



## **Rental-Purchase Bridges the Digital Divide**

*By Ed Winn III*

Rental dealers should not expect to be given a lot of credit, now or later, but in their own quiet way they are already contributing to the solution of a relatively new, persistent social/economic problem that is being identified as the "digital divide."

The president talked about the seriousness of the problem in his last State of the Union address. There was a Digital Divide Summit Conference held this past December. There are several Web pages devoted exclusively to the problem - e.g., [www.digitaldivide.org](http://www.digitaldivide.org) and [www.digitaldividenetwork.org](http://www.digitaldividenetwork.org). The government is throwing millions of dollars at the problem. There are commissions and studies and generally a lot of palaver and handwringing about it in the country and abroad and, in the meantime, rental dealers have seen a need and have already started filling it.

### **Who's On, Who's Not**

In a nutshell, with the advent of the Information Age, there are the "haves" with multiple computer stations and Internet appliances around the house, at work and at school with the knowledge and ability to use these tools in everyday life. Then there are the "have nots," with none of the above. This disparity has become the "digital divide." Indeed, few would argue that personal computers and Internet access are increasingly important for economic success and personal achievement in the United States in the 21st century.

Since 1995, the National Telecommunications and Information Administration has issued three studies documenting the extent of this divide. The latest study offers detailed findings on U.S. consumers' access to telephones, computers and the Internet. The study finds increased computer usage and Internet access generally in the country, but the divide is widening.

At the end of 1998, 40 percent of U.S. households had computer access and 24 percent had Internet access. The "have nots" variously include rural households, low income households, minority households, households with lower education and single parent households.

For example, 60 percent of households with incomes of \$75,000 or more per year have Internet access versus 12 percent of households making \$10,000 or less. By race, 38 percent of Caucasian households, 36 percent of Asian households, 19 percent of African America households, and 17 percent of Hispanic households were on the Internet at the end of 1998. Urban households with incomes of \$75,000 or more are 20 times more likely to be on the Internet than rural households at the lowest income levels. Copies of the studies are available at [www.NTIA.org](http://www.NTIA.org).

### **Building the Bridge**

The government is not merely identifying the problem. Tax dollars are being spent to solve it. The Department of Education has a Community Technology Centers Initiative to make computers and Internet access more available in inner city neighborhoods. The Department of Housing and Urban Affairs has a Neighborhood Networks program with a similar goal. Expect other federal and state agencies to develop programs to speak to the issue. Whatever the government does to help, it will be the private sector that builds the best bridges across the divide. The rental-purchase industry is poised to play the role of major bridge builder.

Rental dealers already have as a customer base some of the digital "have nots." These customers are already renting furniture, appliances and electronics, which are the necessities of modern 21st century life. This life is suddenly demanding a new necessity - Internet access. If it is not yet quite a necessity for all Americans, it soon will be.

For Americans struggling to make ends meet already, here is yet another cost of living in the land of opportunity - a computer or Internet appliance, perhaps a first telephone line or even a second and an arrangement with an Internet service provider or some third party for Internet access. Most dealers will recognize that a high percentage of their customers and their customer base are not yet "wired." The two main reasons given for being a "have not" in the NTIA study were cost and "don't want it." The first reason may not go away, but soon Internet access in homes will be as ubiquitous as TVs and telephones.

### **The Tech Challenge**

Adding computers and Internet service to rental store inventories has not been easy. There is often a digital divide inside the rental store between the dealer who sees an opportunity and store personnel who are charged with explaining, renting and servicing computers and Internet products. Store employees who once prided themselves on being able to set the clock on VCRs for customers are in a brave new world of information that requires new knowledge and new skills. Computers do not leap off the tables into customer's arms. Many customers may genuinely feel that they do not need to be on the Internet. Most rental customers, after all, have already had whatever it is that they are currently renting - an old TV or sofa replaced with a quality rental unit. Not so with computers and Internet service. And if they do not understand how and why being on the Web is going to make life better in some way, they are not going to rent it, and even if they do, it will not stick if it is not used.

Service is an issue with computers and Internet access. The service component has kept many dealers away from offering computers, that and the rapid technological advances and the obsolescence that ensues. Rental dealers have been afraid of amassing stockpiles of outdated computers that won't rent and that no one wants. The marketplace is solving those problems for dealers.

