

# The Step by Step of Pay by Scan

By Jasmina Radjevic

Thinking about developing a pay by scan program? After teaming up three years ago, English Gardens and Four Star Greenhouse have managed to decrease shrink and grow their businesses by offering a top-quality product — and customers are noticing.

Pay by scan programs have traditionally been used in the big box world, more specifically at Home Depot stores. In recent years, some independent garden centers have caught on to the advantages pay by scan has to offer. It's a program that benefits both the grower and retailer, and the benefits even trickle down to the end consumer through quality production.

Three years ago, Four Star Greenhouse in Carleton, Mich., partnered with English Gardens to implement a pay by scan program that would work for all parties involved. 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, Four Star and English Gardens are ready to share their story of how they have kept the program profitable and what lessons they have learned during the process. If you are contemplating teaming up with a retailer to set up your own pay by scan program, read on for some insight and lessons learned.

Amber Jones, merchandising coordinator, Four Star Greenhouse

## Communication & Strong Leadership

A successful pay by scan (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.

## 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.



*While many retailers order a fixed quantity of plants regardless of quality, this is not the case for English Gardens. According to Frank Janosz, only items that look great in the greenhouse are shipped. This presentation does not go unnoticed by customers. "It doesn't look bad ever even during transitions from season to season," says Janosz. "It just flows."*

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

**Shared Vision**

One of the best ways to implement a successful pay by scan program is to get the grower involved in the retail side of the business. All too often, growers tend to grow what they like and/or what they've grown for a number of years. It became apparent to me, when putting the program together, I had to choose a company that shared my same vision, an organization that wants to sell new plants, sell quality plants, get a fair profit for their product and help customers live with plants on the cutting edge. This program would not work if the vendor had a different business model than mine. The culture of the business is sometimes more

important than the product itself, although they go hand in hand.

**Planning Is Key**

There was more than one meeting that had to happen between the two companies. Everyone needed to understand how the game was going to be played. Everyone in all departments needed to be comfortable with the program because we would be sharing information with one another. And consequently, there's a lot of questions that everyone has to answer. The accounting department wants certain information, and the grower might want to know different things. I wanted to make sure we had everybody's cards on the table,



Displays are intended to act as a destination within a store. Proven Winners continuously collects data throughout the process and works directly with customers to learn how they shop.



English Gardens and Four Star aim to keep the end consumer in mind. To make shopping easier, they recently began merchandising product through color blocking.

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Branding is one of the keys to a successful pay by scan program. They are able to reach customers through aggressive marketing.

and I wanted to make sure everyone understood that there were going to be no hidden agendas. The interesting part of this whole planning 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, every year we have wrap-up meetings and preseason meetings. Price is never talked about until the details are complete.

#### Eye on Inventory

The biggest change we made after the first year of the program was putting a software package in place into our computer system where we actually created a warehouse to input PBS inventory. We always like to treat our vendors well and make sure we take care of them. Here they are trusting us with all this inventory, and we know that people make mistakes. So when product enters the door, staff treats that product just like anyone else's. They check barcodes and 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 being shipped as reported. We were catching mistakes upon shipping, and our reported shrink went down by almost 60 percent in one year. It's all because we were tracking everything.

#### Keep the End User in Mind

With conventional ordering, the way other retailers do it, they 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 what is going to be "eye candy." The items that look great in the greenhouse are conveyed to the store. 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 send

## management

anything into the store that isn't ready to be sold. We're getting excellent product, and the customers notice it. When you transition from spring to summer, there is a period that the garden center will have things not looking their best. We don't have that typical transition. Product just flows, and

it doesn't sit. 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. [GPN](#)

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