



AT THE 2005 APRO CONVENTION AND BUYING SHOW, A SEMINAR ENTITLED “WHY 94 PERCENT OF YOUR MARKET IS NOT RENTING” SPARKED A TREMENDOUS AMOUNT OF DISCUSSION AND AN EXCHANGE OF IDEAS. IN THE PREVIOUS ISSUE OF PROGRESSIVE RENTALS, WE ADDRESSED ONE REASON WHY SOME DON’T RENT: PRICING AND RATES. IN THIS ISSUE, WE DELVE DEEPER INTO WHY PEOPLE DON’T RENT AND OFFER STRATEGIES THAT MIGHT HELP BRING IN THOSE ELUSIVE “NON-CUSTOMERS.”

WHY PEOPLE DON’T RENT, PART II:

# Perceptions *and* fears

BY ED WINN III

The information for these articles was culled from a seminar conducted by APRO board member and Michigan rental dealer Sydney Burton. He, in turn, got much of his information from reviewing tapes of focus groups that were a part of the Trenholm Research’s *2004 Image Research for the Rent-to-Own Industry: Telephone Survey and Focus Groups*. The unedited DVDs of the focus groups are available to APRO members upon request. Last issue’s article dealt primarily with pricing policies in rental stores as a reason for people choosing not to rent. This article will look at the other factors mentioned by participants in the focus groups. Rental dealers may want to kill the messenger because the things that non-RTO customers say about the business are not flattering. Their perceptions of the rent-to-own industry will cut to the heart of the life’s work of some rental dealers. The information in this article will hurt some feelings.



herefore, before pondering these disparaging perceptions, it may be useful to remember that politicians endure a fair amount of criticism, and they suffer it very publicly, on the front pages of newspapers and on the six o'clock news—some of them nearly every day. Politicians are winning when only 49 percent of the people hate them and what they stand for, because that means that a majority of the people agrees with them. If RTO dealers could reach those levels of percentages, the business would be eight times bigger than it is. If that kind of progress is unlikely, rental dealers can take some solace from the fact that the negative impressions that many people have about RTO are, for the most part, only rarely shared on the six o'clock news. The damage done by the misperceptions of non-RTO customers rarely affects more than rental dealers' profits, which ought to be reason enough to read on, however painful the process.

The primary reason that people don't rent is that they are afraid to. They are afraid of RTO at every turn. RTO advertising frightens them. It is too aggressive. It tries too hard. Anyone who pushes that hard must be hiding something. RTO advertising shouts weekly rates. No other business in the world advertises weekly rates (maybe a few flea bag hotels/motels advertise weekly rates on their marquees). RTO customers may be used to weekly-rate advertising, but to non-RTO customers, the practice seems sneaky.

Advertising and word of mouth are the only two ways that non-RTO customers learn about RTO. RTO advertising is scaring people away from RTO stores. That's a bad start.

**N**on-RTO customers are afraid of the product. To most non-customers, RTO means "used." That makes people wonder, "Who has had it before?" "How used is it?" The industry could address this fear by disclosing more information about used product. Dealers could disclose the history and condition of used product better. The industry could do a better job of explaining the difference between new and used. RTO store displays could ensure that the used items are clearly, boldly and honestly marked so that it does not look like the dealer is trying to pass off the used product as new.

Rental dealers know that there are some tremendous bargains in used merchandise. The used furniture market is thriving and consumers regularly shop consignment stores and other retailers of used merchandise looking for bargains. The RTO industry has what a lot of these people are looking for and the industry could broaden its customer base by focusing more on those bargain-conscious retail shoppers. The RTO industry probably has more used merchandise than any other retail segment, but all RTO seems to know how to do is to trumpet its low weekly rates from the rooftops. That kind of advertising is not going to attract these bargain shoppers, who, if they knew, could come into RTO stores, pick off the used bargains and allow RTO dealers to rent more new product to their rental customers.

Non-RTO customers have another furniture fear. They think that RTO stores only carry low-end merchandise, even the new stuff. They think that RTO stores have nothing but promotional items and that they cannot get the same merchandise in an RTO store as in a Best Buy or Circuit City, or even Wal-Mart or Target.

