

# THE APPROACH

Association of Progressive Rental Organizations

Vol 2. No. 3



**CONVENTION II —  
A SIGN OF SUCCESS,  
AN ASSURANCE OF TOMORROW**



## CONVENTION RE-CAP

New Orleans jazz, the beautiful Hyatt Regency, informative speakers, and the opportunity to renew industry acquaintances from across the country greeted dealers and suppliers at the 2nd Annual APRO "Rent To Own—Wave of the Future" trade show and convention.

A "Meet-the-Exhibitors" jazz cocktail reception kicked off the festivities as dealers and exhibitors became acquainted. Attendees of the APRO convention saw the latest in consumer audio/visual technology, rental computer software/hardware packages, home appliances, and a host of new products and services for rental dealers.

Attendees were offered four information sessions to participate in and the responses were immense. Edward L. Winn, III, APRO General Counsel, began the program with the lecture "Current Legal Issues: Their Impact on Rental Policy and Management." Panel discussions on collections, inventory management and media effectiveness followed with the opportunity for dealers to ask their questions.

The questions were many and included:

- What are the most effective hours for collections?
- How do I pay my collections manager? Straight salary? Incentive pay?
- Is a season contract for 3 months or 6 months a good media purchase?
- How do ad budgets differ between new-stores,

mature stores, small non-metro markets and large metro markets?

- Do I need an advertising agency?
- How can I measure the effectiveness of radio vs TV vs print advertising?
- What percentage of inventory can be classed as idle inventory?

An additional seminar was on Microwave Merchandising, which provided insight to merchandising microwaves in the rental store, as well as a demonstration of efficient uses of the microwave.

The annual APRO business meeting, at which 16 new directors were voted on, was also held during the convention. The election yielded a three-way tie and officers were later elected at a subsequent board meeting. The announcement of the new board members was given the last evening at the gala dinner. The dinner was highlighted by a New Orleans Jazz band and an awards presentation.

The concluding function was the exhibitor "Wind-Up, Wind-Down" where exhibitors were given the opportunity to reserve booth space for the '83 Las Vegas convention. To date, 37 booth spaces have been reserved.

It looks like APRO is on its way to another great year. APRO would like to extend its sincere appreciation to its members and associates, without whom the convention would not have been possible.



## GOVERNMENT

### FUTURE LEGISLATION DISCUSSED WITH FEDERAL RESERVE BOARD

On September 3, 1982, APRO legal counsel and other representatives of the rental industry met in Washington, D.C., with staff members of the Federal Reserve Board to discuss possible changes in federal legislation. APRO is seeking to have the Truth-In-Leasing Act expanded to cover the consumer rental purchase industry. The reason for this position is the mounting number of attacks on the industry by various courts and state legislatures. Specifically, the rental industry faces either adverse legislation or adverse judicial rulings in all of the following states: Maine, Connecticut, Pennsylvania, Michigan, Wisconsin, Arkansas, Iowa, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota. The philosophy in several state legislatures is that ours is an unregulated business and that simply cannot be. Therefore, the various state legislatures are looking carefully at our industry.

The Federal Reserve Board has long been sympathetic to the legal difficulties surrounding the rental industry. In the spring of 1982, they were receptive to our initial proposal to redefine the Truth-in-Leasing Act so that the rental industry would fall under its coverage. Currently the law only applies to leases where the minimum rental term is for longer than four months. If this effort were completely successful, rental dealers would have to make certain disclosures to consumers in their rental agreements. Specifically, they would have to disclose the total price paid by a customer if the customer rents the merchandise long enough to own it. Additionally, the states would be prevented from calling our transactions "credit sales" and requiring us to make the same kinds of disclosures that retailers currently must make.

It is the Federal Reserve Board that writes regulations for both the Truth-In-Lending and Truth-In-Leasing acts. Congress enacted statutes requiring that certain disclosures be made in consumer credit transactions. The FRB has the job of defining exactly how those disclosures must be made—the size, type, how to calculate annual percentage rates, the order of the disclosures, and the like. APRO sources in Washington suggest that our efforts to modify the Truth-In-Leasing act would not get far without the backing of the FRB.

