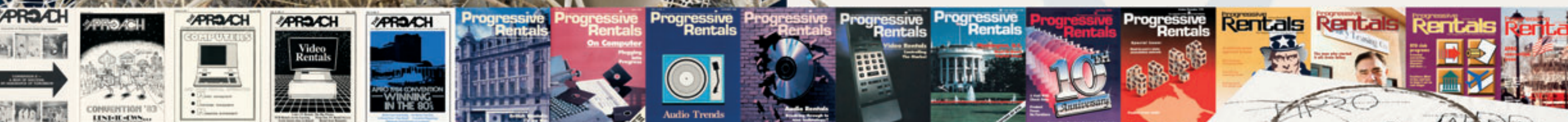


The battles that  
marked the beginning  
of the Association

# Rental Memories



**T**wenty-five years ago, I do not think that anybody in RTO could have predicted the business' landscape today. There were maybe 400 stores total in the United States and the biggest company in that era was Remco. Chuck Sims, while he had visions of empire, did not think that you could put a rental store in a town with fewer than 250,000 people. That was the prevailing wisdom back then. Little did he or anyone else imagine that you could put rental stores in towns of 5,000 people, sometimes fewer, and that you could even have your own stores across the street from one another, each with 600 BOR and each one making a buck. ✧ We just rented TVs back then and a few white goods, but mainly TVs—19-inch, click tune portables and a few 25-inch consoles. Remotes were just coming along and rental dealers didn't know how to keep customers from losing them. The insurance guys wanted dealers to offer leased property insurance or maybe damage waivers, but rental dealers feared that if they offered such options, losses would skyrocket and they would go out of business. It took several years before a few intrepid dealers were willing to experiment with the idea of letting customers off the hook if the unit got lost, stolen or destroyed.



*By Ed Winn*



VCRs came along and rental dealers thought they had died and gone to heaven. The cost for the first VCRs, which were mechanical and must have weighed 40 pounds, was more than \$500. They were new, they were hot and everybody in the world wanted one. They were instantly an almost perfect rental item. They were of a size and complexity that would warrant a delivery and installation, but they could also be stuck in a customer's trunk if you were in a hurry. They went out and came back and went out and came back. What a product! There has been nothing quite that electric in rental stores before or since.

There was a throbbing rent-to-rent furniture industry operating alongside RTO in those early days, which was far larger at the time than RTO. RTO guys thought that the RTR industry was a little soft. RTR rented apartments full of furniture to executives. No one caught on immediately to the potential of RTO furniture. It was a revelation slow to emerge, but when it did come to life, RTO furniture quickly dwarfed the RTR business, which barely exists today. RTO came into furniture with a vengeance and rented furniture to its standard base of RTO customers and grabbed the executive business, too. The RTR furniture business may be a tenth the size of RTO today.

### Prying open a closed-door industry

We had fights with various elements of the rental industry in those early days. The rental yard owners thought that

environment that attracted fast money and faster entrepreneurs. Rental companies were subject to harsh attack and quite a few of the early dealers were in the business to make a quick killing and then get out. They figured they would run a few stores for as long as the law let them and then move on to the next thing.

That kind of thinking was not universal, but it was prevalent. When you think that short-term, you are less concerned with fostering good customer relations than if you are building a business you intend to pass down to your kids.

Most of the apocryphal stories of collection debacles came from this era. The rental business was rougher then than it is today. There were no laws and dealers ran their businesses accordingly.

### No competition = no accountability

There wasn't much competition in those early days, either. Dealers had whole cities to themselves. The prevailing view was that there was an endless supply of rental customers in the marketplace. For every disgruntled customer who didn't like how the store did business, there were several more potential customers who wanted that TV. So, you didn't have to work with customers back then like you do today.

Competition has taught us all that there is no endless supply of customers. Today, we value every one we can get and work harder than ever to keep customers on the books. Twenty-five years ago, we didn't.

Rental dealers were particularly fond of the lack of compe-

This split colored everything the Association did or tried to do. The first group, while desiring a safer business legally, did not want a trade association that was going to help outsiders get into the business. Membership was closely monitored. There were fights about whether APRO could attend CES, High Point and other vendor shows out of a fear that retailers would stumble onto the Association's booth and decide to start up an RTO store or counter.

