

# THE APPROACH

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Association of Progressive Rental Organizations

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## PERSONNEL

### Federal Wage and Hour — The Cost of Overtime Compensation

Today's retailer is faced with a variety of rising costs of doing business. Aside from inventory, payroll costs have become the single largest expense category faced by most rental companies today. Payroll costs typically range from 19% to as much as 28%. Therefore, many executives are asking the question, "How do I offset the rising costs of base salaries and overtime premiums with additional increases in employee productivity?" Let's take a look at some of the factors governing overtime compensation and employee productivity.

**OVERTIME COMPENSATION** - Overtime compensation is a penalty to employers for working non-exempt employees more than the current stated work week. The original intent of overtime compensation was to decrease the unemployment percentage by allowing employees to work only 40 hours at regular pay rates. As a result, overtime compensation has become an integral part of an employee's paycheck. In an employee's mind it has created an attitude of, "How many overtime hours do I need to work in order to increase my paycheck?" instead of how to get the job done faster and more productively.

In the late 1960's there was a reduction of the number of hours in the standard work week from 44 in 1967 to 40 in 1969. Today there is proposed legislation that will decrease the standard work week. If passed this would increase labor costs immediately with no increase in productivity whatsoever. Therefore, it is important that a retailer understand his options on how to pay overtime.

There are several methods used in calculating and paying overtime compensation. Should you decide to further investigate any of the following methods, it is recommended that you and your CPA review: Title 29, Part 778 which is the interpretative bulletin for overtime

compensation under the Fair Labor Standards Act of 1938 as amended. This bulletin is available through the U.S. Department of Labor. Before any retailer can establish any type of payroll system for employees, accurate time records must be kept, status of non-exempt and exempt employees must be documented, and management must be dedicated to operate within the guidelines of the system.

#### Some Methods Used in Calculating Overtime Premiums:

1. *Non-exempt employees paid by the hour* (earnings at hourly rate exclusively) - The general overtime pay standard requires that overtime (any hours over 40 in a work week) must be compensated at a rate not less than one and one-half times the regular rate. The regular rate in no event may be less than the statutory minimum hourly rate.
2. *Non-exempt employees paid weekly or by the hour with a commission program* - When the commission is paid it must be added to the employee's other earnings for that work week. The total is then divided by the total number of hours worked in the work week to obtain the employee's regular hourly rate for the week. The employee must then be paid extra compensation at one-half of that rate for each hour worked in excess of the 40 hour work week.
3. *Non-exempt employees paid a weekly guarantee or a fixed salary for fluctuating hours* - (Section 778.114). This pay plan is designed to employ a person on a weekly salary basis where hours of work fluctuate from week to week. The salary may be paid to the employee with the understanding that he will receive the fixed amount as straight time pay for whatever hours he is called upon to work in a work week. The amount of

the salary must be sufficient enough to provide compensation to the employee at a rate not less than the applicable minimum wage for every hour worked. The employee must then receive additional compensation for every hour worked over 40, at one-half the regular hourly rate.

It appears to me that step three would be the most effective if you have employees with a fluctuating work week. Under this pay system productivity is encouraged, as opposed to hours spent on the job. Most employees realize time off is more important to them than the additional amount of overtime they would

receive. Payroll costs should trend down over a period of time and an attitude toward productivity would commence.

Instead of paying commission, additional incentives can be added to this plan. Pay ranges may be established that recognize an employee's tenure, productivity, and a cost of living index in the market place.

By working closely with your legal consultant or CPA, you can develop an innovative system.

Mike Hickey  
Vice President of Human Resources  
Remco Enterprises

## CUSTOMER SATISFACTION

### Can Complaints Be Prevented?

I have studied complaints for 25 years; in my opinion, most complaints can be prevented. Here are some positive steps that appliance/TV rental company managers can take to reduce their number of customer complaints. Because of space, I will summarize each in outline form:

- *Advertise truthfully* - Advertising is expensive and it has to get results to pay for itself. To be seen or heard, an ad has to be different ... to attract special attention.
- Be certain that your advertising truthfully represents what you are offering the public. In my opinion, many consumer complaints are caused because advertising creates expectations that are not met by performance in the future.

Be creative, but advertise truthfully.

- *Sell it like it is* - Once a customer responds to your advertising, your sales people have an opportunity to add information to your advertising message, and if they are skillful, close the sale.

Over or under representation by your sales people is a second cause of many future complaints.

Be certain that the important points of the rental agreement are understood.

- *Deliver it as promised* - Do not allow your sales people to promise delivery or service when they know that your service department cannot meet the promised delivery schedule.

Instruct service personnel to spend a few minutes acquainting the customer with simple operating instructions. See that each customer receives the manufacturer's operating instructions. More than once, a complaint from an irate consumer turned out to be based on the fact that the appliance was not plugged in.

- *Tell them who to call* - Anticipate a certain number of problems.

Do not allow customer calls to be routed to just anyone at your company. Designate a certain person to be responsible for receiving and handling calls from customers. Keep a log of calls of complaint and their disposition.

