

Building a Brand that Matters

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VP of Services and Operations



Zappos
.com
POWERED by SERVICE™

The background features a vibrant blue gradient with white stars and light rays emanating from the center. At the bottom, there are stylized orange and yellow wavy bands. On the left, a silhouette of a person is surfing. On the right, a silhouette of a person is running. In the lower-left and lower-right areas, there are silhouettes of people holding balloons and several white circles of varying sizes, some with dots inside, resembling bubbles or social media icons.

Zappos at a Glance

Background

- Founded in 1999
- 1600 employees (half in Las Vegas, Nevada, half in Louisville, Kentucky)
- Zappos is “Powered by Service”
 - Providing the best online shopping experience possible.
 - Fast, Free Shipping. Free return shipping. 365-day return policy.
 - Fast fulfillment. Expedited delivery. Fast, friendly & expert customer service.
- Best selection
 - Over 1200 brands, over 200,000 styles, over 900,000 unique UPCs.
 - Over 4 million items in warehouse
 - Photography in multiple angles & 100% in-house.
 - 100% of products inventoried (no drop ship).
- Zappos is a service company that happens to sell shoes, clothing, handbags, eyewear, watches (and eventually a bunch of other stuff).



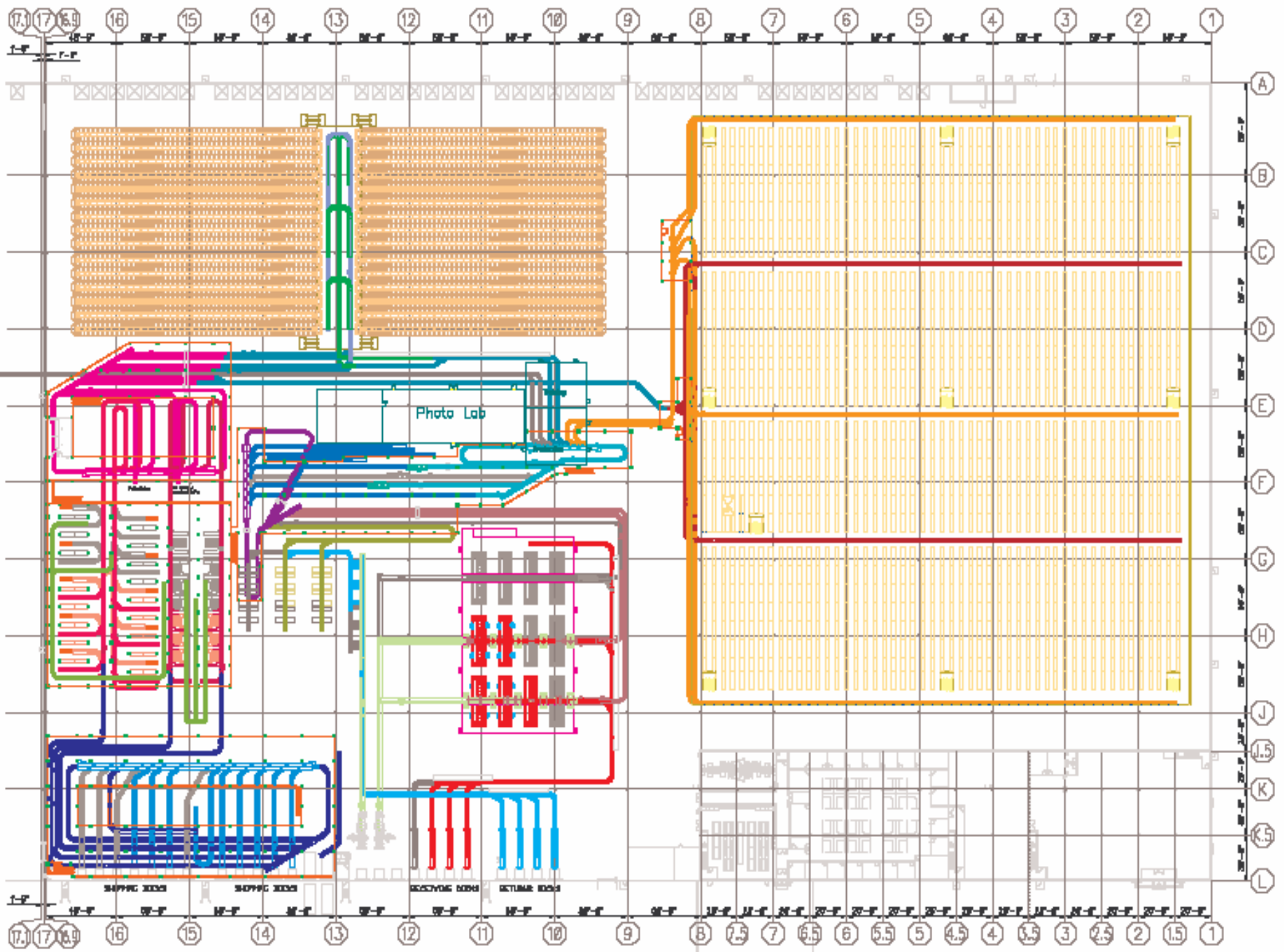


Zappos

Zappos
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CHANGE SIZE OUT









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Zappos

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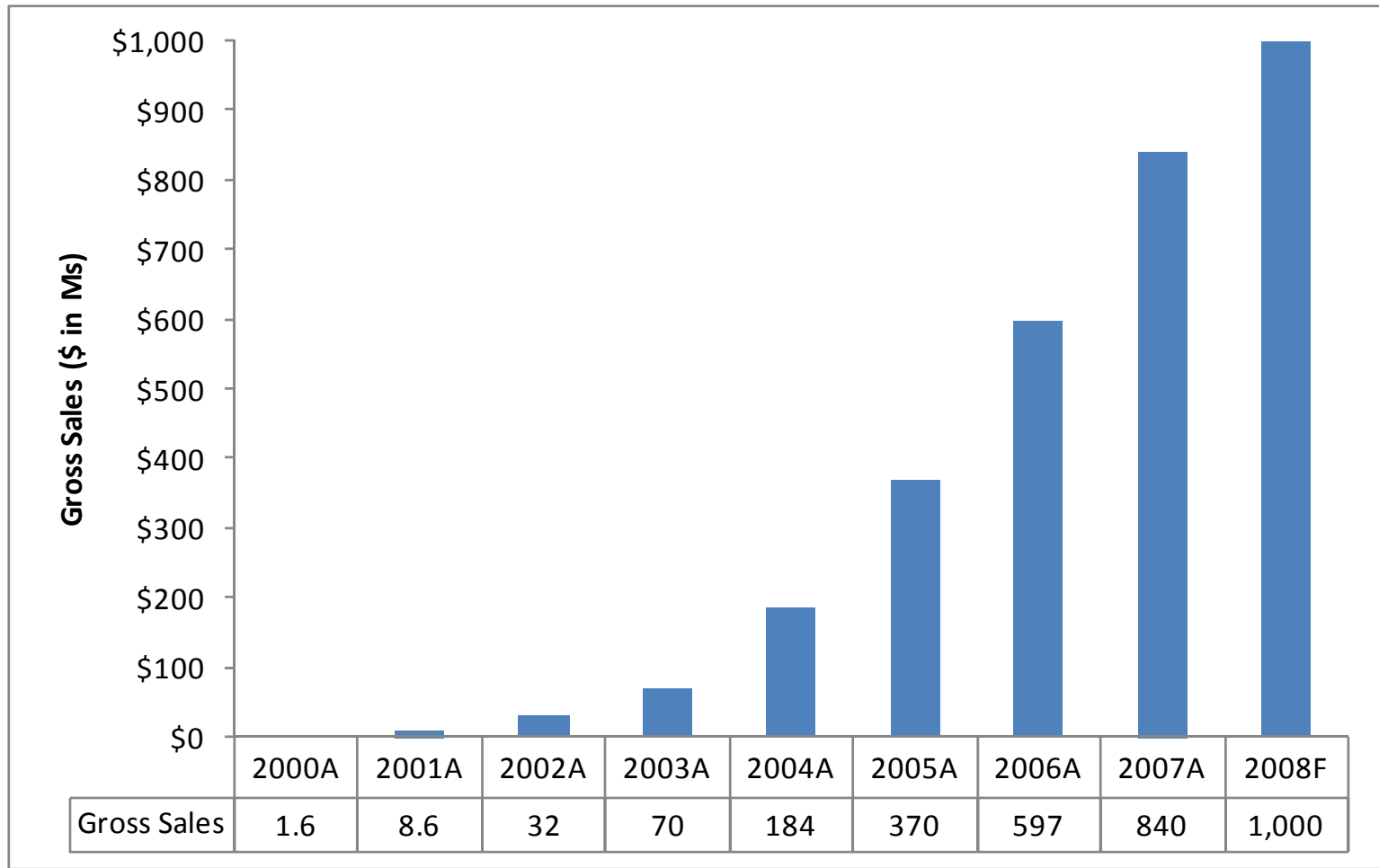
Customer service value proposition in action...

