

1 800 FLOWERS COM INC
Form 10-K
September 11, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended June 28, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission File No. 0-26841

1-800-FLOWERS.COM, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

11-3117311

(I.R.S. Employer
Identification No.)

One Old Country Road, Carle Place, New York 11514

(Address of principal executive offices)(Zip code)

(516) 237-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Class A common stock, par value \$0.01 per share	The Nasdaq Stock Market, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, December 28, 2014, was approximately \$281,000,000. The registrant has no non-voting common stock.

30,900,816

(Number of shares of class A common stock outstanding as of September 4, 2015)

34,030,044

(Number of shares of class B common stock outstanding as of September 4, 2015)

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders (the Definitive Proxy Statement) are incorporated by reference into Part III of this Report.

1-800-FLOWERS.COM, INC.

FORM 10-K

For the fiscal year ended June 28, 2015

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PART I

Item 1. BUSINESS

The Company

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the “Company”) is the world’s leading florist and gift shop. For nearly 40 years, 1-800-FLOWERS® ([1-800-356-9377](tel:1-800-356-9377) or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift. 1-800-FLOWERS.COM was recently named in Internet Retailer’s 2016 Top Mobile 500 as one of the world’s leading mobile commerce sites. Additionally, the Company was included in Internet Retailer’s 2015 Top 500 for fast growing e-commerce companies. In 2015, 1-800-FLOWERS.COM was named a winner of the “Best Companies to Work for in New York State” award by The New York Society for Human Resource Management (NYS-SHRM). 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization’s outstanding Customer Service and commitment to our 100% Smile Guarantee®. 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 [Horizon Interactive Awards](#).

The Company’s BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM “Gift Shop” also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® ([1-877-322-1200](tel:1-877-322-1200) or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory®([1-800-541-2676](tel:1-800-541-2676) or www.thepopcornfactory.com); cookies and baked gifts from Cheryl’s® ([1-800-443-8124](tel:1-800-443-8124) or www.cheryls.com); premium chocolates and confections from Fannie May® (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800- Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman’s (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

On September 30, 2014, the Company completed its acquisition of Harry & David Holdings, Inc. (“Harry & David”), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman’s® and Cushman’s® brands. The transaction, at a purchase price of \$142.5 million, included the Harry & David’s brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 48 Harry & David retail stores located throughout the country. Harry & David’s revenues were approximately \$386 million in fiscal 2014, with Adjusted EBITDA of approximately \$28 million.

Including the contribution of Harry & David from date of acquisition, the Company generated total annual net revenues of \$1.12 billion and Adjusted EBITDA of \$95.3 million for fiscal 2015 (excluding stock based compensation, transaction/integration costs and purchase accounting adjustments related to the Harry & David acquisition and the impact of the Fannie May warehouse fire) – refer to Non-GAAP reconciliation tables included within MD&A in Item 7. It should be noted that the revenue and Adjusted EBITDA for fiscal 2015 do not include the results of Harry & David for the fiscal first quarter of the year, which is typically its lowest in terms of revenues and includes significant losses due to the seasonality of its business. The historical results of Harry & David, as well as applicable pro forma results are included in the Company’s Form 8-K/A filed on December 16, 2014.

In order to finance the acquisition, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the “2014 Credit Facility”), consisting of a \$142.5 million five-year term loan (the “Term Loan”) with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the “Revolver”), with a seasonally adjusted limit ranging from \$100.0 to \$200.0 million, which may be used for working capital (subject to the applicable sublimit) and general corporate purposes.

On November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. As a result, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its ecommerce and wholesale channels during the holiday season. While the Company implemented contingency plans to increase production for Fannie May Fine Chocolates and Harry London Chocolates products at its production facility in Canton, Ohio and to shift warehousing and distribution operations to alternate Company facilities, product availability was severely limited, impacting revenue and earnings during the fiscal second and third quarters of fiscal 2015. The Company does not believe that there will be any further significant impact on revenues from this issue beyond the year ended June 28, 2015.

The impact of lost sales related to the fire was estimated to be \$17.3 million during the year ended June 28, 2015, with corresponding loss of income from continuing operations before income taxes of \$6.6 million. While no insurance recoveries have been recorded to date related to lost sales, the Company expects that its property and business interruption insurance will cover these losses.

