

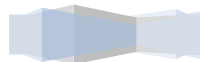


**A conversation with
Lewis Goldman, SVP, Brand Marketing, 1800Flowers.com**

Interviewed by:
Steven Groves, StevenGroves.com
Guy R. Powell, DemandROMI

Can you tell us about the 1800FLOWERS organization that you are a part of these days?

Lewis: Sure, I'd be happy to. As many of your listeners probably know, 1800FLOWERS.com was really an early mover in the e-commerce Internet space. The company was actually founded back in 1976 by Jim McCann, who continues to be our CEO, as well as Chairman. Fascinating story. Jim was actually a social worker and was the overnight manager for a home for troubled boys and was looking to make a little bit more money during the day when he had his time off. He started working in a flower shop and seemed to have a real aptitude for it. He ended up buying that flower shop and subsequently bought 13 more flower shops before finally quitting his night job. It was getting to be so much because he was so successful as a florist. What is significant about that is that Jim has always taken that mindset of being a social worker to the way he approaches business and the way he approaches 1800FLOWERS.com in the way that we interact with our customers. For Jim and for the company, we are really about expressing and connecting with the important people in our lives. A way that that expression and connection is demonstrated is by sending them a gift. No one has to send anyone flowers. They send them because they care about that person (that person is having a good day or a difficult day, maybe it's that person's anniversary or birthday or special occasion) and the way they want to express that they are thinking about that person is



by sending them flowers or chocolates or one of our other terrific gift items.

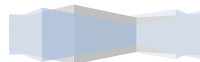
Jim built the company and in 1986 he acquired the 1800FLOWERS phone number and continued to grow the company nationally under that name. He switched the name of the company from the name of his flower shop in New York (which was called: "Floral Plenty") to 1800FLOWERS and then was an early mover onto online. He actually started selling product online in 1992. We opened our first website in 1995 on the World Wide Web. We were actually the first e-commerce merchant on AOL and as our Internet business became more and more significant, we switched the name from 1800FLOWERS to 1800FLOWERS.com. We went public, I believe, in 1999 and then have continued to expand from there. More recently, we've expanded beyond flowers to other gift companies. We bought Fannie May Chocolates, Cheryl&Co. Cookies, the Popcorn Factory and then a few wine brands that we've put under the Winetasting Network umbrella. So, we've diversified into other gifting products, but our focus on taking care of our customers and helping them express and connect with the people that they care about has continued to be our mantra, just as when Jim first opened his shop back in 1976.

That certainly plays very well into the topic that you will be talking about at the Measure Up Conference on social media. Your session is going to be called: "Social Media and e-Commerce: Bad or Fundamental Change?" Tell us a little bit about what your major points are going to be.

Lewis: I think it's interesting because I've had the good fortune to be in the Internet area and specifically in the e-commerce aspect of the Internet, going back now almost 14 years. I was working back on Internet initiatives as far back as 1996. Social commerce or social media is not new. For those of your listeners who remember back when there were GeoCities and Talk City and a few other social networking sites, they really weren't dissimilar to Facebook. The difference is that the Internet itself was so new back then that those social networks were really built on people interacting with one another as a way to connect with one another. The e-commerce



aspect of those communities was fairly modest. As a matter of fact, many of those businesses were unsuccessful because they couldn't figure out how to monetize that interaction that was happening because it just didn't have a compelling value proposition to advertisers who felt that people weren't focusing on their banners. They were just interested in talking to one another and weren't really focused on the advertising. Fast forward roughly eight or nine years and now we have between Facebook and MySpace and Twitter a whole new wave of social networking platforms. What I think has evolved over that period of time are really two key components. The first is that I think the demographics have changed. Part of that is the maturity of the Internet. You now get older people who are engaged in social networks who actually have significant purchasing power vs. the younger demographic that was there in 1998. I think the second element is that the comfort level with e-commerce is much, much higher now than it was ten or more years ago and as result, people are much more comfortable going right from a recommendation to purchasing a product. I think the other element that has occurred over time, as the proliferation of advertising has continued to expand and the number of different places where we get hit increases, I think people are looking more and more towards trusted authorities to give them direction in terms of what are the right products to buy and where there are opportunities. Particularly with the downturn in the economy over the last couple of years, one of the most explosive areas that we've seen is couponing sites and couponing blogs as people have shared special deals as a way to save money. The other side of that is, particularly in a highly engaged area like taking a trip, people who want to go to a place that they haven't been before, whether it is a hotel or out of country, etc., they want to take the risk out of it by hearing from others and really understanding what it is going to be like when they get there. And if other people have had a good experience, which is why you've seen the success of sites such as Trip Advisor. So, I think we are now in an era where social media is not only a key part of what people are looking for on the Internet, but if you think about it, social interaction on the Internet through Facebook is really just one extension beyond what the Internet was predominantly used for in



