





R E N T - T O - O W N ' S T I T A N S

# Rent-A-Center: Flexible and Flourishing

**America's largest  
rent-to-own company  
is going strong,  
thanks to flexibility  
and community  
connections.**

**By Kristen Card  
Photographs by  
Sean McGinty**

**R**ent-A-Center has been all about flexibility from the get-go. Even the company's rather complex history illustrates its ability to not just survive, but thrive in the face of continual changes in ownership and leadership—and some gigantic growth spurts.

See whether you can keep up: The Rent-A-Center brand name was originally launched in 1973 in Wichita, Kansas, by Tom Devlin, who sold the business to British conglomerate Thorn EMI in 1987. Just a year earlier, in 1986, Mark Speese left his job with the original Rent-A-Center to launch his own rent-to-own venture, Vista Rent-To-Own. Three years later, in 1989, Ernie Talley bought a controlling interest in Vista.

Here's what followed:

1993: Acquisition and merger of 84-store Renters Choice, which became the new company name;

1995: \$25-million going-public fundraiser and the acquisitions of 72-store Crown Leasing and 135-store Pro Rental;

1996: Acquisitions of 320-store Color-Tyme and 88 other stores through 20 separate transactions, as well as the opening of 13 new stores;

1997: Acquisitions of 71 stores through 18 separate transactions and the opening of 10 new stores;

1998: Quantum leap made possible by the acquisitions of 176-store west coast Central Rents and the 1,400-store Rent-A-Center chain Thorn had been developing for more than a decade. The business adopted the Rent-A-Center name and became the largest rent-to-own chain in the industry.

In 1999, Speese semi-retired from his position as president and chief operating

officer of the company, staying connected to Rent-A-Center as a board member and shareholder only; Mitch Fadel took the reins as company president. Six months later, Speese returned to work part-time as vice chairman; 18 months later, he re-semi-retired. But when Talley chose to really retire due to health issues in late 2001, Speese accepted the more-than-full-time job of board chairman and chief executive officer, with Fadel continuing to serve as president and chief operating officer.

Today, Rent-A-Center's leadership and ownership have settled into a successful groove. With Speese and Fadel still at the helm, the company is America's biggest rent-to-own chain, with more than 3,050 stores located in every U.S. state, Washington, D.C., Puerto Rico and Canada. And the one key component that has been completely consistent since the company's inception is still its defining characteristic: its business model.

Considered by most within the industry to be the quintessential rent-to-own archetype, Rent-A-Center's business model is straightforward. "It is the model most followed in RTO," explains Fadel. "We offer flexible payment plans—either weekly, semi-monthly or monthly—for high-quality furniture, electronics, computers and appliances. There are no down payments or deposit, no obligation, no credit hassles and no extra charges for delivery or service. All the options are with the customer: they can buy it for a competitive price through our 90-days-same-as-cash program; they can exercise an early-purchase option anytime after that; or they can simply fulfill their contract and own the merchandise that way. It's a quick and easy way to get the things you want, with



lots of options for the customer as the basis of the program.”

This flexibility for customers is what both Fadel and Speese see as one of the main differences between Rent-A-Center and industry rival Aaron’s Sales and Lease Ownership.

“They don’t have as much payment flexibility,” Fadel says. “Our weekly and monthly prices are very competitive with theirs, though the term may be a little longer on brand-new product at RAC. Over the life of the agreement, you might pay a little more at RAC, but your options are much greater.”

“I think the biggest differences between [Rent-A-Center and Aaron’s] are the flexibility of our payment plans, the size of our stores—their footprint is about twice the size of ours—and, to some extent, our consumer base,” Speese adds. “Because we offer the weekly pay option, by default we’re at-

tracting a little different type of customer. We’ve got a lot of overlap of customers and locations, but I think Aaron’s is pursuing a higher-end consumer. I’d say the upper 30 percent of our customer base is their lower 30 percent.”

**F**lexibility makes an undeniable difference for franchisees, too, according to Bob Bloom, president and CEO of ColorTyme Rent-to-Own, Rent-A-Center’s franchise arm. Today, there are 215 ColorTyme stores nationwide, with another eight expected to debut by year’s end. They’re owned by 77 franchisees; 51 of them have no more than two stores.

