



Jim McCann

Founder & CEO

1-800-Flowers.com

Jim McCann is a highly successful entrepreneur whose vision and energy have helped grow 1-800-FLOWERS.COM, the company he founded in 1976, into the world's leading florist and gift company. McCann's focus on customer relationships and his willingness to embrace new technologies and business channels helped change the way flowers and other gifts are marketed for birthdays, anniversaries, holidays and special occasions.

In addition to being the first company to have its 800-telephone number as its name - a marketing insight that helped solidify the brand in consumer's minds - McCann was a pioneer in online retailing - seizing the enormous reach of the Internet as early as 1991. Utilizing thorough knowledge of his customer base and market, McCann focused on expanding brand name awareness and instilling a sense of trust and convenience.

McCann's strategy for growth includes an effective combination of birthing new businesses and making acquisitions of businesses and brands that resonate with customers as great sources for exceptional gifts. One such new business is the BloomNet® wire service which provides retail florists with diverse resources such as website hosting, a comprehensive technology platform for retail store management and the industry's first and only online digital floral directory. On the acquisition front, McCann has expanded his company's gift offerings, and become a leading player in the Gourmet Food and Gift Baskets business, by acquiring such iconic brands as: Fannie May®, makers of gourmet chocolate and other confections; Cheryl & Co.®, creators of individually-wrapped fresh baked cookies, brownies and cakes; and The Popcorn Factory®, which offers gourmet popcorn and other snacks in exclusively designed collectible tins.

McCann is a published author and award winning public speaker as well as a frequent guest on radio and television programs nationwide. In addition to serving as Chairman of the Board of Directors for 1-800-FLOWERS.COM, McCann is a member of the Board of Directors of Willis Group Holdings Limited and Gruppo Lottomatica.

Robert Reiss: Hi. This is Robert Reiss on The CEO Show, and we are here today with Jim McCann, who is the Founder and CEO of 1-800-FLOWERS.com. How are you, Jim?

Jim McCann: Just fine, Robert.

Well, good to have you with us. What would you say the brand of 1-800-FLOWERS.com stands for?

Well, I am not the best person to ask that, because I am very prejudiced. But what I would hope our customers would tell you. They'll say 1-800-FLOWERS.com stands for the way to access their flower shop. That is, I want to be the world's Florist. I want them to have the confidence that we are in the business, and have the right products and the right services to help our customers express themselves,

and connect to the important people in their lives. And we do that with a range of products that are appropriate for us as a flower shop to carry. Our flowers, our plants, our greetings products, our plush, our balloons, chocolate and confectionery products, as well as our gift baskets, and gourmet food products.

Jim is Founder and CEO of 1-800-FLOWERS.com, which is the world's largest Florist you would know ... when is the right time to give flowers?

Any time that you would like someone to feel special, to feel good, to feel good about you, and to have a momentary and perhaps lasting distraction from things that are going poorly, or a celebration I think that are going well.

And so it's not really relegated to Valentine's Day,

Mother's Day.

Well, we appreciate the fact that there are all those holidays that people like to express themselves and connect. We have the spring holidays quick upon us, we have Passover and Easter. We have Secretary's Week, we have Mother's Day which is a largest floral holiday, and then Father's Day in June. So it's a busy time for gifting with calendar occasions, but the fact Robert, our single most important occasion is birthdays, and that is, there are 365,000 people everyday celebrating a birthday, and we have a wonderful collection of gifts to help you wish a happy birthday to all those special people in your life.

So tell me about what would you give someone for their birthday?

Well we have, our most popular birthday item, is an item we introduced probably a dozen years ago now, and it grows in importance every year, and it's called the birthday flower cake. It's a birthday cake made completely out of flowers, and it comes in a cake box, and it's fun, and it puts a smile on people's faces. It comes with candles, and it's our single biggest selling birthday item. Although, there is a new one that's catching up on it. We created a line of products called the Happy Hour Bouquets. Those are two foot tall oversized Margarita and Martini Glasses filled with very colorful floral arrangements to mimic Margaritas and Martinis etcetera, and they are catching on as a very, very popular birthday item as well.

Why are flowers so important in society? What is their real role?

Well, flowers are a way for us to express ourselves when words are not sufficient to express your feelings, and they have a very important physiological impact on us, and they have a very important broadcast benefit. When you receive flowers in the office, everybody is going to come up to the person, to that lady who receive those flowers, who works as receptionist say, oh, you must be somebody special. What's the occasion, is it your birthday? No, he just sent them to me because -- oh, you must be the luckiest person. I wish my husband was as thoughtful as yours. Those kinds of things. So it's a broadcast of your emotions, it's a physiological benefit to the environment. It's a way of communicating in such a way where words are insufficient.

Now your organization is famous for exceptional customer service, tell me a story of something that happened that surprised even you.

