

THE APPROACH



**FURNITURE RENTALS:
THE CHALLENGES &
THE OPPORTUNITIES**

**THERE'S FUTURE
IN FURNITURE**

**FINANCING FURNITURE
RENTALS: AN INTERVIEW
WITH JOE EASON OF
BORG-WARNER**

**THE DISTRIBUTORS' ROLE
IN FURNITURE RENTALS**

PLUS . . .

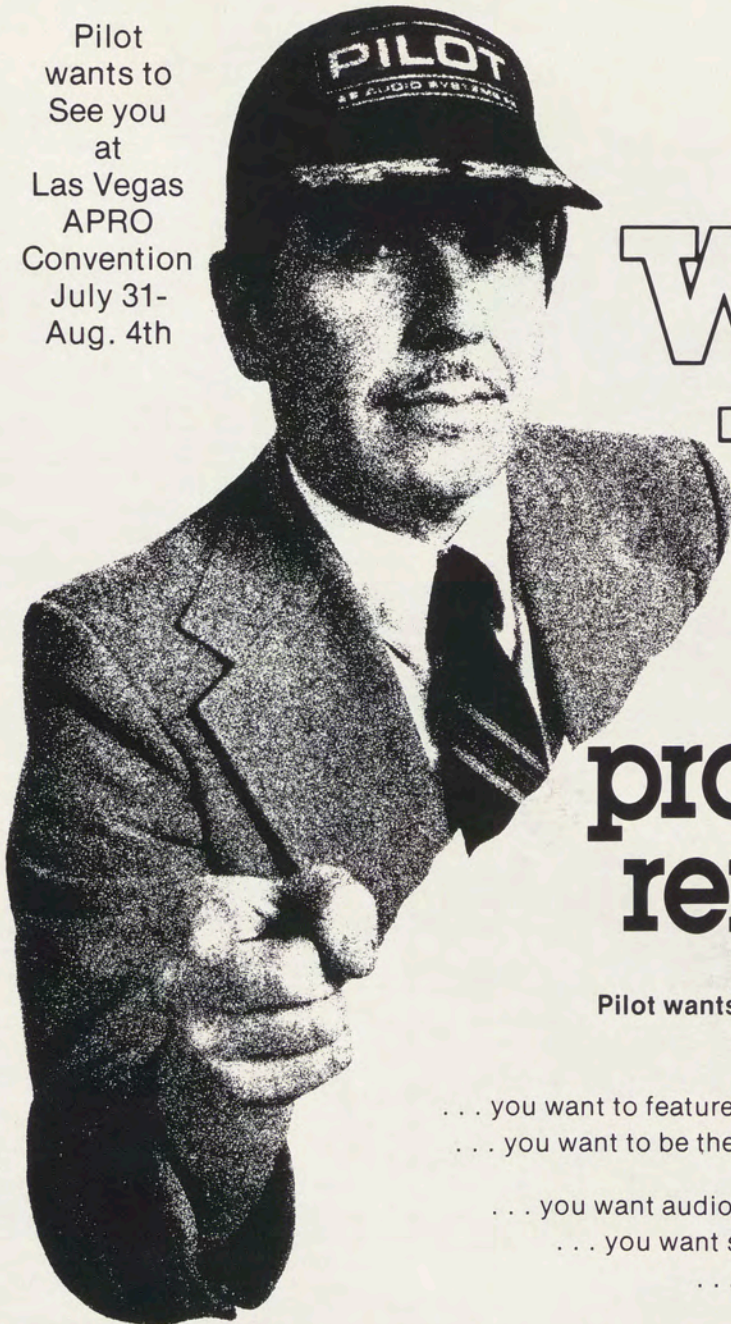
Diagnosing Motivational Problems

Consumer Protection News

Charging Customer Late Fees

APRO Holiday in Acapulco

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wants to
See you
at
Las Vegas
APRO
Convention
July 31-
Aug. 4th



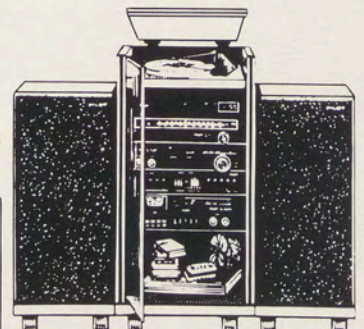
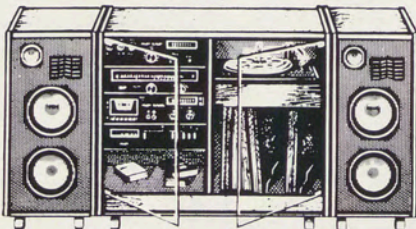
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MESSAGE

by Edward L. Winn, III
APRO Executive Director/General Counsel

With the recent growth of the rental industry, I am acutely aware of the increase in publicity about the business. Rental dealers occasionally ask me how they should respond to inquiries from the media concerning the industry. Dealers must understand that reporters rarely come to industry members first. They are usually following up stories they have heard from critics. It is helpful, therefore, to find out first of all what they have heard and from whom. If reporters tell you a story about abuses in the industry—heavy-handed collection tactics, for example—of which you have no personal knowledge, you can do nothing more than deplore the abuses, and explain that such is not the practice industry-wide.

Of course, if you hear statements from the media that you know to be inaccurate, you should point out the inaccuracies.

Reporters typically are not well-versed in the intricacies of credit law, and it is particularly useful to attempt to explain to them the differences between a rental agreement with purchase options and a credit sale. The concept of *no obligation* should be emphasized. Please be advised that reporters may be unable to accept the fact that there *are* differences between a rental purchase agreement and a credit sale. It is increasingly important that all industry members make an active effort toward improved public relations—take the time to *explain* the differences.

You must understand that the media wants news. It is not newsworthy that a legitimate industry is enjoying rapid growth. On the other hand, a new consumer rip-off scheme is front page material.

Ultimately, the only successful response to the media will come from dealers who are proud of their businesses and customers who are satisfied with their products and service. The two go together. If your customers understand your rental program and are happy to be renting from you, then the best response of all to an antagonistic reporter is to invite him to talk to your customers. The reporter gets the full story, and the dealer gets a happy ending.

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MACAP & CONSUMER COMPLAINTS

MACAP, the Major Appliance Consumer Action Panel, is a group of independent consumer experts who voice consumer views at the highest levels of the major appliance industry. The Panel is sponsored by the Association of Home Appliance Manufacturers, the Gas Appliance Manufacturers Association, and the National Retail Merchants Association.

The Panel serves as a go-between to improve communications between consumers and major appliance manufacturers. The Panel studies industry practices and receives complaints from consumers. It distributes information to consumers on things to watch for and generally how to get the most out of their appliance purchases. For example, the Panel recently published a Consumer Bulletin advising consumers to



get and keep appliance repair receipts even when there is no charge. The Panel also outlined the steps a consumer should take when faced with an appliance problem that the local dealer could not handle.

One of the most important functions of MACAP is to field consumer complaints about major home appliances. MACAP procedures require a customer to contact the brand name owner of the appliance and attempt to get the problem resolved at that level. If unsuccessful, the consumer can then file a complaint with the Panel. The Panel meets about 8 times a year and at each meeting reviews an average of 125 consumer complaints, one at a time. The Panel contacts the brand name owner involved and requests a report on proposed action within three weeks. The Panel notifies the consumer to confirm company action or information. If a complaint cannot be quickly resolved, for example, if conflicting reports are received, the Panel can ask for an independent evaluation by an expert. The Panel can then make recommendations to the company and/or the consumer.

“... WARRANTY COVERAGE, SAFETY CONCERNS, FOOD LOSS CLAIMS, IMPERFECT FINISHES, IMPROPER INSTALLATION ...”

Many of the complaints MACAP receives involve service problems—excessive charges, delays, repeated repairs on the same problem, and alleged unnecessary repairs. Reacting to dealer and manufacturer failure to respond to complaints, warranty coverage, safety

concerns, food loss claims, imperfect finishes, and improper installation are also all a part of the Panel's purpose.

The independence of MACAP from industry tampering is underscored, because panelists cannot be connected with the appliance industry and they are not paid for their time or services other than reimbursement of travel and expenses while attending meetings.

For more information concerning MACAP, call or write The Major Appliance Consumer Action Panel, 20 North Wacker Dr., Chicago, IL 60606. (312) 984-5858.

RENTAL REFERRAL SERVICE

The rapid growth of the TV and appliance rental industry has begun to generate new, associated businesses. For example, several computer software firms have developed packages designed specifically for rental outlets. Another good example is the growth of Rental Referral Service out of Dallas, Texas which is currently doing business in several Texas metropolitan areas.