The Board acknowledged the legal difficulties our industry is having. The Federal staff went on to suggest that instead of trying to pass

legislation specifically aimed to define our industry, they would prefer to make some far reaching revisions to the Truth-In-Leasing Act and include changes to help our industry as a part. The staff has just completed a two-year revision of the Truth-In Lending Act and its regulations which become effective October 1, 1982. The staff went on to say that the Board itself did not consider Truth-In-Leasing revision to be a pressing problem. Nor had the staff heard any comments one way or the other from Congress. The staff stated that the proposals they were preparing would be ready for presentation to the Board in early 1983 with the idea that these proposals could be introduced into Congress sometime during the spring of 1983.

The staff told industry representatives that they wanted industry statistics before they could make any final judgements on how to go about regulating rent-to-own. APRO and other industry representatives are in the process of preparing those statistics. Specifically, the staff wants a profile of typical rental customers as well as some statistics about how large the industry is, how many businesses there are, etc.

The FRB staff did say that it had been talking to other people about our industry. Some of the issues that were raised by other groups include: Whether our industry would be willing to disclose whether the merchandise rented is new or used. Are we currently making sufficient disclosures about service agreements? Is there uniformity in our industry regarding service? Would the industry be willing to put a statement in rental contracts to the effect that customers get no equity in the merchandise by making rental payments? Should rental industry advertising be regulated so as to require certain price disclosures? Would the industry be willing to disclose an annual lease charge for comparison among competitors or for comparison with the annual percentage rate disclosed on all credit sales? Would the industry be willing to disclose information in rental agreements to the effect that "renting may cost more than purchasing"? These are the kinds of issues that face our industry as it seeks to have favorable Federal legislation passed to protect it.

The industry has begun to make contacts with various legislators in Washington. In both houses our proposed bill will have to go through consumer affairs sub-committees of the banking committees. The best estimates right now are that legislation will be enacted within the next 18

to 24 months. As the bill progresses, APRO will need all of the support it can find to pass this legislation. If any dealers have substantial contacts in Washington, please tell the APRO office so that we may use those contacts when need be. APRO staff will be happy to answer any questions you may have about developments in Washington and will provide you with copies of the latest draft of the proposed legislation upon request.

Ed Winn, III

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## **UNITED STATES EIGHTH CIRCUIT COURT OF APPEALS CASTS DOUBT ON LEGALITY OF RENTAL PURCHASE AGREEMENTS**

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On August 13, 1982, the United States Court of Appeals for the Eighth Circuit handed down an opinion in *Clark vs The Rent-It Corporation* that reversed a federal district court opinion from Iowa. In the federal district court, a consumer had filed suit against a rental company alleging, among other claims, that the rental agreement was a "disguised credit sale," according to the terms of the federal Truth-In-Lending Act. The district court ruled in favor of the rental company without hearing any evidence on the matter. The plaintiff appealed to the Eighth Circuit. The defendant never responded to the appeal. Efforts by the plaintiff, the Eighth Circuit Court, and APRO have been unsuccessful in uncovering the whereabouts of the defendant.

The Eighth Circuit in reversing the lower court held that the lower court erred in denying the plaintiff an opportunity to put on evidence to prove that the transaction was, in fact, a credit sale. The Circuit Court ruled that the plaintiff should be allowed to give evidence as to what he was led to believe when he signed the agreement and what he in fact did believe when he signed the agreement. The Circuit Court also held that the plaintiff would be allowed to show how many of the defendant's customers actually did become owners of the property through the rental program.

The Circuit Court also held that the lower courts reading of the Truth-In-Lending Act was unduly restrictive. In other words, the Eighth Circuit ignored the plain language of the statute and discussed the legislative history of the Act to hold that it should be read broadly, far beyond its literal language.

Upon learning of this opinion, APRO immediately filed a motion for rehearing in the Eighth Circuit. Since the Eighth Circuit did not have the opportunity to hear from the industry's point of

view, it was felt that perhaps the court's mind could be changed upon presentation of the industry's side of the story. As of this writing, the court has not yet ruled on the motion for rehearing.

The Eighth Circuit has jurisdiction over the following states: Arkansas, Iowa, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota. While this opinion did not specifically hold that the rental agreement in question was a credit sale, it did indicate the court's thinking on the matter.

The APRO staff has been in contact with APRO members in the Eighth Circuit and has solicited funds in order to fight this most recent legal battle. Copies of the Eighth Circuit opinion as well as copies of the petition for rehearing and several memos prepared by APRO staff are available through the APRO office.

