051	1,490	3,046
Revolving line of credit	29,000	26,006	35,000
Total current liabilities	154,609	172,756	209,602
Deferred rent	1,883	1,514	1,467
Deferred income taxes	3,418	2,870	2,870
Other long term liabilities	28,868	19,935	3,748
Loan obligations, noncurrent	20,188	15,777	0
Capital lease obligations, noncurrent	1,809	1,702	3,734
Total liabilities	210,775	214,554	221,421
Stockholders' equity:			
Convertible preferred stock	61,465	61,465	61,465
Common stock	16	16	16
Additional paid-in capital	2,092	6,557	8,275
Accumulated deficit	(28,092)	(17,320)	(23,423)
Total stockholders' equity	35,479	50,718	46,333
Total liabilities and stockholder's equity	246,254	265,272	267,754

Source: Amazon.com Inc. S-4/A, Pre-Effective Amendment to S-4, filed September 25, 2009.

Exhibit 3 Zappos Cash Flow Statement, 2007 to 2008 ($ thousands)

	As of December 31,	
	2007	**2008**
Operating activities		
Net income	1,768	10,772
Amortization of deferred financing costs	288	309
Depreciation and amortization	9,682	11,481
Impairment of fixed assets	2,133	638
Asset retirement obligation	62	59
Reserves on returns	3,813	1,875
Provision for bad and doubtful debt	63	145
Provision for excess and obsolete inventory	2,985	2,223
Stock-based compensation	1,997	2,884
Deferred income taxes	(2,980)	(927)
Cumulative effect of the adoption of FIN 48	(500)	n/a
Loss on disposal of property and equipment	350	6
Chg in carrying value of preferred stock warrants	10,825	(9,670)
Changes in operating assets and liabilities:		
Credit card and other receivables	(3,506)	1,545
Merchandise inventory	(20,681)	(8,366)
Prepaid expenses and other assets	(1,083)	(2,354)
Accounts payable	16,937	(7,443)
Accrued and other liabilities	11,494	22,415
Net cash provided by operating activities	33,647	25,592
Investing activities		
Purchase of property and equipment	(11,108)	(13,471)
Purchase of intangible assets	n/a	(4,850)
Purchase of 6pm.com intangible assets and inventory	(4,000)	n/a
Decrease in restricted cash	5,714	404
Net cash used in investing activities	(9,394)	(17,917)
Financing Activities		
Proceeds from exercise of employee stock options	204	282
Repurchase and retirement of stock	(3,000)	n/a
Excess tax benefit on stock awards	443	1,301
Increase in restricted cash	(404)	(962)
Borrowings under revolving line of credit	549,184	666,333
Repmt of borrowings under revolving line of credit	(564,965)	(669,327)
Borrowings under loans	3,501	271
Repayment of loan and construction payables	(2,595)	(2,566)
Payment of capital leases	(1,152)	(1,178)
Net cash used in financing activities	(18,784)	(5,846)
Change in cash and cash equivalents	5,469	1,829
Cash and cash equivalents at beginning of year	1,292	6,761
Cash and cash equivalents at end of year	6,761	8,590

Source: Amazon.com Inc. S-4, filed July 27, 2009.

Exhibit 4 Amazon.com Inc., Income Statement, Cash Flow Statement, and Balance Sheet, 2007 to 2008 ($ millions)

	As of December 31,	
	2007	2008
Income Statement		
Net sales	14,835	19,166
Income from operations	655	842
Net income	476	645
Basic earnings per share	$ 1.15	$ 1.52
Diluted earnings per share	$ 1.12	$ 1.49
Cash Flow Statement		
Net cash provided by operating activities	1,405	1,697
Purchases of fixed assets, including internal-use software and website development	(224)	(333)
Free cash flow	1,181	1,364
Balance Sheet		
Total assets	6,485	8,314
Long-term debt	1,282	409

Source: Amazon.com, 2008 Annual Report, http://phx.corporateir.net/External.File?item=UGFyZW50SUQ9MjAyN3xDaGlsZElEPS0xfFR5cGU9Mw==&t=1, accessed September 22, 2009.