Rental Referral Service offers a computerized rental application verification system for subscribers. Rental dealers can file the names of their “skips” and “stolens” into the centralized system and, in turn, check with the computer by telephone before accepting a rental application. If the computer turns up a “match,” the dealer is put in contact with the store contributing the information. Jerry Landers, owner of Rental Referral Service, reports that in the Dallas/Fort Worth area, this system has reduced the number of customers who breach a rental agreement and then go to another store and do the same thing again.

The service also offers a computer-

ized letter writing program for subscribing dealers. Rental Referral can send new customer letters or a variety of collection letters to past due accounts. In

“RENTAL DEALERS CAN CHECK WITH THE COMPUTER BY TELEPHONE BEFORE ACCEPTING A RENTAL APPLICATION”

addition, the service has the capacity to generate marketing information for dealers. A rental store can develop its own survey cards, and the service can calculate percentages, tabulate results, and print monthly reports. Marketing data has already been compiled from dealers in several states and has been distributed back to contributing dealers. The service also has plans to offer an inventory management system giving subscribers the advantages of in-house computerization without the headaches of owning and operating a computer.

For information concerning the resources available through Rental Referral Service, contact Jerry Landers, P.O. Box 29315, Dallas, Texas 75220, (214) 263-0766.

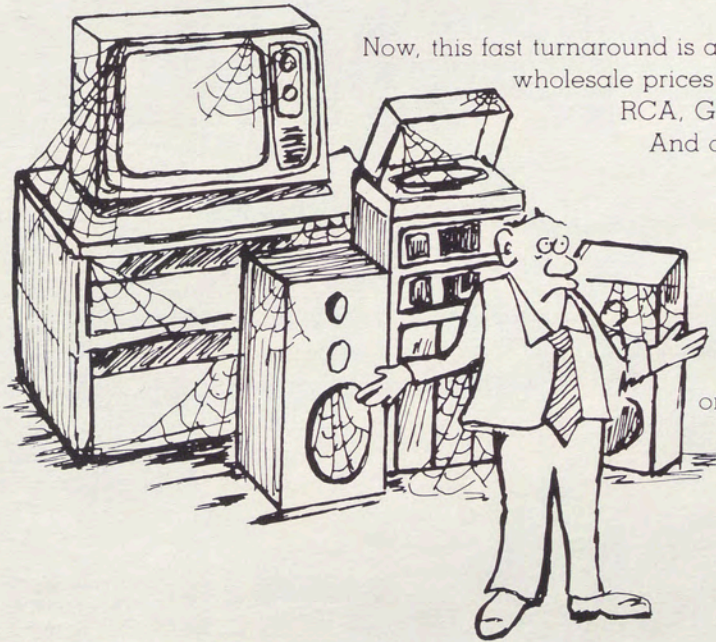
MAKING
RENTING/OWNING
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This dealer is helping make it easier to rent/own by subscribing to the Rental Referral Service. Violators of rental agreements are required to pay for losses rather than non-violators! Rental Referral Service

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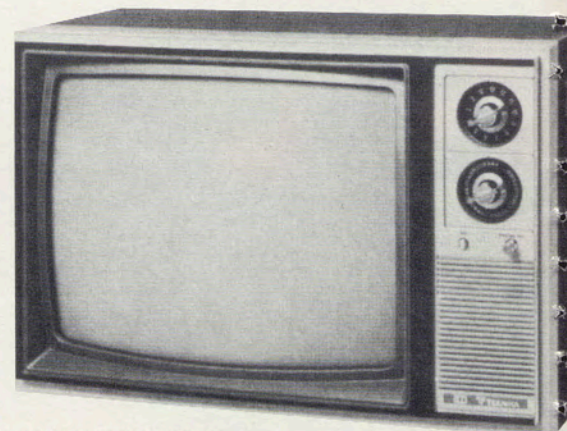
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TEKNIKA REPRESENTATIVES

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CT, ME, MA, NH, RI, VT
Electronics Marketing
(617) 527-7753

NORTHERN DE, SOUTHERN NJ,
EASTERN PA
MDS Corporation
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NORTHERN NJ, METRO. NY
Lawrence Marketing
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UPSTATE NY
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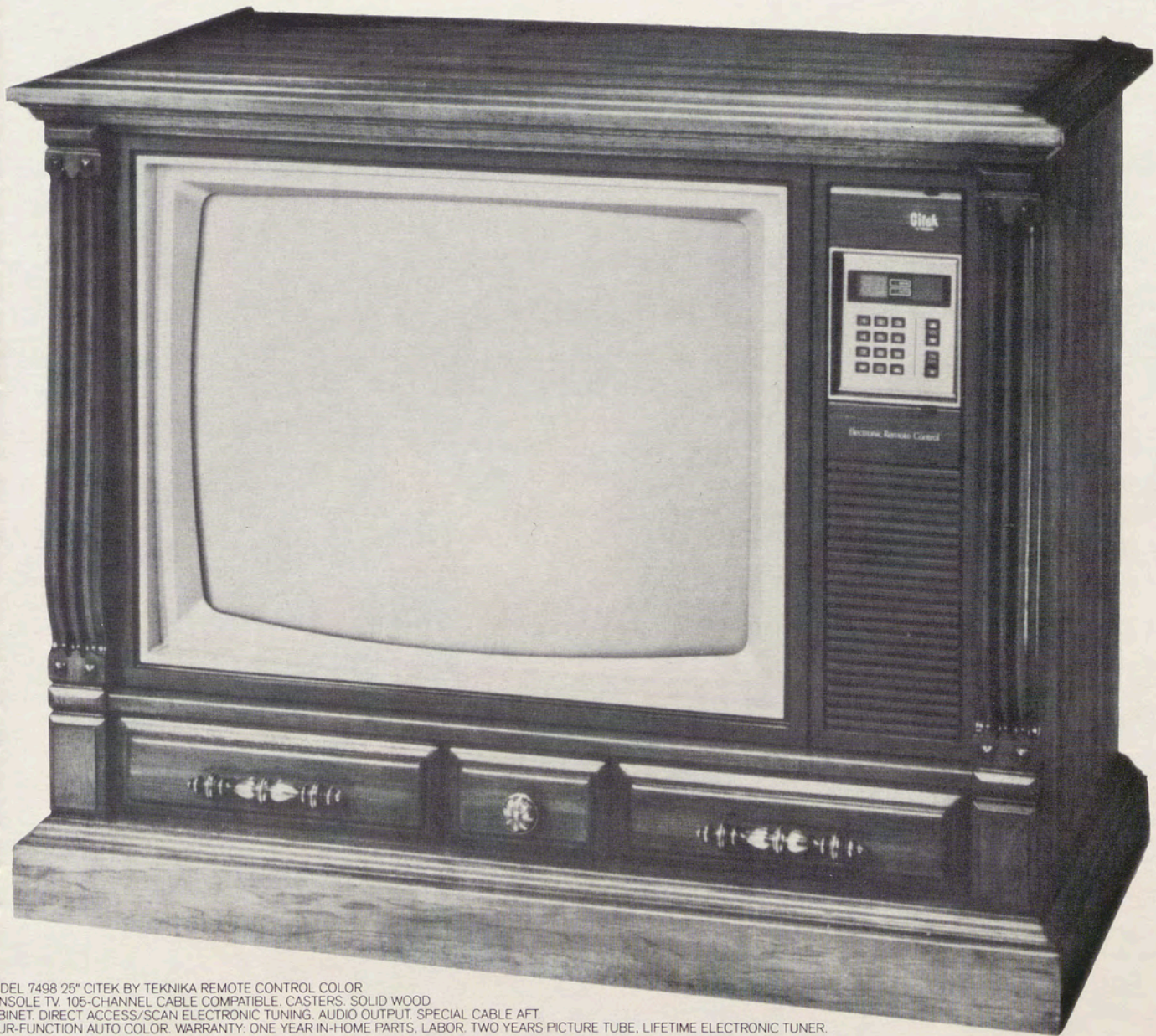
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UT, WY
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FOUR-FUNCTION AUTO COLOR. WARRANTY: ONE YEAR IN-HOME PARTS, LABOR. TWO YEARS PICTURE TUBE. LIFETIME ELECTRONIC TUNER.

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PRESENTS THE

APRO CONFERENCE

JULY 31-AUGUST 4

CAESARS PALACE

LAS VEGAS, NEVADA

RENT-TO-OWN...

A GOOD BET FOR THE FUTURE

"Rental Finance for the Owner and Financial Manager"

Jayde Sprecker, BA, CPA, outlines the strategies of forecasting, managing and improving the rental company balance sheet and financials. Specific topics include tax information, cash flow improvement, and evaluating rental stores for buying or selling. Sprecker has 20 years experience handling the finances and accounting for some of the country's top rental organizations, through his eighteen-member firm based in Kansas. Sprecker promises intelligent discussions and accurate information on your business's money and future.

