

DIGITAL LEADERSHIP

An interview with

Darrin Shamo

Director of Direct and Online Marketing at Zappos

***Zappos: The Digital Age Benchmark
on Customer Service***



Darrin Shamo

Director of Direct and Online Marketing at Zappos

Making Customer Service a Key Element of Zappos' DNA

Capgemini Consulting: Zappos' tagline says "Powered by Service". Zappos has been praised many times for the quality of its customer experience. How has Zappos been able to make customer service an integral part of its organizational culture?

Darrin Shamo: Our obsession with customer experience started a long time ago. We determined that we wanted to be the absolute best when it came to customer service and many of our decisions in the early days were built around this vision, even if they came at a significant loss in the short term. For instance, we decided to control our entire inventory and own the entire customer experience from start to finish. While every other pure play retailer was drop-shipping, we went against the flow and moved our inventory in-house. Anything that was

on the website for sale was available in our warehouse. This prevented the need for placing back-orders and enabled a stable delivery window that our customers could depend on.

We further invested in people to develop an organizational culture around customer service. All employees go through a four-week call center training course before they start in their official position, and each holiday season the entire work force, even the CEO, goes back to the phones to handle the volume. Once employees near the end of their training, we offer successful candidates up to \$4,000 to quit. The idea behind this is to weed out people who are not a match to the customer service culture at Zappos. Those that choose to stay are more committed and passionate.

“We wanted to be the absolute best in customer service, even if that came at a significant loss in the short term.”

Capgemini Consulting: How has this focus on customer service been beneficial for Zappos?

Darrin Shamo: Many publications put together lists of companies that are rated the best in customer service and every year we — along with our parent company, Amazon — feature near the top of that list. It is surprising to see that two companies — Amazon and Zappos — with very differing approaches to customer service, come out on top every year. The Amazon approach is technology-centric while the Zappos approach is people-centric.

“We invest in people to develop an organizational culture around customer service. All employees go through a four-week call center training course.”

For instance, Amazon employs call center usage as a customer service metric. If call volume increases, there is likely a process breakdown and technology is employed to correct it. Zappos, on the other hand, tries to increase call center volume as a means to enhance the customer experience. We have our phone number listed prominently in the global header of the website, which makes it visible on every page of the site, to encourage people to call in.

Apart from being rated as one of the best companies in delivering customer service, we have been able to retain our consumers' loyalty. In fact, 75% of our business comes from repeat consumers.

“Every year, both Amazon and Zappos are rated among the best in customer service, despite very different approaches to customer service.”



“
We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call.”

Capgemini Consulting: You mentioned that you encourage customers to call you. What is the role of the call center in building a great customer experience?

Darrin Shamo: As an organization focused on delivering exemplary customer service, Zappos is on a continual quest to create a 1-to-1 connection with our customers. In fact, we feel that our biggest competitors are not online retailers but rather brick-and-mortar companies because they have the opportunity to greet their consumers at the door. While various technical developments, such as personalized retargeting, triggered communication and master data management, help us reach customers in a personalized and relevant way, we believe that person-to-person connections are still the most effective method of interaction. Our call center aids us in achieving this — it helps us connect with consumers on a personal level and leaves them feeling heard and ultimately WOWed.

We try to get as close to the consumer as possible by controlling the whole process of communication and incentivizing it. For instance, we do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call. In fact, we encourage our employees across the organization to spend more time interacting with

consumers. We try to focus on long-term health measurements rather than looking at short-term costs. We have found that if you can deliver a better experience to consumers coming through the call centers, you can expect a higher lifetime value.

“
We feel that our biggest competitors are not online retailers but rather brick-and-mortar companies because they have the opportunity to greet their consumers at the door.”

Innovating for an Enhanced Customer Experience

Capgemini Consulting: How has innovation helped Zappos deliver an enhanced customer experience?

Darrin Shamo: Zappos, as an organization, is built very differently from other companies and this has helped us foster innovation. At Zappos, we believe in stepping back and allowing people to be who they need to be. I spoke about how rigorous our selection and training criteria are. For the people who make it through this process, we give them autonomy to really impact things the way they see it. We don't hire all Ivy League students. We hire above average people but then we give them the room to self-actualize.

“
We are rolling out a new management style at Zappos termed “Holacracy”. It is a unique management style that distributes the authority of leadership to influence various decisions.”

Currently, we are rolling out a new management style at Zappos termed “Holacracy”. It is a unique management style that distributes the authority of leadership to influence various decisions. Managers are replaced by a concept of lead links. These lead links are given a great deal of authority to take control of their circles and all the accountabilities that fall into their sphere of influence. This concept of lead links results in the formation of small groups of independent and entrepreneurial employees, impacting specific areas of the business in an autonomous way.

As most businesses grow, the productivity per individual employee decreases and a large part of this can be attributed to bureaucratic governance structures. In a way, the idea behind “Holacracy” is to distribute that authority and put it in the hands of entrepreneurial people who can take decisions for their domain. Currently, we are around 1,500 employees strong, and in order to scale without compromising our core goals, we need a management structure that will allow our teams to continue to grow. This can only happen if we can eliminate the bureaucracy inherent in other large businesses.



