

THE APPROACH

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Association of Progressive Rental Organizations

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CUSTOMER SATISFACTION

How To Satisfy a Dissatisfied Customer

Most complaints don't have to happen. Businesspeople don't want complaints, and neither do their customers. So why do they happen?

In my experience, customers simply get angry when they feel they are not receiving the personal attention that they deserve. Again and again we hear the same statements from callers, "I want to complain about XYZ Company. They promised to deliver my TV last week, but I keep calling them and getting the runaround. First the truck broke down, then the deliveryman didn't come to work, and now they don't even return my calls!" It may be that no serious problem exists, but the businessman doesn't look at the situation from his customer's viewpoint. Remember that each complaint tells you something about your own company. Why didn't you return the calls? Why wasn't delivery made as promised? Did your sales representative make promises for quick delivery which were unreasonable?

The first rule to satisfying unhappy customers is the most obvious. If you made a mistake, *Admit it. Settle the matter.* I guarantee you that putting off a customer, or trying to shift the blame to him (when it wasn't his fault) will only increase his anger and determination to tell all his friends what a raw deal he got from you. Customers love to tell stories about what great service a company gave them when a complaint arose. It makes them feel important...and what's wrong with that? They are important! Yet I have seen businessmen embroiled in letter-writing contests with several local and state government agencies, TV stations, newspapers, and BBBs, for *months*, when the entire matter involved only a few dollars and could have been settled in minutes.

Listen to the angry customer. What is he really asking for? How much time do you want to spend attempting to adjust the complaint? Respond to his anger professionally and competently: don't lose your temper and engage in a swearing contest. Invite him to your place of business if

necessary to sit down and review the situation. And if you set up an appointment, *be there!*

If the customer really is unreasonable, carefully explain your position. Show him the documentation which supports your action. Always leave the door open to work with him in the future. But if he goes to another agency (like the BBB), be sure to answer them as well. Businesspeople are often their own worst enemies. When the TV station calls you about his complaint, cooperate with them. Explain yourself fully. Failure to do so can be very damaging!

I am reminded of the actual case of a customer who hired a roofer to put a new roof on his home. The roof leaked, and the company had to go out seven times for additional work. Each time the customer had to call only once and the firm came right out. The problem was finally located and solved.

A few months later the same customer called again and hired the roofer for three other big jobs. When the owner of the company talked to his customer, he remarked, "Sir, I'm a bit surprised that you called us again. I thought that after the problems we had with the last job you wouldn't stay with us." But the consumer answered, "Yes, we had some problems; but *I don't know of one company that would have come out so promptly seven times to help me like you people did!*" The order was for over \$150,000!

People are not born dissatisfied. (Well, *most* are not). If we listen to them, get to the source of their unhappiness, and promptly handle the matter, we'll both be better off.

By Richard T. Eppstein, *President, Better Business Bureau of N.W. Ohio & S.E. Michigan (Toledo)*

MARKETING

Your store is an Advertising Medium

The moment a potential customer walks through your door, he forms a lasting opinion of your company. The appearance of the store, the quality of the merchandise and the presence of point of sale items will make more of an impression than any sales presentation you can give him.

While each rental dealer may have different techniques for promoting the sale of merchandise, the same basic ideas are shared among successful rental dealers.

Keeping the store and merchandise clean is a necessity. As pointed out by Jim Brown of ABC Rentals of Wichita, Inc., "If you have a shabby store, then customers will think you are a shabby dealer." Barry Gambini, owner of Rent-to-Own Corporation based in Visalia, California, elaborated on this point in stating that, "Nothing else is worse than seeing a disorganized, dirty store. It doesn't set the image for what rental stores should be like today."

Along with being clean, all merchandise should also be in good condition. Joe Arnette, owner of Colortyme TV Rentals in Houston, Texas, says

they contract a master cabinet repairman to take care of all their merchandise. "No one gets sets with scratches or marks. There is no excuse for a piece of merchandise not to be good looking. If it's a product I wouldn't accept, neither should a customer." Joe safeguards against this by putting concerned personnel on the delivery trucks, along with the blankets and two-wheelers.

Another important part of merchandising to remember is to keep the showroom well stocked. "You can't sell out of an empty wagon. You need to represent all of your merchandise in each category", Jim Brown said.

Showroom attractiveness can be increased with the use of point-of-sale display items. These items are readily available from suppliers and come in a variety of styles.

Barry Gambini summed it all up by saying, "The total appearance is what counts. You need to take everything into consideration when you're running a business."

Leslie Price
Adv/PR Coordinator
Remco Enterprises

FINANCE

Evaluating a Rental Business Through Ratio Analysis

Ratios are playing an increasing role in the evaluation of financial performance by the more progressive rental companies' management, owners and investors. Creditors are relying more and more on ratios when making decisions to grant loans for inventory financing. Four of the more common ratios are debt to equity, return on invested capital, current ratio, and quick asset ratio.