Ed Winn III

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## **U.S. SEVENTH CIRCUIT INTERPRETS UCC TO FAVOR RENTAL DEALERS IN BANKRUPTCY CASES**

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(In *Re Marhoeffer Packing Co., Inc.*, U.S. Ct. of App., 7th Cir., 2/18/82, No. 79-2025, 33 UCC Re. Serv.370.)

A recurrent problem in the rental industry concerns what happens when a customer files for bankruptcy. Most often customers are filing under Chapter 13 of the Bankruptcy Act, although a few file Chapter 7 bankruptcies. Under Chapter 13, a bankrupt files a wage-earner plan whereby he proposes to pay his creditors what he owes over a period of time, up to five years. The bankrupt agrees to allocate a portion of his income to pay his debts while the creditors agree to wait for their money. Under Chapter 7, a bankrupt merely makes available his non-exempt assets to satisfy his obligations and thereafter all of his unpaid debts are discharged.

Rental dealers who have customers file for bankruptcy typically have tried to recover their merchandise. Many also file claims for rental payments past due. The argument has been that since title to the merchandise does not pass until all rental payments have been made, the dealer still owns the set and has the right to reclaim it. For questions involving title to goods, trustees in bankruptcy, who act as judges in these cases, are instructed by the Bankruptcy Code to look to state law. This is to say that neither the Bankruptcy Code nor any other federal law specifically covers the issue of who has rights to rental property in a bankruptcy.

Contract law is a matter of state law and some trustees in bankruptcy read rental contracts for what they are and note that the contract terminates when the customer falls behind in his payments. Accordingly, they allow rental dealers to pick-up their merchandise.

This has happened in roughly one-half of the cases reported to the APRO office.

In the other half, the trustees make reference to Article Two of the Uniform Commercial Code, which is a part of sales/contract law in every state. In section 1-201 (37) there is a definition of a "security interest" that has proven troublesome to the rental industry. This section defines the circumstances under which a sale gives the seller a security interest in the merchandise. Specifically, a portion of the law deals with leases:

Whether a lease is intended as security is to be determined by the facts of each case; however, (a) the inclusion of an option to purchase does not of itself make the lease one intended for security, and (b) *an agreement that upon compliance with the terms of the lease the lessee shall become or has the option to become the owner of the property for no additional consideration or for a nominal consideration does make the lease one intended for security.*

Trustees have used this language to override the language of the contract and declare the transaction to be a sale. This puts the rental dealer in the position of an unsecured creditor and allows the bankrupt to retain possession of the merchandise by agreeing to pay out the amounts due under the lease over the period of time allowed by the trustee.

There has been relatively little judicial interpretation of this section of the UCC and none favorable to the rental industry—until the recent 7th Circuit opinion in *Marhoeffer*.

The lease with an option to purchase in *Marhoeffer* was a commercial lease for a fixed term, with an option to renew, and ultimately an option to purchase for one dollar. The lessee filed for bankruptcy before exercising any options. The bankruptcy court ruled the agreement was a true lease and the district court reversed. The U.S. Seventh Circuit Court of Appeals reversed the district court, and allowed the lessor to reclaim his merchandise.

The court noted that the issue was whether the lease was really a conditional sale in which the lessor merely retains an interest in the "leased" goods as security for the purchase price, or whether the transaction was truly a lease.

When a lessee is contractually obligated to pay rent over a set period of time, at the end of which he automatically or for nominal consideration obtains title to the merchandise, then the lease is really a conditional sale. In *Marhoeffer*, however, the lessee was not obligated to pay rent until the

end of the lease option when the option to purchase for one dollar arose. According to the contract, the lease would expire before the time unless the lessee renewed it. While the lessee in *Marhoeffer* could not cancel at any time as with typical consumer rental purchase agreements, he could cancel before the sale for nominal consideration. Accordingly, the court specifically held that clause (b) of §1-201(37) "does not apply where the lessee has the right to terminate the lease before the option arises with no further obligation to continue paying rent."

The court went on to point out that a contrary reading of the section could lead to unintended results under other sections of the code. Under Article Nine, a debtor in default could purchase the leased property for one additional rental payment.