Well, there is so many, and one of the ways that we teach people in our company, in our own flower shop here, about what we expect of them from a customer service point view is, we handover to our new people, and people in training for customer service, we hand them our book of legends. And our book of legends is a series of huge binders, filled with letters that we have received from customers over the years, thanking us and paying particular mention to someone who has done something extraordinary from a customer service point of view. And our charge to our customer service people is to get what we expect them to do, is do treat a customer in such a way that they feel inspired, they write to Jim McCann a letter about how good you were

fixing a problem for them.

We have stories about extraordinary delivery of situations where a fellow in an airport, he decided -- his girlfriend gave him an ultimatum, and said, if you don't propose me by the time I leave for Paris with my family on vacation, don't call me again. Well, at the last minute he decided, this was a good thing, and he shouldn't miss out on it, and he asked if we could engineer delivery to Kennedy Airport on Long Island to get these flowers with a proposal to his girlfriend, to say that in fact, he did want to marry her. So we had a delivery guy make a special arrangements with Carle Place to get right to the gate with the bouquet, and he knelt down, and he read the card message to her, while her mom and dad and her sisters stood there, and he read the proposal to her, and he had a cell phone in his hand saying, if your answer is yes, I am instructed to call Richard, and put you on a phone with him, so we have photographs of that situation. It was covered by the local TV station, because they got wonder what was going on, and it was a great story.

Well, those are the kind of things that we build our legend on and we encourage our people to do the extraordinary things, because it's fun, because it's interesting and it remind us about the very important thing we get to do everyday, which is help people express and connect.

And did you get paid extra on that?

No, it's not about the money, Robert. We really don't care about the money. It's just one bouquet at a time making the whole world feel better, and yes, we got an extra delivery fee, and the driver got one heck of a tip.

So let's talk about the customer experience. Where do you think companies make mistakes?

Well, and I am sure we are guilty of it too Robert, in terms of making mistakes. It's being rigid in your rules. We call them our guidelines, here's what we would like to do, but put yourself in that customer's situation. If it was you in this situation, it happens everyday, people send flowers to the hospital for a new baby. Well when my wife had our children, which was, it seems like a 100 years ago, but it was 20 plus years ago, now 30 plus in the case of my daughter, years ago. She was a couple of days in the hospital. Now if you have the baby in the morning, a little after lunch time, they're wheeling you toward the door.

That's right.

Put that little bambino in your lap and saying bye-bye. Well, if you hear about that and you want to send flowers to congratulate them, often times we have to reroute the flowers to the home, because they are out of the hospital so quickly. So we encourage our people say, if this was your situation, yes, we can call the customer and ask them, do you know the address? But in some places around the country, the hospitals are willing to give us the home address. So we encourage our people, and our florist and our delivery people, just contact the hospital directly, get the flowers to the home, give your ultimate address as soon as possible, and then let the customer know that you did that for them. Don't wait for them to get back to you, if you have the opportunity to solve the issue for them.

And it really sounds like it's this incredible culture that you built that drives that. I know the famous story of Gladys Vasquez who won \$10 million, and she still wanted to come back to work, right?

She could work. At least for another six months. But from a cultural point of view, once you get past a few people in any organization, whether you are running the dry cleaner, or the real estate office, it's impossible for the business manager or owner whatever the case might be, to really effectuate each and every sale, or each and every customer contact. So your job shifts from doing to managing, and managing in this case is managing a culture, because the culture you can't control it. You cannot control your culture, and every time someone new comes into the equation, the culture changes a little bit. All you can do is try and influence. So what things do you celebrate, what things do you reward, what things do you punish, what things don't you tolerate? What kinds of examples do you set? So each of us becomes a cultural engineer, and that's where we spend on our win, just because I think –

I like that, a cultural engineer.

That's all we are at the end of the day. If we can create a cultural environment where we give people the opportunity to perform well, measure what they do. Let them know we think is important. People want to do a good job. It's the single biggest challenge each of us has, whether we are managing one person, or managing a thousand people.

In terms of your whole leadership style, I know you have these great stories of planting tomatoes with Norman, and things you have learned like that. What is your real leadership style to build that culture?

This is difficult for me to explain it. I think you can get a little *highfalutin* in how it sounds, but the idea – if my job isn't to do anything any more. My job is to encourage other people to achieve more than they thought they could have been in their professional careers. To get them to come up with the new ideas. To get them to execute, because if I came up with all the ideas which I am not possible, which I am not able to do. But if I was, they are not going to get executed, because unless people feel ownership for an idea, unless people feel responsible to make something happen, it's not going to happen. So our jobs in management, or our jobs in leadership whether within our flower shop here, or in a-- or working in a hospital, it's to try and attract the right kind of people, have the right temperament and outlook.

Help them to be a part of setting the goals for the organization. Encourage them to take it to a high level, set up a score keeping mechanism, so they can measure their effectiveness, allude for them along the way, have interim rewards and measurement points, and then set a new set of goals after you get close to achieving those, and celebrate each and every one of those little successes along the way, and finally a goal completion.

And where does -- you talk about fun a lot; I have heard you talk about it - where does fun come into play?