Tom Devlin, founder of Rent-A-Center, supported APRO's legislative efforts, but didn't want APRO holding seminars. He told me once in Las Vegas that Wendy's and McDonald's don't sit around talking about how to make hamburgers and he'd be damned if he was going to tell anybody how to rent TVs. Bud Holladay and Chuck Sims, APRO rental dealer founders, disagreed and argued that if rental dealers were going to rent TVs anyway, they needed to know how to do it properly and there was plenty of evidence that some of them didn't. Plus, the industry was young and fragile and the bad acts in one company could have serious repercussions for everyone. These guys both put on lots of early training seminars that taught some of today's rental dealers how to run the business. The industry today is more ethical and bigger because of that early training.

There were, of course, rental dealers then, as now, who wanted no laws, no seminars, no magazines and no groups of any kind. They were hardscrabble entrepreneurs—some good, some bad—who saw no need or use for

are really ripping off their customers. They don't really believe that RTO is anything more than a means to make a lot of money for themselves and have rationalized taking advantage of customers, employees, vendors, anyone, really, in order to achieve selfish financial goals. They have no respect for their customers; instead they have only disdain. They think of their customers as "those people" and their only interest in them is how deeply they can pilage their pockets. It may not be immediately apparent from the storefront into which camp a dealer falls, but it doesn't take long if you talk to the guy or watch the operation.

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It would be convenient to argue that the good rental dealers are all APRO members and the bad ones are not. But APRO has some selfish dealers as members and always has had them and there are some rental saints who have never been members of the Association.

I used to think that the nature of the business tended to attract a certain kind of less-than-ethical entrepreneur. Rental customers, many of them, are downtrodden to begin with and it is not so hard to intimidate them and



we were stinking up the good name of rental with our RTO programs and they barged into our meetings and told us to quit using the word "rental" in our business. The RTR industry took shots at us and wished us all the bad luck in the world, but were finally helpless in the face of the RTO onslaught. Bankers who were newly in the leasing business, mainly vehicles, urged us to stick with the "rental" moniker to keep distance between their business and ours, but they were polite about it.

Rental dealer pioneers of 25 years ago were somewhat different from rental dealers of today. The early guys were plowing new ground and few of them were certain that what they were doing was even legal, much less that the business would be around forever. The business was new and unproven legally. It was a high-risk, high-reward envi-

ronment that attracted fast money and faster entrepreneurs. Rental companies were subject to harsh attack and quite a few of the early dealers were in the business to make a quick killing and then get out. They figured they would run a few stores for as long as the law let them and then move on to the next thing.

I had a personal point of view in this controversy. It was that you couldn't ultimately hide a good idea and that is the view that has prevailed. But it was touch and go 25 years ago. It was a fierce battle between the "under-the-rock" rental dealers and the "we've-got-nothing-to-hide, let-the-sunshine-in" rental dealers and the camps were pretty evenly split in those early days.

any kind of organization beyond their own companies. They were not members of the Association then and are not members today.

### The rise of customer service

There was another dividing line between types of rental dealers then that still exists today. It has to do with how the dealer feels about rental customers. There are dealers who have genuine appreciation for their customers, affection even. They tend to be more humble, generally, and recognize that but for the grace of God Almighty, they might be rental customers themselves instead of rental dealers.

At the other end, there were and are rental dealers who in the dead of the night cannot escape the conviction that they

otherwise to take advantage of their necessitous circumstances. I thought that I saw rapacious entrepreneurs swooping into an industry that did business with low-income consumers because it was easy turf on which to ply their less-than-noble business skills and make a quick buck. I've learned over the years that all businesses have their fair share of disreputable merchants. RTO, finally, today at least, has its fair share, but only its fair share. You can find these guys selling jet airplanes to rich people or CAT scans to charitable hospitals or anywhere else you look, really.

### Disclosure battles

Twenty-five years ago, there were other internal fights very different from the fights than the ones that exist among rental

dealers today. One example concerns disclosing the total RTO price to customers. As quaint as it may sound, 25 years ago, almost no rental dealers did this. They disclosed the weekly rate and the number of weeks for ownership, but they did not “do the math” for the customer. Consumer advocates and the Federal Reserve Board thought the total price was an appropriate and necessary disclosure that rental dealers ought to

honestly believe that there would be no RTO industry today and certainly not a \$6.23 billion industry, at any rate.