"Wage & Hour and the Rental Store"

The Assistant Regional Administrator for the U.S. Department of Labor's Wage & Hour Division, Mr. Herbert Goldsteine, outlines the feds' approach to administering the maze of laws and statutes that apply to clerks, collectors, and non-management personnel. Defining which personnel are covered and which wage plan best fits your business is the subject of this important session.

Plus These NEW Offerings

...STORE SECURITY: EMPLOYEE THEFT PREVENTION & DETECTION...SO YOU WANT TO RENT FURNITURE?...ASK THE ATTORNEYS: AN OPEN LEGAL FORUM WITH APRO ATTORNEY EDWARD L. WINN AND COLORTYME ATTORNEY SAM CHOATE... PERSONAL TAX PLANNING FOR THE RENTAL STORE OWNER... SITE SELECTION & LEASE NEGOTIATION...SHOPPING FOR YOUR STORE COMPUTER...WINE-TASTING...CASINO TRICKS...AND COLOR-ME-BEAUTIFUL FOR THE LADIES...WHAT A SHOW!!!!

"Advertising and Marketing for the Non-Expert"

A broadcast consultant with a background in radio and television, news management, and marketing sales, Mr. Brian Moran (B.S. Journalism, University of Utah) has hired and fired ad agencies for both the large and small corporation. He will discuss your company's need for an ad agency and define the criteria a good agency should meet. You'll discuss marketing your company as well as your product.

"Getting Government Off Your Back . . ."

APRO has been lobbying, working, and traveling on your behalf throughout the last 15 months to get satisfactory legislation approved that would place the stamp of approval on the rental industry. General Counsel and Executive Director Ed Winn, III talks about these efforts and details how you can avoid the pitfalls of lawsuits, government intervention, and expensive litigation. Professional associates of rental operations—attorneys, accountants, and collection managers—stand to gain a wealth of information from this seminar.

SCHEDULE

SUNDAY

Registration
Golf and Tennis Tournament

MONDAY

Registration
Seminar Programs
Spouse Programs
Spouse Gambling Seminar
Exhibitor Set-Up
and Grand Opening

TUESDAY

Exhibits Open All Day
Luncheon and Cash Bar in
Exhibit Hall
Spouse Color-Me Beautiful
Seminar
Prize Drawings in Exhibit Hall

WEDNESDAY

General Business Meeting
Spouse Wine Tasting Seminar
Exhibits Open
Cash Bar and Prize Drawings
in Exhibit Hall
Farewell Gala Banquet

THURSDAY

Seminars
Exhibit Break-Down
Sponsor-Exhibitor
Wind-Down
Thank You Party

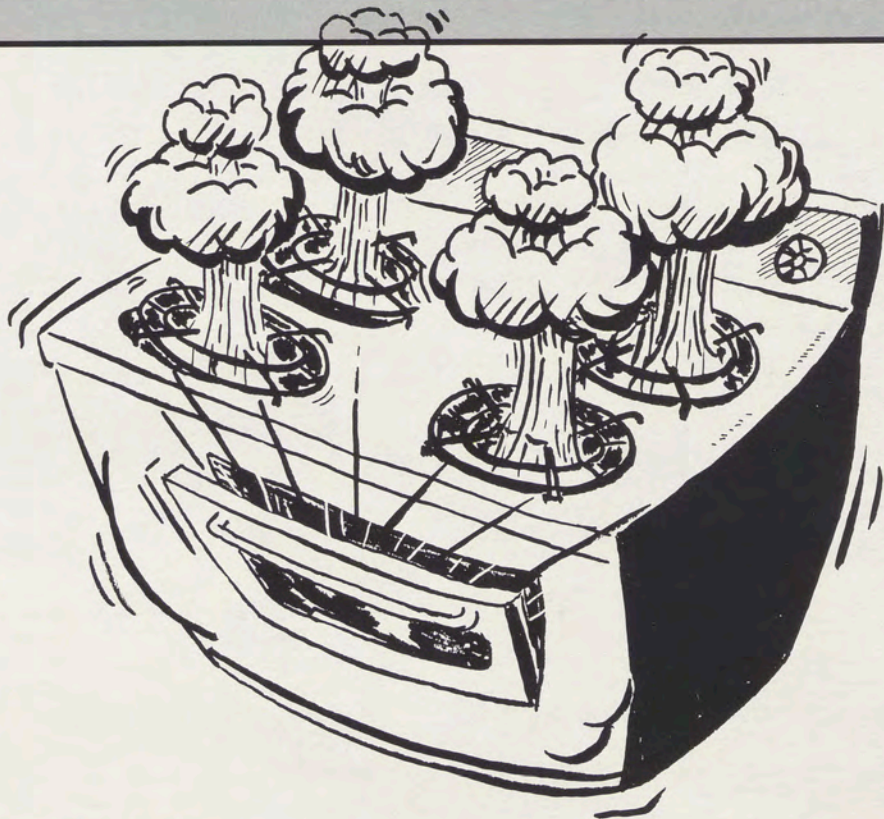
It's Going To Be A Really

BIG SHOW

RANGE WARS

Once upon a time dealers and distributors had a wide variety of independent manufacturers from which to choose a kitchen range line. However, with the mergers and acquisitions within the industry over the last few years, those days are gone. These new relationships between corporate siblings and parents have caused many retailers and wholesalers to relearn their market while totally overturning once settled buying patterns. Brand names that were formerly complimentary are now competitive brands and are today manufactured in the very same factories.

The latest move by Jenn-Air, now a subsidiary of Maytag, into the dishwasher business has muddied the water in the Jenn-Air and Kitchen Aid distribution networks. Both companies are deeply committed to the idea of independent distribution, but both now offer a high-end quality name product. And there is always the possibility that Kitchen Aid may broaden its product lines in the future also.



The key marketing hurdle for consumer product companies to overcome when horizontally expanding their product lines is the transference of a perception of quality from one product to another. Also, manufacturers must be

careful not to create an air of unfriendly competition within the home appliance industry in general. Strict compliance policies concerning independent distribution may put wholesalers between a rock and a hard place.

BUSINESS OR PLEASURE



A report designed to help businessmen distinguish between those types of travel and entertainment expenses that qualify as legitimate business deductions and those that don't, *Travel and Entertainment: Business or Pleasure?* clearly illustrates typically deductible expenses and explains restrictions on entertainment expenses. The booklet features a sample Travel Expense Account Form, a sample Entertainment Expense Record and sections on tax-

payers record requirements and exceptions to entertainment expense rules. Application of Accelerated Cost Recovery System (ACRS) for automobile depreciation is included along with a discussion of business gifts and goodwill.

Filled-in 1982 Form 2106 (Employee Business Expenses) is another special feature of this report. This form is designed primarily for use by employees claiming travel, transportation and outside salesperson expense deductions.

The 32-page booklet is available at the following prices: 1-4 copies, \$2 each; 5-9, \$1.80 each; 10-24, \$1.70 each; 25-49, \$1.60 each; 50-99, \$1.50 each and are available through Commerce Clearing House, Inc., 4025 W. Peterson Avenue, Chicago, IL 60646.

TOO SMART?

The microwave oven, which started out with a mechanical timer and one power level, has become so complex that many are seemingly difficult to operate. Some are so laden with special features that consumers cannot readily figure out how to use them and potential buyers are shying away. Next year's models are scheduled for changes that should make microwave ovens less intimidating. Toshiba, General Electric, and Matsushita



are all experimenting with microwaves and planning innovations from preprogrammed recipe cards to ovens that take oral commands and talk back. An oven that talks? Will this lead to arguments as to who burned the toast?



INVENTORY WISDOM

A few tips on effective inventory management:

*It is best to carry only one or two major appliance brands, as this reduces parts stocking requirements.

*The more products you stock, the more you place in homes, and the more profit you can earn. However, between 800 and 1,000 appliances and TV's seems optimum for profitability. With 1,000 units, you will need about 2,000 square feet of storage area.

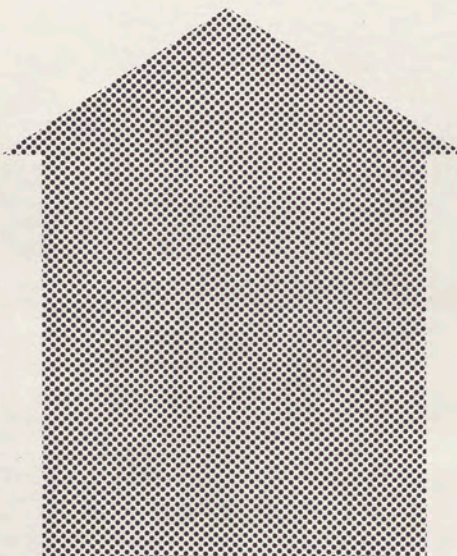
*Although color TV's are still the most rented product, refrigerators and washers are the most wanted appliances. Room air-conditioners also do well in areas where summer weather regularly tops 90°F. Microwave ovens are growing in demand. One New York City firm handles almost nothing but microwave ovens renting primarily to United Nations delegates and their staffs.

