



Chris and Jim McCann

EDITORS' NOTE In 1976, Jim McCann bought his first of many retail flower shops in the New York metropolitan area. As his company expanded, McCann focused on innovation and being an early adopter of new technologies that enhanced customer engagement to grow his business. As a result, 1-800-FLOWERS.COM, Inc. was among the first to offer 24-hour service through an 800 phone number and to use the Internet for direct sales to customers, becoming AOL's first merchant partner of any kind in 1994. The company's own website launch came the following year, followed by a long list of industry firsts, including recent successful launches into the fast emerging areas of social and mobile commerce. Chris McCann, Jim's younger brother, has played a vital role in the company's growth since joining it in 1984. Recently, the company announced that, effective June 30, 2016, Jim McCann, Founder, Chairman, and CEO, will transition to the position of Executive Chairman, and Chris McCann, President, will add the title of Chief Executive Officer. The announcement coincides with the 40th anniversary of the company's founding and is an integral part of its long-term succession plan. As Executive Chairman, Jim will continue to be involved with the company in his role overseeing its management talent evaluation and development, M&A and business development, and long-term strategic planning. Chris will expand his responsibilities for overseeing the company's operational and organization processes, including the development and execution of the company's annual and longer-term operating and financial plans.

COMPANY BRIEF For 40 years, 1-800-FLOWERS.COM® and its family of gifting brands has been helping deliver smiles for customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gourmet foods and gift baskets, confections, candles, balloons, and much more. 1-800-FLOWERS.COM, Inc. was recently selected as one of Internet Retailers Top 300 B2B e-commerce companies. In addition, 1-800-FLOWERS.COM was named by Internet Retailer's 2016 Top Mobile 500 as one of the world's leading mobile commerce sites. The company's BloomNet® international floral wire service (mybloomnet.net) provides a broad range of quality products and value-added services

Delivering Smiles

An Interview with
Jim McCann, Founder and Executive Chairman,
and Christopher G. McCann, President and CEO, 1-800-FLOWERS.COM

designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM multi-brand website features premium, gift-quality fruits and other gourmet items from Harry & David®, popcorn and specialty treats from The Popcorn Factory®, cookies and baked gifts from Cheryl's®, premium chocolates and confections from Fannie May®, gift baskets and towers from 1-800-Baskets.com®, premium English muffins and other breakfast treats from Wolferman's, carved fresh fruit arrangements from FruitBouquets.com, and top quality steaks and chops from Stock Yards®.

This transition sounds like an evolutionary process that has been long planned. What does this mean for the company's future growth objectives and management style?

Jim: When we set up this succession plan many years ago, we did so with the goal of a having a seamless transition. Chris has been steering our company's day-to-day operations as president since 2000. His contributions as part of our leadership team have helped 1-800-FLOWERS.COM, Inc. grow past \$1 billion in revenues while enhancing our market-leading position as our customers' preferred destination for all of their celebratory and gifting occasions. Today's announcement recognizes Chris's significant contributions and reflects the seamless transition process that we have executed over the past several years. Working closely with Chris, I know there is no one better equipped to spearhead the continued growth and innovation of our company.

Chris: I have learned a great deal working alongside Jim over the years, as we took one storefront shop on Manhattan's East side and grew it into a leading, omni-channel gift retailer. Our long history of focusing on innovation and embracing new technology will continue to play a vital role in solving for the gifting needs of our millions of customers. Looking ahead, our company is poised to achieve even greater growth by deepening our customer relationships and expanding our business platform in both the floral and gourmet food gifting spaces.

Your company has come a long way from that first flower shop in New York. To what do you attribute your success?

Jim: There are lots of factors, but let me give you an example of what drives us. Ten years ago, although we were always an early adopter of new technologies, it was very difficult for us

to attract the best digital talent. There weren't enough to choose from, and the really good ones seemed to be flocking to Silicon Valley or the next "hot" start-up shop in Manhattan. Everyone was competing for the best and the brightest.

Flash forward to today and things are very different for us. Recently, we took a dozen of our young employees out for dinner. These are the future digital leaders of our company – five or so are Harvard Business School grads and the other seven also have incredible resumes and are digitally savvy, and all of them could work anywhere in the world.

I asked one of these young people what attracted her to work for us. She said she had made up her mind many years ago to build a career in digital marketing, and that, these days, if that is your focus, then you really should have 1-800-FLOWERS.COM on your resume. I realized then that we had indeed come a long way over the past decade.

She also said that having been with us for six months, she truly understands the connection between our brand and our culture. She has been volunteering at Smile Farms, a non-profit on Long Island that our family helped found, which consists of greenhouses that provide meaningful employment for developmentally disabled adults who grow plants, flowers, and food products to be used in their local communities. This young lady said that volunteering at our Smile Farm in Moriches, New York has really put things into perspective for her in terms of giving back to the community in which we work. This is not just about what we do, but who we are. Philanthropy ties in with our culture of innovation and achievement.

Chris: Over the years, we have made an effort to focus on the core of what we do. We are obsessed with making constant, incremental improvements in everything we do, particularly where it concerns our most important product, customer experience. This focus, more than anything, has driven our success. We know that our customers come to us because they have a need to connect with someone important in their lives. All of the work we do manifests itself in us helping our customers deliver a smile, for all kinds of celebratory occasions.

Once new hires recognize that this is at the heart of our business and our corporate culture, they come to understand the role they can play in helping our customers deliver those smiles.

No matter how much technology changes the business, it always comes back to the people. Is that part of your philosophy?

Jim: Always. Technology is just a pathway to help our customers act on their thoughtfulness.

