

Delivering Happiness: A Path to Profits, Passion, and Purpose

Monday conf call 6/27/11

No Monday call on July 4th

MannaQuest – September 2-4

Tuesday Night Live – Presidential Jeff Allen 7:30 PM Corp Offices or www.mannatechlive.com

Last BP to receive a free bag of Phytoburst for new All-Stars and Renewals

Book by Tony Hsieh

Read some of the quotes at beginning of book

Why did he write this book? "to serve as encouragement to established businesses and entrepreneurs who want to defy conventional wisdom and create their own paths to success."

1. In Search of Profits

- a. His path was based on 10 core values that all began on a Worm Farm..."I failed my way to success." Thomas Edison
- b. Learned early that it pays off to take risks and think outside the box.

2. You Win Some, You Lose Some

- a. He tried a lot of different entrepreneurial endeavors beginning at 6.
- b. Out of Harvard, worked for Oracle but bored to death. So he and his roommate brainstormed, and came up with Link Exchange, running banners on peoples' websites for which they received credits for advertising. 5 months into this new venture, he was offered \$1 mill. Within a year, after recruiting their friends to work at Link Exchange, Yahoo offered \$20 mill. Both times they thought about it and then said no.

Why? They loved what they were doing, they knew the internet was the greatest explosive business opportunity, and what would they do with \$20 mill?

- c. Microsoft bought them out for \$265 mill about 1 year later...he was ready since he saw with the added employees, he had failed to maintain the corporate culture. AHA: no longer chasing the money; now was time to chase the passion!

3. Diversify

- a. A group of ex-employees from Link Exchange formed a venture capital group, Venture Frog, and in their first year invested in 27 startups, including Zappos, a shoe internet "drop ship" business.
- b. Started playing poker (studied all the odds), and learned many business principles from the game of poker. #1 Most important decision he would make is what table to sit at. In business, most important decision is what business you are going into.
- c. Birthday party at a new nightclub changed his perspective forever: for the first time in his life he had a feeling of no judgment, seeing each person as an individual to be appreciated for just being himself/herself. Also, the experience of the music: causing people to dance with synchronicity, being a part of something greater than themselves, leading to great happiness.
- d. "Envision, create, and believe in your own universe, and the universe will form around you."
- e. When the Investment Fund ran out of money, and he and partner could not raise anymore, he decided that ZAPPOS was where he would build his new universe. He wanted to prove to everyone that LinkExchange was not a fluke.

4. Concentrate Your Position

- a. Dot.com bust hit in early 2000, and Zappos suffered as well. He was forced to condense operations, and layoff, but he also housed a lot of employees in his lofts, and found that they all started living like "all for one, and one for all."

A powerful lesson: the power of instilling passion throughout the company and working as a unified team. Everyone was making sacrifices.

- b. He liquidated almost everything to put the money in Zappos; and then cut back on marketing costs to focus just on customer service, getting one time customers to buy again.

At the time their number one priority was survival with everyone making sacrifices. Zappos became his new "tribe."

- c. Believe: brainstormed and came up with 8-step plan to boost sales quickly...cutting costs was not going to be enough. Changed their business model to not just drop ship but inventory so could carry better brands and better styles. More money so he liquidated everything he had...ALL IN.

- d. New warehousing, and superb customer service built a great customer base. Zappos brand was about best customer service and customer experience. They built a Zappos library for employees on good business practices, building partnerships with vendors.
- e. In order to be the best, they needed to stop relying on drop shipping. But that was easy cash. Were they committed or not? In 2003 they stopped drop shipping and bit the bullet.
- f. The saving of the company: a \$6 mill line of credit from Wells Fargo.

Sales in millions: 2000: \$1.6; 2001: \$8.6; 2002: \$32; and 2003 after Wells came through, \$70 million!

5. Platform for Growth: Brand, Culture, Pipeline

- a. They could not find enough dedicated customer service employees in San Fran. Knew it was their identity so could not relocate that part of the business without the entire business. So, relocated to Las Vegas.
- b. After the move developed a Zappos Culture Book with suggestions from all employees, and it became the mandatory reading for all new employees.

They spent the next 5 years focusing on

- (1) Improving the customer experience (Brand)
- (2) Strengthening their culture (Culture)
- (3) Investing in their employee's personal and professional development. (Pipeline)
- c. Hit \$1 billion in sales in 2008, 2 years earlier than projected.
- d. How to increase the **Brand**? huge call center, telephone number all over their website (on every page), free shipping out and back, 365 day return policy.

Instead of trying to reduce customer call center as excessive overhead, ZAPPOS did the opposite...make it an awesome experience. Take marketing dollars and invest in customer service...lifelong customers and customer referrals are the results.

- e. How to strengthen **Culture**? the brand is just a lagging indicator of the company's culture. In today's internet society, what happens internally in your company is in front of many people. Don't want disgruntled employees. Lots of freedom of expression, and instead of password on the computer, a random employee's face comes up and you have to guess who it is. If wrong, get a full bio.

Offer tours of the company so outsiders can experience the culture.

10 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

ZAPPOS mission statement: to live and deliver WOW.

To WOW, you must differentiate yourself, which means do something a little unconventional and innovative.

f. How to build **Pipeline**?

Rather than say "our employees are our best asset", at Zappos they build a pipeline in every department so that any given employee grows into the possibility of taking the higher position within a few years (creating a pipeline). Then loss of an employee is not a loss but a perfect opportunity for all of those in the department to move up. Culture to think of their job as a calling.

People come in, go through training and if in first 8 weeks they don't fit, Zappos pays them \$2000 to quit.