The court in *Marhoeffer* went on to give some advice about how to define "nominal consideration." The court suggested that a good way to determine nominal consideration would be to compare the option price with the fair market value of the merchandise at the time the option arises as anticipated by the parties when the lease is signed. The court went on to say that an option price that was fifty percent of the fair market value was not nominal by any standard.

This portion of the opinion is not useful to dealers who currently transfer title to the property at the end of a period of time, eighteen months, seventy-eight weeks, etc. It may, however, be an important opinion for dealers who are using "Pennsylvania" contracts, and conducting a sale of the merchandise at the end of the rental term.

The court went on to consider other factors relevant to determining whether a lease is a conditional sale. (1) the total amount the lessee is required to pay under the lease. As the total amount of rent required approximates the fair market selling price, the transactions begin to resemble a conditional sale. (2) If the lessee acquires equity in the leased property, the lease looks more like a sale. (3) If the useful life of the merchandise is substantially equal to the term of the lease, the transaction resembles a sale. (4) If the lessor is primarily in the business of selling products, then a lease transaction is more likely to be a sale. (5) If the lessee is required to pay taxes, insurance, maintenance, and other charges normally associated with ownership, then the lease resembles a credit sale. Consideration of each of these factors would indicate that rental purchase agreements, the type used in our industry, are true leases. The *Marhoeffer* opinion, if followed by other courts, should go a long way toward clearing up some of the legal ambiguities that currently surround consumer rental purchase agreements.

Ed Winn III

## NUTS & BOLTS

The 1982 convention seminar program was a tremendous success with ratings of 8, 9 and 10 in 75% of the evaluations . . . Good work panelists.

Congratulations to Richard Medley of Hill Country Rental. Richard was the winner of the Data Design door prize—a personal computer.

### THE 10 FASTEST GROWING U.S. CITIES

According to a recent article in Western Assoc. of Equipment Leasors, "If you're about to launch a new venture perhaps you should consider locating in a fast-growing area so that your business can expand with the population." According to Andy Moody, director of Metropolitan Area Forecasts for Chase Econometrics, the 10 U.S. cities projected to grow the fastest in the 1980s are: Houston, Texas; Fort Lauderdale, Florida; Tucson, Arizona; Las Vegas, Nevada; Dallas-Fort Worth, Texas; Austin, Texas; Phoenix, Arizona; El Paso, Texas; Tulsa, Oklahoma; San Diego, California.

### FEW BUSINESSES TAKE ADVANTAGE OF NEW LAW

Quoting an article in Nation's Business, "Small firms aren't making much use of the Equal Access to Justice Act, a law designed to discourage federal agencies from making unwarranted tax and regulatory rulings."

The law now permits small business people to recover their legal fees from agency budgets when they challenge a ruling and win. The agency must prove its actions were "substantially justified" or pay up.

### CREDIT REPORTING

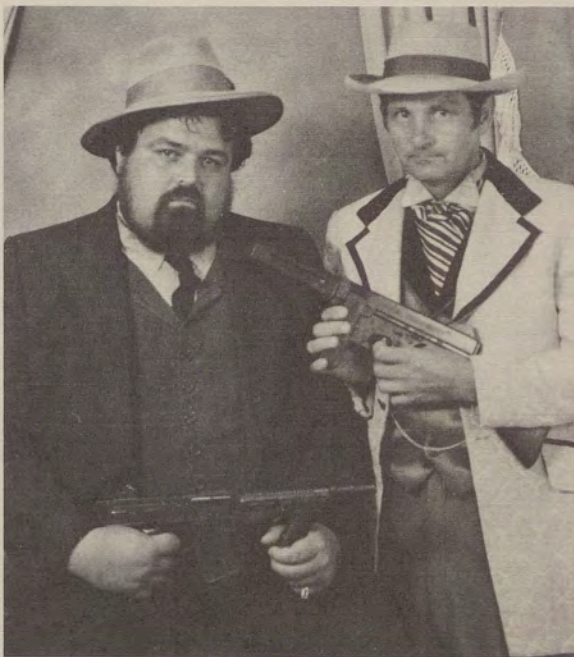
A credit reporting agency need not insure the completeness of its data until a consumer disputes the fairness or accuracy of this information, rules a U.S. district court in New Jersey. The court adds, however, that such agencies must reinvestigate and update records within a reasonable period should a consumer challenge their validity.

