

WHAT I WISH I KNEW THEN

GEOFF WILLIAMS
VISITS WITH A FEW
RTO VETERANS AS THEY
LOOK BACK ON THEIR
HUMBLE BEGINNINGS
IN THE BUSINESS
AND THE LESSONS
THEY'VE LEARNED

OUNG, HOPEFUL AND NAÏVE, but hoping for some trade secrets? Old and wise, but want to reminisce? Either way, you may enjoy reading about some brave souls in the rent-to-own industry who agreed to share their stories about their beginnings in this industry so that others can learn from them. ☺ As Mark Twain reportedly said in the 1800s, “When I was a boy of 14, my father was so ignorant I could hardly stand to have the old man around. But when I got to be 21, I was astonished by how much he’d learned in seven years.” ☺ Little has changed not quite two centuries later. In other words, we all get smarter as we age. Or, at least, it’s supposed to work that way, which is why we caught up with a handful of industry veterans and asked: What do they wish they had known when they first got into the rent-to-own industry?

JIM FRAZIER



It was 1974 when Les Pearsey and his brother Barry opened their first rent-to-own store. President Nixon was in the White House and *The Towering Inferno* was burning up the big screen.



LES PEARSEY

**LESSON 1:
TALK TO YOUR LENDERS**

In Los Angeles, these two young brothers made the decision to convert their father's television service business into a TV rent-to-own store. Les recalls that as a 19-year-old, he and his 26-year-old brother were borrowing money from his bank at 19 percent interest—a lousy deal for an entrepreneur now and not exactly the best deal he could have been getting back then.

"We didn't care. We were just glad to be getting the money. The hard part was getting it," Les says. But, he also freely admits, "I wasn't that sharp at understanding finances when I was 19." Barry, even being older and wiser, apparently didn't have an acute financial background either, which is understandable.

For Les, now 51, he wishes that he "had known how to communicate with my lending institutions. I would have been a lot better off." For starters, Pearsey had a problem getting proper financing because the rent-to-own industry was still a very new, largely unproven and misunderstood market. The largest rent-to-own operators, like Rent-A-Center and ColorTyme, didn't yet exist and so even if Les and Barry had had more gravitas when sitting down with bank officials, they probably wouldn't have gotten very far.

As it was, they not only didn't know how to negotiate an interest rate, they also didn't really understand cash flow or that maybe all of their money shouldn't go into inventory. "Back then, we were lent \$10,000. With that money, we bought 33 television sets," recalls Les, "and within five days, the TVs were gone."

Their banker wouldn't lend them any more money and so the two were stuck for a time, just waiting around to collect payments. Once they were able to sock a little more income away, they bought more televisions, not considering at first that they might want to put some money away to pay rent or utilities.

Still, it all eventually worked out. After years of buying and selling stores. Les and Barry now own Pearsey Enterprises Inc., which has four stores in central California, and both co-owners can be as involved—or uninvolved—in the business as they want. When asked where Barry might be, Les says good-naturedly of his older brother, "He's probably sailing a boat around the world right now."

John Darden, 53, also has his share of regrets, despite having eked out a successful spot for himself in the rent-to-own industry. Darden has owned numerous RTO stores, although now he's scaled back to one Premier Rental-Purchase in Charlottesville, Virginia. He doesn't mince words: "From a personal standpoint, I



JOHN DARDEN

**LESSON 2:
YOU DON'T HAVE ALL THE ANSWERS**

wish I had had a relationship with the Lord like I have today. It would have given me a different perspective than I had in those days. And it might have helped me make better decisions and recognized that I don't have all the answers."

What type of different decisions might Darden have made? "I wish I had been more open-minded; I wish I had listened to my employees more," says Darden, an audible sigh in his voice as he recalls how he managed a Remco from 1976 until 1980, when he opened his own rent-to-own store. "In those days, I felt like I had all the answers. I was the rental guy, you know. I was going to teach you. I wasn't going to let you teach me. Well, I had the knowledge of the rental business, more than most people, but I didn't have business knowledge."

There are other regrets. Darden says that he didn't have a good understanding of how different his roles would be going from manager to owner. "When you're a manager, you don't have total responsibility of the company, like paying taxes—it's a different world. It also helps to understand that companies like Rent-a-Center and Aaron's are successful because either they know what they're doing from a business standpoint or they've already made mistakes. When you first become a new owner, it's easy to say, 'I'm not going to charge processing fees or I'm not going to have weekly payments,' but you've got to stop and recognize that there are financial reasons for what goes on in a successful company or there should be reasons. And so you can't think you can come out of the box and do something different than a proven formula."

