

**CEO Charlie Loudermilk
basks in the glow of 50 successful
years as Aaron Rents continues
to go gangbusters**

He's golden

Charlie Loudermilk is having a good day. On this particular morning in late April, the chairman and CEO of Aaron Rents has arrived at his Atlanta office to phenomenal news. In the wake of the prior day's announcement of record revenues and earnings for the first quarter of 2005, the company's stock has risen from about \$18 a share to more than \$20 just this morning. In fact, the call for Aaron Rents stock was so great that the New York Stock Exchange stopped trading on it for about 15 minutes to try to balance out supply and demand. "So you're having a good day," someone surmises. "We're having a great day," he says.

A PROFILE *by*
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The fact is, Charlie Loudermilk is living a great life. At 77, Loudermilk is celebrating the 50th anniversary of the billion-dollar rental-purchase empire he built with his own hands, brains and almost-palpable determination. And his 6,500-plus employees throughout the United States, Canada and Puerto Rico—along with his family, friends and all the lucky Aaron Rents shareholders—are celebrating him because his success has been theirs, too.

But make no mistake. Loudermilk's half-century hootenanny in no way connotes a conclusion to his career or to his aspirations—and expectations—for Aaron's. This isn't a retirement party. As a matter of fact, at its recent annual meeting in New Orleans (they don't call him Good-Time Charlie for nothing), the company announced its intentions to double its number of stores within the next five years, from more than 1,000 to over 2,000.

And Charlie Loudermilk has no intention of missing that party.

WHO IS AARON?

R. Charles Loudermilk Sr. launched his company in 1955 with a partner, an answering machine and an inventory of 300 well-used Army-surplus folding chairs available for rent for 10 cents a day. Today, Aaron Rents says it is the nation's leader in the sales-and-lease ownership, specialty retailing and rental of residential and office furniture, consumer electronics and home appliances and accessories. But what got Aaron's from point A to point B really began in a blue-collar Atlanta, GA, neighborhood in 1927.

Loudermilk was born the youngest of two sons to Jake and Addie Loudermilk. Jake, a lineman with Georgia Power, had a fourth-grade education and never saw the need for more than a high-school diploma. Addie, a dietician and career woman before her time, wanted her boys to go to college. By working three jobs simultaneously, she made sure it happened as her sons were the only two college graduates to come from their working-class neighborhood.

Loudermilk went to Georgia Tech for two quarters, joined the Navy for a year and finally graduated from the University of North Carolina in 1950 with a bachelor of science degree in commerce. His first job was as a

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traveling salesman for PET Milk, which lasted less than a year. His stint as a district manager for Pfizer Pharmaceuticals kept him busy for about three-and-a-half years more.

Then his mother made her son an offer he couldn't refuse—well, he could, but not to her. Addie had been running an extremely successful little tearoom and when a restaurant up the street was about to go under, the owner offered it to Addie. She said she would take it, but only if her son, Charlie, would come home and help her run it.

Being a dutiful son, Loudermilk returned to Atlanta and opened the restaurant with his mother. But he quickly found himself with a wandering professional eye.

“I had seen a small rent-to-rent company in Greensboro, NC,” Loudermilk says. “I didn't particularly like the restaurant business, even though I was my mother's partner for 15 years. So I started a little rental company. I got a partner and borrowed \$500 and he had \$500. So I put an answering machine in my apartment and the first order came in for 300 folding chairs for an estate auction.

“It was the middle of the summer,” he says. “We rented a truck and bought 300 very used Army-surplus chairs and delivered them and put them under this tent. With all that work in the hot sunshine and everything, my partner decided he wanted out of the business, so I had to scrape up another \$500 to pay him off. He went around town for years saying he used to own half of Aaron Rents,” Loudermilk says.

With a contrived name guaranteed to give him top listing in the Yellow Pages (no, Virginia, there is no Aaron), Loudermilk's first rental inventories were centered on parties and healthcare. But once he discovered the lucrative opportunities waiting within the office rental market, Loudermilk abandoned the hosts and the healing and honed in on doing business with business.

“We grew to about 185 stores in rent-to-rent, then I saw it going down quickly,” says Loudermilk. “I saw rent-to-own flourishing and decided to go into rent-to-own. Y'know, rental is rental.”

