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1-800-Flowers change in leadership

Aisha Al-Muslim



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NEW SEASON for **1-800-FLOWERS**

FOUNDER JIM MCCANN
 HAS PASSED THE
 CEO TORCH TO
 HIS BROTHER CHRIS



BY AISHA AL-MUSLIM
 aisha.al-muslim@newsday.com

1-800-Flowers.com Inc. has grown from a single flower shop bought for \$10,000 four decades ago to a publicly traded company with more than \$1 billion in sales.

The Carle Place-based online

florist and gift company grew by adding retail stores, a national toll-free number, a multibrand website, and an international network of florists and franchisees that help fulfill more than 23 million retail and wholesale orders a year. And it has branched out into the gourmet food and gift business by acquiring brands such as Harry & David, The Pop-

corn Factory, Cheryl's and Fannie May.

"This company has gone from floral company to a gifting company," said Eric M. Beder, managing director for Wunderlich Securities, an investment banking group based in Manhattan. "It has been a tremendous evolution for the business."

Now it's transitioning from a

founder who focused on the big picture, to a new, more operations-focused CEO — his younger brother.

At the end of the company's fiscal year on June 30, 1-800-Flowers founder Jim McCann, 64, stepped down to become executive chairman, relinquishing his title as chief executive to his brother, Chris McCann, 55. Chris

will also continue as the company's president.

"Chris has been running the company for the last dozen years," Jim McCann said. "He deserves his shot at being No. 1."

Jim McCann will continue to oversee the company's staff evaluation and training, mergers and

See FLOWERS on A34

PEOPLE ON THE MOVE See who's been hired and promoted on LI newsday.com/business

Brother's DAY



BARRY SLOAN

The company, whose first focus was making bouquets, has 600 local workers and hundreds of stores nationwide.

New leadership at 1-800-Flowers as CEO steps aside for his sibling and right-hand man, who 'deserves his shot at being No. 1'

FLOWERS from A33

acquisitions and long-term planning. Chris McCann, who became president in 2000, will take on additional duties, including the company's annual and longer-term operating and financial plans.

"For many years we have been working so that I know what he is thinking and he knows what I am thinking," Chris McCann said.

Both brothers have appeared in Mother's Day ads for the company since 2011.

"Jim McCann is the visionary of the company," Beder said. "Chris will put his own vision on the company, which will be more analytics and operations-driven. Jim has been able to look at the bigger picture, and Chris has been more technologically oriented."

Chris McCann takes over at a time when social media are challenging the old model of selling on websites, providing opportunities and risks for the company.

Customers complained in 2014 on Facebook and Twitter about missed or delayed deliveries after a pre-Valentine's Day snowstorm. 1-800-Flowers told customers to send their order number and customer and recipient information to try and address their complaints.

"Our most important product is the customer experience," said spokeswoman Yanique Woodall.

Some franchisees are push-



1-800-Flowers.com founder Jim McCann, left, and brother Chris, who is president and also now CEO.

CHUCK FADLEY

ing for better business conditions. Last year, a few franchisees formed the Independent Florist Franchise Association to try to unite about 150 franchisees, saying they wanted to improve the brand and the company's franchise arrangements.

In May, three franchisees filed a \$5 million lawsuit in federal court in Brooklyn alleging that 1-800-Flowers tried to maximize profits at the expense of its franchisees and retaliated against those that placed more orders through

competing wire services, such as Teleflora and FTD.

The company has said the claims are "without merit."

1-800-Flowers is one of Long Island's largest public companies, but it is controlled by the McCann family, which owns about 58 percent of its stock.

"We work hard to try to maintain a good balance between a family-esque business and the responsibility of being a public company," Jim McCann said.

600 LI employees

The company now owns 153

stores under various brands and has 180 franchise stores under the 1-800-Flowers name. It has 4,000 employees, 600 of them on Long Island. During the Christmas holiday season, employment nationwide swells to 10,000.

The company's revenue grew 48 percent to \$1.12 billion in the year ended June 30, 2015, boosted by acquisitions. When it reports fiscal 2016 financial results at the end of August, it expects revenue to have grown by 4 percent to 5 percent.

Jim is the oldest of five McCann siblings who grew up in South Ozone Park, Queens. He helped his father, also Jim, a painting contractor, during weekends and summers.

The son graduated from John Jay College of Criminal Justice with a bachelor's degree in psychology in 1974. He worked as a social worker in Queens and a part-time bartender on weekends in Manhattan. In 1976, one of his bar customers, who owned a small flower shop directly across the street called Flora Plenty, told him he wanted to sell his store.

After working there for a few weekends, Jim McCann decided to buy the business. He used \$10,000 he made from selling a fixer-upper building to buy the flower shop at First Avenue and East 62nd Street in Manhattan.

"I loved it," Jim McCann said. "It was a very small shop. I loved the fact that you were involved in people's lives and all these celebratory events."

