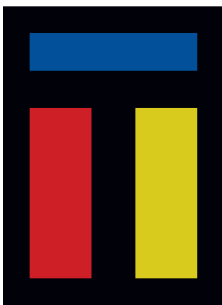


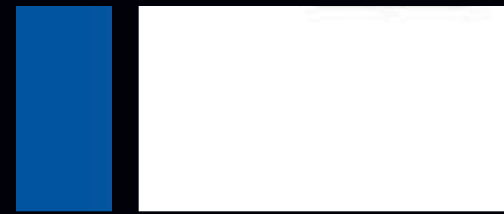
fractional ownership

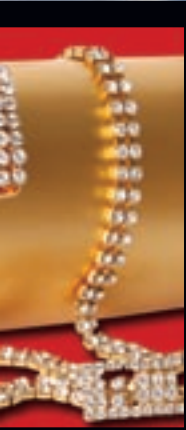
THE MARKET FOR LUXURY ITEMS IS TAKING A CUE FROM THE RENT-TO-OWN INDUSTRY

here was, we thought, a natural order to the universe. It's difficult to imagine that anyone in the industry liked it, but nobody questioned that here and there certain groups and individuals attached a negative stigma to the notion of renting to own. Voss Graham, business consultant and author of *The Three Games of Selling*, put the rent-to-own image problem bluntly: "It will take a media blitz to change the perceptions that people—including the middle class—have of the industry. That image is the product is cheap and quality is low."



by geoff williams





But there is a trend infiltrating the affluent and upper middle class societies. A trend that begs a couple of questions: Is the negative image of rent-to-own passé? In fact, are other consumer groups and companies actually starting to *follow* the path created by the rent-to-own industry?

This trend is called fractional ownership. The idea is pretty simple, really. Instead of buying a private jet, yacht or exotic car, wealthy people have instead been buying a *part* of their luxury item. So rather than owning an entire Mercedes-Benz CL 600 (with a retail price of about \$120,000), they might lay claim to one-fifth of it: the car being at their disposal 73 days out of every year and the rest of the time with someone else.

Which is perfectly reasonable, says author Robert Shemin, a multimillionaire and author of *How Come That Idiot's Rich and I'm Not?* (Crown, March 2008). "I tell people that ownership and renting are purely psychological," says Shemin. "People love to own things for piece of mind and there are certain assets that are a good investment." The good investment assets, however, are few and far between when it comes to keeping up with the Joneses.

Fractional ownership goes beyond the enormous—and typically enormously depreciable—assets such as cars, yachts, jets and helicopters or even race horses. For example, Bag Borrow or Steal is a Seattle-based company that allows its customers to rent ladies' luxury goods like Tiffany's jewelry or designer handbags. Wish you could afford a \$5,000 designer purse? No problem: pay a monthly fee, anywhere from \$20 to \$100 a month, and you can "own" handbags and jewelry until you're tired of them—and then mail the product back and/or replace it with something new. The company is a startup that investors believe will succeed. The company so far has raised more than \$12 million. And there's already competition from the online store, FromBagstoRiches.com, which tags itself as "the affordable alternative to buying designer handbags."

Whether it's fractional ownership, renting handbags or whatever you want to call it, something different is in the air. Even some financial experts are seeing the wisdom in sometimes paying for access instead of going for complete ownership. Shemin says that "absolutely," he can see how the concepts of fractional ownership and rent-to-own are becoming less distinguishable. "It's all similar and people are becoming more aware of rent-to-

own. It's still fairly new. I mean, 30 or 40 years ago, you couldn't rent to own."

Well, you probably could, but we know what he means. Rent-to-own stores could not be found in every neighborhood in the 1960s and 1970s as they are today and, if there were image problems during the 1980s and 1990s, the first decade of the 2000s is looking decidedly different as businesses creatively adapt to consumer needs and budgets and are borrowing concepts from each other.

Yes, it sounds off-kilter, but rent-to-own has been co-opted by the mainstream. If the wealthy don't want to "fractionally own" a car or a yacht and they don't

want to blow a wad of dough on the whole thing, they can join a membership club and "rent" the exotic cars and yachts. Meanwhile, the rich, middle-class and poor all see the value in using Netflix, where you pay a monthly fee to "rent" whatever movies you want to watch. You keep the movies as long as you want—they're yours—but you keep paying that fee. Or you trade the movies for something else. Either way, you're continually paying a smaller monthly fee instead of spending the much higher purchase price right up front.

Greg Tanner, franchise development director for Aaron's Sales and Lease, certainly sees how his own industry and the fractional ownership industry seem to be approaching each other's territories.

"We used to be located in the back alleys," says Tanner, "but we've seen our business increase to middle America, because we've positioned our stores right next to the Best Buys and Circuit Cities. We're where people shop. Our philosophy is that lower-income people will shop up. They'll come to the mall, right? But middle America and above, they will not shop below or far below their income level. They'll come to a point and stop.

"We don't even use the words 'rent to own' in our slogans any more," says Tanner. "We're just Aaron's. You can pay cash, use Visa or MasterCard and do 90-days-same-as-cash. We use the term 'lease.' We've gone completely away from the term 'rent' because, you know, they can bring it back anytime they want."

And Tanner notes that just like the women who fractionally own or rent purses, "when you buy, say, a wide-screen TV from us and a few weeks later you think, 'Well, shoot, I wish I had that one,' you can send yours back to us and you can get a new one. It is," says Tanner, "a shared ownership."

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But the general public will never see it the way Tanner does without educating the public, says Graham, who aside from writing about sales is also the CEO of the InnerActive Consulting Group in Cordova, Tennessee. Graham thinks the rent-to-own industry shouldn't worry about advertising so much as changing the public's perception. "If people actually read an ad, it's for some factual information or a validation of an existing program," says Graham. He feels that going after local newspapers, television and radio stations—something the RTO industry has often done when, for instance, becoming involved in community charities—is the way to change hearts and minds.

But how do you do that? If Graham were king of the rent-to-own industry for a day, he says that he would "focus on the small-business people first, the ones who work out of their homes, small offices, shared offices or executive suites. These people do not have the capital in most cases to invest in furniture and fixtures—yet can pay the monthly fee of a rental. Since some of these people will actually grow their business and have to hire more people and rent bigger spaces, they will require more furniture."

And how did Graham come to think this way? Because, just as the affluent and middle classes have been, his own perception changed. In 1991, he and his wife, Robin, moved their business from the home to a suite of offices. "As a business advisor," says Graham, "I had learned that furniture was a bad investment—since it would depreciate immediately after being purchased, like an automobile, and there would be little resale value. Using the rent-to-own process, we saved our cash, had some security knowing they would take everything back if our venture was not successful and still got nice, though not high-end, quality furniture that we are still using 16 years later."



As more Voss Gramhams experience those type of results and as more people rent or fractionally own everything from purses to Porsches, the feel-good mood toward renting to own seems to be marching toward the industry. And even if it doesn't, maybe it doesn't matter. As Shemin says of the relatively young rent-to-own industry, "As people become more educated and consumers become more sophisticated, the businesses get better."

In other words, fractional ownership and renting high luxury items on a short-term basis won't hurt the rent-to-own industry. It may even—if just fractionally—help. ■

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