Rental may be rental, but combined with Loudermilk's insight, rental has turned remarkable. Today, Aaron Rents seems to have a life force all its own. Stores continue to open every week, pushing the company's almost 1,100-store count—which will be markedly higher by publication time—up and up and up. About two-thirds of the stores are company-owned, with one-third owned

by franchisees.

“We couldn't open in my lifetime—and maybe not even my son's lifetime—all the stores we could open in the United States,” he says. “So, in order to get market share and national recognition, I decided we needed to get help opening these stores.”

The result is about 365 operating franchise stores, with another 325 already sold and scheduled to open within the next three years. “We continue to sell them and our backlogs continue to go up,” Loudermilk says.

Within the next few years, Aaron's will also begin to debut stores in freestanding buildings. “The business warrants it, so we're building a lot of stores right now,” Loudermilk says. “We feel our funds can be better spent in inventory than in real estate, though, so we'll build them, sell them and then lease them back.”

Certainly, Loudermilk's vision has had to continually stretch to accommodate the ballooning size and success of his business.

“At one time, when this company first started, I thought that if it did a million dollars' worth of business a year, then I'd be the biggest success in Atlanta,” says Loudermilk. “Now, last year, we did over a billion dollars. How do you put that into your brain? I have a hard time trying to understand that.”

Yet, whatever grand plateau he reaches, Loudermilk always seems to have a clear picture of what the next level looks like.

“People ask us, ‘How many stores can you have?’” he says, “and we say, ‘How many Super Wal-Marts are there?’ We ought to be close [in number] to the Super Wal-Marts; that's our customer base. There are about 3,600 of them right now, so we've got a long way to grow.”

THE AARON'S DISTINCTION

So many things about Charlie Loudermilk have contributed to his success and that of his business, it's difficult to pinpoint a single key. A self-confessed project junkie, he has a yellow writing pad wherever he goes, filled with a perpetual list of his next hundred or so to-do items waiting to be gratifyingly marked off. His dogged, down-to-the-penny frugality and tough-as-nails negotiating skills are legendary among his colleagues and employees. And stories abound about his willingness—almost insistence—to do grunt work. From building shelving to sweeping the warehouse to chauffeuring Aaron's personnel from the airport via the family station wagon,

Loudermilk may be the company's chief, but that means he's also a member of the tribe.

According to Charlie, the key to his success is his competitive nature. “What I like is winning,” he says. “I'm competitive, always have been. I think I inherited my drive from my mother. She was a really dynamic person, the hardest working person I've ever known. I believe entrepreneurs are born. I don't know whether you can make an entrepreneur of someone who doesn't have the genes that drive that. I just love to see something happen.”

Especially if that something happens his way. From the beginning, Aaron Rents has marched to the beat of Loudermilk's drum, by distinguish-



Above: Loudermilk at age 2. Left: In 1980. Below: with grandchildren Katherine, Coley, Charlie (III), Chappell and Robert.



ing and distancing itself, its products and its services from traditional rent-to-own businesses.

“We studied a lot of other businesses and just didn't like the way some of the people were operating,” says Loudermilk. “So for years, we've been fine-tuning our business to where it's quite different than the other rent-to-own operators. We just feel we've developed a much better mousetrap. We're not simply in the rent-to-own business. We're somewhat different.”

The difference begins, Loudermilk says, with Aaron's customer base. “We're not in the weekly-pay rent-to-own business and we don't want the weekly business,” Loudermilk

says. “We’re in the monthly-pay rent-to-own business. Our customer base is much more stable and has more discipline and a better pay habit than the weekly base.

“A lot of our customers aren’t credit-constrained,” he says. “About 40 percent use credit cards or checks to make their payments. They like getting first-rate merchandise and having to sign only a one-month contract, so they have the option of using the product to see whether they like it. Our keep rate is much higher than the industry average and it’s because of the customer base we serve.”

Secondly, at Aaron’s, size matters—in terms of both space and selection. “Our stores are about twice the size of the average rent-to-own store. They’re about 8,000 to 10,000 square feet,” says Loudermilk. “Customers like a wide variety of choices, especially in furniture and we can show them a lot more furniture. Other companies can’t do that; they don’t have the space.”

Furniture, Loudermilk clarifies, is Aaron Rents’ main business. The company’s own MacTavish Furniture Industries manufactures almost half of the firm’s furniture, as well as mattresses and home accessories, at 10 facilities located within four states. Additionally, Aaron’s has 13 major distribution centers all over the country, so that merchandise is always available to stores next-day—so Aaron Rents’ customers never have to wait longer than a single day for the product they want.

