

BY ED WINN III

THE RTO
CUSTOMER

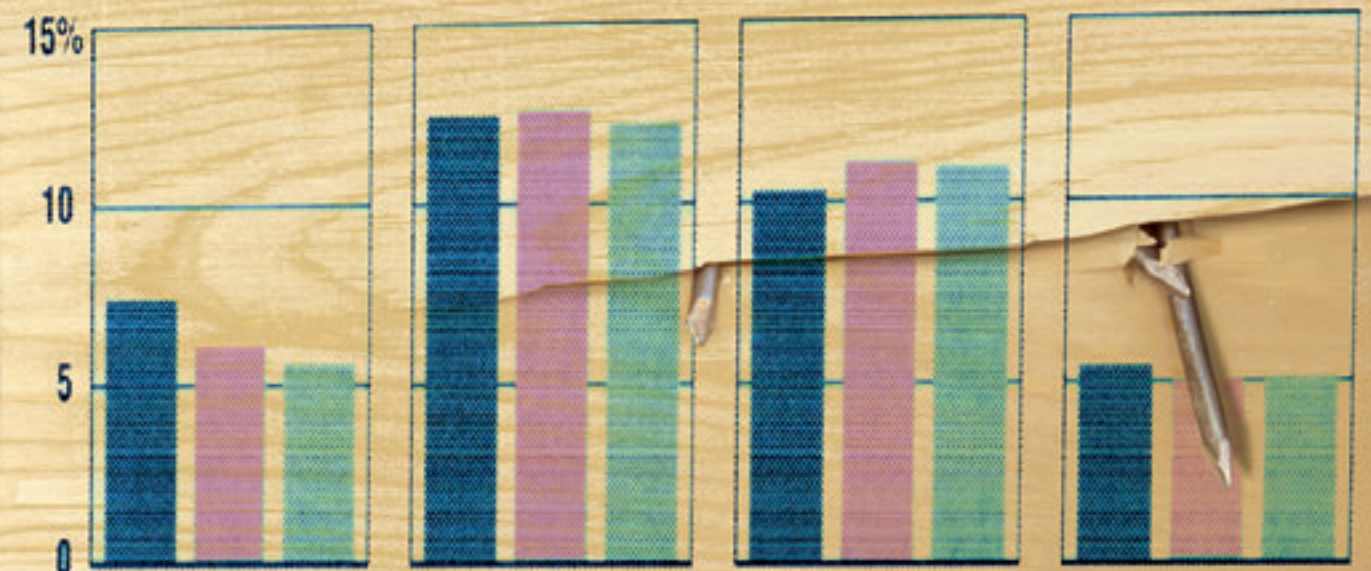
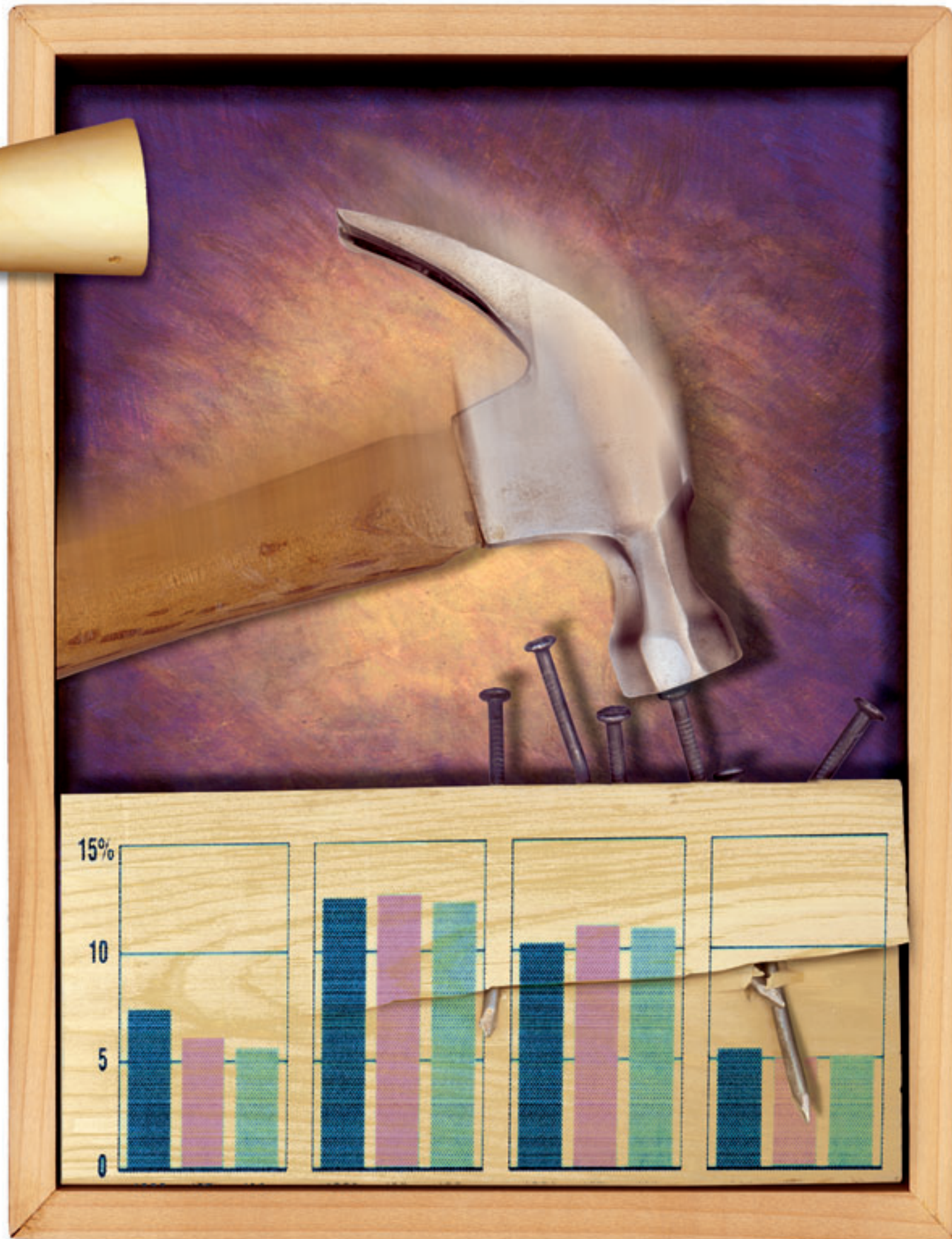
SURVEY

