

Tony Hsieh

Title: Chief executive

Company: Zappos.com, unit of Amazon.com

Size: 1,500 employees

BUILD, GROW: Failing all the way to success

Zappos.com chief executive Tony Hsieh likes to tout the value of failure, but it may be the only goal that eludes him. To his credit, he has had close calls, and each one has propelled his pioneering brand of social business to greater success.

On long lunch breaks during his first job out of college at software giant Oracle, Mr Hsieh hatched LinkExchange, a business that traded website design services for digital ad space. It took off, and, in 1996, an investor offered Mr Hsieh and his business partner Sanjay Madan \$1m for the company. They declined and later sold to Microsoft for \$265m. Mr Hsieh then jumped with both feet into an online shoe business that became Zappos—a twist on *zapato*, the Spanish word for shoe.

The shoes fit perfectly—at first. In 2001, Zappos sales shot up more than fourfold to \$8.6m. A year later, however, trouble was brewing. A vendor Mr Hsieh had hired to warehouse and ship shoes could not handle the volume. Word spread quickly online and sales suffered. “I was worried that I had made the wrong call,” Mr Hsieh confesses in his book, *Delivering Happiness*. He had outsourced Zappos’s core business: making customers happy. Within months, Zappos retook control of all distribution and sales got back on track.

The episode delivered an early lesson in the growing power of the customer in the social age and the business necessity to make them advocates, not detractors: “With the Internet connecting everyone together, companies are becoming more and more transparent whether they like it or not. An unhappy customer or a disgruntled employee can blog about a bad experience with a company, and the story can spread like wildfire by e-mail or with tools like Twitter,” he writes.

The opposite is also true, of course. “A great experience with a company can be read by millions of people almost instantaneously as well.” Toward that end, Mr Hsieh started tweeting and, in 2008, launched *Zappos Insights* “to help share the Zappos Culture with the world”—a culture that has helped create a thriving social business that generates remarkable customer loyalty.

He did face resistance, though. Members of Zappos’s board of directors with technological or manufacturing backgrounds “didn’t fully understand why we were doing *Zappos Insights* or why we wanted to embrace Twitter, and they weren’t really convinced of the value of the brand/culture/pipeline

platform we were building,” Mr Hsieh writes. Many of his efforts were dismissed as “Tony’s social experiments”.

Mr Hsieh may be eccentric. The core cultural values at Zappos include to “create fun and a little weirdness”, “be adventurous, creative and open-minded” and “build open and honest relationships with communication”. He competed in a hamburger pig-out called the 100×100 In&Out challenge, which involved eating 100 burgers, 100 slices of cheese and one bun. His birthday in 2012 featured a small horse dressed up as a unicorn.

But he is also effective. Not only has Mr Hsieh built a highly successful company (Zappos was sold to Amazon.com in 2009), now he is using the same principles to re-energise a city. His Downtown Project initiative seeks to revitalise Las Vegas by creating gathering places and co-working spaces and by supporting education, the arts and entrepreneurs.

Call it fearless entrepreneurialism with a social foundation. Quoting Thomas Edison, Mr Hsieh writes in his book: “I failed my way to success.”



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Chief executive, Zappos.com

Social business leader