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. The Company has classified the results of the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

References in this Annual Report on Form 10-K to "1-800-FLOWERS.COM" and the "Company" refer to 1-800-FLOWERS.COM, Inc. and its subsidiaries. The Company's principal offices are located at One Old Country Road, Suite 500, Carle Place, NY 11514 and its telephone number at that location is (516) 237-6000.

The Origins of 1-800-FLOWERS.COM

The Company's operations began in 1976 when James F. McCann, its Chairman and Chief Executive Officer, acquired a single retail florist in New York City, which he subsequently expanded to a 14-store chain. Thereafter, the Company modified its business strategy to take advantage of the rapid emergence of toll-free calling. The Company acquired the right to use the toll-free telephone number 1-800-FLOWERS, adopted it as its corporate identity and began to aggressively build a national brand around it. The Company believes it was one of the first companies to embrace this new way of conducting business.

In order to support the growth of its toll-free business and to provide superior customer service, the Company developed an operating infrastructure that incorporated the best available technologies. Over time, the Company implemented a sophisticated transaction processing system that facilitated rapid order entry and fulfillment, an advanced telecommunications system and multiple customer service centers to handle increasing call volume.

To enable the Company to deliver products reliably nationwide on a same-day or next-day basis and to market pre-selected, high-quality floral products, the Company created BloomNet®, a nationwide network including independent local florists selected for their high-quality products, superior customer service and order fulfillment and delivery capabilities.

As the world's leading florist and gift shop, 1-800-FLOWERS.COM offers a broad range of truly original gifts through a multi-channel strategy, making it easy for millions of customers to deliver smiles for every occasion.

Complementing its retail, telephonic and ecommerce channels, 1-800-FLOWERS.COM is a pacesetter in social and mobile platforms, pioneering award-winning marketing programs and applications. As a result, the Company has developed relationships with customers who purchase products for both a broad range of celebratory gifting occasions as well as for everyday personal use. The Company offers a broad selection of unique products that a customer could expect to find in a high-end florist and gift shop, including a wide assortment of cut flowers and plants, candy, balloons, plush toys, giftware, gourmet gift baskets, and fruit bouquet arrangements. The Company has also significantly expanded its presence in the gourmet food and gift baskets category, which the Company has identified as having significant revenue and earnings growth potential, through a combination of organic initiatives and strategic acquisitions. The addition of Harry & David in September 2014 accelerated the Company's strategy to leverage its leadership position built in the floral gifting category to create what is fast becoming a leading position in the growing Gourmet Foods and Gift Baskets category. The Gourmet Food & Gift Baskets segment now represents more than 56% of the Company's overall revenues.

The Company's Strategy

1-800-FLOWERS.COM's objective is to be the leading authority on thoughtful gifting, to serve an expanding range of our customers' celebratory needs, thereby helping our customers express themselves and connect with the important people in their lives. The Company will continue to build on the trusted relationships with our customers by providing them with ease of access, tasteful and appropriate gifts, and superior service.

The Company believes that 1-800-FLOWERS.COM is one of the most recognized brands in the floral and gift industry. The strength of its brand has enabled the Company to extend its product offerings beyond the floral category into complementary products, which include gourmet popcorn, cookies and related baked and snack food products, premium chocolate and confections, wine gifts, gourmet gift baskets, fruit bouquet arrangements, as well as gift-quality fruit. This extension of gift offerings helps our customers in all of their celebratory occasions, and will enable the Company to increase the number of purchases and the average order value by existing customers who have come to trust the 1-800-FLOWERS.COM brand, as well as continue to attract new customers. As referenced later, the Company recently launched its new consolidated customer database and multi-brand website which should benefit all brands by further enhancing the Company's position as the leading, one-stop destination for all of our customers' gifting and celebratory needs.

The Company believes its brands are characterized by:

Convenience. All of the Company's product offerings can be purchased either via the web and wireless devices, or via the Company's toll-free telephone numbers, 24 hours a day, seven days a week, for those customers who prefer a personal gift advisor to assist them. The Company offers a variety of delivery options, including same-day or next-day service throughout the world.

Quality. High-quality products are critical to the Company's continued brand strength and are integral to the brand loyalty that it has built over the years. The Company offers its customers a 100% satisfaction guarantee on all of its products.