SEE-SAW



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AS PART OF THE ASSOCIATION'S OVERALL STRATEGIC PLAN, TWO TELEPHONE SURVEYS OF CONSUMERS WERE COMMISSIONED THIS SPRING. THE TRENHOLM GROUP POLLED NON-RTO CUSTOMERS TO MEASURE THE INDUSTRY'S OVERALL IMAGE. THE BEEMER GROUP POLLED EXISTING RTO CUSTOMERS TO MEASURE THEIR SATISFACTION LEVELS WITH THE RENTAL BUSINESS.



These surveys were both follow-ups to previous surveys conducted at the behest of the APRO board of directors. The first Trenholm survey was done in 1997 and the latest was an effort to determine whether the industry's public relations efforts are paying off over time. These image surveys, measuring non-customer opinions of the RTO concept and industry are telephone surveys followed by a series of focus groups in selected cities. As of this writing, the focus groups have not yet finished and reported their findings. When the focus groups' results are in, rental dealers will have a more complete understanding of how non-customers feel about the business and perhaps why they do not or will not rent.



The industry has spent some money on public relations over the past seven years, although not a lot. The hope has been that these public relations efforts would improve the industry's image and allow more customers to feel good about doing business in an RTO store. The Association's annual statistical surveys of rental companies have shown the RTO customer base to have been stagnant over the past several years and the Trenholm survey, while showing some improved perceptions of RTO in certain areas, mirrored this stagnation in overall interest in RTO among non-customers.

Likewise with the Beemer surveys. The Beemer customer satisfaction survey was first conducted in 1994 and again in 1999. Rental dealers are hoping that their customers feel better about the RTO business over time and that customer relations across the industry are improving. By asking rental customers directly how they feel about various aspects of the business, rental dealers can better gauge where they are succeeding and where work still needs to be done.

Both of these survey companies are experienced and well respected in their fields. Beemer conducts 80 percent of consumer surveys for furniture retailers and 40 percent of consumer surveys for electronics retailers. As a result, Beemer can often provide useful insight into the world of RTO by comparing RTO customer opinions to those found among retail customers.

EXISTING CUSTOMERS

Rental dealers would like to hope that, over the past 10 years, rental customers understand the RTO concept better, use it more often and are more satisfied with the RTO experience.

While some of those hopes have been realized, others have not. For example, in 1994, one-third of RTO customers reported that they could have bought the item they rented. In 1999, that percentage fell to 20 percent and, in 2004, it fell further still to 16 percent. The implication is that increasing numbers of RTO customers are being driven into RTO stores instead of being attracted to them by high quality products, good pricing, attractive showrooms, friendly employees, superior service, etc.

To be sure, this finding does not so much reflect what is happening between rental stores and their customers as it reflects the state of the economy overall. It may mean that mid- and low-income consumers are feeling less and less secure about their economic circumstances.

It is not true, of course, that RTO customers have fewer choices in the marketplace. If anything, there are more choices for them today than 10 years ago. eBay, for example, and hundreds of similar local Web sites, which did not exist in 1994, make millions of new and used products available every day attracting significant numbers of bargain-hunting consumers. However, RTO customers, especially first-timers who are feeling economic pressure, may be more sensitive to how they are treated in rental stores. Add to that the constant pressure on rental employees to grow revenues and hold the line on card closes and the survey results may be understandable, if disappointing.

Beemer attributes some consumer attitudes in 2004 to 9/11. There has been less shopping, overall, since 9/11 and the shopping radius around stores has decreased 20 percent since the terrorists struck in New York.