6. Taking it to the Next Level

- a. They spoke at hundreds of conferences but decided it was never about Zappos rather they realized they could change the world by helping change how other companies did things.
- b. Alignment then became critical with Board and investors since they were more interested in making money from online business than changing the world. So he decided he needed to buy out the Board. Amazon came in and made such a terrific offer, they bought out Zappos, stock for stock, and allow Zappos to continue in its culture.

7. End Game

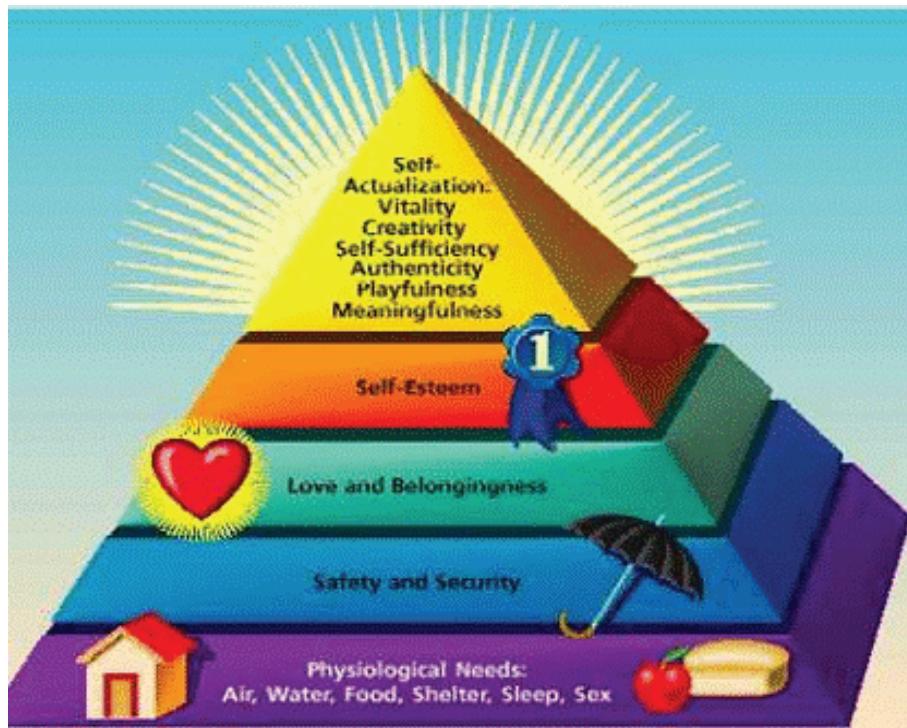
- a. So far this book was about Tony Hsieh. Now it is about you..."What is your goal in life?"

After you answer this one, then answer "Why?"

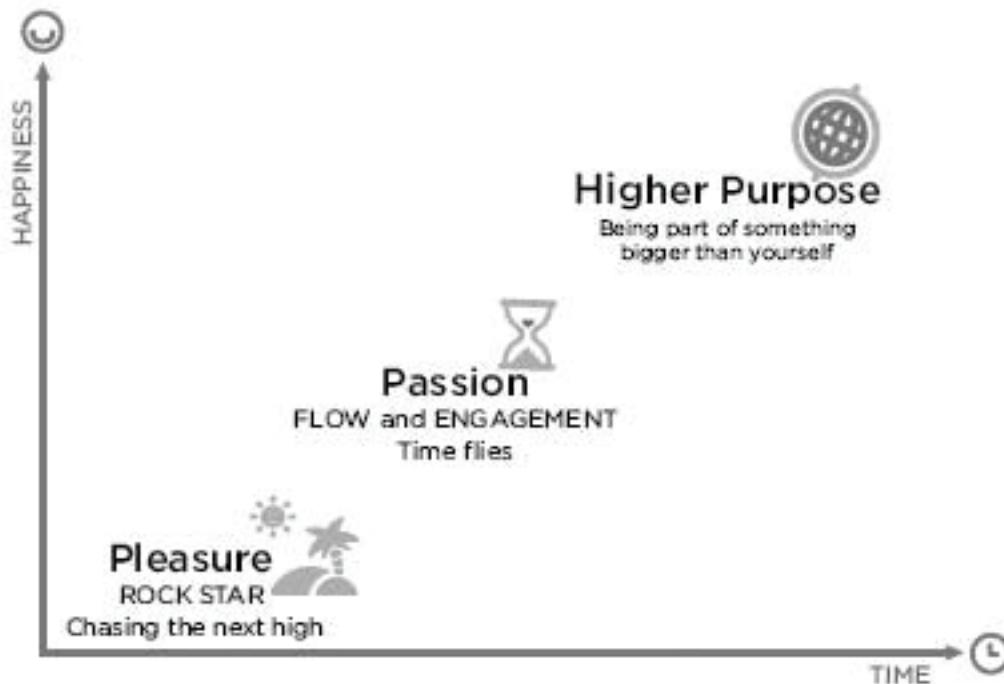
If you ask it enough, what you will find is it most always gets to happiness.

- b. Evolution of Zappos brand promise
 - 1999 Largest selection of shoes
 - 2003 Customer Service
 - 2005 Culture and core values as our platform
 - 2007 Personal emotional connection
 - 2009 Delivering happiness
- c. Happiness is really about 4 things:
 - 1. Perceived control
 - 2. Perceived progress
 - 3. Connectedness
 - 4. Vision/Meaning

Maslow's Hierarchy



3 TYPES OF HAPPINESS



THE PARALLELS OF A GREAT **BUSINESS AND HAPPINESS**

