

GROWING CUSTOMERS ORGANICALLY BY FOLLOWING

the Rental Cycle

here is no easy way to increase the customer count of a store or a company without first considering all the ways that it can shrink. Until those holes are plugged, no amount of advertising, selling, marketing, cajoling or incenting will raise the customer count for more than a few weeks and maybe not that long. Organic growth comes from understanding the full cycle of the rental or leasing transaction and examining all the areas where opposite forces intersect. For example, it takes less time to write an incomplete or risky order than a good one. (A good order can generally be defined as containing enough verified information to adequately assess risk and reduce the likelihood of future loss. Is there any other reason we use order forms?) But time is in short supply when the store is full of shoppers or three phone lines are buzzing. Conversely, it takes more time to turn around late payers than to accept partial payments or weak commitments. Time is really a valuable commodity when past-dues are piling up and deliveries are not.

By Bud Holladay

You probably won't hear much about "organic growth" or "intersecting forces" on Monday's conference call or at the next management meeting because most of us prefer to talk about things we think we know: "gain," "sell," "reduce" and "grow!" Problem is, most of us have been talking about those things for years and still the largest privately owned company in the industry operates fewer than 75 stores. Where 15 stores used to be a good start, that number now defines a mid-sized chain. Just try finding stores in your market that have more than 400 customers. ☞ Revenue per store is up, but it *should* be with all the higher-end goods now being shipped. Smart operators are planning now for the day when prices on those products drop, as they surely will. Remember the \$1,000 VCR and the \$100 pager? On the other hand, if you have a couple of nice little stores and you are happy, your creditors are happy and the homestead is paid for, you should skip the rest of this and plan your next fishing trip. Don't mess up a good thing. If you have been struggling with growth and can't figure out how those big operators do it, read on.

As we learned in high school, there is a reaction to every action. Banging out more sales and bending the rules for problem payers are not growth strategies. They are simply postponement tactics. The resultant reactions have to be taken into account: poorly structured deals become problem payers and problem payers take time away from good selling and closing techniques. Over time, things get worse, not better. Don't blame the advertising. Don't even blame the local manager. In most cases, he or she is merely doing what he or she has learned creates greater job security. That is, give the boss whatever he wants. Pavlov and 1,000 dogs can't be wrong.

If the boss never draws the big circle representing the Rental Cycle on the white board—with red "X's" marking the critical points—and never discusses ways to minimize conflict at each intersection, the people charged with running things never realize what must be managed. They get numbers instead of understanding. No store will grow organically or internally until every person on the payroll understands how to manage each step of the process that will convert shoppers into renters and renters into owners—if indeed that is what the owner wants and sometimes it is not. Absent such understanding, everyone continues doing what has not worked in the past, but with renewed vigor and enthusiasm after each conference call or with each new contest. Motivation is a wonderful thing.

Someone once described swimming as being similar to drowning, except the outcome is better and you want to do it again. The same might be said for growing smart by identifying and addressing

the critical intersections in the Rental Cycle. Most of the big operators have already done this by implementing procedures and processes that mitigate any negative impact on growth. This is not to say that all managers execute flawlessly or even regularly. But mega chains also have in place the means to analyze activity, measure outcomes and determine which manager is headed for the ditch. They don't wait until the store is *in* the ditch and the water is rising. That is called drowning. Don't confuse it with swimming. Let's take a look at some of the more critical intersections where selling and operating can collide. This could be where the Big Bang Theory originated.

STAFFING: Creative staffing puts not just the right number of people together, but also the right *mix* of people in the store at critical periods. EEOC and OSHA and FLSA aside, no law requires everybody to arrive at the same time each day and leave

at the same time. The hospitality industry mastered flexible scheduling using full- and part-timers long ago. If it works for 10,000 bars and restaurants, it just might work for us. Short or wrong staffing makes it impossible to get all the details right today that could cost us later if not recorded. The problem is exacerbated when staff is burdened with other, more immediately measurable activities that do not further the selling or servicing process. But if those other activities are what the boss looks at and calls about on a regular basis, which do you think will get more attention?

ORDER COMPLETION: Most order forms are used only twice—initially to send a new delivery and a second time to recover that same merchandise. The first instance is a no-brainer if the boss wants more deliveries. The second opportunity becomes problematical, but the loss can always be blamed on the guy before the guy who is there now (this is the guy who will be replaced by the next guy, who always looks like "The Guy"). Here's a hint: why ask for six references if nobody in the store is going to contact even one of them? Why ask for four lines of information that nobody is going to complete if only two are critical to our needs?

