Internal Analysis

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Zappos was initiated with the idea to sell shows online by Nick Swinmurn. He got inspired when he failed to find the right pair of shoes for himself. Now, Zappos not only deals in shoes but has a diverse product portfolio offering shoe apparel, jewelry, watches, sports goods and more. Internal analysis of a company refers to assessing its strengths, weaknesses, threats, and opportunities denoted as the SWOT analysis. It is an evaluation of factors in the microenvironment in which a company operates. The internal factors are restricted to the company’s internal skills such as marketing strategy of financial performance, while the external factors are analyzed in the company’s macro environment.

Strengths are the resources and capabilities Zappos can leverage to maintain its competitive advantage in the marketplace. Amazon acquired Zappos in 2009; this partnership is proven to be a great strength of the company since the company can take advantage of the resources, knowledge, innovative technology, and the operational experience of the e-commerce giant. The growth of Zappos has accelerated since acquisition. Zappos is also known for its unique positive culture and atmosphere. All the organizational members are treated with respect and the culture of openness and employee empowerment, results in a positive impact on the company’s performance (Pelletier & Mujtaba, 2015).

The mission and vision of company is regarded as key to its success. Zappos has a mission to deliver “WOW” to its customers and its vision spins around creating happiness for its internal and external customers. The culture at Zappos is also considered as one of the industry’s best practices. It is one of the most appreciated and recognizable brand owing to its positive image and different strategies of making customers happy. Exceptional customer service is another key attribute of the company and the business is established on the grounds of treating customers well (Kopelman, Chiou, Lipani & Zhu, 2012). At Zappos, customer service is the most important functional piece of the larger machine. Yes, it’s an e-commerce business, but it’ defined by its excellent and even unusual customer service and it remains at the heart of its marketing strategy. Thus it also enjoys a high retention rate and takes small steps to expand its operations.

Weaknesses are the skills that a company lacks and it limits the ability to sustain a competitive edge. Some of the weaknesses observed pertaining to the internal environment of Zappos include its limited selection, out of fashion inventory, high operational costs and few others. The product selection is limited because shoes make up almost 80 percent of the inventory. The company is often criticized for low employee wages. The customer-oriented services such as 360 days refund and 24/7 customer service result in high operational costs. A radical change of the company’s management has resulted in negative PR and the company has also faced employee churn due to that. The company does not offer international shipping which limits its ability acquire customers outside the United States. Online shop does not allow the opportunity to try on and hence the company faces returns on shows and multiple other products, further reducing the customer base. The security issue also resulted in a major setback to the company’s repute when customers' account was hacked (Hanson, Kenney, & O’Rourke, 2012). The profitability margins are also limited. Although there is always an opportunity for growth available to the company.

Utilizing the strengths, the company is always able to utilize its strengths to overcome its weaknesses. It can expand its product portfolio and can expand further categories since the forecast reveals that the company will be able to boost its revenues. The market need is to provide more categories to satisfied customers in their shop and the ultimate source of revenue is the sale of goods. Zappos can also enhance employee satisfaction by paying them more, especially in the periods of high demand. It can further increase growth through effective word-of-mouth marketing and excellent customer service. Expanding its operations outside the United States can also be a beneficial step because it has already built its repute as an exceptional customer service provider. This goodwill can help to acquire more customers in the new markets. It can also increase employee engagement through holacracy or decentralized company structure. To recover from bad repute and enhance customer trust, the company can improve its security.

None of the business environments are free of threats and Zappos also faces severe competition in the online retail industry. The radical change in the management of the company also poses a threat to its operations due to centralized authority. It has also disrupted the efficacy of its operations. Implementing new structure and new management can also result in negative consequences for the company, such experiments are always risky in established organizations. The security in the online world is always a threat to the company’s data and ultimately customer’s trust (Hanson et al., 2012). On the other hand, rapid growth can result in poor customer service which is crucial for a company’s success.

To sum up, Zappos is a promising company and enjoys a good reputation for the mid millions of customers. The unique culture distinguishes it from the competitors. The company predicts that expansion in the other category can result in high revenues for the company. The internal analysis reveals that the company can take benefit of its strengths to overcome its weaknesses and utilize these strengths to tap market opportunities thus saving it from the threats.

# References

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