And it isn't that Darden wants to kill anyone's innovative spirit. He just means that, "There's a reason for how they do it the way they do it. I would look at why companies are doing what they're doing and realize that a lot of thought goes into these decisions."



KEVIN QUINN

**LESSON 3:
STICK TO THE BASICS**

Kevin Quinn, who owns KLQ Enterprises in Tacoma, Washington, admits that he learned that lesson years ago—and the hard way. Of course, the rent-to-own industry was younger in the 1980s when he was starting out, but he says, "I wish I had known to stay with the basics of the business: furniture, appliances, electronics. I wish I had stayed away from the newer small products that don't really make up much of your revenue, such as Nintendo games and pagers and movies." Movies? Wow, they were ahead of the curve.

But when Quinn got into the rent-to-own industry in 1982, when President Reagan awed Washington and Michael Jackson was considered, well, cool, there is something else that he wishes he had known: that what would irk him back then would still be grating on his nerves a quarter of a century later.

"Everyone in the industry knows I feel this way, but I wish

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our industry would quit making some of the same mistakes as it did in the 1980s. There are a lot of dealers out there who take it personally when payments aren't made and take legal action and sue people for not making their payments. It's the Achilles' heel of our industry; I wish I had realized that it's not going away. Maybe I would have thicker skin about it or maybe I would have defended the industry even more years ago. But I don't see it ever going away. We're going to continue to be lumped in with other occupations that have a questionable reputation, such as attorneys and car salesmen."

But Quinn isn't feeling dismal about things. "A lot of people seem to like us; I just mean that we'll never be anywhere near 100 percent," he says, adding with a chuckle, perhaps because he's not really joking: "But on the bright side, in today's world, I think it's fair to say that we have a better approval rating than Congress."

**LESSON 4:
FORGE PARTNERSHIPS**

In fact, it could be argued that having regrets helps make entrepreneurs in the rent-to-own industry more optimistic, because people with some experience behind them know that they aren't likely to repeat the same mistakes twice. "I wish I had known to join a buying group like TRIB Group (The Rental Industry Buying Group)," says Les Pearsey. "I should have joined years and years ago. I was buying on my own, thinking I had local distributors who were doing me good, staying with them because they were nice guys. But the minute I joined TRIB, I was saving \$50 to \$75 per washer. That put more money in our pockets than I ever could. But, of course, it costs money to join a buying group, so at the beginning, I saw it as a hindrance."

Pearsey has another regret. "I wish I had known earlier to give some of my top key performers some ownership in the business in order to keep them, rather than see them start out on their own," he says. "I still have great people, but I wish I had done that 25 or 30 years ago. Maybe some of my top performers would still be working with me, instead of competing against me."

Pearsey admits that when you're in your 20s and you've thrown a lot of time and money into your business, you simply don't want to give any ownership away. It's understandable, but what he now realizes, "If they're really good people,

I want them on my side. And the ownership of the company is an investment for me and them. If they're working and doing a great job, I should do what I can to keep them."



BUD HOLLADAY

**LESSONS 5-9:
REGRETS, I'VE HAD A FEW**

But maybe Bud Holladay says it best. One of the founders of APRO and engaged in the rent-to-own industry since the tumultuous year of 1968, when race riots, assassinations and political discourse ruled the day, Holladay has been immersed in the rent-to-own industry ever since. His wife, Cathy, in fact, opened the first RTO store in Moscow. He is arguably as successful as anyone out there. Rent-to-own veteran Richard Bartel in Vancouver, Washington, calls Holladay "an icon." And, of course, Holladay has plenty of things that he wishes he had known when he got started, things "that I only think I know now," he says.

Holladay lists his top five regrets that all new and novice rent-to-own entrepreneurs would do well to heed:

1. I wish I'd known that you can make a lot of money in small markets.
2. I wish I'd known how to treat my friends and colleagues better, especially some who are not around today.
3. I wish I'd known that I didn't know everything—or even *much* of it, for that matter.
4. I wish I'd known the positive impact that large developed companies like Rent-A-Center or Aaron's would have on small companies in forcing them to change and be better.
5. I wish I'd known that someone would be asking questions like these 30 years later.

There you go. You've been warned. If you're new to the rent-to-own game, see you in 2037 when we come around asking you what you wish you had known way back in 2007. Hopefully, you'll have more than a few regrets to share. Ironically, if you don't, you're probably doing something wrong. ■

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