Chris: With that said, another key component of our culture is aggressively fostering innovation. We look for people who are likely to get speeding tickets, not parking tickets. What I mean by that is that we look for people who thrive in an atmosphere of doing –always moving forward, always willing to experiment, and not afraid to fail. It comes back to the focus on our culture and making sure we constantly build, manage, and develop a culture of innovation and achievement. Leadership comes with a responsibility to consistently be on top of change. We cannot allow our company and our people to become complacent.

Jim: To succeed in our firm, it is also a good idea to be able to handle more than a bit of ambiguity. Good ideas can and should come from anywhere in your company, so we don't believe in sticking people in fixed slots – we prefer the “best athlete” approach, deploying people and periodically re-deploying them throughout the company to learn and share best practices. We believe that a culture of innovation is a culture of reinvention and we are constantly reinventing ourselves as a company. In the last quarter alone, we launched new apps for Android, iOS, and Windows 10 devices. These are probably the third or fourth generation of apps we have launched – always working to stay ahead of the curve. When we talk about a company of our scale with a culture of innovation like this, I am proud to say we can compete with anyone.

You started as a florist, then became a floral gift company, and now you're a leading gourmet food and gift baskets provider, along with flowers. How do you decide what gift areas to get into?

Chris: Today, more than half of our revenue comes from our gourmet foods brands – nearly \$700 million and growing. This reflects the constant reinvention of our businesses and our focus on engaging directly with our customers and asking them what products and services they need from us to help them deliver smiles. Gourmet foods, such as our Harry & David pears and gift baskets and Fannie May Chocolates, represent brands and products that resonate with both customers and their recipients as high-quality solutions for connecting and celebrating together.

How do you maintain your culture of innovation as your business scales larger and larger?

Jim: Scale shouldn't be an impediment to innovation; in fact, it should be an advantage in terms of allowing us the room to continually experiment – across a broad platform – while having a fairly high tolerance for failure; at least failure as a learning tool and motivator. This concept is embedded within our DNA. It is what we celebrate, what we reward, and what we fund as a company.



Chris: When new employees join us and attend one of our group dinners, they may be one of a handful of new people around a table of a dozen or more. They see us toasting our successes and laughing about our occasional flops, but also learning from them while asking about new projects and new applications. They see Jim and I along with members of our senior management team all attending these dinners with the new, young team members and they realize that this is because we are committed to and invested in our people. We are impressing upon them very early in their careers to pay close attention to what their peers are talking about, what they are working on, what they are interested in both at work and in their everyday lives. We ask them to think about what is affecting their lives and what they think the next great innovation is that we, as a company, ought to be thinking about.

We set the tone early in our interviewing process, our hiring process, and into our onboarding process that we want them to be part of our culture.

How do you balance the tremendous brand equity that 1-800-FLOWERS.COM has built up over 40 years with the fact that the name does not represent all that the company has to offer?

Jim: The strength of the 1-800-FLOWERS brand is in the relationships we have with our customers. It may have started with a floral arrangement for a birthday or an anniversary or a plant for Mother's Day, but it has evolved into a relationship in which our customers know that, first and foremost, we provide them with solutions for their connective and gifting needs. This evolution can be seen now in our omni-channel, multi-brand approach – offering customers a broad range of products and brands that they have told us they would like along with access where and when they want it – in a retail store, through a mobile app, on our website, or any of the new modes of contact under development on Facebook and via other third-party platforms.

Chris: Adding to all this is what we call the “glue” that ties our brands and customer access platforms together, our Celebrations suite of services, including Celebrations Passport, Celebrations Rewards, and Celebrations Reminders. These programs help tie together a gifting ecosystem for our customers. For instance, our Celebrations Passport program enables customers to pay one low price

and receive free shipping or no service charges across our entire family of brands for a year. This provides us with an opening to begin marketing all of our brands to those customers. Then, using analytics to understand customer behavior better, we get insight into what types of additional products and services our customers are most interested in and what we should be focusing our R&D efforts on.

Do you see opportunities to expand into other gifting areas?

Chris: Yes, very much so. Much of this comes from the continuing dialogue we have with our customers around their gifting and connective needs. This, in turn, enables us to focus on finding innovative solutions for those needs. It drives our merchant teams to try new products and product categories. Occasionally, things may not work and that is okay, too. Learning from what doesn't work is as important as learning from what does. It is critical for us to create and maintain a much deeper, engaged, and trusting relationship with the customer.

How hard is it for the brick-and-mortar store to survive today and will there be a role for the corner florist going forward?

Jim: This continues to be the context in which we think about the relationships we have with the thousands of local professional florists that we work with every day. As the only leaders in our space who started out as florists, Chris and I have a unique knowledge and empathy when it comes to local florists.

It all goes back to our first shop where I worked full time. Chris would come in on weekends while he was attending high school and college, and we worked hard every day to develop and maintain relationships with customers in the local community around that first shop. So we know how hard it is to make a retail store work each and every day.

We try to replicate that focus and effort today through the use of technology. We strive to make each customer interaction as direct and personal as possible, to build relationships first and then do business. We are now taking our culture of innovation and bringing that to our network of florists to help them compete and grow in their own communities. We work closely with our BloomNet florists, building and hosting websites for them in their local communities, providing cutting-edge point-of-sale and store management systems and much more to help them grow their businesses profitably.

Chris: One good example of this is our Local Artisan program, which we launched a few years ago as a way to feature and showcase the creativity of local shops and their exclusive floral designs to millions of 1-800-FLOWERS.COM customers. Through initiatives like this, we are giving these shops a chance to reach a much wider audience that can now see what is available in a specific market on any given day.

Jim: It comes down to constantly innovating with a focus on driving customer experience – that's what 1-800-FLOWERS.COM and our family of brands represents, and that is what will help us achieve our goals for continued top and bottom line growth going forward. ●