Zappos is committed to WOWing each and every customer.

- Customers come...
 - 8.0M total purchasing customers (2.7% of US population)
 - 3.5M have purchased in the last 12 months
- Customers come back...
 - On any given day, about 75% of purchases from returning customers
 - Repeat customers order >2.5x in the next 12 months
- Customers come back, order more and order more often...
 - Repeat customers have higher average order size
 - \$111.98 – first time customers in Q406
 - \$143.22 – returning customer in Q406



Power of Repeat Customers & Word of Mouth



Customer Service: What Customers First See

- 24/7 1-800 number on every page
- Free shipping
- Free return shipping
- 365-day return policy



Customer Service: What Customers Experience

- Fast, Accurate Fulfillment
- Most customers are “surprise”-upgraded to overnight shipping
 - Create WOW
- Friendly, helpful “above and beyond” customer service
- Occasionally direct customers to competitors’ web sites



Customer Service: What We Do Internally

- No call times
- No sales-based performance goals for reps
- Run warehouse 24/7
- Inventory all product (no drop-ship)
- 5 weeks of culture, core values, customer service, and warehouse training for everyone in Las Vegas
- **Culture book**
- Interviews and performance reviews are 50% based on core values and culture fit



Email from a customer...

From: Dana C.

I placed an order with your company on Saturday... Your employee ... spoke with me on the phone. I am battling breast cancer and this girl sent me the NICEST card, a bouquet of flowers which were received on Monday, card, flowers, and shoes. You couldn't have a nicer employee.

Talk about GREAT Customer Service, she is the GREATEST! I can't thank her enough for all she has done. I never expected the card or flowers. All I had asked was for the shoes to be sent overnight. She asked me what her favorite color was, and if I guessed it she would send the shoes overnight.

When I answered her that I didn't know her favorite color but mine has become PINK, due to battling breast cancer, she told me she would send them. Again I PRAISE Her and your company for SUPERIOR CUSTOMER SERVICE.

Many thanks go out to her and your company.





4 Things You Need to Build a Brand that Matters



THING #1

VISION

“Whatever you’re thinking, think bigger.”

Does the vision have meaning?

Chase the vision, not the money...