## CHUCK SIMS RECEIVES APRO AWARD OF EXCELLENCE

Mr. Charles D. "Chuck" Sims, President and founder of Remco Enterprises, Inc. was presented with the first annual President's Award of Excellence for his donation of time and expertise toward the growth of APRO, the development of the rental dealer, and the enhancement of the image of the rental industry.

Beginning with this 1982 convention, the Association of Progressive Rental Organizations will offer, at each annual convention, the president's award of excellence to recognize an outstanding member dealer who has exhibited the highest degree of professionalism in the rent-to-own industry, either by his/her contribution to APRO programs or by making the greatest contribution in his/her community to the overall acceptance of the rent-to-own concept and the enhancement of the rental industry in general.

Chuck has served as a charter board member, chairman of publications, and organizer/lecturer for the APRO seminar program.



**FRANK AND STEVE DECIDED TO DO SOME PUBLIC RELATIONS WORK WHILE IN NEW ORLEANS. (Frank Ellsworth-Key Rental, Biloxi, Mississippi, and Steve Grauel-Mr. sTve's Rentals, Ardmore, Oklahoma.)**

NEW APRO MEMBERS

Michael R. Kent National TV Rental, Inc. DBA/Colortyme	7 stores	EDPOW, Inc. DBA Home Furniture & Appliance DBA Curtis Mathes Showroom Joe W. Bindel Amarillo, Texas	1 store
James W. Stutler Appliance World, Inc. San Antonio, Texas	3 stores	Carl's Accurate TV Sales & Service, Inc. DBA Accurate TV Rentals Carl E. Mitchell Toledo, Ohio	1 store
Joseph C. Engel Quality Rental & Sales New Phila, Ohio	1 store	American TV & Appliance Rental, Inc. Gerald Heber Sarasota, Florida	3 stores
George Condeelis Carl's TV Rental Inc. Hollywood, Florida	1 store	Marantz R. Steven Jean Chatsworth, California	(Associate)
Donald E. Fackler A.A. TV Rental Louisville, Kentucky	1 store	The Insurance Mart, Inc. Robbie Bratcher Jackson, Mississippi	(Associate)
Delbert Wendler House of TV's, Inc. Arvada, Colorado	2 stores	Ft. Worth Rentals Hank Waite Ft. Worth, Texas	1 store
All Star Rentals, Inc. DBA Friendly Dan the T.V. Man Sharon Canton Ashland, Kansas	2 stores	Steele & Vaughn TV-Appliances Bill Vaughn Greensboro, North Carolina	1 store
N.B.C. Rentals Norman B. Campbell Brighton, Massachusetts	1 store	Sherman Furniture Rental, Inc. Jonah Sherman Poughkeepsie, New York	1 store
E-Z Tyme Rentals Sally Walker Vivian, Louisiana	1 store	E-Z Rental, Inc. Edward J. Wiggins Pawtucket, Rhode Island	1 store
J & W Leasing Company Robert E. Showers Carlisle, Pennsylvania	1 store	National Brands TV & Appliance Otas Shelton Greenville, South Carolina	1 store
C & J Thompson, Inc. DBA Thompson's T.V. Rental Jan E. Thompson Moberly, Missouri	9 stores	Colortyme TV Rental George McVay Selma, Alabama	1 store
Florida Financial Software Corp. (associates) Chuck Taylor Port Charlotte, Florida		Judeco, Inc. DBA Colortrend TV Rental Jerry L. Crawford Houston, Texas	1 store
Sky Unlimited Inc. DBA Televisions Unlimited Ann Claggett Nicholasville, Kentucky	1 store	E-Z Rent To Own, Inc. R. J. Heath Grand Rapids, Michigan	1 store

## NEW APRO MEMBERS

(continued)

