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# Pay By Scan: What's The Future?

**W**inter 2005, when the industry was preparing to start pay by scan (PBS) at Home Depot stores, no one knew what to expect; after all, this was the industry's first foray into PBS...right?

Not exactly. Kmart suppliers have been on PBS for at least a few years, and I recently found out that Meijer suppliers, at least in the Midwest, have used the system for much longer; one grower I know boasts seven years with PBS. And what about guaranteed sale? In respect to getting paid, the two systems are not that different.

So if this wasn't our first time at bat, then why did everyone panic? Why all the dire predictions about growers going out of business, plant selection decreasing and profits shrinking? Wasn't there enough experience in the industry to squash the worst fears? Evidently not.

## Fragmentation Again?

Yes, I'm going to say it: One of the factors contributing to our collective confusion is how fragmented our industry is. For the most part,

growers don't tell other growers about their successes and failures, even if they live in different parts of the country or serve different retailers.

I saw this firsthand during Short Course 2005: I was on a panel about PBS when Cuthbert's Greenhouses announced it had been using the system for a couple of years with Kmart. Even though Cuthbert's was the only PBS grower dis-

cussing the system publically, there was little discussion about its experiences. Audience members seemed more interested in hypothesizing about the Home Depot system than tapping a resource that was right in front of them.

## Status Report

I've been on the road a good bit this spring and have asked everywhere I go: "How is pay by scan going for you? What do you hear on the grapevine?" What I'm hearing is by no means an industry consensus, but it is interesting.

The people I've talked to are OK with the system. There are bumps, especially in store allocations and accurate scanning. Additionally, everyone is having to work harder, pay more attention to key accounts and develop new programs. I talked to a grower a few weeks ago that has even revised his software to address the additional needs of PBS.

I've also heard from people who are having some successes with pay by scan, getting better margins and enjoying increased control over their product.

## Moving Forward

So what does all this mean for the future of pay by scan?

During a recent visit at Carleton, Mich.-based Four Star Greenhouses, I learned the company has just started pay by scan with at least one of its independent garden centers. Four Star has had great success with PBS and says the garden center is very happy.

Despite this success story, I don't think we should expect all retailers to convert to PBS. Giving up control of the sales floor is just not for everyone.

One thing that is for certain: Since buyers and retailers love it, pay by scan isn't going away. We should expect to see many more springs under the system, whether we're comfortable with it or not.

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