Read the Zappos case on p. W-120 (Chapter 14 > OB Skills Workbook > Cases for Critical Thinking > Zappos Does It with Humor) and respond to the following question: What traits of effective leadership does Tony Hsieh demonstrate at Zappos? What aspects of his leadership can you criticize, if any? Is his approach transferable to other leaders and other organizations, or is it person and situation specific? CASE 14Zappos Does It with HumorZappos.com customers are known for their fierce loyalty, and it's easy to see why. CEO Tony Hsieh has built a billion-dollar business providing happiness to his customers, employees, and even fellow businesspeople seeking to learn more about the company's unique blend of humor, compassion, and high-quality customer service. How does Zappos do it? Unusual Leader Faces Unusual Circumstances No stranger to high-pressure conversations, Zappos CEO Tony Hsieh recently found himself discussing a very familiar topic under unusual circumstances. Hsieh was the featured guest on The Colbert Report, where host Stephen Colbert grilled Hsieh to learn the secrets of Zappos's phenomenal success and rabid customer loyalty. Hsieh simply replied that it's Zappos's goal to deliver WOW in every shoe or clothing box. When Colbert pressed him to explain, Hsieh elaborated that, among other tactics, loyal Zappos customers are sometimes treated to a complementary upgrade to overnight shipping. “A lot of people order as late as midnight Eastern, and the shoes show up on their doorstep eight hours later,” he explained. Seemingly speechless, Colbert peered over his glasses and only said, “Wow.”1From Start-up to One of Fortune's Best Places to Work The brainchild of Hsieh and founder Nick Swinmurn, Zappos.com launched in 1999, selling only shoes complemented with the unique premise to deliver happiness with every customer interaction. By 2001, gross sales had reached $8.6 million. That number nearly quadrupled to $32 million in 2002. A few years later, Zappos caught the eye of Amazon's Jeff Bezos. He liked what he saw and spent $928 million to buy the firm for Amazon's business stable in 2009.Today, the company is one of Fortune's 15 Best Companies to Work For and continues to earn more than $1 billion annually. Zappos fulfillment centers currently stock more than three million shoes, handbags, clothing items, and accessories from over 1,130 brands.2Zappos Grows, Amazon Buys In Zappos sees a lot of potential in continuing to expand beyond shoes. While footwear still constituted 80 percent to 85 percent of Zappos's business last year, Hsieh wants Zappos's clothing lineup to be another billion-dollar business, and he's working hard to attain that goal within the next three years. “Hopefully, ten years from now, people won't even realize that we started selling shoes,” he said.3Under Amazon, Zappos has maintained its focus on customer service. For Hsieh, the Zappos brand is less about a particular type of product and more about providing good customer service. He remarked that he could see the Zappos name on things as large as airlines or hotels, as long as the service was up to his exacting standards. “We could be in any industry that we can differentiate ourselves through better customer service and better customer experience,” he said.4 This customer-first strategy is working out in a big way for the company: At last count, over 75 percent of its customers are repeat customers.5Customers Get Special Handling The blog search engine Land calls Zappos “the poster child for how to connect with customers online.” It uses Facebook and Twitter to connect with their customers, distributors, employees, and other businesses. The company's relentless pursuit of the ultimate customer experience is the stuff of legend. Zappos offers extremely fast shipping at no cost and will cover the return shipping if you are dissatisfied for any reason at any time.