Efficiency is defined as identifying what we need and not diminishing the process by asking for anything else. Set the new hire down to go through a year's worth of write-offs (maybe two years) and a year's worth of paid-in-fulls and create a matrix of the information on each. Then talk with the managers and develop a new system for approving orders. One company I will not identify has prospered for years without requiring more than an authentic photo I.D. on all signers, verified proof of in-

come on each and residence verification and one parent (the parent must have mailing address, street address, e-mail address and cell phone number). That policy is stringently and ruthlessly enforced—and it works because of that and also because it is need-based.

AGREEMENT CLOSING: Anyone who has ever bought a house, signed an apartment lease or purchased a car can, even years later, probably recite in detail each step of the closing process. A person of authority who takes the rental customer aside and goes through a similar process will likely create just as memorable an experience for that customer. The agreement close is the beginning of the rental experience and not the end of it, as many store associates mistakenly believe. Their belief is founded on the disproportionate attention their boss gives to the detail of payments, inventory, past dues and other issues of the moment. The act of creating future good accounts pales in comparison. Nobody will call in the future and ask where the report is. They will call today.

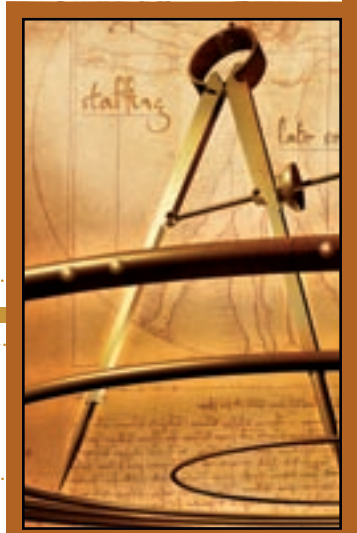
FOLLOW-UP CALL: If the store manager calls each new delivery a few days later and shows real concern for the customer's satisfaction, enjoyment and understanding, future problems and misunderstandings are reduced. This is such an easy, yet oft-ignored task that it boggles the mind. We spend thousands on advertising, but nothing on follow-up. Just ask this question: How many troublesome issues have arisen lately because of something *other* than (1) telling a customer the wrong thing; or (2) not telling the customer anything? Case closed.

LATE SECOND PAYMENT: Remember that the *first* payment was the amount the customer paid in the store on the day of the rental. So he already has one on-time, in-store payment on record. Build on that. Don't berate, don't belittle and don't patronize. Common sense tells you that if you treat a customer like a renter instead of like an owner, he will react accordingly. Call the day before, the day of and the day after the *second* payment was due and you reinforce resistance, not lower it. Call me three times and I stop listening. Talk with me once about maintaining my already good record and I will listen. Understand that I have other priorities somewhat more important than your assistant manager's close-out bonus and I might even smile and pay the extra amount to move my due date. Leave six messages on my voice mail and I will find out where you live and...

SERVICE ISSUE: If service or repair on a timely and satisfactory basis is still an issue for any operator in today's marketplace, nothing printed in this magazine will

help. You might be interested in Henry Ford's take on customer service at a time when warranties did not exist, no parts were free and there was more profit to be made in repair than in selling. In his brief autobiographical essay, *What I Learned In Business*, Ford wrote, "The only foundation of real business is service." Readers of history may recall that Ford was an ardent, adamant and vicious anti-unionite. But he was also the first American industrialist to structure wages and pricing so that his workers could afford to buy the very products they built.

These are not the only intersections that affect the customer's book life. But I believe they are the crucial ones. I can say this with confidence because I operated my own stores with these things in mind and I liked the results. I see advanced forms of the same process in use today in highly successful mega chains. By the way, don't be too critical of a chain that "bought growth." The money to buy those stores had to come from somewhere. Certainly that includes the sale of shares to willing investors. But as a veteran of the investor road show and IPO circuit, I can state that no money managers are interested in companies that have not shown the ability to create customers and profit on a consistent



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basis. Understanding the Rental Cycle only cranks the engine you call your company. After reaching cruising speed you can fuel your growth any way you choose. ■

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