New suppliers, Xanatron and others, are tailoring programs for the rental industry and its customers to make it hassle-free to add computers to rental inventories. Computers are increasingly simple and reliable. The speed of processors continues apace, but today a computer of a certain size, say with a 350 mhz processor and 32 mb of RAM, will work satisfactorily with a 56k modem. While not state of the art, such a configuration should be serviceable for a year or two. Long enough, in any case, to make it a suitable product in many rental stores, especially for customers getting their first machine and hooking up to the Internet for the first time.

Rental employees will need more training in this Information Age. They will increasingly need to be computer literate and Internet savvy. Rental companies will have to spend money on human resources to provide that training or lose their employees to someone who will.

### **A Golden Opportunity**

It is and will be a continuing challenge for rental dealers to learn the full value of Internet access to daily life and then teach that value first to their employees and then to their customers. Rental dealers have at least talked about having classes in their stores to school customers on how to use a computer and surf the Web effectively. Groups of dealers could

sponsor such efforts with local schools, probably with some government grants, donate a few machines and rent a whole lot more.

The opportunity is there since the "have nots" have been identified and many of them are already coming into rental stores every week. Rental dealers know how to do business effectively with their customers and do not necessarily require a checking account or credit card to do so.

Part, though by no means all, of the Internet access issue has been credit. Most Internet service providers want a credit card and the ability to bill against the card automatically each month. Some of the "have nots" have no credit, some have bad credit and some are credit constrained. All rental dealers have had customers who fit into one or more of these categories and have figured out how to maintain and serve this customer base. It typically has required a higher level of service than traditional retail and rental dealers have provided it successfully. Now there is this vast new "need" in the marketplace. As e-commerce expands and consumers find new uses for their Internet connections besides reading their e-mail, this need will increase. Rental dealers are poised to meet much of this need, especially among the current "have nots" who find themselves in that category for cost or credit reasons.

The process has already begun. While there may be smaller dealers who have built their own digital bridges without a lot of fanfare, the public companies are seriously pursuing computers and Internet access for their customers and are doing so behind serious marketing efforts.

Rainbow Rentals reports that nearly 20 percent of its revenues and BOR are now in computers. The company currently offers a traditional rental-purchase program for a state-of-the-art computer with Internet access made part of the deal. RentWay has announced a new rent-to-rent program for a computer system and Internet connection, all for \$19.95 a week. Rent-A-Center recently announced an Internet service available to anyone through their stores for \$5.95 a week.

### **Access Speed and Other Hurdles**

The challenge is a long-term one. Already there are technological issues. One needs a machine of a certain size and speed with a certain amount of RAM to troll the Internet waters effectively. Most consumers are still hooked up to the Internet with telephone modems with a maximum speed is 56k. But the Internet elite has access two to 20 times faster with cable modems, DSL lines and still newer technologies. If the challenge is to get everyone online who wants to be online, regardless of financial circumstances, the next challenge will be to get everyone online at close to the same speed.

The pace of change is so fast that there will be other challenges to arise long before these initial hurdles have been overcome. How, for example, will consumers without credit do business online when they get there? RentWay is offering a debit card to its computer customers. The 7-11 chain has announced an Internet card that customers can buy with cash values that can be spent on the Internet. While the issues are many, so are the solutions created by innovators in the marketplace.

It is indeed a new world in the making, this Information Age. Rental dealers have a rare opportunity to offer brand new goods and services to their customers and to bring brand new customers through the doors to take advantage of their unique way of doing business.

The Information Age has quickened the pace of commerce for everyone. This stepped-up pace is likely to continue into the foreseeable future. Rental dealers are in a perfect place to take advantage of an opportunity that this new age has created. They can grow BOR and profits and, at the same time, engage in a socially responsible endeavor, in some ways, like never before.

The prospects are at once thrilling and frightening. But then all change is that way. Big change all the more so. Society will not allow a large percentage of the populace to lose out on the benefits of the information revolution because, for the first time, the economics do not require that to happen. The pie is getting a lot bigger. Rental dealers will play a big part in the bridge building to come. Dealers with courage and wisdom will move the industry far ahead of where it has been and will play a vital role in erasing the digital divide.