A third and critical distinction between

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Aaron’s and its competitors, says Loudermilk, is how it deals with customers. The company operates under a strict policy of no credit checks, no security deposits, no delivery charges, no-cost repairs and no balloon payments at the close of a contract. Additionally, it offers several purchasing options designed to let customers own their merchandise within as little as 12 months.

“We treat the customer very, very well,” Loudermilk says. “People skills is No. 1. It’s not how much accounting you know or how much business law you know, it’s how you treat people and how they feel about you. That’s what I think has carried this company to where we are—people know we will be fair. The success of the business depends upon the quality of the people skills of its leaders.”

An active APRO member, Loudermilk testifies to the value of belonging to a national association. “I can’t imagine not having a national organization to watch over the industry’s best interests,” he says. “From the legislative standpoint, if nothing else, you just must have a national organization. You need a voice in Washington.”

The culture Loudermilk has created at Aaron’s is all about fairness, plain and simple. Plain and simple, but not always easy.

“Our culture is, we’re going to do what’s fair.” Loudermilk hits the last word hard with his deep Georgia accent. “We want the customer to own the merchandise. We work with our customers a lot of different ways to do that. We just look at what’s fair—not what’s on the paper—just what’s fair and that’s served us very, very well.”

DOING WHAT’S FAIR

Not surprisingly, this credo of fairness above all is a direct reflection of Loudermilk himself—who he is and how he’s hard-wired.

“Charlie is a straight arrow,” says Loudermilk’s friend of more than 30 years, Andrew Young. Young—who is a minister, former Congressman, former U.S. Ambassador to the United Nations and a liberal black Democrat—had been a business acquaintance of Loudermilk’s for almost a decade when Young decided to run for mayor of Atlanta in 1981. The city had become polarized, both politically and racially, with a black City Hall

Loudermilk (right) with former U.N. Ambassador Andrew Young in 1980 announcing Loudermilk’s decision to serve as Young’s campaign manager in his bid for mayor of Atlanta.



on one side and a white business community on the other.

“The business community had decided not to support another black mayor,” Young says. “They were really serious about needing somebody from their number as mayor of the city. I went to Charlie and asked him if he would break ranks with everybody else and work on my campaign. I said I thought I could win the election without the support of the business community, but if I won, there ought to be somebody from the business community on my team, because you can’t build a city with a split like that. He agreed and paid quite a price for that. He went against what seemed to be his short-term financial interests for the long-term good of our city. We became really close during that time and I won the election.

“I think the fact that he grew up in a family that was relatively poor gave Charlie a sense of fairness about him,” Young says. “He’s conservative, but it was very important to him to

be fair. We agreed the city could be a great city, but only if business and politics worked together and only if blacks and whites worked together. No partisan politics, no racial politics. He just wants to do what is right.”

More than 20 years later, Loudermilk has boiled that sticky situation and his longtime friendship with Young down to a solitary witticism: “He’s a black liberal Democrat and I’m a white conservative Republican. People say, ‘Well, how does that work?’ and we say, ‘Well, that’s how we do it in Atlanta.’”

“Charlie has a way of reducing everything to its simplest terms,” says another old friend of Loudermilk’s. John C. Portman Jr. is the chairman of Portman Holdings and a renowned architectural and development pioneer—he’s credited with bringing the atrium-centered hotel design into the mainstream and has had a hand in developing most of downtown Atlanta.

“Charlie is a straight-up, straight-out sort of fella,” Portman says. “I’ve never seen

Loudermilk meets with members of the Aaron’s marketing team: Bryon Palmer, graphic designer; Mike Virok, director of marketing and advertising (Sales and Lease Ownership); Fonda Williams, new store marketing coordinator, Loudermilk and Lauren Caimano, broadcast media coordinator.



Charlie without an opinion. He'll tell you what he thinks, and he doesn't worry much whether you're going to like what he has to say. He has no guile about him whatsoever. Charlie's just Charlie."

A CHARITABLE PHILOSOPHY

"The way I see it, life is divided into three segments," Charlie Loudermilk says in his Southern-gentleman drawl, with all the r's pronounced as "ah" and every word sounding like it contains an extra syllable.