Exhibit 5 Market Value of Selected Online and Footwear Retailers, July 22, 2009 ($ millions)

	Market Value
Amazon	38,148.44
Gap	11,260.58
Sears	7,856.02
Macy's	5,328.68
Nordstrom	5,248.89
Footlocker	1,669.01
Payless Shoesource	958.13
Genesco	439.45
Brown Shoe Company	299.85
DSW Shoe Warehouse	201.68
Shoe Carnival	156.04
Footstar	21.58
Bakers Footwear Group	5.68
Shoe Pavilion	0.02

Source: Thomson One Banker, accessed August 2009.

Exhibit 6 Zappos Gross Sales by Year, 2000 to 2008 ($ millions)

Year	Gross Sales
2000	1.6
2001	8.6
2002	32.0
2003	70.0
2004	184.0
2005	370.0
2006	597.0
2007	841.0
2008	1,014.0

Source: Company documents.

Exhibit 7 Zappos' 10 Core Values

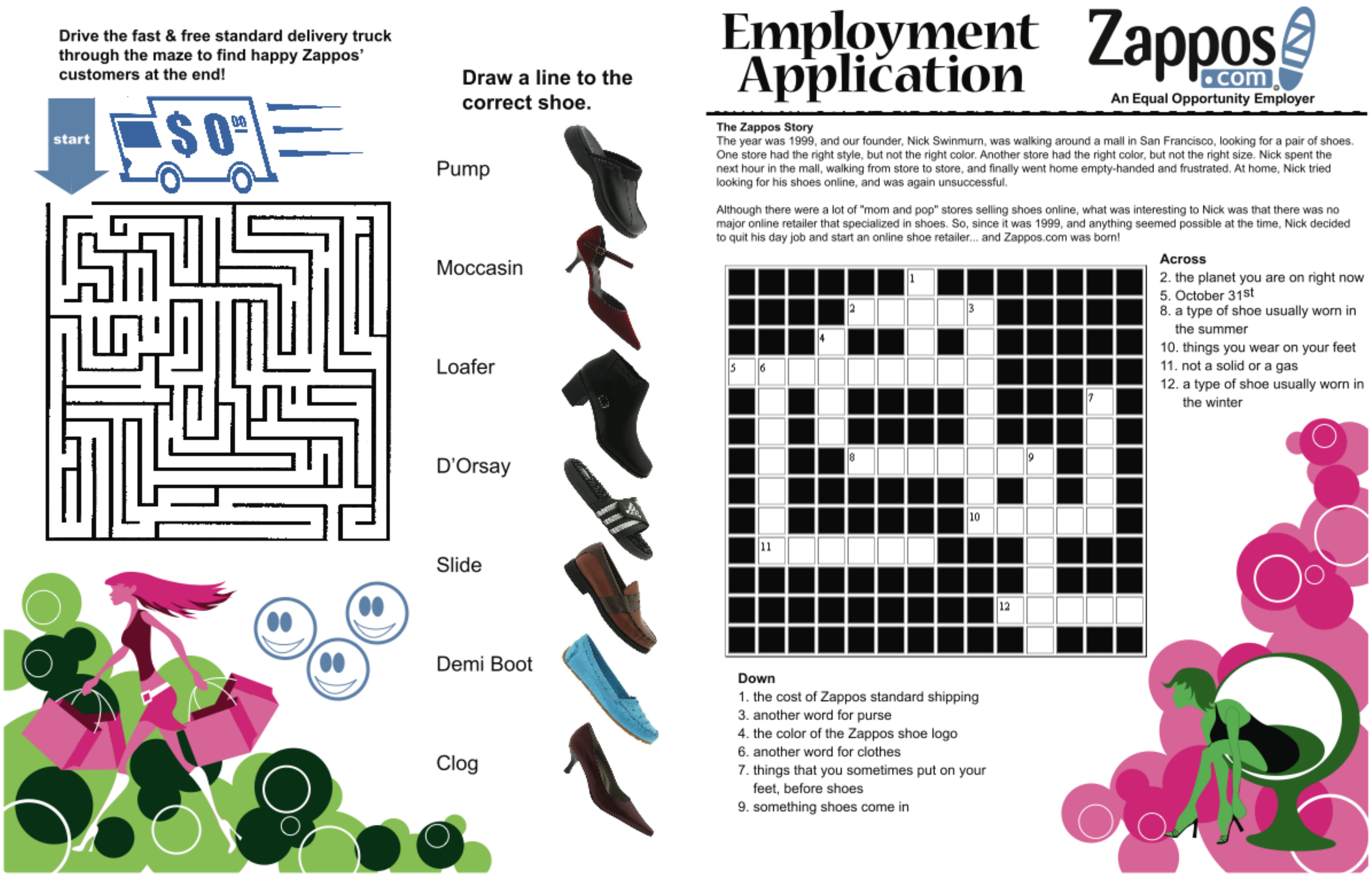
1. Deliver WOW through service
2. Embrace and drive change
3. Create fun and a little weirdness
4. Be adventurous, creative, and open-minded
5. Pursue growth and learning
6. Build open and honest relationships with communication
7. Build a positive team and family spirit
8. Do more with less
9. Be passionate and determined
10. Be humble

