

The Step by Step of Pay by Scan

Thinking about teaming up with a grower to set up your own PBS program? Read on for some insight and lessons learned.

By Jasmina Radjevic



English Gardens and Four Star Greenhouse recently began merchandising product by color blocking items on display.

Pay by scan (PBS) programs have traditionally been used in the big box world. In recent years, some independent garden centers have caught on to the advantages PBS has to offer. It benefits both the grower and retailer, and the benefits even trickle down to the end consumer through quality production.

Three years ago, metro Detroit-based English Gardens partnered with Four Star Greenhouse in Carleton, Mich., to implement a PBS program. With eight retail locations throughout Michigan, English Gardens needed a grower large enough to keep up with their demand. And Four Star required a reputable business partner that would make product quality a major priority. After three years working together, English Gardens and Four Star are ready to share their story of how they have kept the program profitable and what lessons they have learned during the process.

Frank Janosz, vice president of live goods purchasing and principal/owner, English Gardens

Shared Vision

One of the best ways to implement a PBS program is to get the grower involved in the retail side of the business. Growers often tend to grow what they like or what they've grown for years. I knew I had to choose a company that shared my

vision, an organization that wants to sell new quality plants, get a fair profit for their product and help customers live with plants on the cutting edge. The culture of the business can be more important than the product itself, although they go hand in hand.

Planning Is Key

There was more than one meeting between the two companies. Everyone involved needed to be comfortable because we would be sharing information with one another. I wanted to make sure we had everybody's cards on the table and everyone understood that there were no hidden agendas. The interesting part of this whole process: The very last thing we discussed was price. There were so many other things we all needed to understand first. Even to this day, we have wrap-up meetings and preseason meetings and price is never talked about until the details are complete.

Eye on Inventory

After the first year of the program, we put a software package in place into our computer system, a warehouse to input PBS inventory. We like to treat our vendors well. They are trusting us with all this inventory, and we know that people make mistakes. So when product enters the door, staff treats it just like anyone else's. They check barcodes, SKUs and descriptions. After everything is OKed or changed, they enter it into inventory. By doing just that one thing, we were able to show not just ourselves but also the grower how much product was not shipped as reported. Our reported shrink went down by almost 60 percent in one year.

Focus on End User

With conventional ordering, retailers say, "Send me 100 flats of impatiens. I want 10 colors, 10 each." The grower may see eight in bloom while two don't have color, and sends those anyway. That's not how we do this. This is about taking advantage of "eye candy." We get more product in that is top, peak quality than ever before. Because there is risk on both sides, the grower doesn't want to ship anything that isn't ready to be sold. When you transition from spring to summer, there is a period that the garden center will have items not looking their best. We don't have that typical transition. Because of the turns and the freshness of product coming in every day, we are able to transition from week to week and season to season.

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Amber Jones, merchandising coordinator, Four Star Greenhouse

Communication & Strong Leadership

A successful PBS program begins with a great partnership between the retailer and wholesaler. The strength of that partnership is built around core fundamentals such as communication and strong leadership throughout both organizations. Consistency in your planning ultimately helps each partner achieve their specific goals.

Creating Consumer Demand

Having a great product — or, in our case, a great brand — is the key to the success of the program. Proven Winners promotes the brand by reaching customers through an aggressive marketing strategy. Our advertisements can be found on television, in national magazines and other large publications. Our biggest complaint from customers is that they simply can't find Proven Winners, and we want to simplify that.

Store Within a Store

Utilizing our "store within a store" concept, we are able to transform traditional retail space into a convenient Proven Winners destination. The data we collect throughout this process are invaluable. Merchandisers work directly with customers and learn how they shop and what they are looking for. We build sales strategies around that, which we back with actual sales data. In the end, we are able to make better decisions because we have a better idea of what customers are looking for.

NOT-FOR-SALE TECHNOLOGY

Record Keeping Is Crucial

Since we began the program in spring 2006, we have increased our percentage of units sold by 22.68 percent with one retailer with eight locations. We have experienced an

average of a 90 percent sellthrough at retail. Discrepancy has been less than 1 percent.

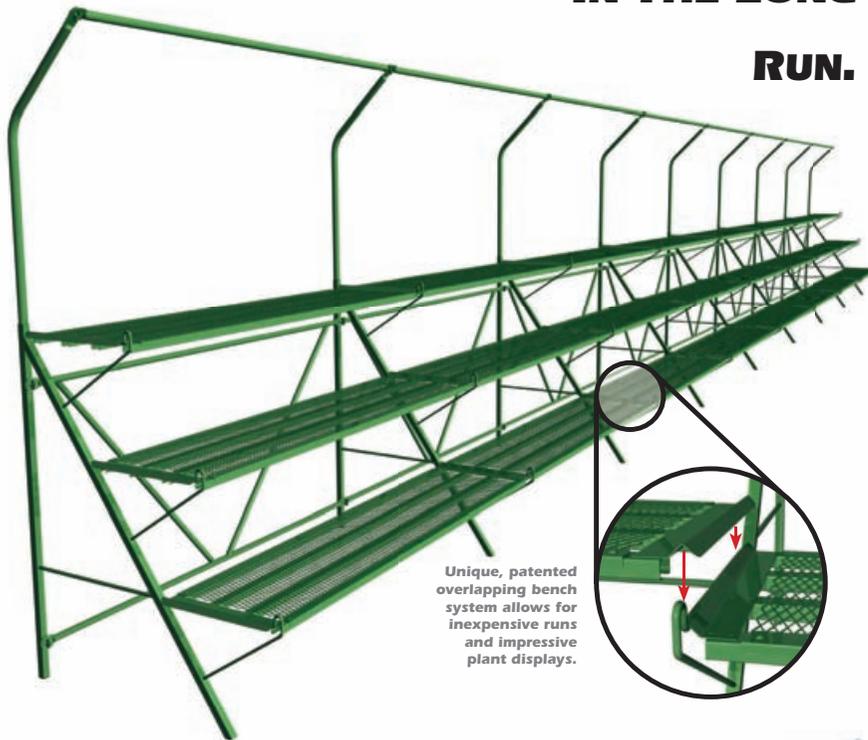
Jasmina Radjevic is associate editor of Lawn & Garden Retailer. She can

be reached at (847) 391-1004 or jradjevic@sgcmail.com.

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