*Refrigerators are the most stolen and damaged of rental appliances. A Texas-based firm blames this record on the fact that some renters leave refrigerators on back porches, where they can be stolen or defaced by vandals.

*Compact appliances are in greater demand than full-size products.

The U.S. Chamber of Commerce reports that employee benefits are rising. The Chamber surveyed nearly one thousand companies in 1981 and has recently published the results. The Chamber found that employee benefits ranged from 18 percent to 65 percent of payroll. The average overall for 1981 was 37 percent of payroll, a figure that has been rising steadily since the Chamber began keeping statistics 34 years ago. Eastern North Central States led the way with the increases, followed by Northeastern States, then Western States and then the Southeast. Breakdowns as a percentage of payroll were as follows: employer's share of legally required payment—Social Security, ect.—9 percent, pensions and insurance, 13 percent; paid breaks and meals, 3 percent; vacations, holidays, and sick leave, 10 percent; profit sharing and bonuses, 2 percent.

RENTAL EMPLOYEE BENEFITS



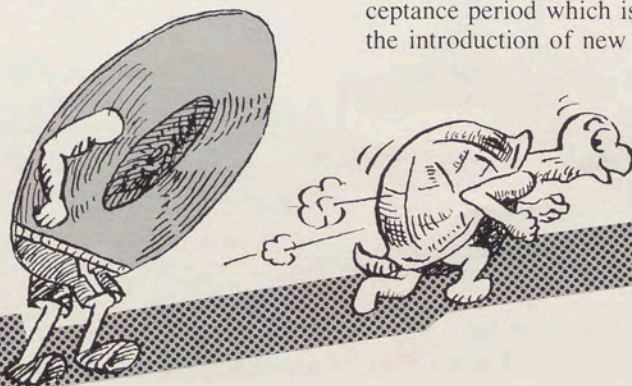
SLOW DISC SALES

The video disc industry remains a puzzle. Despite all the media hype and industry expectations sales are lagging approximately one year behind manufacturers' projections. To date, it is estimated that only 250,000 disc players of any kind have found their way into the

hands of consumers.

Audio difficulties, limited program flexibility due to the astronomical cost of pressing new discs, and stiff price

competition from the videocassette industry are all to blame for this general consumer lack of interest. But manufacturers remain optimistic and continue to attribute slow sales to the growth-acceptance period which is expected with the introduction of new technology.



MANAGEMENT

Diagnosing Motivational Problems

Bill Overton

A variety of useful management tools, techniques, and processes exist for the rental dealer/manager to utilize in the areas of budgeting, selling, and inventory management. Unfortunately, fewer tools exist for maximizing the productivity of human resources—store employees. This is ironic since people management is *the* primary responsibility of a rental dealer or store manager. Misconceptions in this area can undermine morale, productivity, and loyalty.

Described below are several factors that can affect a rental organization's efficiency.

1. The performance system within which employees function contains many variables. Not only are the skills and attitudes of employees involved, but environmental components are key considerations as well. Major influences include the physical job setting, the information provided the employees, the workflow, the merit and demerit system, the expected performance levels and the available resources at hand. The moral here is not to conclude that the best way to increase productivity significantly always revolves around the people on the job. In addition to hiring "good" employees, there are often performance improvement opportunities in the environment for most organizations. For example, does each rental store have a

suggestion box for employees? Is there a reward system for good suggestions? Some corporations, for example, have a gym and a cafeteria for their corporate headquarters employees. It is important to diagnose the disease properly before beginning to implement a cure. Only then can a company treat its illnesses.

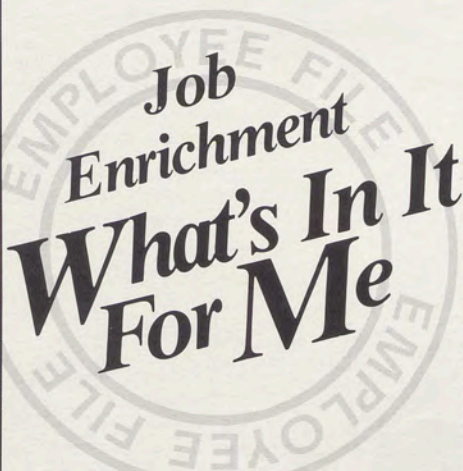
2. Employees need to know exactly what is expected of them. Two basic areas must be covered—(1) a clear statement of what they are expected to produce and (2) specific criteria that describe the quality and quantity of the performance expected in each area. Supervisors also benefit greatly from having a yardstick against which to measure actual performance. Each employee ought to have a written job description that is specific, current, and stated in terms of the end results to be achieved. Job descriptions ought to be rewritten at least once a year and more often when necessary to account for changes in the way a company does business.
3. Feedback is critical for any performance appraisal. Effective feedback, is specific, positive *and* negative, constructively delivered, and based on actual performance compared to a communicated set of standards. Employees at all levels need frequent information, whether formal or informal, on what and how they are doing. Sufficient feedback not only keeps the organizational flow in better tune, it keeps down nervousness and pressure at review time by eliminating the fear of the unknown.
4. Rental dealers cannot allow motivation to be an elusive and intangi-

ble concept in their organization. It is without a doubt the key ingredient in managing productivity. Lack of motivation is often the result of a problem within the outlined performance system, and not with the employee himself. Rather than treating the symptom by constantly changing employees, an effective and ultimately profitable rental dealer will take care of the root of the problem. More than likely, low motivation is due to the absence of clear performance expectations, the presence of job factors that interfere with getting the job done, the absence of necessary resources, unintended reinforcement of "bad", i.e. unproductive behavior, the absence of timely, high quality feedback, or the absence of skills or knowledge needed to do the job well. These deficiencies are the primary factors leading to motivational difficulties. Each of these is within the control of management, whose responsibility it is to target which of these problems exist, and direct a specific solution toward each deficiency.

When something is wrong in an organization, the first step toward correcting management problems lies in a careful and accurate definition of the problem. Unless a company is addressing the correct problem, all that may result are additional performance headaches. By taking the aforementioned factors into consideration when organizing a plan of management review, the performance of any organization can be raised. This leads most often to increased profits.

Author Note: Bill Overton is a freelance trade writer and regular contributor to THE APPROACH.

PERSONNEL



Job Enrichment What's In It For Me

Bill Overton

It is generally conceded that productivity in America has gradually declined in recent years. American workers, for the first time in many years, are producing less than many of their foreign counterparts, most notably the Germans and Japanese. As a result, the U.S. standard of living is falling from a world perspective. Why? Many factors can be blamed for this phenomenon, from inflation to increased governmental regulation. However, one factor chief executives and personnel managers must be particularly concerned with is the decline in employee motivation and commitment to high quality work performance.

Has the work ethic become a thing of the past? Do workers no longer proudly share the goals of their companies? Has pride in workmanship vanished? Many observers think so. One viewpoint holds that America's high standard of living since World War II has made U.S. workers lazy, hedonistic, and uncaring about their employer's problems or objectives. That is to say that complacent self-indulgence is the crux of the problem. Given this scenario, low motivation is a function of society and as such, our own basic values.

Fortunately, there is a more in-depth and far less depressing school of

thought held by many personnel managers. They are members of what is known as the "motivational school". They contend that motivation to work is an inherent human characteristic. This theory states simply that people seek personal fulfillment and self-actualization through their work. In other words, the overwhelming majority of people do *want* to work and *are* interested in making significant contributions to their organizations. Hence, if employee productivity is unsatisfactory, the motivational school contends that the fault lies with management and its failure to institute the principles of behavioral science. It would seem logical that motivation is more related to the individual than to societal forces. It is the manager's job to find a practical way to put such management theories into action.

Job enrichment is a management philosophy designed to improve employee productivity by utilizing behavioral techniques. Its basis is the theory that self-esteem is at least as big a motivator as money, if not more so. By broadening a worker's job responsibilities through practices such as increasing growth opportunities, allowing for self-management, and the creation of achievement recognition reward systems, the manager will have a less apathetic worker. This natural increase in responsibility corresponds directly to satisfying the entire needs of a mature adult. In actuality, the manager is giving the worker the opportunity to motivate himself.