Rent-to-own stores are carrying better merchandise than they once did, but non-RTO customers don't know this, and they are staying away from RTO stores because of a mistaken, persistent and widespread impression about the quality of RTO merchandise. The responsibility for correcting the impression falls on rental dealers. Better advertising that focuses on the quality of the merchandise rather than the low weekly rates might help.

Non-RTO customers are afraid of the rent-to-own transaction. Incredibly, too many people, maybe even most people, still do not understand how RTO works. The non-customers in the focus groups did not understand "no obligation." They thought it meant that a customer could return a product within the first couple of weeks, but after that, they were obligated to keep and pay it off. That is because an RTO deal is not an intuitive transaction to those who have never made one. It is unique in the marketplace and the industry still has a ways to go before achieving a level of understanding by the American public that will overcome the mistaken preconceptions that exist.

Dealers cannot stand on street corners explaining RTO to passers-by. Rent-to-own dealers can, first of all, make sure that every employee understands the business that he or she is in, and then dealers can make sure that every shopper in the store who will listen has the RTO transaction explained as slowly and as patiently and for as many times as it takes so that every single person who enters an RTO doorstep understands the fundamental features of RTO.

The non-RTO customers in the focus groups simply did not believe the moderator when she told them that in an RTO store a customer could return the merchandise at any time without any penalty. They were persuaded that it would cost money to return a rented item—that there were hidden charges that the store was not telling them about.

If non-RTO customers do not understand the no-obligation feature of RTO, it is no surprise that they do not understand the value of an RTO transaction and therefore think that RTO prices are way too high.

**N**on-RTO customers are afraid of RTO employees. They think that they are paid on commission and will act accordingly. They think that the RTO staff will push used merchandise on them at high prices and then will not stand behind the merchandise when it breaks down. And it

will break down, they are sure, because it was used and shoddy to begin with. Then the RTO staff will lie in wait and repossess the merchandise at the first chance they get, ruin customers' credit, then rent the product out again and repeat the villainous cycle.

**F**inally, because of the fears, because of the advertising, because of the lack of understanding of the transaction, because of the perception of RTO merchandise, there remains a social stigma attached to RTO. The RTO demographic makes up somewhere between 33 percent and 40 percent of the United States population—people whose financial circumstances make them candidates for RTO. These millions of people will find themselves "credit constrained" at some point in their lives—not for all of their lives and maybe not for long, but for some period of months or years. During this time, they may avail themselves of any number of sub-prime financial services: a small loan, a payday advance, a pawn transaction, a used car

having to purchase products through RTO. For many non-RTO customers, their necessitous financial circumstances were an embarrassment to them and they did not want the information publicized. For them, RTO is something that is done only by people who are down on their luck.

The truth is that RTO could be a useful service for a lot of people who are temporarily in that situation. That message can be delivered persuasively only by RTO stores that establish deep roots in their communities and make it known and believed that the store wants to help people, not just take advantage by renting shoddy televisions to poor people at high prices.

**I**t is not a pretty picture, the image non-RTO customers have of RTO. Some dealers will conclude that the problem is systemic and that RTO cannot be other than what it is, that it must shout weekly rates and it must offer inexpensive merchandise to keep those weekly rates low enough to shout about. And that the industry finally must content



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from a tote-the-note lot. But customers can keep all of these transactions confidential if they want to. In every case, the business is conducted at the merchant's store. RTO is the only industry in the sub-prime sector that will drive a big truck to the customer's house proclaiming to the neighborhood that the customer is making an RTO transaction.

Some of the non-RTO customers in the focus groups said that they would not do business with RTO because they did not want an RTO truck parked in front of their house. That made some dealers in the seminar wonder about having one unmarked truck in the fleet.

But the stigma goes beyond RTO trucks parked out front. Non-RTO customers said that they would not want to give out personal references on a rental application and have those family members, friends and neighbors know that they were

itself with the customers it has and that non-customers are just that—non-customers, now and forever.

Others will resist such complacency. They will listen creatively to what non-customers are saying, even though the words wound. They will tweak this business practice or that one and innovate to see if they can cast a broader RTO net. Some companies are already doing this with some success.

Overall improvement will not require the efforts of every rental dealer. Some dealers can stay where they are. The bold, inventive dealers will grab a bigger market share and move forward. Even a few dealers moving forward will increase the business and make RTO look better to everyone. ■

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