THING #2

REPEAT CUSTOMERS

“Great product, Great service, or Low Prices”
(Choose and focus on 2 of the 3)

Repeat Customer Data for Zappos.com

	% customers who buy again within next 12 months (repeat customers)	avg # purchases by repeat customers over next 12 months	% repeat customers multiplied by avg # purchases
March 2001	20.4%	1.50	0.31
March 2002	27.0%	1.74	0.47
March 2003	33.5%	1.96	0.66
March 2004	44.6%	2.36	1.05
March 2005	51.0%	2.53	1.29
March 2006	51.3%	2.66	1.37
March 2007	54.9%	2.68	1.47

THING #3

TRANSPARENCY

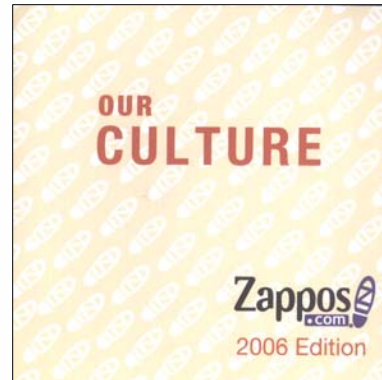
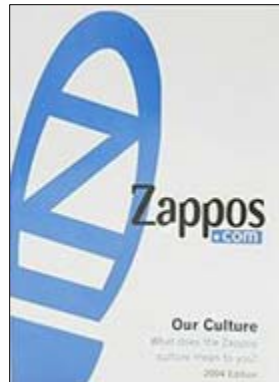
“Be real, and you have nothing to fear.”



THING #4

CULTURE

“Committable Core Values”



Zappos Core Values

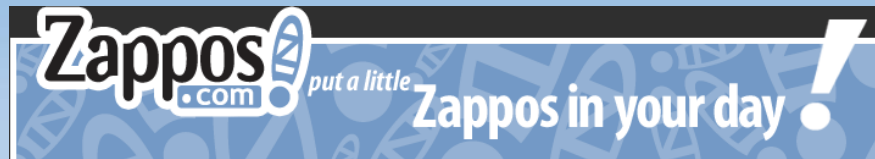
1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships With Communication
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate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





Don't be afraid...TALK with your customers

- Zappos Blogs
 - <http://blogs.zappos.com>



10 Zappos.TV

- Zappos.tv (VIDEO)



10 Twitter

- Twitter.zappos.com



10 Facebook

10 Things Learned in e-commerce

1. The e-commerce business is built on repeat customers
2. Word of mouth really works online
3. Don't compete on Price
4. Make sure your web site inventory is 100% accurate
5. Centrally locate your distribution
6. Customer service is an investment, not an expense.
7. Start small, stay focused
8. Don't be secretive. Don't worry about competitors
9. You need to actively manage your company culture
10. Be wary of so-called experts...INCLUDING US!!!



Q&A

Email me – cadkins@zappos.com for:

A copy of this presentation

Answers to any additional questions not answered today

A copy of our culture book

Tour of our offices if you're in Vegas or Kentucky

Job opportunities

Follow Zappos on Twitter!

<http://twitter.zappos.com>



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Legal and Financial Disclaimer

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Although an audit was underway and almost done, the financial information presented in this slide show was unaudited. We made every effort to present the best information we had at the time.

Gross merchandise sales is a non-GAAP metric. We use it to express the total demand across all of our web sites and stores. This number measures the dollar value of the orders placed in the year before accruing for certain items such as returns, and it ignores certain timing cut-offs that are required by GAAP for revenue recognition purposes. If we were a public company, we would have to reconcile gross merchandise sales to the nearest GAAP metric (net sales), but we are currently a private company so the gross merchandise sales number should be viewed just as an interesting number that we want to share with our friends.

This presentation contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they ever materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by the forward-looking statements and assumptions. These risks and uncertainties include, but are not limited to, the risk of economic slowdown, the risk of over or underbuying, the risk of consumers not shopping online or at our web site at the rate we expected, the risk of supplier shortages, the risk of new or growing competition, the risk of a natural or some other type of disaster affecting our fulfillment operations or web servers, and the risk of the world generally coming to an end. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements of expectation or belief; and any statement of assumptions underlying any of the foregoing. Zappos.com assumes no obligation and does not intend to update these forward-looking statements.

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