the last 15 years, which was email. That was always the biggest use of the Internet and the Web. Now they are able to connect more in real-time and do it in a multi-media fashion. So, I think you have this phenomenon of people connecting with one another on the Web. I think now people spend over half their time on the Internet on a social networking site. I think that is the last statistic I've seen, combined with people looking to others to give them advice to help influence the purchases they make, combined with people now connecting with people who may not be geographically close to them. As a result, wanting to express that connection in a longer distance type of relationship by sending them a gift, whereas they might not have connected with that person in the past. An illustration that I always use is my own Facebook account where I've connected with some of my classmates from college that I literally haven't seen in 20 years. In some cases, I haven't actually talked to these people and I still haven't talked to them. I think if I talked to them, the conversation would be much more superficial than the running narrative that I get on what's going on in their lives on my wall. I saw that one of them was having a birthday. Working with 1800FLOWERS, I got her address and I sent her flowers for her birthday. It was the first time I sent her anything in 20 years. So, it's now taking that connectivity that is happening in social networking, that virtual interaction, and taking it to the next step and creating physical gifting and physical connections through sending different items to each other. That is, what I think, the big picture of what I'll be talking about. I'll be giving some specific examples on how we are using social media at 1800FLOWERS.com to help us deepen the connection with our customers and to interact with our customers and use it to help drive business for us, as well.

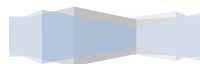
With your experience at 1800FLOWERS and maybe even going backwards a little bit with your experiences at Citi, what were the best successes? What would you say were some of the real wins you've had using this social technology? What are the lessons learned from some of the mistakes you've made?



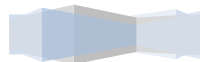
Lewis: Obviously, we don't like to dwell too much on the mistakes, but definitely as an innovator and as a company we've always been very innovative. We were one of the first companies to have transaction functionality on a mobile platform. You now can order from 1800FLOWERS across Blackberry, Android and, of course, iPhone. And our mobile platform is growing phenomenally well. We were a first mover in a number of areas.

I'll start with an example which wasn't quite as successful. Part of what we do as being a leading e-commerce retailer, we feel we need to try a lot of different things. We don't always know what's going to be the right vehicle for us to use to connect with our customers. A few years back we decided to invest in the first virtual store on Second Life where we actually created a 1800FLOWERS store. You could go and make a purchase through Second Life. As we all know, Second Life, which at the time, a lot of people thought was going to be what Facebook has turned out to become. Everybody was going to have their own Avatar and their own buildings and they were going to spend a lot of time interacting virtually through Second Life. It turned out to not be the case for whatever reason. So, that store has not been as successful as we would of liked.

To give you a positive example, we've done a lot of research on who our target customer is. Our key target customer we've nicknamed: "Tina." She is someone who really likes to give gifts, whether they be flower gifts or other gifts, just because. She is somebody who is really driven by gifting. She feels about giving the way most of us feel about receiving a gift. She gets that same charge and excitement about making somebody's day by sending them flowers or sending them chocolates or a gift basket. She is very attuned to the needs of the people around her. In fact, she is a very big Facebook user because one of the things that she feels really strongly about is she wants keep that connection even if some of her friends are geographically far away from where she lives. This Tina target, one of the great things about her is because she likes to give so much (because it is so important to her), she tends to buy a lot of gifts. She constantly tries to cheer up a friend who is having a bad day or