Sunbelt Rentals Ed Gotcher Big Spring, Texas	1 store	Merchandise Acceptance Corporation DBA MacRents Rental Company Les Jones Victoria, Texas	5 stores
Acme Electric & TV Archibald H. Hanley Spokane, Washington	1 store	Accent TV Rental, Inc. DBA Colortyme Steve A. Easley Austin, Texas	2 stores
Insta-Color TV & Appliance Rentals, Inc. DBA Prime Time TV Andrew Stuart Clarksville, Tennessee	1 store	Rental Management, Inc. DBA Prime Time Rentals Robert J. Moore, III Vinton, Virginia	2 stores
Borenstein Sales, Inc. Allen Borenstein Houston, Texas	1 store	Hawkes Television Inc. Allerton Hawkes Westbrook, Maine	1 store
Yam's Discount Autosound, Inc. DBA Yam's Low Budget Rentals Roy V. May Little Rock, Arkansas	1 store	Giant TV & Appliance Rentals Inc. Richard E. Doty Lafayette, Indiana	1 store
The Chaney Corp. DBA West Texas Finance and Rental Weldon H. Chaney Odessa, Texas	1 store	Color Vision Rental System Ray Peel Abilene, Texas	1 store
Discount Rental Co., Inc. Tom Avent Nashville, Tennessee	1 store	Garrett's Curtis Mathes Showroom, Inc. Ernest C. Garrett, Sr. High Point, North Carolina	1 store
Robert T. Hansen DBA Rental City Robert T. Hansen Vineland, New Jersey	1 store	Avenue Rental Larry Goins Kansas City, Missouri	1 store
Virginia L. Marshall & Associates DBA Alla/pliance Rent/Sells DBA Rapid Rent-A-Pliance Spokane, Washington	1 store	Bi-Rite Company, Inc. T. L. Hamiter, Jr. Tampa, Florida	5 stores
Better Life Products, Inc. DBA Sanatoga Corporation Charles Wittenmyer	1 store	Charles Cloud, Inc. DBA Cloud Home Center Charles Cloud Pine Bluff, Arkansas	1 store
Daly's TV Rentals, Inc. DBA Curtis Mathes Home Entertainment Center Thomas Daly Lake Charles, Louisiana	4 stores	AAA Acme Audio & Video Inc. DBA Electronic Service Center Los Angeles, California Leo Cloutier	1 store
Les Feldser, Inc. DBA South Park TV & Appliance Rental Center DBA Woodlawn TV & Appliance Center DBA Portairs TV & Appliance Rental Center Les Feldser Corpus Christi, Texas	7 stores	SSS Electronics, Inc. Michael B. Schechter Clifton, New Jersey	1 store
		Elmen Rent All Inc. Robert C. Elmen Sioux Falls, South Dakota	3 stores

## EFFECTIVE SELLING IN THE RENTAL BUSINESS

### Choose Effective Words for Selling on the Phone

When a customer comes into your store, many parts of the selling process are easy. The customer can see the smile on your face, the models you have available and any merchandising materials you have on display. But you frequently have to sell over the phone. Your words are the only tools you can use to get the order. Here are some important techniques to use in selling on the phone.

### Use "Picture Words"

Since the customer can't see the unit, you will need to "draw a picture" in his or her mind. Your objective is to have the customer mentally "see" the product in his or her home. Words that describe the appearance will help you do this; examples include specifics such as descriptions of size, color, finish, fabric, capacity, arrangement, style, etc. A description of the important features is also effective, such as *frost free, excellent picture quality, full size, 100 watt speakers, trouble free electronic tuning, durable construction, etc.*

Other words which sell are those which please, such as *attractive, rich sound, useful, heavy duty, exceptional quality, handsome, our most popular model, designer group, color-coordinated, outstanding value, etc.*

### Sell Yourself

On the phone you have to project clearly to paint a good picture of yourself (and your company.) You do this from the moment you answer the phone with your tone of voice. The way you say the words influences the customers' interpretation of those words. One of the most important things you can do is SMILE; your smile will come right through the phone. Your interest in filling the customers' needs, knowledge of and your enthusiasm for your products and your program, and your responsiveness also affect the customer's feelings about you.

### Avoid Jargon

Every business has "jargon" words which are usually a shorthand way of describing things. When you use jargon with a customer, he won't understand it, so you'll turn him off by making him feel stupid. For example, most customers won't have the foggiest idea what a "combo" is, so describe it "a home entertainment center with an excellent 25 inch color TV and a full-range hifi system in the same good-looking oak cabinet." Some customers may be unfamiliar with words you think are common. For example, maybe they

aren't sure about *console* because they call it *floor model*. The best way to handle this is by listening carefully and using the customer's terminology.

Technical words can be effective if you don't use them just to snow the customer, but instead, tell what they do. If you use a technical term, like VIR, go on to explain that "it locks in your picture to the studio signal so you can receive studio quality".