The implementation of job enrichment, though a sound business idea, is not without built-in pitfalls. One thing

to be careful of is the simple fact that individual work motivations vary between persons. No two people have the same needs, and overgeneralization is a common error among employers. The manager must take a hard look at each worker before attempting to broaden worker horizons in terms of responsibility.

The following factors are important when planning a job enrichment program:

1. Carefully interview and review a prospective employee's work history. Make note of growth potential reflected in past career moves.
2. Implement an extensive and dynamic training program tailoring levels of the program to individual worker needs.
3. Develop an objective, accurate employee performance appraisal program in order to provide factual information about an employee's current work performance and clearly indicate specific areas where improvement is required.
4. Utilize an ongoing and leadership-oriented style of supervision and direction. Effective management necessitates setting high standards, while also insisting that they be met.
5. Maintain an equitable reward and compensation program. Self-esteem may be important—so is money. The system must clearly reward the achievements and contributions of its personnel.

Author Note: Bill Overton is a freelance trade writer and regular contributor to THE APPROACH.

M • E • M • O • R • A • N • D • A

News and Views of the Association of Progressive Rental Organizations

Newsbriefs

PR Success . . . Giving From the Heart

Rental dealers are always looking for ways to make better use of advertising dollars. Most rental dealers understand that when the notion of TV and appliance rental is accepted in the community, they are likely to have more customers. There is a way to kill two birds with one stone. Many dealers are realizing that opportunities abound in every community to spend a few advertising dollars on some charitable activities and get good market penetration as well as enhancement of the industry's image at the same time.

Sponsorship of a little league team or a soccer team gets a store name in front of parents and neighbors and might bring

*Schools, school districts
and churches are always
short of exactly the kinds
of products that rental
companies offer.*

them into the store. A dealer can get a lot of mileage out of the donation of a TV or a microwave to a worthy cause. A thoughtful dealer will ensure that the recipients and their friends know the sponsor and where the store is. A dealer can sometimes get just as much mileage by loaning a unit to a worthy cause as by giving something away. A television or VCR loaned to a school for a summer session can please a lot of parents and make the rental dealer look like a good guy. Nursing homes, non-profit radio and television stations, hospitals, and assorted youth programs, to name but a few, exist in nearly every community and need the help of private enterprise to flourish. It is so easy for rental dealers to spend a little money to get their names before the community and to do a good deed at the same time. Dealers should choose charities that their customers are familiar with and that are in the store's neighborhood. Dealers who have successfully taken money out of a neighborhood through rental payments understand instinctively the need to put some back in. A small portion of an advertising budget devoted to "good works" can return itself many times and make a dealer proud of the business that he is in.

APRO Holiday In Acapulco

Rent-to-own dealers will soon have the opportunity to enjoy a fun-filled vacation in sunny Acapulco while learning how to raise profit levels in their businesses. APRO is offering "Holiday in Acapulco" on November 17-20 at the Hyatt Regency Acapulco for interested rental dealers.

Program offerings include a two-part course, *Taxes and Rent-To-Own*, designed to target the tax benefits and liabilities of a properly structured rental accounting system. The controversial and often-misunderstood ACRS (Accelerated Cost Recovery System) inventory accounting method will be covered in depth along with personal estate planning and how you can take money out of the privately-held corporation without incurring excessive personal tax liabilities.

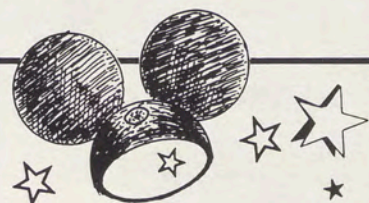
A half-day session addressing the unique problems of "Personnel Recruiting and Management" in the rent-to-own industry will answer many of your questions about where to find the best management people and how to keep them once you've landed them.

For the first time, APRO spouses will be able to participate in a half-day seminar devoted exclusively to "Women in APRO." Whether you are the wife or partner of a member dealer, or a principal in your own business, you will gain insight from an expert's discussion on the emergence of the female in the rent-to-own industry.

What better way to combine business and pleasure than to join other APRO members for a fun-filled vacation offering education, information, and that famous Acapulco nightlife and tropical sun.

Registration will include first-class ac-

commodations at the lovely Hyatt Regency Acapulco, continental breakfast, tips, ground transfers and transportation, course materials, coffee breaks, lunches and the big beach party and cookout on the final evening of your stay . . . warm ocean breezes, white sands, music, cocktails and delicious Mexican barbeque under the tropical moon that made Acapulco Bay famous around the world—Don't miss this one! Registration information available after May 1, 1983 through the APRO office. A waiting list is being formed now. Call 512-478-6521 for details.



Call APRO Now!

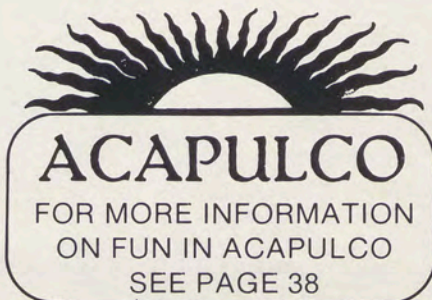
To Register For The

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Consumer Protection USA

The National Association of Consumer Agency Administrators (NACAA), has prepared a booklet offering information about all of the city and county consumer protection offices around the country. This booklet details where these offices are located, what they do, the authority under which they operate, and the laws they enforce. NACAA reviews 118 different agencies, representing 54 county and 64 city organizations. New Jersey, representing 36 agencies, has the most fully-developed city and county consumer protection program in the country. There are 74 consumer affairs offices in cities and counties throughout New



GOVERNMENT RELATIONS

CONNECTICUT

Connecticut rental dealers scored a victory when they were able to keep a bill sponsored by a local legal aid group from getting voted out of committee. As reported in the March issue of *THE APPROACH*, March '83, the bill would have required dealers to disclose the fair market value of all units and would have effectively set limits on rental rates that could be charged. The Connecticut dealers lobbied members of the state's General Law Committee arguing that the legal aid bill was both unfair to rental dealers and inconsistent with efforts at the federal level. The committee did vote to do a study on the rental industry with a report due sometime next fall. By then, the federal picture should be clearer and rental dealers in the state will have a better opportunity to present legislation in Hartford that they can all live with.

IDAHO

The Idaho legislature has before it a bill, S.B. 1097, that would enact the Idaho Credit Code and repeal the Idaho Uniform Consumer Credit Code. Of particular note to rental dealers with stores in Idaho is the proposed definition of the term "sale of goods":

an agreement in the form of a bailment or lease of goods if the bailee or lessee *pays or agrees to pay* as compensation for use of a sum substantially equivalent to or in excess of the aggregate value of the goods involved and it is agreed that the bailee or lessee will become or for no other or a nominal consideration has the option to become, the owner of the goods upon full compliance with the terms of the agreement.

This is the same language that appears in the Iowa and Wisconsin versions of the Uniform Consumer Credit Code. Since some rental customers make all their rental payments and obtain title to the goods, some rental transactions might be covered under this bill. If so,

the disclosure requirements, interest rate ceilings, and limits on creditor remedies upon default would all apply to those rental purchase agreements. Also in the bill is a new definition of unconscionability that could have adverse effects on rental dealers who rent to low-income consumers. APRO members with stores in Idaho will want to follow the progress of this bill carefully. APRO opposes passage of this bill.

WASHINGTON

A bill has been introduced into the Washington state legislature to clarify the distinction between consumer loans, retail installment contracts, and consumer leases. Senate Bill 3299 was introduced in January of this year. The bill appears to adopt the federal definition of a consumer lease by inserting the four-month rule. Rental dealers with week-to-week or month-to-month contracts will not be affected. Nonetheless, APRO takes the position that in most cases, it is better for the states to follow the lead of the federal government in the consumer credit area in order to promote uniformity and avoid adverse legislation like the Pennsylvania experience. APRO encourages its members with stores in Washington state to support this legislation.

NEW YORK

A bill has been introduced into the New York state legislature that might affect the collection practices of rental dealers there. The bill, S.B. 2672, was introduced in February of this year and would cover both debt collection agencies and creditors. The bill would prohibit the collection of any debt by means of any threat, coercion, or attempted coercion. It would also prohibit a creditor from oppressing, harassing, or abusing any person in connection with the collection of a debt. This bill falls in line

with debt collection practices acts in several other states, and, if passed, will pose no serious problems to APRO members doing business in New York State.

MAINE

The Maine Supreme Court heard oral arguments in the case of *Hawkes Television, Inc. vs. Maine Bureau of Consumer Credit Protection* on March 21. The legal issues in the case were detailed in the March issue of *THE APPROACH*. Portland attorney Dennis Levandoski represented the Hawkes case during the 45 minute argument and Assistant Attorney General Peter Bickerman represented the State. Also present were Al and Barbara Hawkes, Barbara Alexander, the "judge" in the original case, and APRO counsel, Ed Winn, III. The case has received extensive newspaper coverage in the Portland area. The Hawkes feared the Supreme Court arguments might be filmed for television, but neither cameras nor reporters were evident.