"The first segment, you're getting yourself prepared in school and your first jobs and so forth and you're acquiring skills. The second is, you have a run—hopefully of being a success and acquiring money. Then, you get to a point where it's time to give back. I'm there right now. Anything that's touched my life, I'm giving back, mostly in bricks and mortar."

An exact listing of what Loudermilk has contributed over the years as a benefactor is impossible to compile, but suffice it to say the University of North Carolina has a building named Loudermilk Hall, downtown Atlanta has a conference and events facility named Loudermilk Center, Loudermilk's picture hangs somewhere over at the Georgia Dome and his church hosts a magnificent \$2 million organ that would have been a \$1 million organ without him. From kids' baseball fields to schools for handicapped children, Loudermilk is fulfilling the third stage of his life amply.

"I've never been able to keep a business going, so I really admire someone who can start a business, keep a payroll going for 50 years and keep families working," says Young. "Charlie's working on something all the time and working on something good all the time. He's also supported his city and his country through his businesses.

"Jesus said it's harder for a rich man to get into the kingdom of heaven than it is for a camel to go through the eye of a needle," the minister continues. "Charlie is one who has become wealthy, but who has never forgotten the poor and the dispossessed, regardless of their race or color. If I had to bet on his getting through the eye of that needle, I'd bet on it."

A FAMILY AFFAIR

Yes, life is good for Charlie Loudermilk and he knows it. At the New Orleans gathering, having been lauded in a 45-minute this-is-your-life-type video retrospective and presented with a 1955 Chevrolet classic car by NASCAR driver and company spokesperson

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Michael Waltrip, Charlie brought the most important people in the room together to join him up on stage: his family.

"Family first is something we've always preached at Aaron's," he says. "Mine is my proudest achievement."

Charlie's son, Robert C. Loudermilk Jr., nicknamed Robin, works side by side with his namesake as president of the company, overseeing the rent-to-rent and manufacturing divisions and co-leading investor relations with CFO Gilbert Danielson. Thirty-one-year Aaron's veteran and "surrogate son" Ken Butler runs the firm's sales and lease ownership division.

Charlie's youngest, daughter Linda Loudermilk, is a successful haute couture fashion designer whose work has been featured on the runways in Paris and is about to be showcased in her own store on Hollywood's Melrose Place. And his eldest, daughter Lisa DeGolian, is an interior designer by training, currently working as a full-time mom.

"I've always said, 'If you out-sire yourself, if your children are better than you are, then you're a success,'" Loudermilk says. "It doesn't matter about the business world or your profession or whatever else about your career. I think I've done that: my kids are bright, they behave themselves well and love to get things done like I do. I'm very, very proud of them."

Along with his three children, Charlie enjoys the company of five grandchildren, two stepchildren and his wife, Courtney. They like to visit Woodhaven, his 5,000-acre south-Georgia quail-hunting plantation, which features its own golf course, 22 separate ponds for fishing, a 20,000-square-foot house, a big barn full of horses, mules and wagons, about 20 hunting dogs and a full-time staff of eight just to maintain it all. They also spend time at their home in Sea Island, GA, out on the coast, and at their summer house located in the mountains northward.

With three homes all located within about an hour's flight from Atlanta, it's clear Charlie Loudermilk likes to stay close to home. Sure, he says, he and Courtney travel some, "but about three days away is all I can stand, I've got to get back," he says. "This business gets in your blood. I'm 77 and I'm still working every day. It's a fun business, changing all the time.

If it weren't fun, if we weren't really winning, going full-blast, I wouldn't be here."

And that, it turns out, is the real secret of Charlie Loudermilk's success. In the words of his eldest daughter, Lisa, his work is not his work. So if it's not really work, then how can you really retire, anyway? That's Charlie's point, exactly.

want to do and not have to worry about money. But where I want to be Monday morning is my office and that's where I'm going to be. Well, he didn't understand that at all. I think the problem is, he never had a job he enjoyed.

"I'm livin' a dream, I really am livin' a dream right now." For a lifelong "hard charg-



"I was on a plane not long ago and the guy sitting next to me recognized me. We started talking and he said, 'Why don't you retire?' And he got kind of mad—he said, 'I'm retired and live out on Hilton Head and play golf and I thisthatandtheother. Why don't you retire?' I said, 'Well wait a minute. I'm fortunate I can be anywhere in the world doing anything I

er," this notion seems to leave him a little awestruck. "Everybody seems to be happy and healthy, my health is reasonably good and the business is going gangbusters. Really, what else could I want?" ■

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