Well, especially in times like this we find ourselves working more and more, and is more and more stress around us. I work a lot. I am around the offices, and our facilities, and our shops a lot, and I want to have fun. I don't want it to be a drudgery So people who are fond of people, you will do a lot more for people who make the environment one where they can leave the trouble that they might have at home and get a distraction at work, we just did something fun here this week.

In trying to connect with our customers, there is a subset of our customers who are very, very important subset. And what we did in an exercise is try and figure out who she is, that customer, and what makes her motivated. Why does she -- what is giving mean to her? And when we did that, we gave that personality of these very special people who you and I Robert would love to have as a friend. We've named her Tina. So we had did some fun things over the last few weeks. We did all this research around Tina, we want everyone when they think of how to design a product?

So we did a fun thing with Tina. Who was writing emails for the company all day, and then we had party for everyone to come meet Tina. And everyone's asking, who is Tina? So we had this big ice cream party, and a big video display, and we had Tina our customer that we want everyone to think about previewed at this wonderful big fun ice cream party we had on Tuesday.

So let's talk about technology for a moment. I know in 1996 you won the award for having the greatest business application on the web, and technology has obviously been a major force in your business. Talk about what you see its role as being.

Well, ironically Robert, we view technology as a tool. A tool that will allow us to be more personal with our customers. Now it sounds a contradictory ... technology is personal. But if you think about it, 30 plus years ago, I am running a flower shop on east side of Manhattan. I had 30 wonderful customers who were regulars. Who I got to know, or they became part of our family, us a part of there's. They feel comfortable enough to come into our little shop on 1st Avenue, and pull up one of our Director's chairs, make themselves a mug of coffee or tea, and sit down and chat with us, as we were working, and comment on the work we were doing.

Well, our job today is to recreate that same experience, now not for the 30 customers that we had than, but for the 30 million customers we have today. The only way to do that is with an effective use of technology, so that you understand about our customers, who they are. You are doing things to help their life feel better, and we are -- as you mentioned in the earliest part of our discussion today, we reinvented our business a little bit by embracing new technology. In our case a new technology at first was 800 number calling. We were first to do that. The first company whose name was its telephone number, 800 Flowers.

Then we changed it to 1-800 flowers to make sure people understood it was a telephone number. Then in the early '90s my punk, younger brother Chris, 10 years my junior, started working with us, and he felt we should be involved with this thing called be online world, later described as the Internet. So we were very early to those things. But all it is,

is a way to help our customers, to act on their thoughtfulness. So Robert, you may be in a shower tomorrow morning, you say, gees, that Catherine over at 1-800 Flowers is so helpful to me, I would like to send her a little something.

We have several hundred thousand entrepreneurs, CEOs listening right now, and you built up one of the great organizations, obviously a plethora of challenges along the way. And I know frankly, you even kept your old job, and you worked full time, while you had 14 shops. What would you say a significant lesson that you learned as an entrepreneur, of how to grow business is?

Well, the first thing I'd say that there are over several hundred thousand of your listeners who are entrepreneurs, and the first thing I'd say to them is, I want to be your florist.

Buy flowers for the employees. Right, I knew you were going there.

And the second thing I'd say is, if you look at me, if you look at my brother Chris, we are not brighter, we are not smarter, we are not more capable than other people, but the one ingredient that I have seen over and over again, and Robert I bet you are going to agree with me, because you know more entrepreneurs than I can ever hope to. And you made a science and a career out of getting to know them, and helping other people to get to know them. But one thing that I have taken away, that I have most been struck with, with the heroes of mine that are entrepreneurs, is that they have the same setbacks that everybody else has. But they get over them quicker, they recover quickly. So they'll take the same hit, but they won't spend the rest of their lives lamenting about all of the mistakes I made, or all that tragedy, or the bad economic environment. I mean, they get over it. They recover quickly, they pick themselves

up, they dust themselves off, and they get on with it.

This is a very tough economic environment right now. And I think companies like us, or in our flower shop here, and others are being challenged. But next year, Robert, you are going to be talking to people and say, when other people just laid down last year, you didn't. What did you do that was different? And I want to be able to answer that question for you next year.

So we are making sure that we are getting in a tough environment we have three things to do. Number one, take care of our customers. We think we are the best at it today, but we know that we can be better. Number two, take care of our finances. Manage the cash, cut out cost every place we can. Make sure we're taking care of our balance sheet. And number three, invest in the future. So we have 12 projects we were funding 4 months ago, that were future projects, it took money, we were burning cash, but we thought they were good investments. Well, now we have four. Yeah, we said great ideas, but we can't afford to fund them now. And so we have four, and may be two of those where we've cut back on how much we are going to fund them? We want to keep them going, but we can't afford to fund them full tilt, because we are going to be here for another 30 years, and for us that's a new company called 1-800-Baskets, our gift basket company. So for us it's, take care of your customers, take care of your finances, and continue doing invest for the future.

That's wonderful, and I bet, Margret McCann would say, loyalty takes you through good times and bad. Robert Reiss, on the CEO Show with James McCann. Great having you as a guest.

Thanks Robert.



Jim McCann and Robert Reiss