

TECHONOMY NYC

Frenemies: Brands, Tech, and Media

Speakers:

Michael Federle, CEO, Forbes

Jim McCann, Founder and Executive Chairman, 1-800-FLOWERS.COM

Moderator:

Josh Kampel, Techonomy

(Transcription by [RA Fisher Ink](#))

Kampel: So I'll invite Jim and Mike up onstage and it will be a great conversation about that intersection of media and tech and brands, continuing on some of the things that Martin was talking about this morning. We used the word in the title, frenemies. It was something that my daughter informed me what that meant. I guess we use "coopertition." Everyone is now working together as well as competing.

Jim McCann is the founder and executive chairman of 1-800-FLOWERS. Mike Federle here is the CEO of Forbes. Jim, obviously everyone, probably, in the room knows 1-800-FLOWERS. Especially, it is Mother's Day this Sunday. So a busy week this week. You should be probably—

[LAUGHTER]

McCann: Yeah, I've got to go.

Kampel: But it was interesting sort of getting to know 1-800-FLOWERS and how you've embraced technology as early on as AOL. Now featured in Mark Zuckerberg's talk at F8 about how you're using Facebook Messenger chatbots. Talk a little bit about why and how 1-800-FLOWERS has historically embraced technology and why you've done so.

McCann: Well, it's a pretty selfish motivation. You know, we'd like to eat.

[LAUGHTER]

We're in the business, at 1-800-FLOWERS, of helping our customers express themselves and connect to the important people in their lives. And when your name is 1-800-FLOWERS, you don't have to say convenience. It's what you're about, but then you have to live that. When it was convenient to have a 1-800 Number—we've been through a few waves as a company as we see it. It started with retail stores. We still have them. And then we embraced the 1-800 Number as our primary access modality. And then early on embraced the internet as the next

wave, the third wave that would impact us. The fourth wave, a few years later was social and mobile. And now the fifth wave, and we've heard a few people mention it this morning, is everything about voice activation. But the common thread to being early to all those technologies was a desire to help our customers to act on their thoughtfulness. So if we're convenient and convenient for them and the way that they live, then we're much more likely to be available to them when they have a thought of "oh, Kaitlyn did a wonderful job at the conference making sure people got to the stage on time, and I want to thank her for doing that." If all I have to do speak into my smartphone and it's done through a Facebook Messenger bot in 13 seconds, I'm more likely to do that. Kaitlyn, don't worry. You're not getting flowers.

[LAUGHTER]

Unless you continue to do a great job. But then it's all about breaking down the barriers, so that has been our primary motivation all these years is to say if a couple of guys from Queens could disrupt a category, the flower category, with no money and no real knowledge, in just a few years, by embracing the new technology. As Andy Grove wrote in his book, *Only the Paranoid Survive*, we've stayed paranoid and said, "What's coming next?" And for us now it's all about what my brother has been calling for the last three or four years: conversational commerce.

Kampel: Great. And Mike, similarly, we heard from Martin this morning. This differentiator, some of the platform companies that should be called media companies are calling themselves tech companies. Forbes, over the past 10 years, has made a lot of investments into technology, becoming a platform company as well as a journalistic entity. Talk about that transformation of what Forbes was how it's really again in the past decade embraced this idea of platform.

Federle: Yeah well thanks, and I've thought the conversation this morning has been fantastic so far. Your mention of frenemies was the way I look at it. And for the record, since we're on the record, Forbes has no enemies. But we're not—

McCann: That are still standing.

Federle: That are still standing. But we're not naïve enough to think that everyone has friendly intentions. I think of it more as this evolutionary or Darwinian period we're in, where it is constant evolution. And we're all struggling to grow arms and legs and get out of the swamp before the next guy or before the land dinosaurs go extinct, so we're all trying to be those single cell creatures growing fast. And Jim, obviously you guys were among the first out of the swamp. Some would stay we still have a foot there.