The Maine Court has seven judges, one of whom will not take part in the Hawkes decision. Of the six judges present, two spoke out strongly in favor of the legality of the Hawkes' rental purchase program and two seemed willing to follow the lower court's judgment.

The state focused its argument on the "economic realities" of the transaction. When a customer has made 103 rental payments, Mr. Bickerman argued that those economic realities compel the customer to make the 104th payment to obtain ownership; thus the "obligation." In response, one judge suggested that when the legislature passed the Consumer Credit Code, it was referring to legal obligations only, and not other kinds of obligations that might exist — economic, moral, or emotional.

There is simply no way to predict how the two swing judges will vote on the issue. Nonetheless, the Hawkes remain optimistic that ultimately they will prevail. The Court gave no indication concerning when it would render an opinion, but the Court generally rules within three to six months of oral argument.

NORTH CAROLINA

North Carolina rental dealers are facing a serious legislative attack sponsored by legal aid attorneys, the N.C. Retail Merchant's Association, and the North Carolina Attorney General's office. On March 28, Representative Jeanne Fenner introduced a bill, H.B. 545, that would amend the definition of credit sale in the North Carolina Retail Installment Act. The Act, as written, parallels closely the federal Truth-in-Lending Act, and excludes rental purchase agreements from coverage. Ms. Fenner's bill calls rental agreements credit sales for all practical purposes.

Rental dealers did not learn of the bill until it had passed the North Carolina House of Representatives by a vote of 110 to 2. Ms. Fenner did not contact any rental dealers before she introduced the bill and presented the legislation in the House as being unopposed.

As soon as dealers heard of the bill, they contacted APRO. APRO general counsel, Ed Winn, III, and Colortyme attorney, Sam Choate, went to Raleigh to lobby against passage of the bill in the Senate. The bill was referred to a Senate Judiciary committee, and Senate Committee Chairman Allsbrook, referred it to a subcommittee for further study. Senator Allsbrook did this despite heated arguments from Ms. Fenner and other supporters that the bill needed no further study and should be voted out of committee favorably.

Industry statistics show almost 100 rental outlets in the State, 40 of which belong to APRO. Many of these dealers have contributed funds to help defray the costs of lobbying. For more information about the progress of this legislation in North Carolina, contact Ed Winn, III in the APRO office.

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WASHINGTON REPORT

APRO President Barry Gambini and APRO attorney Ed Winn, III, sat in on the latest meeting of the Federal Reserve Board's Consumer Advisory Council. The Council has no regulatory authority and, rather, advises the Board in the field of consumer financial protection laws and other consumer-related matters. Members of the Council are appointed to serve three year terms and come from all parts of the country. The Council has broad representation of consumer and financial industry interests. For example, in addition to legal aid and consumer law attorneys, an executive vice-president of the Bank of America, the President of the American Association of Retired Persons and the assistant to the vice-president and general credit manager of Sears Roebuck and Co. are current members of the Council.

Of particular note to APRO members at this meeting was the FRB staff presentation of the proposed amendments

to the Consumer Leasing Act which would cover rental/purchase agreements for the first time.

Several consumer advocates spoke out against the industry generally, but Willard Ogburn, Deputy Director of the National Consumer Law Center in Boston, stated that he supported the staff's efforts and hoped that Congress would enact it. The Council heard reports of exorbitant prices, bait and switch tactics in the stores, repossessions in the middle of the night, and the use of "thugs" to do collection work.

One of the questions raised during the meeting was what alternatives there were in the marketplace for rental purchase customers. Oddly, one of the legal aid representatives stated that all rental customers had credit, either through finance companies or retailers. The Sears representative flatly denied that anyone was in the rental business without doing credit checks on customers.

A legal aid lawyer from Philadelphia

insisted that rental/purchase agreements were nothing more than disguised credit sales and that if TV and appliance rental transactions were outlawed altogether, the retailers would take over the market completely. He went on to accuse certain rental companies of leaving a product with a customer for fifteen months or so and then looking for any excuse to repossess the unit and rent it again.

In general, most of the complaints and misconceptions about the industry were aired at the meeting. Importantly, however, despite the consumer advocate objections to the industry, the overall attitude of the group was to support the staff's proposal.

This is the same proposal that APRO representatives have reviewed and helped develop and which is fair to both consumer interests and rental industry interests.

The next step is for the staff to present its proposal to the Federal Reserve Board. If the Board favors the proposal, it will send it on to Congress where APRO is busy paving the way for early passage. A summary of the contents of the proposal was reported in the March, 1983 issue of THE APPROACH.

PRODUCT FOCUS



#5495
Dimensions:
Overall: 47-7/8" h
Video section: 18-1/16" h
27" w
15-3/8" d
Audio section: 33-3/8" h
19" w
15-3/8" d

Advanced styling marks GUSDORF's introductions for 1983 . . . Model #5495 typifies the move Gusdorf Corporation has made to refine its bestselling designs while holding down prices. At approximately \$187 retail, this audio-video credenza is an outstanding value. The Paradise Hickory finish blends beautifully with Gusdorf's newest slate gray Silverstone shelves. Tambour woodworking, the vertical grooved detailed on the video cabinet door, is one of the new styling touches Gusdorf has added this year and it contributes to the fine crafted furniture appearance. Chrome, used as a trim and to cover the double-wheel casters, highlights the luster of the finish and unifies the look of the furniture with the look of the componentry. The video section can hold up to a 19-inch color set and the cabinet below has storage for additional video equipment, cassettes, and software. The audio area includes adjustable shelves and removable record dividers, all set behind a tempered safety glass door. The entire unit is guarded from scratches and stains by a Rendura coating.

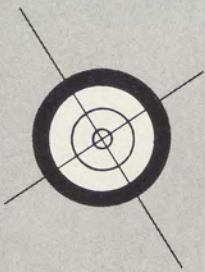
New COMPU-TABLE STYLE introduced by GUSDORF . . . Gusdorf has designed a basic, long-legged desk which, priced at approximately \$70 retail, is an affordable companion for the latest home computer systems. Model #1685 Compu-Table features a sturdy steel leg base and an 18-inch-deep-by-31-1/2-inch wide desk surface. It is capped by an adjustable hutch which puts the monitor at an easily visible level. A modesty panel also serves to tie the crisp, clean design together. The Paradise Hickory finish benefits from a protective Rendura coating that resists scratches and stains. Whether for office or home, the Compu-Table is a functional design.



#1685
Dimensions:
27-1/8" high
31-1/2" wide
18" deep
Hutch:
5-5/8" high
14-1/16" wide

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15-1/2" deep

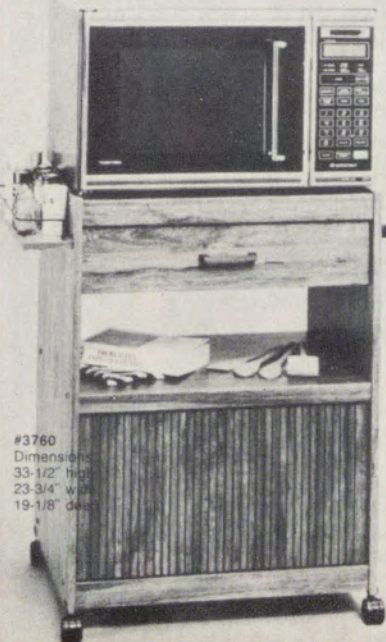
GUSDORF'S VCR Tape Library is now available in a pecan finish. Model #2465 is a handsome cabinet that is deceptively spacious and practical. Brass pulls open the doors to reveal abundant storage for up to 168 VHS or Beta videocassettes. Each door holds 27 tapes, and the remainder can be stacked on the three interior shelves. The upper shelf is reserved for VCR equipment. The light pecan vinyl veneer benefits from a Rendura coating which withstands stains and scratches. The library is portable, riding on hooded casters, or can be a more permanent home furnishing with stationary glides. The same styling is available in walnut. Approximate retail: \$207.



New finish and styling added to GUSDORF microwave carts

... Sunrise Maple is the new finish available on Gusdorf's Model #3760 microwave oven cart. It is teamed with tambour woodwork, which is being shown for the first time by Gusdorf, to create an elegant cooking cart. Another new feature is a handy condiment shelf which can be attached to either the left or right side of the unit. The cart is proportioned to house deluxe-size microwave ovens. A drawer and cabinet provide convenient storage for pots, pans, and cooking utensils, and an open mid-section forms a shelf that is a good spot for cookbooks and other kitchen aids. Riding on double-wheel casters, the unit can be moved from kitchen to dining area and is good looking enough to use for tableside serving and entertaining. A Klearseal II coating provides added protection against mars and stains. Approximate retail: \$146.