Debt to equity ratio is the relationship between balance sheet total debt and stockholders' equity. The more established rental companies will run between 2:1 and 5:1, while the industry as a whole varies from 2:1 to as high as 15:1 and can even be in a negative position for a new company that has a negative stockholders' equity.

Return on invested capital, (ROIC), is the relation between the profits being earned, and the total liabilities and stockholders' equity as stated on the balance sheet. Equipment and fleet leases are capitalized and added to the liabilities and stockholders' equity to calculate invested capital. ROIC will range from 15% to 35% depending on profits, capital structure and the age of the business.

Current ratio is the relation between current assets and current liabilities, and ranges from 1:1 to 2:1. Due to the nature of the inventory assets current ratio in the rental industry is confusing and invalid when compared to typical manufacturing and retail organizations. The balance sheet can be reorganized to eliminate the necessity for using the terms "current assets" and "current liabilities" and is an acceptable method for balance sheet presentation by the American Institute of Certified Public Accountants.

The quick assets ratio is the relation between assets that can be immediately turned into cash and the liabilities that are due within a very short period of time, commonly 30 days. It measures a company's ability to meet its short-term obligations. Creditors look for a minimum of 1:1 for this ratio, which means that all short-term obligations can be met.

While these are not the only ratios that can be applied to this industry, they are four of the more commonly used and easily calculated.

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"There is no question about the importance of these ratios," Wendell Acree of General Electric Credit Corporation said. "When approving loans, these ratios are a prominent part of the information looked at. Other factors taken into consideration are if the dealer keeps good accounting records,

takes advantage of his cash flow, controls his inventory and overall is an informed, responsible businessman."

Meryl Sellers
Vice President-Finance
Remco Enterprises

DEALER PROFILE

Jet Rental

Jet Television Rental and its sister company Rentavision Corporation of America have been in business since 1966, making it one of the older companies in our business.

Jet President Don Boring, a 42 year old Cum Laude graduate of Denver University, said, "Jet has been a true two man team with Jim Ryan and I sharing the executive office since the beginning. We have been fortunate that we had the right 'chemistry' to be successful without competing for authority." Boring, an accounting and finance major, handles the internal operations and buying, while Ryan, formerly with Mr. T's Rental, concentrates on the day-to-day store operations.

"We are proud of the developing executive management team we have put together," Boring said. "As a company moves into a national organization rather than a regional one, it is very important that your executive staff grow accordingly."

Two regional managers plus marketing, service, collection/legal vice-presidents now augment Boring and Ryan. Results have proven that these men are a wise investment.

Jet operates in 17 locations with annual rental revenues of \$12 million. Expansion plans call for two new markets per year for 1981 and 1982, in addition to multi-store development in existing markets.

"An important employee benefit we have, that has proven successful, is our Employee's Stock Ownership Plan," Boring said. "Our employees now share in our concern for the growth and profitability of our company. This plan has contributed to our ability to retain important employees."

Boring concluded by saying, "We believe that rental dealers are in the right place at the right time for the 1980's with an ever increasing market share of the consumer electronics business going directly to rental dealers."

PERSONNEL

Training — the Key to Continued Success

Training is a function crucial to the growth and continuance of every business, regardless of its size.

The primary purpose of training is to teach someone to be capable of performing a job function. It makes it possible for a manager to delegate, because he has recreated himself by developing someone who can do the job as effectively and responsibly as he can.

Research has shown that the best method of training is to have a situation of "one on one", where you show and tell someone how to do the job, and then let them practice under your super-

vision until you are confident of their ability to perform. While this is the ideal approach, it requires 100% of yourself. As your business grows, you may find this is not always possible.

If the "one on one" method can not be done, the next choice would be to form a training session. By applying the tactics of the first procedure to a group of persons, a positive response can be achieved. A good size group is five to seven people. A larger group will require a more organized session.

To increase your training staff for larger training sessions, use an expert within your company. For

example, use a decision maker or corporate officer who is familiar with the function. Under these circumstances it is essential to be clear on the training requirements.

An important point to remember is to evaluate the employee on how quickly he learns. This is critical in that it shows the probable success of the employee and the training session as well. If the employee is not succeeding, this is the time to make a decision about his future with your company.

The well being of a company is dependent upon the ability to delegate responsibility to another, who can accomplish the task as well or better than

yourself. Without the proper training, a company has no future of continuous and profitable expansion.

For more information on the subject of training, an excellent book is, *Training and Development*, by Robert Craig. This book is available at most book stores, or may be ordered through the American Society for Training and Development. The society has a number of materials on training. The national headquarters is:

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ORGANIZING FOR RESULTS

Changing the Rental Image — A Job that Starts With You

The rental industry has been continually plagued with a negative image, and it appears that this image has been created by the rental dealers themselves.