Delivery Capability. The Company has developed a market-proven fulfillment infrastructure that allows delivery on a same-day, next-day and any-day basis. Key to the Company's fulfillment capability is an innovative "hybrid" model which combines BloomNet (comprised of independent florists operating retail flower shops, Company-owned stores, and franchised stores), with its manufacturing and distribution centers located in Florida, Illinois, Nevada, New York, Ohio, Tennessee and Oregon, and third-party vendors who ship directly to the Company's customers.

Selection. Over the course of a year, the Company offers more than 9,800 varieties of fresh-cut flowers, floral and fruit bouquets and plants, and more than 8,200 SKUs of gifts, gourmet foods and gift baskets, cookies and chocolates.

Customer Service. The Company strives to ensure that customer service, whether online, wireless, via the telephone, or in one of its retail stores is of the highest caliber. The Company operates customer service centers in Ohio and Oregon, while also utilizing a network of home agents and outsourcers to provide helpful assistance on everything from advice on product selection to the monitoring of the fulfillment and delivery process.

As part of the Company's continuing effort to serve the thoughtful gifting needs of its customers, and leverage its business platform, where appropriate, the Company intends to expand the breadth of the 1-800-Flowers.com brand. The Company intends to accomplish this through organic growth, and where appropriate, through acquisition of complementary businesses. A summary of the Company's more significant brands and/or businesses follows:

CONSUMER FLORAL SEGMENT

Direct-to-consumer provider of fresh flowers, plants, fruit and gift basket products, balloons, candles and plush stuffed animals.

Direct-to-consumer provider of carved fresh fruit arrangements.

Direct-to-consumer provider of floral and gift related products sold and delivered throughout Europe, acquired majority control in December 2013.

Franchisor and operator of retail flower shops, acquired in August 2011.

BLOOMNET WIRESERVICE SEGMENT

Provider of products and services to the professional florist.

Wholesale merchandiser and marketer of floral industry products, acquired in July 2008.

GOURMET FOOD & GIFT BASKETS SEGMENT

Multi-channel specialty retailer and producer of premium gift quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman's® and Cushman's® and Moose Munch® brands, acquired in September 2014.

Manufacturer of giftable premium popcorn and specialty treats, acquired in May 2002.

Manufacturer and retailer of premium chocolates and confections, acquired in May 2006.

Baker of premium cookies and related baked gifts, acquired in March 2005. Includes Mrs.

Beasley's, a baker of cakes, muffins and gourmet gift baskets, acquired in March 2011.

E-commerce retailer of gift baskets and towers.

Designer, assembler and distributor of wholesale gift baskets, gourmet food towers and gift sets, acquired in April 2008.

As a complement to the Company's own brands and product lines, the Company has formed strategic relationships with brands such as Lenox®, Waterford®, Yankee Candle®, Junior's® Cheesecakes, The Cheesecake Factory®, Starbucks® and Swarovski®. The Company also continues to develop signature products in order to provide its customers with differentiated products and further its position as a destination for all of their gifting needs.

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company's products is affected by the financial health of our customers, which, in turn, is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. While consumers appear more upbeat about the economy, during the recent economic downturn, the demand for our products had been adversely affected by the reduction in consumer spending, and the Company expects that its revenues will continue to be closely tied to changes in consumer sentiment.

Fiscal 2015 was a transformative year for the Company. The acquisition of the iconic Harry & David brands helped the Company to extend its position as a leading, omni-channel provider of top quality gifts that resonate with our customers for all of their celebratory occasions. This acquisition combined with continued organic improvement within all segments of the Company's core businesses have resulted in a business exceeding \$1.1 billion in revenue during fiscal 2015. However, fiscal 2015 was not without its challenges, the most significant of which was the Maple Heights, Ohio warehouse fire on Thanksgiving Day which destroyed most of Fannie May's inventory, which was at its annual peak in preparation for the upcoming Holidays. As a result, the Company had limited supplies of its Fannie May chocolate products available in its retail stores as well as for its e-commerce and wholesale channels during the holiday season. While the Company immediately implemented contingency plans to increase production at its facility in Canton, Ohio, and to shift warehousing and distribution operations to alternate facilities, product availability was severely limited. In addition to the fire, the Company effectively steered its way through the challenging day placement of Valentine's Day, which moved from Friday in fiscal 2014 to Saturday in fiscal 2015. This shift presented not only logistical challenges related to Friday/Saturday deliveries, but also impacted overall demand as customers have more gifting options, such as dining out, when Valentine's Day falls on a weekend.

