

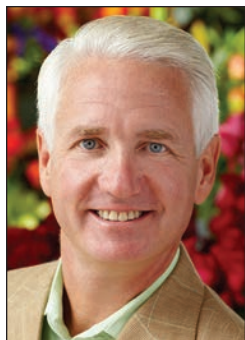
The Fourth Wave of Change

An Interview with
Christopher G. McCann, President, 1-800-FLOWERS.COM



EDITORS' NOTE *Chris McCann is President of 1-800-FLOWERS.COM and a member of the board of trustees of Marist College.*

COMPANY BRIEF *1-800-FLOWERS.COM, based in Carle Place, New York, is now one of the most recognized brands in gift retailing providing flowers, plants, gourmet foods, chocolates, gift baskets, balloons, and more to customers around the world via the Internet (www.1800flowers.com), telephone, retail and franchise stores, and a network of franchise and independent professional florists. The company's family of brands are among the best known in gifting, including 1-800-FLOWERS.COM, Fannie May, The Popcorn Factory, Cheryl's, WineTasting.com, and 1-800-Baskets.com.*



Christopher G. McCann

What impact has technology had on the evolution of the business and how have you innovated to remain current?

Today, we're experiencing what we call the fourth wave of change for our business. The four waves we have experienced are: growing a chain of brick-and-mortar retail stores; embracing 800# telephone commerce; the birth of the Internet and e-commerce; and now social commerce or the combination of social, local, and mobile. This fourth wave is allowing us to execute on the principles we learned 35 years ago when we had just one flower shop, specifically how to engage with our customers, how to be part of the local community, and how to get customers contributing input on how we run our business.

We have seen that with each wave of change, the previous modes of business remain part of our mix. This is because consumers don't completely migrate from one channel to another; they simply embrace new channels as another way to interact with the brands they like. It's somewhat ironic that today, while our company has such a great reputation for being on the leading edge in embracing new technologies, one of our growth channels for the future is the expansion of brick-and-mortar retail stores, this time through franchising, both in the 1-800-FLOWERS brand and in our Fannie May Fine Chocolates brand. The difference is that the current wave of change – social local mobile (SoLoMo); the stores give us that local presence – enables us to communicate with our customers within their communities through the mobile channel and

direct them to stores and events happening in the stores. Consumers are tethered to their desktops less and less and are untethered by tablets and mobile devices, so they're always addressable. Technology enables customers to always be in our store – whether it's our online store or a physical location in their hometown or where they are traveling.

How do you maintain consistent service standards?

We can put consistency in e-commerce and mobile commerce, as well as tablets, because they all come to the same operating engine and that is the people who are running our contact centers.

As you get into the distribution side, like going to the flower shops for delivery or a customer directly contacting that flower shop, that's where it gets tougher to maintain that same level of service.

So especially on the floral side of our business, it has been about franchising, because a flower shop has to be a family-owned-and-operated business. It's a very demanding business, so you need the support of the family to be successful. With that comes a strong focus on customer service and engagement.

Can an independent flower shop survive today?

The floral industry has seen a dramatic decline over the past 10 years in the number of shops that exist, from 33,000 12 years ago to about 17,000 shops today. But because we have always worked with a smaller network of the best professional florists, our relationships have become even stronger. In fact, an increasing number of our BloomNet florists are interested in leveraging the strength of our national brand and our significant marketing and advertising investments by stepping up their relationship with us and becoming co-branded franchises. We call this 'flying the purple flag' and it is a real win, win, win, because it gives florists the benefit of the investments we make in marketing and advertising while providing us with the commitment that we're looking for and, most importantly, it gives the customer a universal branded experience.

How have you remained competitive with pricing?

As we bring products to market, we always make sure the product is of value. It's a constant education internally to make sure people understand that the value in the eyes of the

consumer is not simply about price – it's about being happy with the value for the price customers choose to spend according to their personal capabilities and desires.

The other aspect is part of the operating culture of the company, which is to always make sure we're doing things as efficiently as possible. So we're keeping our cost structure down, which enables us to keep our pricing model at a really attractive point for our consumers.

Do you ever worry about expanding too quickly?

I'd like to be growing more quickly than we are. The challenge is how to get consumers to understand that we have other product categories that can help them address a very broad range of gifting and celebratory occasions.

This past Spring, we launched Vase Expressions, which is a floral product that has a customizable vase for photos and messages. The feedback we're getting is tremendous. In addition, we're constantly growing into other food gift categories. So it's not a matter of controlling the growth, because from an operational standpoint, we can rapidly expand and maintain the quality controls that we constantly adhere to; it's a matter of how we work with consumers to deepen our relationship as their destination for gifting and life's celebrations.

How have you maintained a family culture for the brand?

Some of the best compliments we get are from people in our company who say that this isn't a company they work for – it's a family they work with.

We have instilled the mindset that people here work for people, not for a company. But it's a matter of making sure we have the right people in managerial positions who understand how to stay connected with those that work for them.

One of the things we do in each of our brands is to make sure people get connected to all areas of the business. If you work in finance, human resources or administration, for instance, come holiday time, we expect you to go work in our stores, make deliveries, meet the customers face-to-face and see what the business is all about. When they get out and work with the franchise shops, they see the smiles we deliver first hand. What's most important is that people understand not what we do or how we do it, but why we do it; and that is to deliver smiles, and in so doing, make the world a better place. ●

1-800-FLOWERS.COM Vase Expressions