As a result of experiences with a few bad accounts, the dealers tend to develop "tunnel vision" and perceive all of their customers the same as they perceive the few undesirable ones that exist in any retail business. Some dealers then communicate this false image in their advertising, as well as the impressions created with vendors and suppliers. Lenders, suppliers and investors may be reluctant to become involved with a company who is known for having low income, irresponsible customers.

Rental dealers are realizing that this is a major problem affecting business. This generalization of the customers stems from the fact that employees have little contact with good paying customers after their initial visit. According to Rob Cole, of Alamo Rental Inc., Houston, Texas, "Employees tend to forget the good customers and remember only the late paying customers they deal with in

day-to-day credit activities. The result being, employees end up treating the majority of the customers like the few problem accounts."

One factor that contributes to this attitude is the daily reporting system, which is designed to identify the non-paying customers. What is missing is a system to show the numbers of customers paying on time.

Another difficulty is when the same employee working with collections is also the one selling to new customers. Very few employees can successfully shift from a collection situation to a sales situation in the hectic day-to-day activities.

Employees need to distinguish the bad customer from the good. If a rental dealer is sales oriented, he is already aware of this condition and is looking for a new way to organize the credit and sales function in his store.

The first step is to recognize that a problem exists. It is then up to the rental dealers to create a favorable image of the rental industry.

GOVERNMENT REGULATIONS

Legal Update

In April, representatives from the TV and appliance rental industry attended a meeting of the Federal Reserve Board staff in Washington, D.C., to discuss possible changes in some of the laws affecting our business. The Federal Reserve Board has the authority to implement regulations for the Federal Truth-in-Leasing Act (Regulation "M"). Regulation "M" requires certain disclosures to be made to consumers about lease terms. Most legal authorities agree, however, that regulation "M" does not apply to the no-obligation month-to-month or week-to-week consumer lease used in our industry.

Of particular interest to APRO members at the FRB meeting was the issue of whether "no-obligation" leases *should* be regulated. It was explained by industry representatives that there is considerable difference between "no-obligation" short-term leases and other leases that require customers to be obligated for a longer period of time. The FRB staff seemed to appreciate the differences between these two types of leasing concepts. If they support any broadening of legislation or disclosure requirements, they will suggest that it apply only to lease situations that obligate the consumer for longer than four months. If the staff decides to suggest disclosure requirements for our industry, the disclosures will likely be different from those in the longer term leasing business. The staff seemed to agree that if disclosure is going to be required on "no-obligation" week-to-week or month-to-month agreements, then it will probably be limited, perhaps to stating the amount of the payment and the total number of payments required for ownership. Most APRO members are already disclosing this information in their rental agreements voluntarily. The staff did seem uncertain as to the usefulness of disclosing the total amount the customer must pay to acquire ownership, since this would not be a valid cost comparison for the customer. This is due to the fact that different companies use different leasing formulas. The FRB staff implied they would like to study this point further before deciding anything.

No affirmative action was taken by the staff at this meeting, as they are still seeking information about how best to proceed with the simplification of consumer leasing.

The APRO staff will be monitoring closely the activities of the Board. We will keep the membership informed of developments as they occur and we will probably have the opportunity to testify at any congressional hearings that might affect our business.

In related news, the Maryland Attorney General brought a State court suit against a TV & Appliance rental company in Baltimore, Maryland. A month-long trial included charges of deceptive trade practices, illegal collection activities and violations of state and federal consumer protection laws. APRO Chairman Bud Holladay was among those called to explain various "standard" practices in the industry. His impression was that the court in Maryland favored disclosure of the rental price and differentiating between new and used merchandise in a "plain English" contract.

No decision has been handed down in the case at this time. As soon as a decision is rendered, we will inform the membership.

Edward L. Winn, III
APRO Counsel
Fowler, Fowler & Damron
Attorneys at Law

NEWSBRIEFS

APRO was formed in 1980 by a group of professional rental dealers dedicated to professionalism and the exchange of knowledge. This is the second **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.

New Board elections will be held at the trade convention, July 17-19 in Dallas. Be sure and be there to cast your vote.

On June 3 and 4 in Atlanta, Georgia, **APRO** held its first seminar for rental dealers. It was titled "Planning — The Process of Control". Two **APRO** members, Chuck Sims and Mike Haney were the course leaders. The response was excellent and another seminar is being planned for the fall. More information will be available at a later date.

Members will soon be receiving a survey in the mail from Coopers & Lybrand, one of the big eight accounting firms. The purpose of the survey is to provide members with rental industry statistics. All information will be kept confidential. We ask that you fill this out and return it as soon as possible.

For those rental dealers who have trouble tracking down those "slow pays" or "no pays", there is now a book available that may be of some help. The book is entitled *How to Locate Missing Persons...A Skiptracers Manual*. The book is available for \$6.95 from In Fact Press Research, Box B, Newtown Square, PA 19073.

Is there a subject you've been waiting to read about in the **APROACH**? Do you want more information on any of the past articles? If you have requests for topics of articles in our future issues of the **APROACH**, please send them in to the **APRO** office.

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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