### Develop Lists: Practice

You'll invest your time well by making a list of "word picture" descriptions for each product. Walk around the product and write down what you see that makes it desirable. In doing this you raise your own consciousness and perceptions of the products. Then you can use your list for reference and practice. If you'll say the phrases out loud to yourself a few times you'll find them in your forward memory ready to fall right off your tongue when you're talking with the customer.

A last word on words: do talk WITH your customer, not just TO him or her. The TO only approach is the snake oil way. When you talk WITH the customer, listening and responding to that person's needs, you are a Sales Professional.

Again, SMILE. You'll feel the customer's smile coming back over the phone to you.

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### A REMINDER

A reminder that update forms for the 1982 APRO membership directory have been sent to all APRO member's corporate headquarters. It is *most important* that you complete your form and return it to the APRO office by November 15. The new directory will include cross-listings of members alphabetically by principal, corporate name, DBA, and location. We appreciate your assistance in making this publication as accurate as possible. Remember the deadline for receipt of your company's update is November 15.

## WHO REALLY DETERMINES WHAT BUSINESS WE'RE IN

The customers do, of course. But if we're not careful, the government will too. I'm concerned that some of us in the rental business are acting like we absolutely determine what the business is and isn't. I've seen my own people act like there is no other game in town... like the customer has no choice but to take it or leave it and that the government will ignore us. Well, guess again.

For a long time, the customer the rental business went after *didn't* have a choice. Rental was their last or only choice. And there wasn't much competition. Today, three things are drastically changing the business climate we operate in:

1. Competition
2. Customer awareness and activism
3. Governmental intervention

### COMPETITION

The customer can shop around in most cities for rental. And they do! How many new competitors have opened up in your cities?

### CUSTOMER AWARENESS

Customers are increasingly aware of their legal rights and are questioning our collection practices, prices and repair service.

Five or seven years ago you rarely had a customer take *you* to court. Today everyone seems to have a lawyer or legal aid ready to turn a poor payer into an abused customer—ready to convert our right to get our merchandise back into “unconscionable” pricing.

“Class Action” can be a much worse headline than unemployment for our industry.

### GOVERNMENTAL INTERVENTION

Our industry has come of age. It is now successful and large enough to be an attractive target for governmental activists and regulators. Like it or not, it's a fact that won't go away. It will get worse, not better. And if your store or company has not been directly affected yet—standby! If they don't come after you directly, they may go after one of the large operators and you'll have to live with the legal rulings and restrictions that result. And the difficult part about this problem is we may be our own worst enemy.

Consequently, we hear more and more states drafting new legislation or interpreting old to cover rental businesses under “Home Solicitation”, “Truth in Lending”, “Unlawful Inducements”, and “Unconscionable Pricing”.

### SO WHAT DO WE DO ABOUT IT?

First, recognize we are a big enough industry

to be a target for customers, competition and government.

Second, look at our individual operations and make sure we operate professionally; that we use proper and legal collection practices; and that we truly give customer service. We also need to put pressure on other members of our industry who don't, before they get us all in hot water.

Third, establish contact locally and at the state level in your area to be aware of any pending legal changes which could affect the rental business. When you hear about a change, notify APRO immediately so collectively we can be aware and do something about it.

Fourth, be sure your people know what to do if an investigative reporter from the local TV station shows up at your store some afternoon wanting to do a story on the rental business.

If we don't do a better job in the next few years of running our business to provide customer satisfaction, you can count on consumers and government forcing us to run the rental business the way *they* think it should be.

### WHICH WAY DO YOU WANT IT?

If you're as concerned as I am, take a look at your operation and get involved with APRO and her operators to help our whole industry benefit.

TOM DEVLIN  
President, CEO  
Mid-America Leasing, Inc.  
Rent-A-Center Stores

## GLENN DAVIS RECEIVES AWARD FOR MEMBERSHIP RECRUITMENT

Mr. Glenn Davis of Dynamic Distributing Company, Dallas, Texas, was honored at the recent APRO convention for recruiting more members for APRO than any other member dealer during the year 1982. Mr. Davis currently serves as secretary on the executive committee for the APRO board of directors and personally reviews all member applicants.

