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DELIVERING HAPPINESS

A Path to Profits, Passion and Purpose

TONY HSIEH

TONY HSIEH is CEO of Zappos Inc., an online shoe retailer which was acquired by Amazon in November 2009 in a deal valued at \$1.2 billion. In 1999, at the age of 24, Mr. Hsieh sold LinkExchange, a company he and a friend had cofounded, for \$265 million to Microsoft. He initially joined Zappos as an investor before then becoming an adviser and eventually CEO as the company grew from being a startup in 1999 to \$1 billion in annual sales in 2008. FORTUNE Magazine rated Zappos as one of the "100 BEST COMPANIES TO WORK FOR" in 2009. Mr. Hsieh has also cofounded a business incubator and investment firm called Venture Frogs. Tony Hsieh is a graduate of Harvard University.

The Web site for this book is at www.DeliveringHappinessBook.com.

ISBN 9871-77544-655-2

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1.

Tony Hsieh was born in Illinois to parents who had emigrated from Taiwan to the United States in order to attend graduate school at the University of Illinois. At age five, his father got a job in California so Tony grew up in Lucas Valley, Marlin County, California – which is north of San Francisco across the Golden Gate Bridge. Lucas Valley takes its name from movie producer George Lucas's business which is located there.

Tony's parents insisted that he learn how to play the piano and the violin but Tony didn't see much point in that at all. Therefore, he used to go to his room and play a tape recording of him practicing. While his parents listened reassuringly to the practice session they assumed was in full swing, Tony spent his time reading books or magazines.

"As you can imagine, my piano and violin teachers could not understand why I showed no improvement every time they saw me during weekly lessons. I think they just thought I was a slow learner. From my perspective, I just couldn't see how learning to play all these musical instruments would result in any type of benefit that was scalable."

– Tony Hsieh

While his parents wanted Tony to attend medical school or get a Ph.D. in something, he thought that sounded like an awful lot of work. About the only thing Tony really found interesting was making money. He organized garage sales, had a newspaper route (until he figured out that paid only \$2 an hour), tried to publish his own newsletter and bought a button making kit. Throughout his high school years, he always had money making projects bubbling away on the sidelines.

On graduation from high school, Tony applied to and was accepted by Brown, UC Berkeley, Stanford, MIT, Princeton, Cornell, Yale and Harvard. He actually wanted to go to Brown because they offered an advertising major – which at least sounded useful in the business world. However, his parents thought Harvard was the most prestigious university so it was there he ended up. Tony figured he'd better make the most of it.

"I arranged my schedule so that I only had classes from 9:00 AM to 1:00 PM on Mondays, Wednesdays, and Fridays, leaving my Tuesdays and Thursdays free. On class days, my 8:00 alarm was the most unwelcome sound in the world. I would hit the snooze button repeatedly, and then tell myself that I could skip the first class of the day and get the notes from someone else later. Then, an hour later, I would convince myself that since the logic worked so well for the first class, I could apply it to the second class, so I missed that class as well. By the time I was supposed to be getting ready to go to my third class, I reasoned that I had already skipped two classes, so one more class really wasn't that big a deal. And finally, by the time I was supposed to be headed to my last class of the day, I figured there was no point in only attending one class when I had skipped all the others. So basically, I ended up not attending any of my classes freshman year."

– Tony Hsieh

To get through his courses, Tony logged on to the new electronic newsgroups which were just starting to be used at Harvard and created a virtual study group where everyone pooled their classnotes together. He compiled these notes and had them photocopied and bound and Tony then sold these notes to other students for \$20 each. In this way, not only did he get what he needed to read to pass his courses but he made a profit.

In his junior and senior years at Harvard, Tony and his roommate Sanjay took over running the Quincy House Grille, a late-night gathering spot on the ground floor of Harvard's Quincy House dorm. As there was a city ordinance which banned fast-food establishments from locating near the university campus, Tony used to take the subway to the nearest McDonald's where he would talk the manager into selling him a hundred frozen McDonald's hamburger patties and buns. He would load these into a taxicab and take them back to the Grille where students would happily pay \$3 for burgers which cost \$1 to buy.

Tiring of making the daily run to McDonald's, Tony and Sanjay bought pizza ovens and started churning out pizzas for the students. Their best customer was a Harvard student named Alfred Lin who stopped by every night to buy a large pepperoni pizza. Tony was impressed by his ability to eat so much pizza until he found out years later what Alfred was doing was he was going upstairs to his roommates and selling pizza by the slice. (Alfred Lin would ultimately become CFO and COO of Zappos).

With college graduation in sight, Tony Hsieh started talking to the recruiters who made the annual pilgrimage to Harvard to hire the best and brightest. Most of Tony's friends applied for banking or management consulting jobs but he and his buddy Sanjay decided they would rather work for a technology company. Both got offers from Oracle which they accepted.

"I had a few different job offers, but it was a pretty easy decision to accept Oracle's. Not only did they offer me the most money (\$40k per year in 1995 was pretty good pay for a job straight out of college), but they also were going to pay for moving all of the stuff I had accumulated during my college years to California, plus put Sanjay and me up in corporate housing for free for a few weeks while we were going through the training program for new hires. I felt that I'd succeeded. I'd won the game of what I was told college was supposed to be all about: getting a job that paid as much money as possible. As I compared job offers that my other roommates had gotten, it was pretty clear that Sanjay and I were both going to be making more money than any of the rest of them."

– Tony Hsieh

2.

Within a few months, Tony started work at Oracle. The three-week orientation program for new employees turned out to be a crash course in database programming. Tony was then assigned to run some technical quality assurance and regression tests. As it turned out, these tests took about five minutes to set up and then about three hours to run. While the tests were running, there was nothing much else Tony was expected to do so he soon settled into a routine which looked something like this:

10AM – Turn up at work, get to my desk and start running one of the scheduled regression tests.

10:15 – Check my e-mail, send e-mails to my friends.

11:30 – Go home for lunch, take a nap.

1:45PM – Head back to the office, check the results of the first test and start another test running.

2:00 – Check my e-mail, send e-mails to my friends

4:00 – Head back home