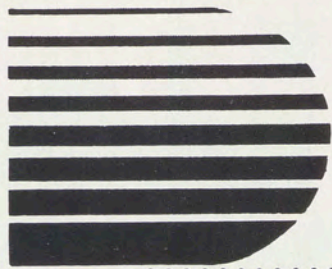
GUSDORF achieves custom-built look for Vistarak ... By adding its new high-tech Silverstone finish to the popular VistaRak, Gusdorf has created an audio cabinet that has a custom-built appearance. The slate gray finish, which is used on shelves, combines with Paradise Hickory in Model #5465. Shelves are adjustable so that components can be arranged according to personal tastes. The top turntable shelf is protected under a glass top canopy which raises for easy access when changing records. A tempered glass door the length of the unit also serves to protect sensitive equipment from dust and damage. A removable record divider is included and chrome covered, double-wheel casters allow the unit to be moved away from the wall when equipment adjustments are necessary. The Gusdorf VistaRak offers an alternative to single-brand audio systems, providing a handsome rack for assorted components to be unified into a total compact unit. Approximate retail: \$146.



#3760
Dimensions:
33-1/2" high
23-3/4" wide
19-1/8" deep



#5465
Dimensions:
33-1/2" high
23-3/4" wide
14-3/4" deep



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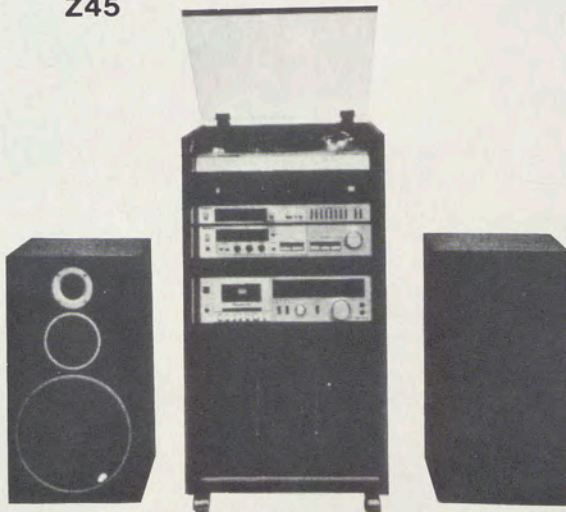
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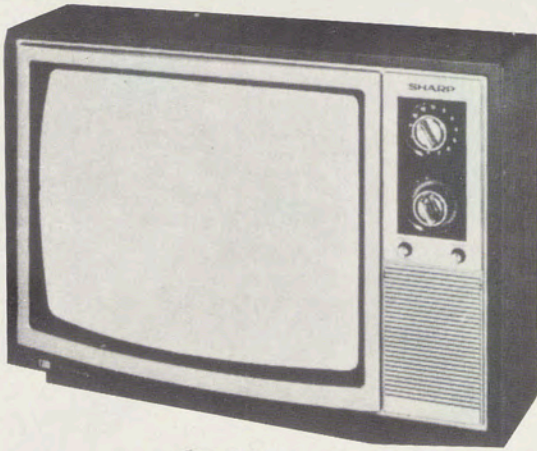
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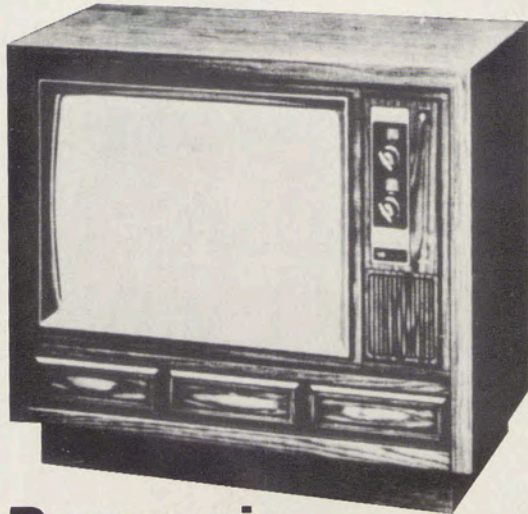
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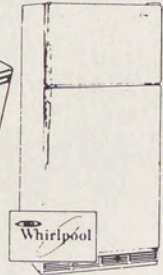
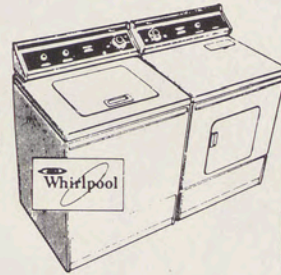
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EDITORIAL PREVIEW

The JULY issue of THE APPROACH is offering a star-studded line up of exhibitors and Convention '83 events . . . product previews, great new seminars and a pull-out directory of convention exhibitors, Caesars' Palace and the fabulous city of LAS VEGAS!

Advertiser's won't want to miss the BIGGEST issue of the year. In addition to regular magazine ad space, a limited number of spaces are available in the pull-out Exhibitor's Directory '83

So . . . get YOUR act on stage in the JULY Issue of THE APPROACH. After all, it's SHOWTIME!!

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June 20, 1983

ISSUE DATE
July 10, 1983

Contact:
Elizabeth T. Johnston
Advertising Director

THE APPROACH

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MANUFACTURERS' NEWS

TEAC Broadens Distribution

TEAC, a longtime veteran in the audio accessory field with such items as microphones, headsets, blank tapes and cassette cleaning kits, is expanding its assortment with cabinets for cassette and video storage, video furniture, connectors, video cassette cleaners and cables.

TEAC is out to broaden distribution of its expanded audio and video accessories line through any possible market—department stores, record chains, drugstores and other chain operations.

TEAC's 18 manufacturer rep firms are on notice and are ready for action.

CES Show Record . . .

The Winter Consumer Electronics Show in Las Vegas last January drew a record 78,126 registrants and 1,056 exhibitors, filling 638,000 square feet of exhibit space. The 1983 Chicago Show, to be held in June, is expected to require nearly 750,000 square feet.

JVC High Tech

The JVC Company of America is introducing its most advanced stereo components, the Select HiFi Component Series, consisting of a stereo preamplifier, power cascade super-A power amplifier, quartz-locked direct drive turntable and direct coupled moving coil cartridge. Distribution will be limited.

SONY Videodisc Coming . . .

Sony Corporation is a new name in the consumer videodisc market offering an optical pickup player and discs. The Sony players and discs will be designed for compatibility with Pioneer laser discs.

Rent A Video Player

A Phoenix-based company, PortaVideo Entertainment Group, Inc., is introducing a new rental concept in home entertainment, known nationally as PortaVideo.

PortaVideo is a specially designed 16-pound electronic component adapted for VHS cassette tapes. Marketers plan to offer PortaVideo, The Magic Movie Machine, to the general public through a network of exclusive distributorships, non-exclusive dealers and rental agencies. The company will also offer mobile units to provide pickup and delivery of equipment and cassettes.

PortaVideo operates on standard household current or 12-volt battery and requires only connection to a power source and attachment to the antenna lead of any TV for operation.

According to Ted Thrush, the company's chief executive officer and president, the rental franchise operation today is capitalizing on three growth industries: electronic home entertainment, the booming rental market and a motion picture industry that has placed its own economy-based emphasis on home entertainment movie cassettes.

Rental fees which average \$5.95-\$9.95 weekdays, \$7.95-\$12.95 on weekends and an average of \$15-\$20 for mobile service, include the movie cassette of the customer's choice.

Company executives estimate a potential market of some 77 million U.S. homes plus millions of hotels and motels across the country.

