

D Video Case Zappos

These days, online retailers are a dime a dozen. But in a short period of time, Zappos has become a billion-dollar e-tailer. How did it hit the dot-com jackpot? By providing some of the best service available anywhere. Zappos customers are showered with such perks as free shipping both ways, surprise upgrades to overnight service, a 365-day return policy, and a call center that is always open. Customers are also delighted by employees who are empowered to spontaneously hand out rewards based on unique needs.

With such attention to customer service, it's no surprise that Zappos has an almost cultlike following of repeat customers. But remaining committed to the philosophy that the customer is

always right can be challenging. This video highlights some of the dilemmas that can arise from operating within a highly customer-centric strategy. Zappos also demonstrates the ultimate rewards it receives from keeping that commitment.

After viewing the video featuring Zappos, answer the following questions:

1. Describe Zappos' market offering.
2. What is Zappos' value proposition? How does it relate to its market offering?
3. How does Zappos build long-term customer relationships?

D Company Case In-N-Out Burger: Customer Value the Old-Fashioned Way

In 1948, Harry and Esther Snyder opened the first In-N-Out Burger in Baldwin Park, California. It was a simple double drive-thru set up with the kitchen between two service lanes, a walk-up window, and outdoor seating. The menu consisted of burgers, shakes, soft drinks, and fries. This format was common for the time period. In fact, another burger joint that fit this same description opened up the very same year just 45 minutes away from the first In-N-Out Burger. It was called McDonald's. Today, McDonald's boasts over 33,500 stores worldwide that bring in more than \$85 billion every year. In-N-Out has only 276 stores in five states, good for an estimated \$550 million a year. Based on the outcomes, it would seem that McDonald's has emerged the clear victor.

✓ But In-N-Out never wanted to be another McDonald's. And despite its smaller size—or perhaps because of it—In-N-Out's customers like the regional chain just the way it is. When it comes to customer satisfaction, In-N-Out beats McDonald's hands down. It regularly posts the highest customer satisfaction scores of any fast-food restaurant in its market areas. Compared to McDonald's customers, patrons of In-N-Out are *really* "lovin' it." Just about anyone who has been to an In-N-Out believes it's the best burger they've ever had. It comes as no surprise, then, that the average per-store sales for In-N-Out eclipse those of McDonald's and are double the industry average.

Breaking All the Rules

According to Stacy Perman, author of a definitive book on In-N-Out, the company has achieved unequivocal success by "breaking all the rules." By rules, Ms. Perman refers to the standard business practices for the fast-food industry and even retail in general. In-N-Out has maintained a tenacious focus on customer well-being, but it has done so by doing the unthinkable: not changing. The company's original philosophy is still in place today and best illustrates the basis for the company's rule breaking: "Give customers the freshest, highest quality foods you can buy and provide them with friendly service in a sparkling clean environment." The big burger giants might take exception to the idea that they aren't providing the same customer focus. But let's take a closer look at what these things mean to In-N-Out.

✓ For starters, at In-N-Out, quality food means fresh food. Burgers are made from 100 percent pure beef—no additives, fillers, or preservatives. In-N-Out owns and operates its own patty-making

commissaries, ensuring that every burger is fresh and never frozen. Vegetables are sliced and diced by hand in every restaurant. Fries are even made from whole potatoes. And, yes, milkshakes are made from real ice cream. In an industry that has progressively become more and more enamored with processing technologies such as cryogenically freezing foods and preparing all ingredients in off-site warehouses, In-N-Out is indeed an anomaly. In fact, you won't even find a freezer, heating lamp, or microwave oven in an In-N-Out restaurant. From the beginning, the company slogan has been "Quality you can taste." And customers are convinced that they can do just that.

In-N-Out hasn't changed its formula for freshness. But in another deviation from the norm, it hasn't changed its menu. Unlike McDonald's or Wendy's, which introduce a seemingly unending stream of new menu items, In-N-Out stays true to Harry Snyder's original mantra: "Keep it real simple. Do one thing and do it the best you can." This charge from the founder focuses on what the chain has always done well: making really good hamburgers, really good fries, and really good shakes—that's it. While others have focused on menu expansion in constant search of the next hit item to drive traffic, In-N-Out has tenaciously stuck to the basics. In fact, it took 60 years for the company to add 7up and Dr. Pepper to its menu.

Although the limited menu might seem restrictive, customers don't feel that way. In another demonstration of commitment to customers, In-N-Out employees will gladly make any of the menu items in a truly customized fashion. From the chain's earliest years, menu modifications became such a norm at In-N-Out that a "secret" menu emerged consisting of code words that aren't posted on regular menu boards. So customers in the know can order their burgers "animal style" (pickles, extra spread, grilled onions, and a mustard-fried patty). While the "Double-Double" (double meat, double cheese) is on the menu, burgers can also be ordered in 3 × 3 or 4 × 4 configurations. Fries can also be ordered animal style (two slices of cheese, grilled onions, and spread), well done, or light. A Neapolitan shake is a mixture of chocolate, vanilla, and strawberry shakes. The list goes on and on. Knowledge of this secret menu is yet another thing that makes customers feel special.

It's not just In-N-Out's food that pleases customers. The chain also features well-trained employees who deliver unexpectedly friendly service. In-N-Out hires and retains outgoing, enthusiastic, and capable employees and treats them very well. It pays new part-time staff \$10 an hour and gives them regular raises.