

Zappos case study

Business



Case Description: If you like shoes and shop online, you probably have heard of Zappos. com.

Nick Swinmurn was inspired to found the firm after a frustrating shopping excursion in San Francisco where he failed to find a properly fitting pair of shoes in the right size, style and color. Swinmurn translated his unpleasant shopping experience into new business expressly designed to meet the demanding needs of serious shoppers. As a result of his entrepreneurial zeal and his shrewd exploitation of the tools of e-commerce, Zappos grew from its start in 1999 to over \$1 billion in gross annual sales by 2008, and was such a success that Amazon. com decided to acquire the firm for \$ 1. 2 billion in 2009.

In 1999, the U. S. shoes industry was estimated to be a \$40 billion market. As of that date the shoes industry was heavily dependent on direct retail channels such as established chain stores. It is also noteworthy that approximately 1 in 3 retail sales were lost due to out of stock issues, including: inventory limitations, constraints on the number of brands sold in a given location, the number of sizes and styles carried in each store, and so forth.

Like its now parent company Amazon had done with books, Zappos overcame these limitations through the stocking of a vast inventory of all makes, styles, colors, and sizes, displayed and sold through their e-commerce platform.

From Idea to Business Venture In 1999, there was no web site that had a large enough scope of shoes online. To his surprise, Swinmurn found that there was no major online retailer who focused primarily on selling shoes.

Knowing little about shoe retailing, he decided to test the idea of an online shoe retailing web site by approaching brick and mortar shoe retailers close to his home and he asked for permission to photograph their shoes. He posted his pictures to a modest eCommerce Web site. To fulfill orders that were placed through his Web site, Swinmurn would physically go to the store that carried the product buy the pair of shoes and ship it to the customer.

This prototype of an eCommerce shoe business provided Swinmurn with the proof of concept he needed to build a real online business.

Soon, he signed a collaborative relationship with three major shoe distributors, whereby they would drop ship shoes to customers who ordered them off Swinmurn's Web site. Zappos.com grew out of this initial set of activities – a new eCommerce giant was born. As Zappos rapidly grew, order fulfillment became a challenge. The firm could not always guarantee the timeliness of supplier drop shipments to individual customers.

To meet the expectations of its online retail clientele, Zappos began to open its own warehouse and fulfillment centers, employing approximately 1, 600 workers.

By 2004, these centers carried in excess of 3 million shoes, handbags, and other clothing items and accessories, drawing on over 1, 100 different brands. As a result, Zappos.com offered the best selection of shoes available anywhere online. Customer Service While the original idea behind Zappos <https://assignbuster.com/zappos-case-study/>

was to create a web site that offered a huge selection of shoes, the founder also believed that to compete in the eCommerce marketplace, the firm must provide the “ best service” as well as a vast product mix.

Therefore, like Amazon, Zappos’ fulfillment focused on fast and accurate order processing and speedy delivery to the customer.

The firm offered free deliveries and returns as well as a guaranteed 4-day delivery window and a 365-day return guarantee. Furthermore, Zappos allowed its fulfillment center personnel broad latitude in addressing customer needs and complaints. The focus was on customer satisfaction and hence there were no call center scripts, time limits on calls, or predefined responses to customer issues. Every employee was given four-weeks of training in the company’s business strategy, culture, and customers focus. New employees were paid their full salary during this training period.

Use of web-based Information Technology Zappos embraced Twitter as a valuable tool for building company culture. From its beginning, everyone in the entire organization was expected to use Twitter for communications within the company. When the CEO saw that it helped people connect at a more personal level, he began to encourage everyone to use Twitter to create a more collaborative corporate culture. However, Zappos also realized social media’s value in building an interactive customer community – deemed “ Zapponians. Customers could send a tweet to Zappos from most of the web pages on firm’s Web site and Zappos directly interfaces with Twitter servers in order to monitor and track Zappos-related conversations (including setting up a separate website called “ Zappos Conversations”).

The employees also used blogs to interact with customers. Of course, not all interactions were positive, but the overall result includes 1, 200 social media “ conversations” with customers per month, 600 positive monthly fan tweets, and over 2. 6 million Twitter followers.

As its business grew, the firm opened more web sites, including Couture. zappos. com, Outdoor.

zappos. com, Rideshop. zappos. com, Running. zappos. com, Blogs.

zappos. com, and Deliveringhappiness. com. [Note: Students should visit at least one Zappos Web site and assess its quality in terms of content, design, and functionality.] Worker Retention In most retailing companies, employee turnover was generally high. Zappos had a unique way of dealing with the problem.

New employees went through an intensive four-week training program, immersing them in the company’s culture, strategy, and processes.

After a week or so into this training program, the firm proposed what was known at Zappos as “ The Offer” to its new employees. The firm offered to pay its newest employees money if they chose to quit at that point in their tenure with the firm. The offer went something similar to this: “ If you quit today, we will pay you for the amount of time you’ve worked, plus we will offer you a \$ 3, 000 bonus. ” Zappos actually offered an incentive for its employees to quit! But of course the objective here was to ensure that only those committed to the success of Zappos stayed with the firm.

Culture Zappos' employees live by a set of core values. First among these was that the employees were encouraged to create a fun atmosphere at work. For example, the staff could dress in funny costumes. They could bring their pets to work and organize entertaining events during office hours. All these activities were intended to maintain a creative and open atmosphere in the work place, and a sense of “ coolness. ” For his part, Swinmurn was very much part of this fun culture, communicating with the company via blogs and Twitter.

Overall Zappos' corporate culture celebrated and embraced diversity and each worker's individuality. Even with all the fun, the firm achieved considerable business success. [pic] Tony Hsieh, chief executive of Zappos. Photograph: Zappos Twitter account Case Questions: 1. What is the business model (re: how do they make money, what is their value proposition) for Zappos and what are three critical success factors for the firm? 2. List and describe the application software supporting the respective business process and the IT infrastructure enabling the application software.

Business Process | Application Software | IT Infrastructure | | Order processing | | | Supply chain logistics and warehousing | | | Customer servicing | | | Human resource management | | | Financial management | | | 3. Describe the role the Zappos' Web site and related services support its customer intimacy and operational excellence business objectives. Your answer should address the websites design (layout, functionality, and content). 4. Describe the reasons it made sense for Amazon to acquire Zappos. Separately, describe the expertise (in terms of information systems

and the use of IT) that Amazon brought to the deal that might improve Zappos' eCommerce capabilities.