Zappos

Your Name

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Zappos

**1. Does Zappos effectively focus on stakeholder happiness, and how does this approach affect the ethical culture?**

Zappos is a company with a unique business model that focuses more than anything on the happiness of its stakeholders. The company is committed to the well-being and satisfaction of its customers as well as employees. Its untraditional core values provide a framework for the company and direct its actions to maintain its happiness-focused business model.

Zappos business model aims at developing long-term relations with its customers. It offers a unique shopping experience. The products it sells include wide range of shoes, apparel, home accessories and products. It not only provides free shipping but also full refunds on returns. Even returns are shipped free.

An easy to navigate website, mini-websites for subcategories, incorporation of videos and attractive photographs and live inventory are the tools that help Zappos to reduce customer frustration. Fast shipping mechanism makes online shopping similar to conventional shopping and provides instant gratification.

It offers a 100% return policy. Companies generally do not see returns as something positive but Zappos considers it a source of strengthening customer relationships and increasing its profits. It allows the customers to order several products with different styles and sizes and return those which do not fit their choice and need. Generally, the return rate for an average company is 35%. However, Zappos return rate is 50%. But it creates loyalty of costumer to Zappos.

Zappos customer service model is also very unique. For Zappos, it is a means for making the customers happy (We Dream Business Organization, 2014). Zappos has displayed its contact number on all pages of its website. It aims to maintain a personal and emotional relationship with its customers. Social media such as Twitter and Facebook are also employed by Zappos to address the customers' queries. The employees enjoy free reign, using their own creativity to deal with the customers. Communication is not scripted. Hour-long support calls, surprise presents such as flowers sent to customers on their birthdays, hand delivering shows, sending pizzas to those customers' homes who tweeted to Zappos about being hungry. More than 75% of Zappos customers purchase repeatedly. Such customer service will also help Zappos to introduce other categories. Customer is seen as a potential advertiser through word of mouth.

Another strength of the Zappos model is transparency. Both employees and customers receive information about Zappos performance. Facebook and Twitter are used to share information. To provide insights to customers, Zappos arrange tours and workshops to its customers. Blogs and videos about work practices are also shared with customers.

Zappos offers a corporate culture that maintains a healthy ethical relationship between the company and its employees. It aims to offer such an environment where employees enjoy their work and grow. There is fun as well as work. Even nap rooms are provided. The hiring does not only focus on skills but also on culture and sense of humor. After employment, workers undergo training and take 200 hours of classes. They are encouraged to read at least 9 business books per year. Zappos provides 100% medical benefits to employees and 85% to the employees' dependents. Zappos aims at creating a family spirit among its employees. All these features help maintain a healthy ethical relation between the company and its employees.

Zappos is also concerned about its social responsibility and philanthropy. It has gone an extra mile to ensure sustainable growth by trying to reduce their carbon print. This makes Zappos a company that is concerned not only about the immediate stakeholders but also the entities which it affects indirectly.

**2. How does Zappos’ transparency influence relationships with customers and employees?**

One of the most unique features of the company's model is its focus on maintaining a high degree of transparency. Just like the company aims to keep both its customers and employees happy, it also strives to keep its functioning transparent for both of the stakeholders. All the employees periodically receive information regarding the performance of the company. Employees are encouraged to share their own experiences and information with other employees in meetings.

As Zappos shares information with its employees, it also encourages the employees to develop and maintain an honest and open relationship with all the other stakeholders. This has helped the company maintain its reputation. The company sees customer service as a means of making its customers happy and therefore it allows the employees to enjoy free reign during their conversation with the customers. No conversation is pre-scripted. Employees make decisions based on their creativity. This helps the company maintain a robust and personal relation with customer.

Hsieh, the company CEO, also uses Facebook and Twitter to share the company's information with employees as well as customers. Social media effectively disseminates the company's messages because the CEO enjoys a fan following of at least 2.2 million people. This practice bridges the communication gap between the CEO and employees as well as between the CEO and the customers.

In 2008, Zappos laid off 124 employees. Hsieh did not abandon his practice of sharing information and announced the decision on Twitter. He later blogged about it. Had it been another company, it would have hesitated to open itself to criticism of the public. But Zappos does not feel that it has anything to hide from the people it wants to have a close relationship with.

To maintain transparency of its work practices, Zappos arrange workshops and tours at its headquarters. It spends at least 5,000 dollars per two days on these seminars. It has also developed an online service which provides insights into the business practices of Zappos through videos, articles, and blogs.

All these practices help Zappos to realize its vision of friendly relations with employees and customers (Zappos, 2010). As a result, employees genuinely strive to improve the company's performance. They also increase customers' trust who become increasingly loyal to the company and tend to shop repeatedly from Zappos. The net result of these healthy appears in the form of increased revenue.

**3. How has Zappos managed ethical risk, and what are potential ethical risks in the future?**

Every business company faces ethical challenges and so does Zappos. Whenever it has faced ethical issues, it has always strived to handle the situation in an efficient and professional manner. The transparency policy to keep its stakeholders well-informed makes it more complicated for the company to deal with ethical issues.

Although Zappos is committed to its employees, it has also faced tough times in the past which demanded tough decisions that were to have adverse implications for employees. For instance, in 2008 the company faced an economic downturn. Sequoia Capital, one of the controlling investor in Zappos, demanded that expenses should be cut as much as possible and cash flow and profitability should be increased as early as possible. Consequently, The CEO of the company was compelled to make the difficult decision of laying off at least 8% of the company's employees. However, Zappos did everything it could to handle the layoffs with due care, and deal with the employees in a kind and respectable manner. Hsieh not only emailed the employees but also discussed the layoff and the reason behind it on Twitter. Those who were laid off were given generous packages. Since the layoff and its reasons were openly discussed, the employees, as well as the customers, were in a better position to know the causes of the tough decision.

The customers and employees once again became concerned about the culture and service of the company when Zappos underwent a merger with Amazon.com in 2009. But once again, Hsieh issued a statement and delineated the reasons for agreeing to the acquisition of the company by Amazon. He sighted the board's attitude which was hurting the culture of the company as the reason for this step. The board urged him to focus less on the happiness of employees and customers and more on selling shoes. So the best way for the CEO was to buy out the board. Although Amazon acquired the company, it was allowed to operate independently and flourish its customer service and culture. The vision of Amazon and Zappos aligned as both focused on customer satisfaction. Due to effective communication, the customers and employees once again thoroughly understood the reason behind acquisition.

In 2011, the company decided to promote its other newly introduced products. The advertisements featured naked people which their private body parts blocked off through tags that said "more than shoes". When it received public criticism owing to its sexual nature, the company explained that the subjects were in fact not nude and wore undergarments which were covered by the tags. Not only did Zappos pulled the ads, but it also released an apology. Once again, a sensitive ethical issue was resolved in a mature manner.

In the present digital landscape, the company faces challenges of theft of information. It needs to put in place an excellent security system that protects the consumers' personal information such as credit card numbers. Moreover, as the company continues to expand and introduce new items, its ethical issues will also keep increasing in scope. It will become harder to hire the right people and maintain their unique culture. Since CEO Tony Hsieh is committed to the values of the company, it seems that Zappos is in safe hands (Hyken, 2015). Hsieh has time and again shown his commitment to continue to deliver happiness to customers and employees.

# References

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