[LAUGHTER]

But on the question of the platforms. Our big transformation was seven years ago. And it was really where the family who owned the company at the time bet the ranch on doing this transformation and reformatting and changing the whole newsroom and the way of creating content which used to be a newsroom and boroughs around the world. That model was no

longer sustainable or supportable and it wasn't scalable anymore just for the cost as the cost of advertising was going down faster than the costs were rising to create content. So we created both a contributor model, which our vetted and professional either journalists themselves or experts on subject matter, and that created an 1,800-person contributor model which allowed us to cover a lot more content, a lot more subject matter across far more than we ever could have done in the old days with a print newsroom.

McCann: Michael, do you find yourself amazed that people haven't copied that? You know, you are the first people who had done the best at creating community-generated content with a professional editorial layer over that. No one else seems to have embraced that model, and you've had such success with it.

Federle: A number have embraced it and most recently when—that was big news earlier this year. When Huffington Post decided to do away with their contributor model. But they were very different models. That was a 100,000 person crowdsourced model. There wasn't the editorial oversight like we have. It wasn't the vetting process. It wasn't where our editors who are in charge of channels had to go out and pick and select specific contributors that they thought were the best voices and the smartest people in those categories.

Kampel: And it probably goes to—we'll talk tomorrow about trust and we've talked about responsibility. This year, Edelman puts out their annual Trust Barometer in Davos, and talked about this divergence in trust in journalism versus trust platforms. Usually they have tracked together. This was one of the first years where journalism went up and the platforms went down. So people are trusting less in the crowdsourced model. Obviously the whole fake news thing and maybe trusting more in your vetted networks.

Federle: Well that was the key for us was when I became CEO in the fall of last year, my first move was to double down on credible journalism or professional journalism and that included our newsroom and investing a lot more money in the newsroom and making sure that we had the kind of journalism and journalists that we want. Because that's an expensive proposition. And then also to work across the contributor model was to ratchet up the standards and some of our criterion that you have to follow in order to do that, because across any platform like that you are going to have some bad actors or some actors who have very—

Kampel: Agenda. Their own agendas.

Federle: Agendas, right, specific motives in mind.

Kampel: So you mentioned something about the advertising model and obviously we're here to talk about advertising and marketing. As we have all of this data. Both the brand has data about their consumer behavior as the media companies have data about their viewers, their readers. How has the ability to target and measure, how has that been on the relationship between advertisers and the media companies? Obviously the brands are holding, the media

company is more accountable. But has this proliferation of data and measurement been a good thing for the relationship between advertisers and media? That's to either of you.

McCann: Go ahead, Michael.

Federle: I would say it's a never-ending game. It keeps getting ratcheted up meaning marketers want more and more data. We're now in this interesting spot where we have to be accountable for the data we're giving them or any personal information. We can get into GDPR and the issues there maybe in another question, but it's a—so I'd say it's kind of a never-ending—data is going to continue to be more and more and more important for us.

McCann: But the pendulum only swings too far there in terms of when regulators get involved. And as we all as consumers benefit from commercial enterprises, retailers, et al., having that data and using it, so don't waste my time sending me a lot of hair care product advertising.

[LAUGHTER]

It's going to be wasted. Although I'm using a new shampoo. It's so manageable. Have you noticed?

[LAUGHTER]

So we're using effectively. Everyone talks about the misuse, but I think retail, in particular, whether online or not, are making much better use of the data in terms of what they should be in stock, what a customer wants. So it's not just negative, the use of data. It's not evil. It's an attempt we've all been making for a long time. So we look at technology at 1-800-FLOWERS and I started with a flower shop not too many blocks from here on First Avenue, and our whole business in that one small flower shop was really made by 40 customers, our regular customers.

And we had a relationship with them beyond their purchases. So on a Saturday afternoon, if they're out running around doing errands, they might drop off their dry cleaning for us to hold until they finish their errands before they go back up to their apartment. And so they'd stop and make a mug of tea or coffee. They'd have a conversation. They'd ask, "What's the newest restaurant reviews going on?" So you built a relationship with your customers, and they were your regulars, and they'd stop in frequently and not always to transact.