congratulate a friend who got a promotion, as well as the normal occasions like birthdays and the like. For Mother's Day, we did an initiative called: "Spot-a-Mom." Our goal was to really help our Tina customer connect with all of the moms in her life. So, if you think about Mother's Day and who you want to get a gift for, usually you have your own mother (if she is still alive) or your mother-in-law (depending on your relationship with your mother-in-law). But then there are other mother-type figures in your life who you may not think about connecting with, but who Mother's Day is very important to. So, if you have a friend who happens to not have any kids but uses pets as their children, or if you have a sister who is a new mom, or a sister who is going to become a mom, or somebody who is just important in your life as a mentor. She is not your actual mother, but you view as a mother-type figure. And for Tina, it is very important for her to connect with all these different moms in her life. So, what we tried to do with Spot-a-Mom was make it easy for Tina to be able to give gifts to all the moms in her life with the goal to make sure that no mom was left behind on Mother's Day (that every mom got flowers). So, this was really our first significant move. We had a Facebook site up and a Twitter account for a couple years and we've participated in blogs. We have Julie Mulligan who works for 1800FLOWERS and has had a blog for several years, as well. But, this was the first time where we really wanted to use social networking as a way to get across this idea that every mom deserves flowers. So, our public relations team did an absolutely fantastic job of identifying and reaching out to key "mommy bloggers" across the web. We decided to launch the Spot-a-Mom campaign six weeks before Mother's Day because the whole idea was that we wanted to engage with these mommy bloggers. We wanted to talk to them about how important it was to spot a mom. We actually spotted them. We had different mom types: we had a pet mom, we had a new mom, we had mom of a mom - three different mom types. We identified what kind of mom type each blogger was. We obviously sent them flowers and gave them promotion codes to share with their readers. It created a tremendous groundswell and buzz about our Spot-a-Mom campaign to the point where through the mommy bloggers, we touched over 6 million different followers of these different mommy



bloggers well before our other marketing activities kicked in. By doing so, what it ended up generating was early excitement and early sales for our Mother's Day products, much earlier than we've seen in the past. It was a key part of our success for Mother's Day this past May.

What do you see as the key metrics for your social media efforts that can really drive value for your site and your activities?

Lewis: I think there are a couple of things. First and foremost, we are obviously interested in sales. A lot of our social media outreach efforts use promotion codes, which enable the people who use those codes to get a discount on their orders. We can obviously track those codes back to measure the success. We realize that the codes are not 100% of the value because some of the people will come to the site and not use the codes; you're going to get some breakage. But, it is a good directional indicator for us on how successful a marketing campaign has been. The second level is traffic, right? Are we seeing an increase in what we call: "untagged traffic", which is people coming to the site not through one of our direct response vehicles like search or some of our interactive marketing or affiliate efforts, but are just coming to the site "spontaneously". That is the second metric for us. Then the third metric is something that we also started to look at. We've looked at a "share of mind" or "a share of discussion" is the best way to put it. Through a third party service and through our PR agency, to basically see how much we are finding folks talking about us vs. talking about some of our key competitors.

Let me give you a quick illustration on the way we use social media from a specific tactical business perspective. We have over 50 customer service agents on Twitter. Their main job is to go on Twitter and search for anybody who has an issue with a 1880FLOWERS order and they are tweeting about it so that they can jump in and help that customer with the order. We instituted this shortly before Mother's Day. After Mother's Day was over, a company did a quick survey of issues with Mother's Day orders, which unfortunately happens because so many flowers are ordered for



Mother's Day that invariably there are some challenges in terms of deliveries, etc. What they found was that we were running at about two thirds positive on Twitter the week after Mother's Day. One of our key competitors, who I'll leave nameless, was running three quarters negative after Mother's Day. So, our key competitor was basically having customer complaints tweeting and they weren't responding to them. Whereas we were being so proactive in terms of dealing with those complaints as we found them on Twitter that we were really turning around customers in terms of how they viewed us and our brand. That creates a loyalty that will create future purchases for us.

It's fascinating to me because you've now got multiple Twitter feeds. You've got the Twitter communication interactive channel, you've got the Twitter customer service channel and then something that is being developed by us is the Twitter discount channel (which you guys are probably familiar with). Dell and a few others have moved very aggressively in this. It can be a great way to unload inventory. As you can imagine in a perishable business like ours, we constantly struggle. If we don't get enough orders of this particular product, we have to figure out what to do with it because the flowers are going to die. So, there's an opportunity for us to use Twitter as a distribution channel for merchandise that we need to find valued opportunities for customers to be able to get it at terrific values.

If somebody wanted to find out more about 1800FLOWERS, how would they do that online?

Lewis: Just go to 1800FLOWERS.com. If they want find out information about the company, there's an "About Us" link at the bottom of the page. Obviously, if it is a press inquiry, they should go back to Catherine Daniel or Monique Waddell (sp?) who heads up our public relations team.