Chris McCann earned a bachelor's degree in political science from Marist College in Poughkeepsie in 1983. After he graduated his brother asked him to join the company to help with operations.

By 1985 Jim McCann's floral business had grown to 14 local florist shops, all under the name Flora Plenty, in New York City and Long Island. In 1986 Jim McCann bought a Dallas-based telemarketer known



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The goal now is to get customers to buy more than flowers. The company bought the Harry & David gift basket business, and 60 percent of all sales now are gourmet food.

as 800-Flowers for \$2 million and assumed \$7 million in debt.

"It was the worst deal I ever did in my life," Jim McCann said. "It just had this telephone number, but it had accumulated liabilities that I now owned personally, so I dug myself into a deep hole."

The company changed its name to 1-800-Flowers and sold some stores to focus on building its brand using the toll-free number.

"Everybody said we were really stupid, but we were the first company whose name was its telephone number," Jim McCann said.

In 1989 the company moved its headquarters to its Bayside, Queens, flower shop and built a call center. It offered 24-hour service, accepted credit cards for phone orders, and gave 100 percent satisfaction guarantees on deliveries. And it began a national advertising campaign on CNN.

1-800-Flowers entered the online world via CompuServe, the first major commercial online service in the United States, in 1992. Two years later the company became the first merchant on America Online. In 1995 the company website

was relaunched during the dot-com boom.

The company was again renamed, as 1-800-Flowers.com, when it went public in August 1999, raising \$126 million.

The steep recession that began in December 2007 and officially ended in June 2009 took a bite out of the company.

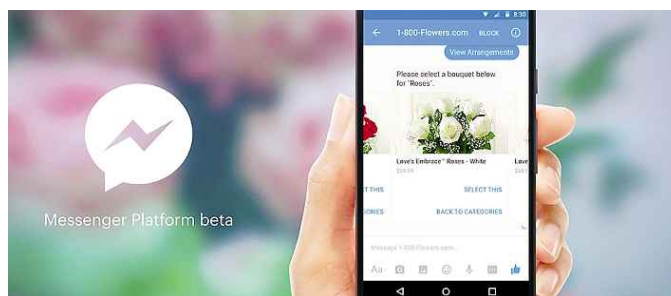
"We found out we weren't recession-proof," Jim McCann said. "Our sales went down. It had never happened to us before."

The company paid down debt and tightened its belt, cutting its technology development projects from 15 to just four.

Growing by acquisition

1-800-Flowers has made 13 acquisitions since 1998, not counting retail store purchases. Its last acquisition was of Oregon-based gift basket and gourmet food retailer Harry & David in September 2014, for \$142.5 million.

About 60 percent of all of 1-800-Flowers sales are now gourmet food, with very heavy business during the Christmas holiday season. Mother's Day is the No. 1 holiday for flower sales, with Valentine's Day coming in second.



AT A GLANCE

1-800-Flowers.com Inc.

Headquarters: Carle Place

Employees: About 4,000; 600 on Long Island

Revenue in fiscal 2015: \$1.12 billion

Net income in fiscal 2015: \$20.3 million

Adjusted net income in fiscal 2015: \$34.7 million

Key businesses: 1-800-Flowers.com, Harry & David, The Popcorn Factory, Cheryl's, Fannie May

Founded: 1976 in Manhattan

Source: 1-800-Flowers.com

The Harry & David takeover "is really good" for the company's long-term health, said Linda Bolton Weiser, senior analyst of consumer products for Manhattan-based investment bank B. Riley & Co. "In the short term, it makes the company more seasonal." December sales, she said, mean that the fiscal second quarter is "the only quarter they are prof-

itable."

The company reported net income in fiscal 2015 of \$20.3 million. Adjusted net income, a measure that excludes one-time costs from buying Harry & David and from a Thanksgiving Day fire at the Fannie May warehouse, was \$34.7 million that year.

1-800-Flowers has recently introduced a multibranded web-

site to display all of its brands. The goal is to get customers to buy more than just flowers, perhaps also popcorn or cookies.

"Gifting is very much a growing phenomenon," said Nanda Viswanathan, assistant dean at Farmingdale State College's School of Business. "It is much easier and friendlier shopping for gifts in the online space."

Online social media, and growing data about customers' behavior, are transforming e-commerce. 1-800-Flowers now allows customers to order gourmet food and flowers on Facebook Messenger, Amazon's Alexa, a voice-command service, and GWYN (Gifts When You Need), an artificial-intelligence tool on the 1-800-Flowers website that gives prompts to help customers choose a gift.

"In order for a business to survive, we must always embrace change, and that change is often driven by changes in technology, and changes in technology change consumer behavior," Chris McCann said.

More than 50 percent of the company's traffic now comes from mobile devices, he said. "We are very proud of the business we have built, and we are certainly very excited about the business to build in front of us."