

A Pivotal Moment

An Interview with James F. McCann,
Chairman and Chief Executive Officer, 1-800-FLOWERS.COM



EDITORS' NOTE In 1976, Jim McCann began building a chain of retail flower shops in the New York metropolitan area. He acquired the 1-800-FLOWERS phone number and renamed the company in 1986, launched the company Web site in 1995, renaming the firm once again and took the company public in 1999. He is a published author and an award-winning public speaker, as well as a member of the boards of directors of Willis Group Holdings Limited and Gruppo Lottomatica.



James F. McCann

COMPANY BRIEF Carle Place, New York-based 1-800-FLOWERS.COM is now one of the most recognized brands in gift retailing, providing flowers, plants, gourmet foods, candies, gift baskets, balloons, and plush stuffed animals to customers around the world via the Internet (www.1800flowers.com), telephone sales, a network of company-owned and franchised professional retail flower shops, and an international floral wire service offering quality products and diverse services to a select network of professional retail florists.

When you look at the performance of 1-800-FLOWERS over the past 24 months, where is the business today?

It's a tough business and requires people to be good at a lot of things, because it's a lot more than a single retail shop. You have the complication of holidays, the impact of growth in the mass-market channel, and changes in consumer shopping patterns. As a result, the total number of retail flower shops in this country has been in decline for the past 10 or so years.

We have always had our own highly select network of florists with whom we work with to fill our orders, because quality is our most important attribute. We look for florists who have the right attitude, the right capabilities, and the right appearance.

About five years ago, we introduced a program called BloomNet to take our network of florists and craft it into a wire service to be competitive with FTD and Teleflora, who, at the time, had a duopoly in terms of providing services to retail flower shops throughout the world.

Today, we have more than 7,000 of those flower shops, just in the U.S. and many more internationally that are part of our BloomNet

network. That is the backbone of our system for our same-, next-day, any-day delivery of our floral gifts to our customers.

Along the way, we have had more than a hundred franchise florists for some part of the past 15 years. Early on, we decided not to let the franchise system grow anymore while we concentrated on building the BloomNet network and on developing the industry's best suite of products and services designed to help our member florists grow their business's profitability. In addition

to the franchise shops, at one point we operated more than 40 company-owned stores. However, as we were growing our e-commerce business, we realized that it was impractical for us to continue to own those shops. So we sold those off to our franchisees and these were the only new stores that we allowed into our franchise system.

Concurrent with these efforts, we have expanded our gift offerings to include other products that we carry in our flower and gift shop, such as chocolates and confections from Fannie May; popcorn tins from The Popcorn Factory; cookies and brownies from Cheryl's, and our new line of gift baskets and towers from 1-800-Baskets.com, which was launched in November '09. We will be adding other gift categories, including our new, exclusive relationship with Yankee Candle.

At one point, we asked ourselves, why not harness all of this and bring it to a subset of our BloomNet members to help them deepen their relationships with their customers and grow their business in what is clearly a challenging retail landscape?

Coincidentally, around the same time that we were having these thoughts, a new TV show was being developed by CBS called *Undercover Boss*. In a meeting that I had with the executive producer of the show, I recommended sending my brother Chris, our President, undercover to learn more about all the new divisions of our business and to reconnect with our florist roots at the store level. The producer loved the idea. I wound up intercepting Chris at our Brooklyn franchise flower shop and it made for great TV.

The experience of *Undercover Boss* was a wonderful cultural event for us as a company, because it got our people charged up. Then we started to hear from flower shops – both those in BloomNet and those who haven't been able to get in yet. Florists from around the country have been

filling our e-mail boxes with their comments about how proud they were of the show and how proud they were as florists, because they saw Chris's passion and creativity, and his knowledge of the flower shops. Importantly, our *Undercover Boss* episode really helped raise awareness throughout the country about the benefits of floral gifting in everyday celebrations and personal expressions. Florists are telling us that the show has had a very positive influence on the floral industry as a whole.

So we now have hundreds of flower shops asking to get into our franchise program, or to find a way to carry our brand, or to combine our brand with their local brand to get the best of both worlds. 1-800-FLOWERS.COM is one of the most recognized brands in the world with all the quality attributes, national marketing and advertising programs, online and offline media partnerships, and leveragable assets to help our member florists grow their businesses. Plus, at our heart, we are a family business and have always sought to partner with the best family businesses in their respective communities to bring wonderful gift products and services to people.

As a result of this groundswell of florist interest, we recently decided, on a very limited, sort of "friends and family" basis, to allow a handful of our professional BloomNet member florists become part of the 1-800-FLOWERS brand. Frankly, we believe this is a pivotal moment in our company's history.

In the early days, could you have imagined the possibilities for this industry?

I thought we could become very successful in growing a business that focuses on helping people connect and express themselves. What I did not foresee is the role that technology would play in that success – first on the telephone, then on the Web, and now in the Mobile space – and how it would change the way that we relate to people. Interestingly, I believe technology has come full circle and is helping us deepen our relationships – recreating for me the kind of personal relationships with our customers that I used to have in our single flower shop sitting over coffee and a piece of my mom's cake – only now on a much larger scale. It's the tremendous opportunities that I see in the continuing evolution of our relationships and our business that makes me believe the next 30 years of my being in the business, and being a florist, will be even more exciting than the past 30 in terms of the things we can do. ●

Make Lemonade in a Vase (left); Cupcake in Bloom in Hot Pink