

STOCK UP
OUR INVENTORY. YOUR LOCATION.

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The difference between PBS and VMI

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No, I'm not talking about the Big Bird controversy from the presidential debate. I'm talking about pay by scan, and the recent news that wholesale distributor BFG is now offering it on their hardgoods to their independent garden center customers (growers, too).

BFG calls it "Stock-Up" and it shows the kind of aggressive, outside-the-box thinking that every manufacturer, distributor, grower and retailer needs to be doing today to survive and thrive. Well done, BFG!

The only exception I took to the news is that BFG compared their program to pay by scan. And everybody who's written about it has referred to it as pay by scan. That's incorrect. It's vendor-managed inventory—VMI.

What's the difference? Pay by scan is exclusive to our industry and exclusive to live goods.

How do I know? Google it. You'll find NO mention of pay by scan outside of horticultural trade publications. (Well, that's not 100% true; I did find a 2003 Forbes article in which AutoZone was considering a "pay on scan" system. But even that was really VMI.)

With pay by scan, the retailer takes no responsibility for the product. If it dies while in the store, the grower loses. If it gets run over by a shopping cart, the grower loses. If a customer buys it, kills it, then returns it for a refund, the grower loses. That's why every pay by scan grower has (or hires) a merchandising team. Yes, retailers are taking a bit more responsibility for helping keep product alive these days, but still, if it goes in the trash, the grower loses.

With VMI, the customer takes responsibility for the product when it's at the store. I'm sure BFG expects its customers to keep the product from being damaged or stolen. I expect that if a pallet of fertilizer goes missing, the retailer is liable. In fact, if you look up "vendor-managed inventory" on Wikipedia, it says, "One of the keys to making VMI work is shared risk." There's no shared risk with PBS.

One thing PBS and VMI do have in common is EDI—electronic data interchange. Both systems use real-time electronic inventory data that allows vendors to restock with no phone calls or ordering required, and that's how BFG is tracking its customers' inventory levels. That's also what makes VMI different from old-fashioned consignment, which is basically a human-managed system. "Hey, send me some more petunias, I've sold out."

Why does it matter?

You're probably saying to yourself, "Who cares, Beytes? You're picking nits." Even Ellen Wells and I debated this via email, with her closing with the equivalent of "whatevs."

It matters to me because pay by scan is a unique grower-retailer relationship that no other industry has adopted (go back to my Google example for proof), and I don't like seeing the term generalized to mean any consignment-style relationship where there's shared risk.

I believe there IS a difference, and the fact that you can't find a single reference to pay by scan in any other industry except horticulture means it doesn't apply to fuel filters or fungicide—only plants.

Oh, and let me say one more time: I totally dig BFG's thinking, no matter what you call it.

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