Source: Company documents.

Exhibit 8 Photographs of Zappos Headquarters

Source: Company documents and casewriter.

Exhibit 9 Zappos Employment Application Sample Page



Drive the fast & free standard delivery truck through the maze to find happy Zappos' customers at the end!

start

Draw a line to the correct shoe.

Pump

Moccasin

Loafer

D'Orsay

Slide

Demi Boot

Clog

Employment Application

Zappos.com

An Equal Opportunity Employer

The Zappos Story

The year was 1999, and our founder, Nick Swinmurn, was walking around a mall in San Francisco, looking for a pair of shoes. One store had the right style, but not the right color. Another store had the right color, but not the right size. Nick spent the next hour in the mall, walking from store to store, and finally went home empty-handed and frustrated. At home, Nick tried looking for his shoes online, and was again unsuccessful.

Although there were a lot of "mom and pop" stores selling shoes online, what was interesting to Nick was that there was no major online retailer that specialized in shoes. So, since it was 1999, and anything seemed possible at the time, Nick decided to quit his day job and start an online shoe retailer... and Zappos.com was born!

Across

2. the planet you are on right now
5. October 31st
8. a type of shoe usually worn in the summer
10. things you wear on your feet
11. not a solid or a gas
12. a type of shoe usually worn in the winter

Down

1. the cost of Zappos standard shipping
3. another word for purse
4. the color of the Zappos shoe logo
6. another word for clothes
7. things that you sometimes put on your feet, before shoes
9. something shoes come in

Source: Company documents.

Exhibit 10 Selection of Customer Testimonials

Hello, This is just a quick note to say thank you for outstanding customer service and shipment time. Every time I place an order with Zappos, I receive my goods 2 days later. I don't know how you do it, but you are doing something right. I don't mind paying more for my shoes on Zappos, because I know I can trust your quality. I've already received my order and I'm very pleased. Thanks and keep up the great work. I am telling all my friends about your wonderful website! Dina R.

Dear Zappos: Just a quick note to tell you that every time I call your company, the people I deal with are so nice. They are patient and helpful. Perhaps they should help the airline industry, in teaching good customer service, and manners. Your employees are the best. Thank you. Heidi

I just placed my order last night. I expected my order to arrive sometime between Sat. and Mon. or Tues. I was very surprised when I received an email telling me my order priority had been moved up just because you appreciated my business. Well, I have to say the very same to you. I received my order today. It was a pair of shoes for my son. He was so excited when he saw the UPS truck outside of our house. Again thank you all so very much! Keep up the excellent service! Renee W.