Well, fast forward 40 years, we have 40 million customers and we're trying to use technology to mimic those same relationships, in a data mining kind of way. So the more we can know about them: when there are birthdays in their life that they should be reminded about, when there is an anniversary or occasion or a new baby; that we have information to serve them, to remind them. Now they sign up for a lot of those "please remind me about these 15 occasions." Here is a little bit of information on those so that we serve up ideas that are meaningful and helpful. So fast-forward, we're just trying to mimic the relationship we had with 40 customers, 40 years

ago, using the new data tools, the social tools, the mobile—the voice tools to mimic that relationship we had when it was one on one.

Kampel: But you know, you said the pendulum sometimes swings too far. I'm afraid it will now. It seems like marketers are so focused on ROI and not building community and long-term relationships with customers. It's about conversion and transactions. So obviously there's strain if a marketer is incentivized truly on selling, then they're putting the pressure on the media company to say, "I could care less about a long-term relationship with a customer. I care about seeing that true ROI." So I'm assuming that you're hearing more about looking at the top of the funnel, how many leads am I driving, but also how that ultimately converts to sales.

Federle: Yes, I mean it's actually—we're getting it all the way through the funnel. We get it from all sides. But I think the important thing there is people are looking for volume and leads as you go down into the funnel. But they're also looking for communities and how tight your relationship is with your clients or your readers, whoever that is. And we go to great efforts to build these communities. The under-30 community we've built around what was an editorial list originally is now a global network that we have. We have about 400 people in Israel right now.

McCann: How global is your community?

Federle: It's quite—particularly that one. But we have 40 licensed additions around the world, so we're everywhere in that way. And we draw from all those licensees as well as our own properties.

McCann: Well, there is a layer of data a customer would want from you. If they don't have the ability to serve a customer in Israel, wouldn't you want to know that you could buy that without that data?

Federle: Exactly.

Kampel: You know, so again, back to the frenemies. If you think about it, we've talked a lot about Amazon and Facebook. Media companies have heavily relied on Facebook as one of their distribution channels. Facebook continues to change policies about how media companies are working. How close is Forbes working with, on the other side, a company like Facebook, and is it also a push/pull relationship there?

Federle: Yeah, so definitely. So it's interesting. Before I joined Forbes, I've been there about six years now, was back in the days of the portals, Forbes had gotten so heavily reliant on one portal, which was Yahoo at the time, and that was our audience coming to the site. And it was a good relationship but very vulnerable and high risk for us. As we transitioned to social media, we very consciously tried to spread our bets as much as possible. So on the frenemy front, we want to work with everyone and experiment, but we also do not want to get too deeply reliant on any one source, because it is a high risk. And what we've seen over the last couple of months, and it has really happened quickly with the Facebook algorithm change, a lot of pure play digitals or digital natives who audience soared and then it kind of came crashing back to

earth. And they had valuations based up here that are now down here. And to me that means it's probably a pretty good buyer's market out there for some acquisitions and opportunities.

Kampel: And Jim, on the commerce side, we've talked a little this morning about Amazon and their house label brands, and obviously they have a lot of data around watching sales. Are we going to see Amazon in the flower business any time soon?

McCann: Oh they're in the business. They're out of the business. They've been in and out. We partner with them. We work with them in a number of different categories. I'm proud to say that—you talked about innovation early on. We were the first thing you could do on Echo Alexa before you could order anything from Amazon. So we have a good relationship with them. We learn from them. We live in fear of them. And we cooperate with them. Because, A, they're driving the whole world. And if you're not conscious of what they're doing, you're probably in a coma. And so we have that kind of frenemy kind of relationship with them. But clearly they're setting the bar for all of us.

I was thinking when you were chatting there Michael about how the lines are blurring between content producers, a retailer, a floral and gift retailer. One of the things that we've done recently is we're trying to create content so it's professionally generated content, its customer generated content. An important area for us as a floral and gift company is sympathy. Now how do you advertise in terms of sympathy? It's very difficult.