Recognizing the need to balance the Company's short and long-term operating and financial objectives, the primary objectives during fiscal 2016 are to generate outsized earnings growth under a strategy which minimizes risk by focusing on achieving moderate revenue growth from the Company's core businesses, while driving synergistic opportunities from the acquisition of Harry & David which are expected to generate \$15 million in operating synergies over a 3-year period and contribute significant, multi-channel revenue growth synergies. Tempered by the current economic climate, during fiscal 2016, the Company expects to achieve consolidated revenue growth for the year in a range of five-to-seven percent, compared with revenues of \$1.12 billion reported for fiscal 2015. In terms of bottom-line results, the Company expects to grow EBITDA approximately 10% and EPS in excess of 20 percent, compared with pro forma fiscal 2015 Adjusted EBITDA* of \$80.5 million and pro forma fiscal 2015 Adjusted EPS* of \$0.33 per diluted share. (*Pro forma fiscal 2015 Adjusted EBITDA and Adjusted EPS include seasonal losses associated with Harry & David that are incurred in its fiscal 2015 first quarter. These losses were not captured in the Company's fiscal 2015 results due to the close of the acquisition on September 30, 2014.)

When the Company launched its integration efforts for Harry & David in January of 2015, it created an all-encompassing program designed to look at how the Company can enhance all aspects of its business. As a result of this approach, workstreams in areas including marketing and merchandising, manufacturing, distribution, finance, and human resources are focusing on identifying and achieving a number of initiatives that will enable it to drive enhanced top and bottom-line growth, in fiscal 2016, including:

Cost synergy opportunities – where the Company has made significant headway towards identifying and implementing the programs that are expected to drive \$15 million in synergies over the next three years. While we continue to focus on capturing these cost synergies, the Company is also working on revenue opportunities in areas such as:

Our combined **customer database** – where we have new software tools that can help the Company to significantly enhance the relevancy of our marketing messages so that we can expand and deepen our relationships with the customers in our significant database;

Our **multi-brand website** – launched in fiscal 2015, the Company is now focusing its marketing efforts on developing and growing its multi-branded customer, providing for increased customer counts and purchase frequency through increased penetration of its suite of floral and food gift products, including the recently acquired Harry & David brand. Through the multi-brand website, the Company is creating a one-stop gift shop featuring all of our brands with a single shopping cart, a single address book, the Celebrations Rewards and Reminders programs and the Celebrations Passport free shipping program – all designed to ease the customers' gifting experience, and

Our **Mass-Channel** – where the Company can leverage its wholesale account relationships along with our manufacturing capabilities and expanded production capacities to grow our business with brands like Moose Munch, Wolferman’s, the Popcorn Factory and Harry London.

The Company believes that these initiatives and its continued focus on the following core values will drive long-term profitable growth:

Know and Take Care of Our Customer – by providing the right products and the best services with consistent, excellent quality and value to help them express themselves and deliver smiles. 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM is rated “EXCELLENT” by StellaService.

Maintain and enhance our Financial Strength and Flexibility - by seeking ways to reduce our operating costs while strengthening our balance sheet and adding flexibility to our capital structure. During fiscal 2015, the Company completed the purchase of Harry & David and in order to finance the acquisition entered into a credit agreement consisting of a term-loan and a new revolving credit facility, assuring capital availability and future flexibility.

Continue to Innovate and Invest for the Future – by investing in technology and new growth opportunities 1-800-FLOWERS.COM was included in Internet Retailer’s 2016 Top Mobile 500 as one of the world’s leading mobile commerce sites. Additionally, the Company was included in Internet Retailer’s 2015 Top 500 for fast growing e-commerce companies. 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. In 2015, 1-800-FLOWERS.COM was named a winner of the “Best Companies to Work for in New York State” award by The New York Society for Human Resource Management (NYS-SHRM), demonstrating its investment in its employees.

Faced with a still challenging economic climate, these strategic investments, coupled with improved manufacturing and labor efficiency plans and more targeted and efficient advertising spend, should not only generate revenue growth and consumer loyalty but position the Company to achieve its strategic, financial and operational objectives in the coming year, which in turn will build shareholder value.