I just wanted to thank you for being so wonderful. Last week I ordered a pair of shoes but when I got them home the color didn't match so I needed to return them. What I didn't realize was that when I shipped them back to you, my cell phone charger was also in the box. The last couple of days I have been going crazy looking for it. But to my surprise it showed up today. My UPS driver just dropped off a tiny Zappos box. As I opened the box knowing that I hadn't ordered anything, I was amazed and grateful to find the charger in there. This little gesture just proves how much your company goes above and beyond for their customers and I for one truly, truly appreciate it. When you say "We are always here for you" you really mean it! I love your company, site, and all you stand for and do for your customers. I can't thank you enough for making my day! I hope you have a wonderful weekend! Lisa H.

Our jaws dropped that the birthday sneakers I ordered after 9 pm eastern time Monday with your free shipping, were sitting in my grandson's Arizona kitchen when he got home from school yesterday (Tuesday)!!! Zappos is the best! Thank you. Dianne W.

Source: Company documents.

Exhibit 11 Zappos' Additional Lines of Business, Launched between 2006 and 2009

Powered by Zappos

In 2006, Zappos introduced Powered by Zappos (PBZ), a service whereby Zappos ran and maintained websites for other companies. Zappos warehoused the sites' inventory, shipped their products, and operated their call centers. In 2009, Zappos maintained PBZ sites for footwear and non-footwear manufacturers ranging from Clarks to Stuart Weitzman.

6pm.com

In July 2007, Zappos announced it would acquire 6pm.com from eBags.com. As Zappos' "value" site, 6pm.com offered merchandise at a 40% to 70% discount, but customers paid for shipping, and customer service was conducted largely via e-mail. 6pm.com provided lower quality service than Zappos. "They [customer service representatives] get the same training as Zappos.com team members, but use different terms and policies (e.g., returns were limited to 30 days, shipping charges applied, and the call center was open Sunday to Friday, from 9:00 a.m. to 5:00 p.m. rather than 24 hours a day, 7 days per week). The culture, however, is the same. There is a price sensitive customer and we want to service them," said Jeneen Minter, director of financial planning and analysis.

Hsieh believed that a pure discount model was not sustainable in the long term. "Most items on Zappos.com are not priced lower than brick-and-mortar stores—some might even be more expensive," he said. "Whether online or brick-and-mortar, anyone who competes on price alone is not going to have loyalty for long if they aren't always the lowest," said Hsieh.[28] Nevertheless, 6pm.com gave Zappos a site through which it could sell discontinued and past-season merchandise—a move that allowed the company to close all but one of the retail outlet stores it had begun to open starting in the early 2000s.

"This wasn't about adding new brands," said Hsieh, who noted that nearly 90% of 6pm.com's brands were already available through Zappos.com. "It was about appealing to new customers."[29]

Private Label

Zappos marketed 10 private-label footwear brands that in 2009 comprised just over 5% of the business. Labels included Gabriella, Rocha, type Z, Fitzwell, and RSVP. Hsieh explained the rationale for the growing business:

> Our philosophy toward private label is similar to our philosophy as a retailer. We're a full-margin retailer, and we don't want to compete on price. . . . Our strategy is to build a product that will be higher quality than a customer can typically get in that price range.[30]

Exhibit 11 (continued)

Zappos Insights

Zappos Insights was a subscription-based online resource that Zappos developed in 2009. The site provided video interviews with Zappos senior management, articles, and other resources to share Zappos' learning and the story of its growth. Zappos described the product on its website:

> We are constantly asked for input and ideas to help many companies (or divisions within companies) get to the next level. Over time, we've found that many business leaders have the same (or very similar questions). We figured this could be a great way to share our learnings, and also allow your peer network to learn from questions others may have. With so many management consulting firms charging such high rates, we wanted to come up with something that's available to all businesses. To ensure that this information is available to as many individuals and businesses as possible, the membership is only $39.95 per month. Subscribing now guarantees that you'll immediately receive access to all the content on the site to help you take your business to the next level.[31]

Source: Company interviews.

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