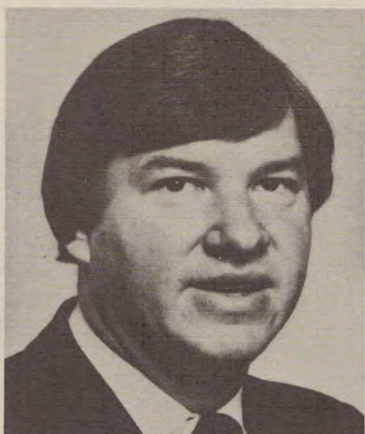
- *Follow up on the sale* - Designate someone in your organization with a good telephone voice and friendly manner to call each customer about a week after delivery. Determine customer satisfaction and be sure that they are happy.

Even when you do everything correctly, you may receive some customer complaints. However, complaints to a Better Business Bureau or Attorney General's Office can be prevented if you have a person with authority to take positive action when a customer first alerts you that there is a problem.

Richard H. McClain  
President, Better Business Bureau of Metropolitan Houston

## DEALER PROFILE

### Thomas R. Devlin - President and CEO, Mid-America Leasing, Inc.



Tom Devlin is president and CEO of one of the largest and fastest growing companies in the rental business. Tom has been in the television and appliance business since college. He sold and delivered TV's while attending Wichita State University and by graduation, was responsible for the advertising for Mr. T's. He worked his way up to V.P. Operations for Mr. T's in 1972, then opened his first Sight and Sound rental store in Kansas City in 1973.

Today Mid-America Leasing has 35 stores in 19 states with 7 new ones planned in 1981. By Fall, all stores will operate as Rent-A-Center stores, because the Sight and Sound name cannot be used in all states.

Tom credits his success to 6 key points in his

business philosophy. First, have a good partner. Frank Barton's experience and temperament complement Tom, making them a successful team. Second, finding and keeping the right people. Tony Heatherly and Gene Heggstad joined Tom in the first store and today are V.P.'s of Operations. Third, secure adequate financing. Mid-America Leasing has financed its growth with cash flow from profitable operations and external investment. Fourth, pay your people well and demand high performance. Fifth, develop good advertising and use it consistently. Sixth, develop and bring in people at the right time who have the ability to sustain your growth goals profitably.

Tom is a sports enthusiast who plays basketball and tennis to stay fit, and carries a 14 handicap in golf. During the last year, Tom has enjoyed rounds of golf with George Brett, Bill Russell, Doug Sanders, Frank Beard, Jim Simmons and others in Pro-Am events around the country.

Tom believes much of his support and acceptance by other business leaders comes from his active participation in the community. Tom is an active owner of the Wichita Wings, the 1981 Major Indoor Soccer Team Western Division Champions.

Tom, his wife Myra, and his two children live on a 28-acre mini-ranch 25 minutes from the office.

## SALES

### Our Customers are Different

Why do some customers like us when others don't? Why do some prefer dealing with an older salesman? Why do some want to do business only with the brash, aggressive wheeler-dealer? How important is it that customer and salesman like each other?

The answers lie in the fact that customers are different. They may want the same hardware and even the same service, but they have different *psychological* wants. They have different personalities, different motivations, different *values*. Each customer has his own value system.

A new breakthrough in behavioral science is called Value System Psychology. It answers

many questions about dealing with rental customers. Several types of people have been identified through research. They are indeed different because they have different values. This simple idea has important implications which are often overlooked. People must be treated differently if they are to become and remain customers. Customers and prospects can now be classified and dealt with appropriately.

Consider:

- *The Tribal Person.* He (or she) is easily persuaded, led, sold. The kindly father figure of a salesman assumes a position of authority and the Tribal customer accepts his decision.
- *The Egocentric.* He's looking out for

## NEWSBRIEFS

**APRO** was formed in 1980 by a group of professional rental dealers dedicated to professionalism and the exchange of knowledge. This is the first **APRO** newsletter. **The Approach** will be issued quarterly and will keep you up to date on **APRO** activities, as well as informing you of any new developments in the rental industry.

Decals, countertop plaques and recruitment brochures are available for all members. If you need any contact the **APRO** office.

Sharon Gross was recently employed at the **APRO** office as Coordinator of Services. She can fill you in on any of the **APRO** benefits you may be interested in.

The **APRO** legal defense packet is now available to members for \$50. This will aid in minimizing legal research costs you may encounter.

An administrative aids file has been set up. This includes samples of various standard forms used in the rental business. For copies contact Sharon at the **APRO** office.

The **APRO** insurance program is underway with group health and umbrella liability being offered now. More information is being mailed out to all members.

The trade convention is set for July 18th and 19th, in Dallas. More information will be in the next issue.

At the board meeting held March 25 in Austin, members reviewed the results of the past few months and discussed services available, as well as increases in membership and benefits and made plans for the national convention in July.

A series of training programs will soon be available to **APRO** members. These seminars, designed for the rental dealer, will be put on by professionals in the areas of sales, planning, finance, controls, advertising, organizing, personnel hiring and supervision. At least one seminar will be offered at the convention.

Please send in any black and white pictures or information you feel would be of interest to our readers to the **APRO** office at the address below.



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