Zappos: The Digital Age Benchmark on Customer Service

Customizing the Digital Customer Experience

365
day

no questions asked return policy



\$0

Free shipping both ways



In-house
call center



Ten Hours

World Record for longest customer service call duration



Time target for call center employees to spend on customer interactions

Building on a Strong Culture



4 Weeks Call center training for all employees, including senior management



\$4,000 Amount Zappos offers to new hires to quit at end of training period



Social Network

Employees are free to express at Zappos' Call Center



Creating a New Management Style for the Future **Holacracy**

“ We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call. ”

– Darrin Shamo

Resulting in Superlative Results



J.D. Power **2011**
Customer Service
Champion, 2011



of business comes from repeat customers

Fortune Magazine's



2009-2014



>2 Million

Followers on social media

Source: Ragan, "8 ridiculous ways Zappos keeps customers and staffers happy", August 2013; 360 Connect, "How Zappos Uses Metrics for a Wow Customer Experience", November 2012

“

We try to focus on long-term health measurements rather than looking at short-term costs.

”

Customizing the Digital Customer Experience

Capgemini Consulting: How does Zappos deliver a personalized experience to customers?

Darrin Shamo: We know what people have viewed over the Web, what works for them and what they like. We take all this information and factor in certain predictors of intent, such as weather, and use all of this to create a relevant experience without crossing over to becoming creepy. These results are then mapped to our product catalogue and used to deliver customized products. This leads to an increased positive utility and enhanced shopping experience for the consumer. A similar process is used for personalized retargeting. We have the ability to take information on what has worked for them on site — or is similar to what they like — and use this to share relevant products throughout the open Web.

We are also delivering personalized experiences through our advertisements. For instance, we have created weather-based ad units. These ad units integrate local weather information with existing details of a customer's preferred products. The end result is a personalized experience based on the user's preference and weather conditions. So, if Boston were to expect snow on Saturday, the advertisement to the customer would read — “18” of snow this Saturday, here are some boots to help you dig yourself out”. The ad unit ultimately enables us to provide

utility to the customer while acting on the intent with relevant products.

Capgemini Consulting: How do you use available customer information to deliver an experience that is different from others?

Darrin Shamo: There's a lot of information available on consumers, though we're very selective with what we use and how we use it. We take great care to ensure that the ultimate experience is relevant rather than creepy. We want our customers to feel that we understand them and their needs rather than feeling stalked. We try to take subtle cues rather than ingest all the information that is available. In some instances, this selected information is then passed through a platform like a recommendation engine before it is delivered back to the consumer.

“

There's a lot of information available on consumers, though we're very selective with what we use and how we use it.

”

Marketing in the Digital Age

Capgemini Consulting: Many CMOs are calling for reinvention of marketing. What are your views on it?

Darrin Shamo: I would agree that it is time for marketing to be reinvented. It has become too channel-focused. A siloed channel approach does not look into various events or aspects affecting the purchase; it only focuses on whether the organization was able to generate revenues in the short-term from the consumer.

“

The future of marketing lies in the development of systems to better understand the causal effects of customer happiness and the predictive value of customers.

”

Marketing strategies have to become more customer-centric. Organizations should move towards assessing the value and needs at the customer level. This is not just from a dollar standpoint, but how likely are they to engage with the organization over a longer period of time. In order to achieve this, they need to develop a comprehensive view of their consumers across various touch points and interact with them through the entire shopping journey.

Capgemini Consulting: How do you see the role of technology in the future of marketing?

Darrin Shamo: The future of marketing lies in the development of systems to better understand the causal effects of customer happiness and the predictive value of customers. If you have a good understanding of the motivators for your consumers and their causal effects, it is easier for you to employ a successful marketing strategy. Technology and math can help organizations with this. This places additional pressure on marketers to be more aware of technology. The future marketer will have a stronger focus on technology and consumer behavior than they do today.





Darrin Shamo

Director of Direct and Online Marketing at Zappos

Zappos is an online shoe and clothing retailer based out of Las Vegas, Nevada. Started in 1999, the company achieved \$1 billion in annual sales in 2008 and was acquired by Amazon in 2009 for an all-stock deal worth \$1.2 billion. Zappos has continually been rated amongst the best customer service providers, banking significantly on word-of-mouth publicity from its consumers. Capgemini Consulting spoke with Darrin Shamo, Director of Direct and Online Marketing at Zappos, to understand more about their approach towards customer service.

Capgemini Consulting

Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

Find out more at:
<http://www.capgemini-consulting.com/>

Rightshore® is a trademark belonging to Capgemini



About Capgemini

With around 120,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2011 global revenues of EUR 9.7 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us
at www.capgemini.com.

Contacts: **Didier Bonnet**, didier.bonnet@capgemini.com, **Jerome Buvat**, jerome.buvat@capgemini.com