“ColorTyme is the entryway for one- to two-store operators to realize their dream of building 15 to 20 stores,” Bloom says. “We let them have all the benefits of having a large corporation behind them—with Rent-A-Center’s pur-



chasing power, product service and financial guarantees—while keeping the entrepreneurial spirit. We do all we can to let franchisees operate within the brand's framework, while giving them the independence to be locally owned and operated. ColorTyme exists to help small-businesspeople realize their dreams.”

Bloom says operating under the ColorTyme name, rather than the Rent-A-Center banner, gives franchisees more freedom, beginning with store location. New franchisees' selection of where to set up shop is limited by only the 215 other ColorTyme stores; they're welcome to build in the same service area as a Rent-A-Center and frequently do. While

“Our business is very much about relationships,” Speese says. “Retail is extremely transactional; you might go into the store and buy an appliance maybe once a decade. But especially with our weekly payment plan, we see the same customers over and over again, and we develop relationships with them. As corporate citizens, we have a responsibility to give back to the communities who give us their business.”

Rent-A-Center is deeply involved with five national non-profits: America's Second Harvest, Big Brothers Big Sisters of America, Boys and Girls Clubs of America, Junior Achievement and the Make a Difference

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**Mitch Fadel**

ColorTyme franchisees can leverage Rent-A-Center's billion-dollar purchasing power, they're also free to carry merchandise unique to their own stores and to set their own pricing. And ColorTyme franchisees can also use as much or as little of ColorTyme's corporate marketing support as they like.

“Our Web site is an excellent example of the flexibility we provide our franchisees,” Bloom continues. “If you go to [www.ColorTyme.com](http://www.ColorTyme.com), you're encouraged to enter your ZIP code to find the store closest to you, then you can click through to that store's individual site. Each piece of merchandise that store carries is right there with the weekly price, as well as its own marketing materials. We pay for the development and maintenance of the Web site, which requires a level of sophistication the average small-business owner can't accomplish on his own. Our franchisees enjoy the independence and flexibility we offer each individual; it's why we call it ‘Your Hometown ColorTyme.’”

Preserving the mom-and-pop feeling of a neighborhood store by nurturing the connection between company and community is another integral element in Rent-A-Center's identity.





**Bob Bloom**

Scholarship. Rent-A-Center is also currently auditioning a new giving program, Random Acts of Caring (using the company monogram RAC), in which the company performs a sizeable yet anonymous good deed. For example, during Nurses' Week, Rent-A-Center retrofitted the whole nurses' lounge at a Harlem hospital.

ColorTyme supports its own national nonprofit, Kids Across America, while urging franchisees to find a need they can help meet within their locations' communities, too. This concentration on community connection through charitable contribution is a significant strength for Rent-A-Center and ColorTyme, Bloom notes. And, he adds, bring on the competition.

"The real test is time. ColorTyme has been franchising rent-to-own stores for 29 years; nobody else can say that," Bloom asserts. "We've built more than 130 new franchise stores over the past five years; nobody's attracted more new franchisees into the industry. We've been far and away the innovators and leaders in bringing small-business owners to RTO."

**A** couple of the company's latest innovations and paths of growth are wheel-and-tire rent-to-own via RimTyme—stand-alone stores under the ColorTyme umbrella—and payday loan services. Almost 40 ColorTymes have payday loan services up and running within their stores.

"Payday loans are a good product," Bloom says. "It gives our franchisees another revenue stream and lets them serve the same communities and the same customers, while further helping the cash- and credit-constrained consumer."

Expanding their offerings toward financial services—including short-term loans, check-cashing, money transfers and other conveniences—is one way Speese and Fadel are also seeking to extend Rent-A-Center's reach.

"We've got about 325 financial services kiosks already in stores, with another 100 expected to be operational by year's end," Fadel forecasts. "As for continuing growth, according to our estimates, we can open up about another 500 U.S. stores before we hit full market penetration here in the states. We're considering growing our Canadian presence and we're analyzing the markets elsewhere, but in the meantime, we'll continue to open 25 to 50 new stores a year here in the U.S."

"People see us as a giant," Fadel adds, "but we're not a *sleeping* giant. We're as excited about the industry and its future as we've ever been." ✧

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