In the rental industry, the percentage of existing and former customers who had rented only once remained steady at 50 percent. The percentage of one-time rental customers who were unhappy with their RTO experience has increased steadily from 25 percent in 1994 to 33 percent in 1999 to 40 percent in 2004. As difficult and as expensive as it is to get new customers in the door, it is disappointing that the industry is not doing a better job satisfying these first-timers. Retailers shoot for a 10 percent dissatisfaction rate with their first-time customers.

With rental customer intentions to own running as high as 90 percent and with keep rates consistently 40 percent or lower, those two numbers mean that as many as one-half of RTO customers are having their expectations disappointed regardless of how well they may be treated by store employees. This disappointment of expectations has been an intractable problem in the industry since it began and only lately have rental companies begun to develop innovative programs to address the issue.

A number of companies have followed RentWay's lead and are offering lifetime reinstatement, so that a customer who stays within the system does not have to leave with nothing to show for all the rent paid. Similarly, APRO President Lyn Leach has developed his "Good News" program in his Midwest stores to achieve the same result. As competition forces more rental companies to speak to the issue of rental customer satisfaction, one hopes that positive results will begin

showing up in customer surveys.

Good news for rental dealers is that in the Beemer survey, only 10 percent of customers felt pressured by store employees to rent something. This compares with a nearly 20 percent rate in retail stores where sales people are most often paid on a commission basis.

However, the percentage of RTO customers who felt that rental employees treated them with disrespect increased from 11 percent in 1994 and 1999 to 24 percent in 2004. This means that while RTO customers, generally, do not feel pressured at the front end of the transaction, once they are on the books, too many do not like how they are being treated. This compares with 10 percent of retail customers who feel this way.

As for the reputation of the rental company with whom the customer is doing business, the trend is moving in the wrong direction. In 1994, 93 percent of customers felt the reputation of the rental store was good. That percentage fell to 88 percent in 1999 and fell further to 82 percent in 2004.

The number of customers who reported that they understood the transaction held steady at 90 percent. When asked whether they thought RTO pricing was fair and reasonable, one-third responded

negatively. This compares with 10 percent of retail customers. This finding means that the industry is still not explaining the benefits and features of RTO as well as it might. If company owners were closing every deal in their stores, one might expect this percentage to be lower, because most owners do understand, in the most profound sense, the business that they are in and can explain its value to anyone. Not all rental employees share that depth of understanding, yet they are the ones selling the deal to customers—imperfectly, it seems, from the survey results.

According to Beemer, at least one-half of marketing comes from store appearance. While there was no question on the survey aimed precisely at what customers think of the appearance of the rental

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store where they shop, Beemer asked rental dealers to reflect on the question. Specifically, he invited dealers to ask themselves how their stores looked to their customers. How inviting are the stores if the windows are barred and dirty and the interior looks decidedly unrefurbished? If the rental store premises look like a last-resort kind of place, small wonder if customers coming in to do business feel that way. If rental dealers are making a bad impression with store appearance, Beemer argues that all those negatives are transferring over to the rest of the RTO experience and showing up in the survey results.

NON-CUSTOMERS

What about non-customers? How do they feel about RTO? To explore this issue, Trenholm Research polled 400 people who had never rented or who were not currently renting

and whose age, economic status and other factors generally paralleled those of RTO customers. Sixteen percent of those surveyed had rented in the past. A full two-thirds of those polled had never considered RTO as a way of acquiring goods. The top-of-mind image of RTO was negative for 42 percent of those surveyed versus only 9 percent who had a positive view of the industry. More than one-half of those surveyed got their impression of RTO from television.

Compared to 1997, overall negative impressions of the industry among non-RTO customers fell from 64 percent to 55 percent. The percentage of non-RTO customers who thought that RTO prices were fair and reasonable rose from 42 percent to 51 percent. The percentage that thought that RTO stores would not hassle customers if they were late with payments rose from 36 percent to 44 percent. The percentage of customers who saw a positive in RTO from being able to swap out merchandise rose from 32 percent to 49 percent. Despite these gains in positive impressions of certain aspects of the business, overall interest in entering into an RTO transaction among non-customers fell from 41 percent in 1997 to 24 percent in 2004.



As with nearly all such surveys, there is both good and bad news for rental dealers. It is certainly not the case that dealers can light up cigars, lie back in their hammocks and congratulate themselves on jobs well done. There is, in fact, much work to be done, both with the current customer base to increase the likelihood of repeat business and among non-customers to make the notion of the business more palatable to them.

The news from the surveys is not startling, but should serve as a prod to ambitious dealers around the country to improve marketing, store appearance, in-store merchandising and operations. Also, dealers must work to make sure that in five years there are more positive upticks in the areas surveyed.

It is no surprise that the industry still has image issues. The surveys bear this out. Improving the industry one store at a time is the best and perhaps, finally, the only way to improve the industry's image.

Copies of the new surveys are available to APRO members through the home office. ■

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