

# Why Amazon is bringing change to Zappos

## Article

**The strategic shift:** Amazon laid off over 300 Zappos employees, about 20% of the company's workforce, as part of the retail giant's roughly [18,000-person layoffs](#), [per](#) The Wall Street Journal.

- **The Zappos cuts include customer-service representatives**, which is notable given that customer service has long been Zappos' key differentiator with "Deliver WOW through service" listed as the first of the company's [core values](#).

- The layoffs fit within the broader context of Amazon taking steps to unravel Zappos founder **Tony Hsieh's** legacy, per The Journal.

**Culture clash:** When Hsieh agreed to sell Zappos to Amazon in 2009, he did so on the condition that his company would operate independently so that it could continue to maintain its unique culture that included a decentralized management structure.

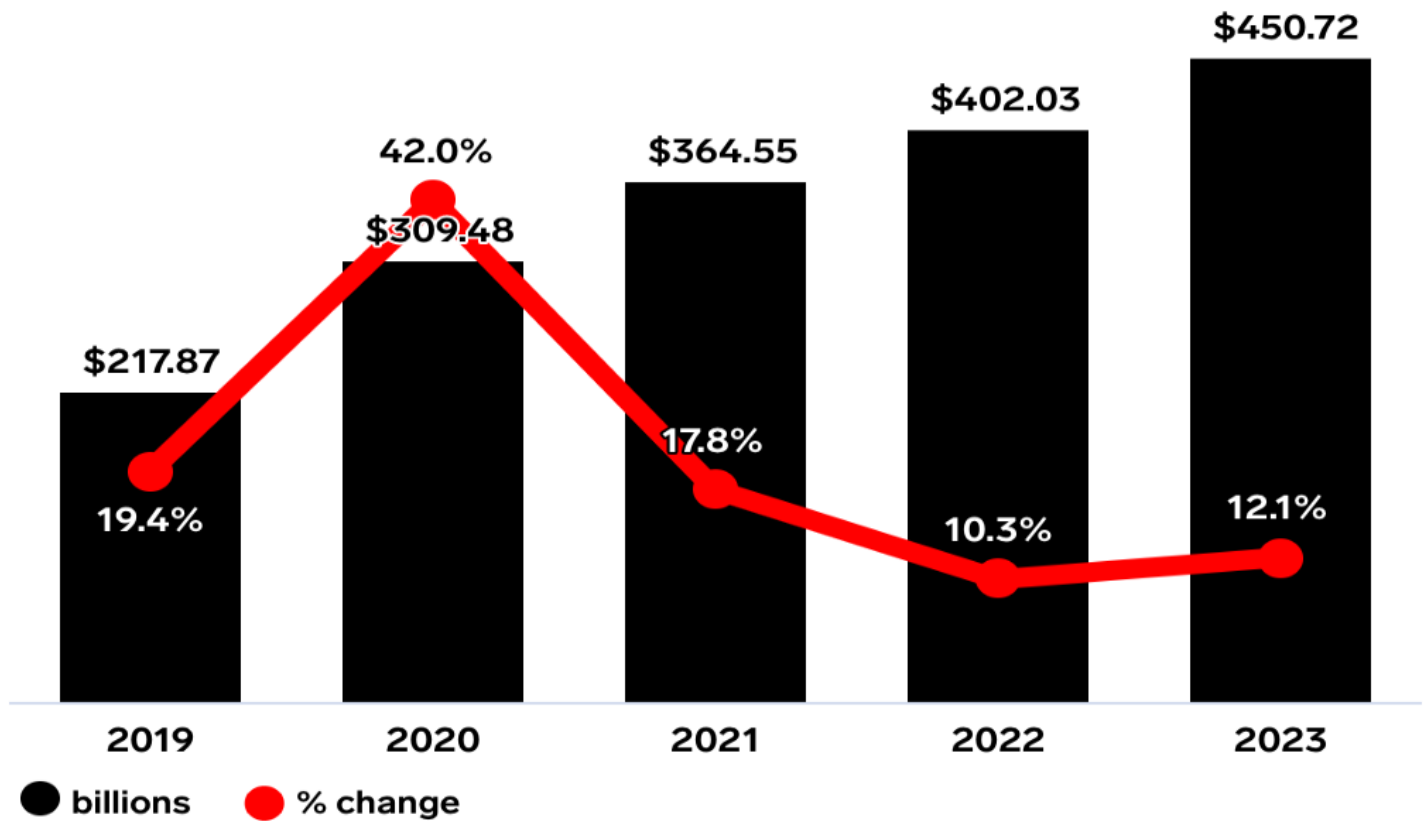
- But Amazon began pressuring Hsieh and other Zappos executives to meet certain performance targets around 2019.
- One year later, Hsieh abruptly resigned. Ever since, the company has faced internal tumult with executives quickly arriving and leaving, around 300 employees taking buyouts in 2020, and Amazon subsuming some departments.
- **Amazon has since been looking for ways to streamline Zappos' operations.** For example, it recently replaced Zappos' white, branded boxes with its own standard brown packaging. Zappos also recently began **offering** label-free, box-free returns at **Whole Foods Markets** nationwide.

**Changes at Amazon:** To understand Zappos' changes, you have to understand the broader environment at Amazon.

- **Since CEO Andy Jassy took over Amazon, the company's market value has nearly halved from its high point in 2021, with ecommerce revenues falling for the first time in history last year,** per The Financial Times. That came on the heels of a massive pandemic-fueled expansion in which the company's **employee rolls** more than doubled from 798,000 workers at the end of pre-pandemic 2019 to nearly 1.61 million just two years later.
- **With ecommerce sales slowing, and interest rates rising, Jassy has sought to right the ship by **laying off** roughly 18,000 staff, slowing the opening of new warehouses, abandoning some facilities, and selling a Bay Area office complex that the company had planned to convert to a logistics facility.**
- Beyond looking for cost savings at Zappos, **the retailer is also reevaluating its grocery strategy,** which, in the short term, means it has **paused** the expansion of its Fresh grocery stores and closed some existing locations.
- It also eliminated several jobs within its fledgling **drone delivery** business, according to CNBC.

## Amazon Retail Ecommerce Sales

US, 2019-2023



*Note: represents the gross value of products or services sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; includes direct and marketplace sales; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services and credit card agreements*

*Source: eMarketer, November 2022*

eMarketer | InsiderIntelligence.com

**The big takeaway:** While several [signs](#) suggest the US may avoid a recession, it appears likely that the country is entering a period of slowing growth.

- That's forcing every company, including giants such as Amazon, to closely examine their business practices to see if there are any opportunities to cut costs or find synergies.

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