

CASE STUDY

ZAPPOS

Organization Culture as a Business Strategy

*"Your culture
is your brand."*

– Tony Hsieh
Ex-CEO Zappos

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Zappos is a US online retailer known for shoes and standout customer service.

Context

"We hear strategies like pricing, product, and marketing—but **culture**? That's usually just a poster, not a business model.

Zappos flipped the script—where others saw culture as HR fluff, they made it the **strategy**...and built a billion-dollar empire proving it works."



Introduction

- ❑ In 1999, Nick Swinmurn couldn't find the shoes he wanted at a mall, sparking the idea to **sell shoes online**.
- ❑ He pitched the concept to **Tony Hsieh's** Venture Frogs investment fund. Shoes were a \$40 billion market, but no major player was selling them online.
- ❑ Tony was initially skeptical but changed his mind after his own frustrating shoe search. He invested and later joined Zappos full-time as CEO.
- ❑ Today, Zappos is a **multi-billion-dollar brand**, globally recognized for its legendary customer service and **culture**.

The company was initially called ShoeSite.com, but it was soon rebranded as **Zappos**, inspired by the Spanish word for shoes, "zapatos."

The Business Challenge

Early 2000s:

Customers hesitated to buy shoes online—worried about sizing, returns, and trust.



Shipping

Free Shipping Both
Ways



Returns

365-Day Return
Policy



Service

24/7 Customer
Service

Zappos innovations

The Secret Sauce

Designing Core Values

- ❑ Zappos created **committable core values**—used to hire/fire.
- ❑ Avoided vague, generic values common in other firms.
- ❑ Took 1 year, with 37 employee-sourced ideas refined.

Core Values

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun & a Little Weirdness
4. Be Adventurous, Creative & Open-Minded
5. Pursue Growth & Learning
6. Build Open & Honest Relationships with Communication
7. Build a Positive Team & Family Spirit
8. Do More with Less
9. Be Passionate & Determined
10. Be Humble

The conviction

*"Some people visit Zappos and say, **"Your crazy culture would never work at my company."** My response is that it doesn't matter what your values are—what matters is that you have them and align the entire organization around them. The true power comes from hiring people whose values align with the company's values and maintaining consistency across the organization."*

– Tony Hsieh

Values in Action

- ❑ **The “Weirdness” Question:** Candidates were asked to rate their weirdness on a scale of 1–10, reflecting Zappos’ embrace of individuality.
- ❑ **Culture Book: Pay to quit:** Zappos publishes an unedited annual Culture Book with employee reflections on what the culture means to them.
- ❑ **Onboarding:** Every new employee, regardless of role, underwent:
 - 4 weeks of customer service training.
 - 2 weeks handling real customer calls.
 - A warehouse visit to understand operations firsthand.

“If you get the culture right, everything else will fall into place” - Tony Hsieh

The Humility Test

As part of its hiring process, Zappos had a clever, hidden culture test. When candidates flew in for interviews, a shuttle driver would pick them up from the airport. What candidates didn't know was that the driver was quietly assessing their attitude and behavior—whether they were kind, polite, and respectful. After the ride, the driver's feedback became part of the hiring decision. No matter how skilled a candidate was, if they treated the driver poorly, they wouldn't get hired—proving Zappos' deep commitment to culture fit.



Values in Action

- ❑ **Ask Anything Newsletter:** Zappos runs a monthly *Ask Anything newsletter*, where anonymous employee questions are openly answered and shared company-wide to foster trust and transparency.
- ❑ **Employee Voices:** Employees were encouraged to share authentic stories on social media, showcasing Zappos' culture and customer-first mission.
- ❑ **Culture-Driven Performance Reviews:** 50% of each employee's review focuses on how well they live and promote Zappos' core values, keeping culture central to success.

Pizza Craving



In one of Zappos' most famous customer service moments, a group of friends in Las Vegas wanted to order pizza late at night. With hotel services closed, they decided to call Zappos—not for shoes, but on a whim. Instead of turning them away, the Zappos rep happily found nearby pizza places and helped place the order. Even though it had nothing to do with their products, Zappos saw it as a chance to deliver a true WOW experience, showing their commitment to helping customers no matter what.

Legendary Customer Service

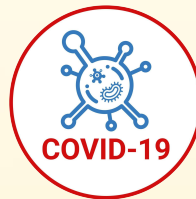
A 10-Hour Call:

In 2012, a Zappos rep set a record by spending over 10 hours on a single call with a customer—not to resolve a complaint, but **simply chatting and building rapport**. The conversation covered everything from life stories to product questions and ended with the purchase of Ugg boots, highlighting Zappos' commitment to authentic, pressure-free service.



Covid Helpline

During the pandemic, when product inquiries slowed, Zappos repurposed its call center into a helpline open to everyone—customers or not. People called for homework help, local business info, or just someone to talk to during isolation.



Pay to Quit



- ❑ After week 1, Zappos offers new hires \$2,000 to quit.
- ❑ After full training, the offer rises to \$3,000 (valid for 2 months).
- ❑ Filters out those who aren't fully committed to the culture.
- ❑ Fewer than 2–3% accept; those who stay show stronger loyalty and engagement.
- ❑ Amazon copied this idea from Zappos and launched it in 2014.

Business Impact



\$630M revenue by 2008.

Zappos grew rapidly, hitting \$630 million in sales within less than a decade of launching.



Acquired by Amazon for \$1.2B (2009)

Amazon bought Zappos but allowed it to keep its unique culture and independent operations.



75% of sales from repeat customers

Loyal customers became Zappos' backbone, driving most of its ongoing revenue.

Takeaways: Culture as a Competitive Advantage

- ❑ **Culture as a Core Strategy:** Zappos showed that culture isn't an HR formality—it can be the backbone of business success, integrated into hiring, training, and daily operations.
- ❑ **Values-Driven HR Practices:** Every policy, from recruitment to performance reviews, reinforced core values, ensuring consistency and alignment across the workforce.
- ❑ **Employee Empowerment:** Foster autonomy and trust, enable employees to make real-time decisions that deepen customer loyalty and engagement.
- ❑ **Leadership Role Modeling:** Tony Hsieh and senior leaders lived the culture visibly, making values tangible and setting clear expectations for all employees.
- ❑ **Sustaining Culture for Long-Term Success:** By investing in people-first practices and long-term growth, Zappos proved that a strong, values-led culture can be a successful business strategy.

End

Looking to build a strong culture or drive meaningful culture change?

We combine behavioral science, data, and technology to make it happen.



Reach out to us

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