Business Segments

The Company operates in the following three business segments: Consumer Floral, Gourmet Food and Gift Baskets, and BloomNet Wire Service. The Consumer Floral segment includes the operations of the Company’s flagship brand, 1-800-Flowers.com, iFlorist and Flowerama, while the Gourmet Food and Gift Baskets segment includes the operations of Harry & David, Fannie May Confections Brands, Cheryl’s (which includes Mrs. Beasley’s), The Popcorn Factory, Stockyards.com, DesignPac and 1-800-Baskets. The BloomNet Wire Service segment includes the operations of BloomNet and Napco.

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. The Company has classified the results of the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

The Company's Products and Service Offerings

The Company offers a wide range of products including fresh-cut flowers, floral and fruit arrangements and plants, gifts, popcorn, gourmet foods and gift baskets, cookies, chocolates, candy, wine, and gift-quality fruit. In order to maximize sales opportunities, products are not exclusive to certain brands, and may be sold across business categories. The Company's differentiated and value-added product offerings create the opportunity to have a relationship with customers who purchase items not only for gift-giving occasions but also for everyday consumption. The Company's merchandising team works closely with manufacturers and suppliers to select and design its floral, gourmet foods and gift baskets, as well as other gift-related products that accommodate our customers' needs to celebrate a special occasion or convey a sentiment. As part of this continuing effort, the Company intends to continue to develop differentiated products and signature collections that customers have embraced and come to expect, while eliminating marginal performers from its product offerings.

During fiscal 2015 and 2014, approximately 1% and 2%, respectively, of consolidated net revenue came from international sources, whereas in fiscal 2013 virtually all of the Company's revenues had been derived from domestic sources.

Flowers and Plants. The Company offers fresh-cut flowers and floral and fruit arrangements for all occasions and holidays, available for same-day delivery. The Company provides its customers with a choice of florist designed products, including traditional floral and gift offerings and the Company's line of fruit arrangements under the Fruit Bouquets® brand (www.fruitbouquets.com), and flowers delivered fresh from the farm. The Company also offers a wide variety of popular plants to brighten the home and/or office, and accent gardens and landscapes.

Gourmet Foods and Gift Baskets. The Company manufactures premium cookies and baked gift items under the Cheryl's and Mrs. Beasley's brands, which are delivered in beautiful and innovative gift baskets and containers, providing customers with a variety of assortments to choose from. The Popcorn Factory brand pops premium popcorn and specialty snack products, while Fannie May Confections Brands manufactures premium chocolate and candy under the Fannie May, Fannie Farmer, Harry London and various private label brand names. The 1-800-BASKETS.COM® brand features a collection of gourmet gift baskets and related products confected by DesignPac, as well as through third parties. Harry & David is a vertically integrated multi-channel specialty retailer and producer of branded premium gift-quality fruit, food products and gifts marketed under the Harry & David®, Wolferman's® and Cushman's® and MooseMunch® brands. The Company also licenses the Stockyards name through which it sells premium meats. Many of the Company's gourmet products are packaged in seasonal, occasion specific or decorative tins, fitting the "giftable" requirement of individual customers, while also adding the capability to customize the tins with corporate logos and other personalized features for the Company's corporate customers' gifting needs.

BloomNet Products and Services. The Company's BloomNet business provides its members with products and services, including: (i) clearinghouse services, consisting of the settlement of orders between sending florists

(including the 1-800-Flowers.com brand) and receiving florists, (ii) advertising, in the form of member directories, including the industry's first on-line directory, (iii) communication services, by which BloomNet florists are able to send and receive orders and communicate between members, using Bloomlink®, the Company's proprietary electronic communication system, (iv) other services including web hosting, marketing services and point of sale, and (v) wholesale products, which consist of branded and non-branded floral supplies, enabling member florists to reduce their costs through 1-800-Flowers purchasing leverage, while also ensuring that member florists will be able to fulfill 1-800-Flowers.com brand orders based on recipe specifications. While maintaining industry-high quality standards for its 1-800-Flowers.com brand customers, the Company offers florists a compelling value proposition, offering products and services that its florists need to grow their business and to enhance profitability.

Marketing and Promotion

The Company's marketing and promotional strategy is designed to strengthen the 1-800-FLOWERS.COM brands, increase customer ac