So what we decided to do was more an editorial bent, Michael, go out and try to stimulate conversation around a very difficult subject area. Never once say, "Hey, buy from us" or "we have better" but try and be at the center of a conversation where we bring in experts and we create conversation. And so we partnered with a couple of radio hosts who have deep relationships with their audiences. And that content is going on a site. It's having a big impact on our relationship with customers. John Tesh, a famous musician and radio personality, who was a former newscaster here in New York; he is one of our personalities, 325 stations.

Federle: That's a perfect one.

McCann: It is. And he said it's the most interesting subject his audience has ever engaged in. That they're writing to him all the time. It was difficult to know how to answer that question. They're contributing some interesting stories and ideas. And I was chatting—Michael has a fabulous guy running the entrepreneurial small business. And I was chatting with him recently about there are so many things going on in the sympathy industry, it's very difficult to talk about. But from a business point of view, consequences are immense in what it is doing to different industries. And would it be interesting for us to explore that together? Where we bring some of these experts that we've identified around the country who are real thought leaders. So here's a little old florist trying to be in the content business, because it helps our customers and it allows us to have a conversation with them not about a sale at all.

Federle: This is the whole transition going on in marketing—Forbes was among the first to do, before it was called native advertising, brand voice was part of that transition. And it was the acknowledgement that marketers wanted to be part of the conversation but had to be part of it in a genuine way, not a sales way. And that has led to the whole branded content phenomenon, which I see as still in the early stages. And I think the Edelman Study, as a matter of fact, led Richard Edelman to say, “Hey, we’re building that whole branded content division.”

Kampel: Yeah, opening their own newsroom.

Federle: Yeah, their own newsroom. And you’re seeing a lot of companies hire journalists.

Kampel: Well, and you talked about this authenticity. And I think, again, a traditional ad, you know, a display digital ad versus content is really changing. But Mike, to your point, you still need those arbiters of the content. So if it is brand voice, if it is the contributor network, it still requires some level of hands on versus just opening the flood gates. And my understanding is, Jim, you’re actually starting to be a contributor on Forbes.

McCann: That shows you how low their standards have become.

[LAUGHTER]

Kampel: We have about a minute. I don’t know if we want to put the lights up. If there are any questions, please raise your hand. We have time for one question. But other than native, what has the biggest shift been that you’ve seen from technology in this relationship. I mean obviously you’ve talked about that. If the marketers in the room and the media companies in the room, what is that biggest shift you’ve both seen in the past decade?

Federle: Well I guess I would say the reliance on data and trying to sell what clients are looking for. Everyone talks about data but really getting—how far you can go with that data to us has been one of the challenges in terms of how much you can actually use it, and use it to direct sales.

McCann: I would say in terms of the pendulum swinging, in our category, the floral and gift category, we have a whole lot of competitors who only advertise online. So they sit at the mouth of the river and try and pick off the salmon coming upstream with “oh, we got the cheapest flowers.” And I always try and fight our company going down that rabbit hole behind them. Because you’re talking about Mother’s Day and your message is “we got the cheapest, shortest, live stuff you could ever find.”

[LAUGHTER]

There’s no brand being built there. So right now we have a commercial on the air for Mother’s Day. The fact that it features my younger brother who runs the company and my granddaughter makes me a little prejudiced. But what I like about it is its not talking about a

sale. It's talking about the holiday, the occasion, and relationships. And our business is quite strong, and I think it's because we're differentiating ourselves by resisting the temptation to go down that rabbit hole. So the idea of TV media being less effective? Surely, in terms of numbers at all. But it is still the credibility medium. Forbes's media is still the credibility platform. And I think we're looking for those badges of who should we believe, who should we trust, and who should we entrust our willingness to express ourselves? And if it's Joe's Cheap Stuff, that might not be the best message you want to communicate to the recipient.

Kampel: Great. Well thank you very much for joining us today.

[APPLAUSE]