Should any current APRO member have a fellow dealer in mind for membership, Glenn Davis will be happy to speak with the prospective member about membership criteria and the importance of APRO to the rent-to-own dealer's business. Contact Glenn Davis at Dynamic Distributing Company, 4301 Shilling Way, Dallas, Texas 75237 (214) 331-6591.

## DEALER PROFILE STEVE GRAUL, MR. STEVE'S INC.



Steve Gruel, President of Mr. Steve's Incorporated, dba Mr. sTve's TV, Stereo, Furniture and Appliance Rentals, operates eighteen stores in Oklahoma, Texas and Indiana.

Steve became involved in rental after seeing the heavy television advertising of the rental business out of Oklahoma City and Dallas. The recession of 1974/1975 was the biggest incentive for him to change from sales and service to rental, and within three months he had changed completely over to the rental program. Four months later Steve saw the opening of the second of what is now eighteen stores.

According to Steve, "I was rental before rental was cool. I can still hear those words, 'What happens when they all turn the sets in?', while being turned down by banks and loan institutions during the first few years. But I stuck in there and saw my business grow." Steve's Oklahoma market grew to seven stores by 1979, and it was then that Steve and his brother Dick formed a subsidiary corporation and opened in Indiana. In two years he also had eleven stores in Oklahoma and Texas.

Mr. sTve's rental stores have expanded from renting televisions and stereos, to appliances and, most recently, to furniture—coining the phrase, "RENT TO OWN—EVERYTHING FOR THE HOME". And although he is operating in some metropolitan markets, Steve says he feels more at home in markets under 100,000 population.

As a member of the APRO Board of Directors, Steve has had the opportunity to answer many dealers questions of "Why Apro?". According to Steve, "I have seen APRO grow from Bud Holladay's and Chuck Sims' initial conference in Dallas, to an organization that in just two years is noted and responded to nationally. APRO has already been able to aid numerous individual members, plus give assistance with legal problems that are beginning to emerge from state legislators and federal courts. The Association will be the key vehicle in making the rental industry a major factor in the retail market in America."

Steve lives in Ardmore, Oklahoma, with his wife Louise, who serves as Secretary Treasurer for both corporations. They have three children: Ricky, 13, Steven, 22—a senior at East Central

University in Ada, Oklahoma, and Beth, 23, a Baylor University graduate now married to Glenn Whittington and residing in Dallas, Texas.

Steve belongs to various local organizations. His interests are flying, of which he holds commercial, instrument, and multi-engine licenses and the rank of Lt. Colonel in the Civil Air Patrol in the Oklahoma Wing. He also has a ham radio license #WB5DSU, is a certified scuba diver, and maintains an antique radio and television collection.

## GUARANTEED SKIP PREVENTION (HOWEVER...)

There's one quite simple and often-overlooked solution to the problem of skips and stolens: stop renting televisions. In fact, that is the only sure-fire method of skip-prevention. As this can lead to rather severe cash flow problems later, few of us would choose that route, however. So let's examine skip and uncollectible problems from another angle.

The typical rental store experiences about a 2%-4% loss on uncollectables (as a percent of rental income). Some easy arithmetic proves that if we total all overhead items (including inventory cost, advertising, salaries, etc.), losses on the bad accounts amount to only about 1.0%-1.5% of *total overhead*. So why do we spend so much time and place so much emphasis on skips and stolens when they have so little real impact on net profits? In fact, if you could slash skip losses by 20%, you'd realize less than a 3.0% increase in net profit! It constantly amazes me that stores with no effective truck expense monitoring system or truck maintenance program will have a quite complicated skip-tracing program managed by a high-paid employee. Yet, the costs of truck operations exceeds that of skip losses by about double. And companies that refuse to tie employee pay to productivity or profits will hire "skip experts" to help control those losses; while personnel costs and lack of productivity can be four times the cost of skips!

Now nobody would suggest we ignore skips or fail to work on programs to deter skips and other collection losses. But sometimes that same competitive spirit that is so vital to our start-up success catches up to us later when skips become a personal insult. The competition becomes an "us vs. them" struggle that ultimately leads to ill will, lawsuits, and only more bad accounts. Meanwhile, we fail to book the new business. Skips aren't half the threat to profitability that untrained personnel, mismanaged resources, and poor planning can become. Skips are a fact of rental life. Let's not forget their real impact on profits when we think about "tightening up" on orders.

Bud Holladay

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