### Putting differences aside

On a personal note, I’ve never made a distinction between APRO and the RTO industry, although there is

done, why bother paying dues? Instead, stopping every now and then at notable anniversaries, for example, is a useful exercise to observe a milestone in a long and fruitful, even if occasionally turbulent, existence.

I think that the RTO industry is bigger, more ethical, and better than it would have been had APRO not helped lead the way toward making RTO a truly respectable business,

ent today. If you didn’t live it, it may be that you cannot fully appreciate the high place that the RTO industry has forged for itself in the American economy. There were numerous turning points along the way. The industry could have faltered at any one of them and RTO would still be the suspicious, disreputable, unseemly business that most people once thought it was.



make and so we debated the issue at rental meetings.

The non-disclosure crowd argued that if customers saw up front how much they would end up paying to own a TV, nobody would ever rent another one. A more refined argument from this side was that customers didn’t really “need” this information, because what finally influenced their decision to do the deal or not was not the total price but rather how much it cost per week. These were fervent debates that lasted for years. Remembering them today makes the early ’80s seem long ago, indeed.

We also fought over the “new” versus “used” disclosure. Once again, one side argued that customers didn’t really care about this information—what they wanted was a TV that worked and, moreover, dealers delivering from a remote warehouse might not always know what was being delivered (this was before computers). Wisdom and enlightenment and openness prevailed in these and other debates during these early years as the industry struggled to find its way.

### Lease vs. sale victories

What 21st-century rental dealers might not fully appreciate is how legally at risk the industry was in those early days. In 1980, when I first encountered RTO as an outsider, I looked at the transaction from a lawyer’s point of view and concluded that RTO was really a lease. But laws get made by politicians. There is no constitutional right to rent TVs anywhere. Politicians could easily have voted that RTO is a sale and that is what it would have been. We had nasty legal and political fights in Connecticut, Maine and North Carolina in those early days over this issue.

I can remember a Maine politician scoffing at us during a committee hearing, “The next thing you know, they’ll be renting ‘those people’ Lincoln Continentals.”

We won the fights in those three states—in the Maine Supreme Court, in the North Carolina Legislature and in the courts and legislature in Connecticut—barely. If we had lost those legal/political battles, which we certainly could have, I

one, I guess. I’ve always wanted all rental dealers to belong to APRO from a selfish point of view, perhaps, because I wanted and still want maximum credibility when I am out telling the RTO story to whatever audience I happen to have, hostile or friendly, and I still talk to both.

Over the years, I have learned that trade associations are curious entities. They are confederations of competitors who, as often as not, have little use for one another. Members, however, manage to look for common ground in order to come together and sometimes they have to look really hard for that common ground. Rental dealers who are in the Association look at those who are not in different ways. Some look out and see free-loaders—dealers willing to profit from the Association’s efforts without making a contribution. They view them as cheap, irresponsible and selfish. Others look out and say, “good riddance.” Sometimes they are right. It is certainly true that over the years the noblest, most giving and most generous rental dealers in the industry have been members of APRO. Generosity and unselfishness may not rank high on the rental business scale where you only count profits and earnings per share, but those qualities rank high on the human being scale. I have cherished knowing most of the rental dealers who gave their time, talent and treasure to the group.

I have made some lifelong friends along the way in this trade association over the past 25 years, some old, some new. I’ve married one and now I have begun to bury a few.

### The art of growing an industry

We cannot really hang a “mission accomplished” banner over the APRO headquarters here at the end of the first 25 years. It is true that the industry thrives in a safe legal environment and has for a long time now. That is no small feat for an association with a modest budget despite the nagging absence of a federal law. Trade associations, generally, do not like too many “missions accomplished.” That kind of self-congratulation can erode membership. If the job is

which is was not in those early days. A lot of the Association’s effort came from rental dealers themselves who wanted a business and an industry of which they could be proud. Looking back, things could easily have gone another way. The “dark side” could have prevailed and most of you reading this article would be doing something differ-


At 25 years, we celebrate both the past and the future, as it is APRO’s intention to be “Always There” for its members. Thanks for the memories. ■

*Ed Winn III is APRO’s general counsel. His e-mail address is edwinn@e-bylaw.com.*

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