Update

New Dealers

() Number of stores

BLAKE, Eugene, Sr. (2)
Rent To Own, Inc.
dba Blake's Magnavox
Home Entertainment
Center
251 South Kerr Avenue
Wilmington, NC 28403
919/395-1000
919/791-1078

Blake's Home Enter-
tainment Center
Main Street
Shalotte, NC 28459
919/754-4285

FEINSTEIN, R. (1)
Armco Furniture-
Appliance Rent All, Inc.
Military Rent-All
3619 Motor Avenue
Los Angeles, CA 90034
213/204-2220

GALLAGHER, Thomas H.
(1)
Omega Rental Center,
Inc.
6811 Royalton Road
N. Royalton, OH 44133
216/237-5000
HEBER, Jerry (1)

AmRent, Inc.
3333 N. Trail Plaza
Sarasota, FL 33580
813/355-0447
HELLMAN, Ronald (3)
N.V. of South Salem, Inc.
dba National
Video-South
3410 Commercial S.E.
Salem, OR 97302
503/362-7499
503/363-1833

National Video-North
4918 River Road,
North
Salem, OR 97305
503/390-6257
National Video-East
1991 Lancaster Drive,
N.E.
Salem, OR 97303
503/362-9663

HOFFMAN, Donald J. (1)
dba Hard Hat Ap-
pliance & TV
21 West Main
Price, UT 84501
801/637-0140
JONES, David (2)
D.A.M.S.L. Corp.
dba Rent To Own-
Appliance & TV Center
4525 Main Street

Snyder, NY 14226
716/839-0814
Rent To Own-
Appliance & TV
Center
1809 Main Street
Niagara Falls, NY
14305
716/284-1766

KELLEHER, Tom (1)
Tommy K's Rentals
1636 Dixwell Avenue
Hamden, CT 06514
203/248-7314

KRAMER, Arnold (1)
Arnold K Enterprises, Inc.
dba B&B Appliance
Sales & Service
114 N. Plano Road
Garland, TX 75040
214/494-2145

KREIS, Larry L. (1)
The Video Center, Inc.
7057 Post Road
N. Kingstown, RI 02852
401/885-1111
401/885-4144

SCHOLTEN, Nicholas L.
(1)
Nick Scholten's
Michigan T.V., Inc.
2020 E. Cork Street
Kalamazoo, MI 49001

616/381-3933
TAYLOR, Alan (1)
Michigan Video and
Television, Inc.
28153 West 8 Mile
Livonia, MI 48152
313/474-2155

WILLS, Nancy L. (1)
Mrs. T's Rentals, Inc.
1366 North "E" Street
San Bernardino, CA
92405
714/888-2257

New Associates

(industry suppliers)

HATLEY DISTRIBUTING
COMPANY
John Hatley
2701 Ludelle Street
Fort Worth, TX 76105
817/534-1796

INTERACTIVE SOFTWARE
SYSTEMS
Joe Doran for A&A Tool
Rentals and Sales, Inc.
P.O. Box 8810
Stockton, CA 95208
209/948-9457

THOMAS CORPORATION
Rick Umans
5D Joanna Court
East Brunswick, NJ 08816
201/238-6860

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The Furniture Rental Industry



Furniture Rentals: The Challenges And The Opportunities

by Rozanne Kowalczyk



There's Future in Furniture

by Curtis Beavers



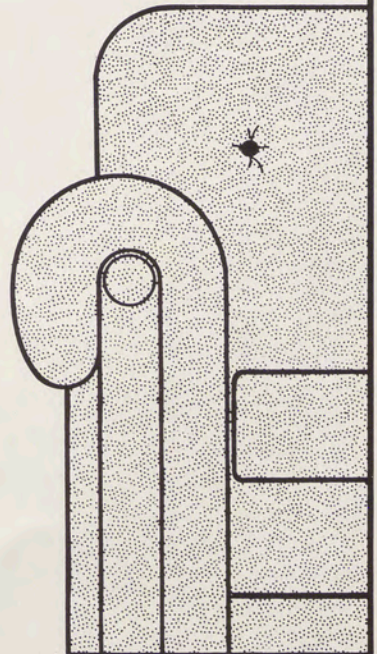
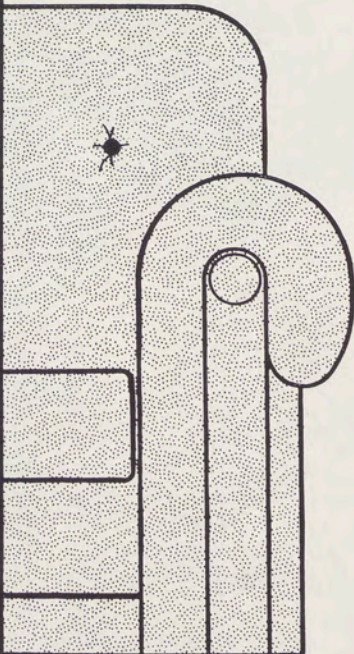
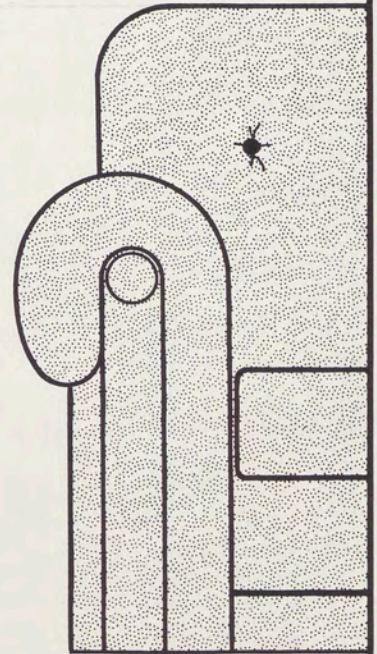
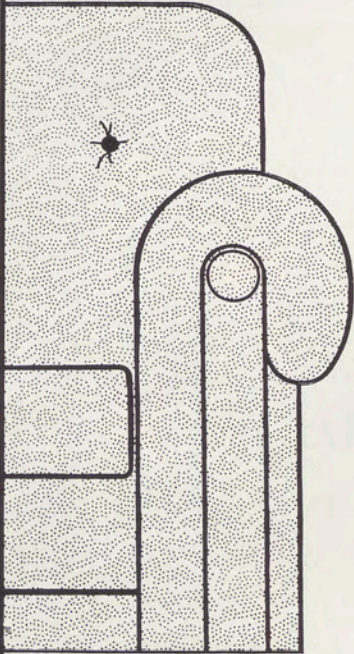
Financing Furniture Rentals:

an interview with
Joe Eason of Borg-Warner



The Distributors' Role in Furniture Rentals

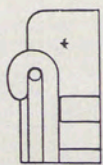
by Glenn Davis



FURNITURE RENTALS...

The Challenges And The Opportunities

by Rozanne Kowalczyk



Last August at the APRO Convention in New Orleans, many rental dealers were either curious or excited about the addition of furniture to their existing inventories. Many members had entered the furniture rental business while others were full of plans or questions. This composite overview represents information from several dealers who have been renting furniture for as long as five years or as little as six months.

The first step in deciding whether to rent furniture is to decide what business the company is in. Since renting furniture is different in some regards from renting TV's and appliances, this decision is fundamental. APRO members who attended one of Chuck Sims' (Remco) Planning Seminars last year will recognize the importance of this first step. If a company defines its business as providing home entertainment products either through a rental-purchase agreement or through short-term rentals, it will confine its activities to renting video, audio, games and perhaps computers. Such a company cannot enter the furniture rental business without redefining its business purpose. If a company has the rental purchase concept as an alternative to traditional retailing for major home products as its purpose, then it can give serious consideration to the challenges and opportunities presented by furniture.

An important element in defining the business purpose is to recognize the target customer. The Furniture Rental Association of America (FRAA) members who met recently in San Diego serve a different customer than does the traditional TV and appliance rental dealer. According to FRAA members, their primary customer is either a furnished apartment complex or a mobile, young executive on the move, typically about 27 years old, single, and male. He is a managerial employee who does not want to pack and unpack furniture every time he is transferred. On the other hand, TV and appliance rental dealers who currently rent furniture are serving traditional rental purchase customers. These are young families, short on cash and credit, who want the use and ownership of nice things for the home. Of course, there is some overlap between these two groups of customers, but the distinction is important as it has a strong impact on the way the business is advertised and promoted.

THE OPPORTUNITIES. Furniture rental represents a significant way to broaden the base for a rental dealer and thereby increase the BOR. This advantage has particular appeal for those TV and appliance dealers who face increas-

ing competition and for those in small markets with limited numbers of customers. Dealers in small towns report that furniture rental works best with stores in at least two or three towns close enough together so that furniture orders and inventory can be shared among the stores.

Another advantage is that the margins are generally higher in furniture rental than in home entertainment products and appliances. The same is true in traditional retailing. Reasons for the difference are not clear, but it may be due in part to the vastly broader range of product variations (style, upholstery, color, etc.) as well as little brand identification, both of which contribute to difficulty in direct comparison shopping.

The term of furniture rental agreements varies. Some dealers rent with a one-year term, while others have as much as a 36-month payout. Even at the same mark-up, rental on a shorter term offers obvious profit opportunities. Those dealers who rent for eighteen months or longer are getting higher margins, still. Their choice was to lower payments and make furniture affordable for a wider range of customers.

Those dealers who use a twelve-month term have chosen the shorter term for two reasons, even though it eliminates some potential customers. The first is that most furniture floor planning carries a maximum twelve-month term. The second is that customers reach significant achievement stages more quickly. For example, 25% of the customers' rental payments are made in three months; 50% in six months. This means the customer has a high incentive to complete the full term and thereby achieve ownership. Some dealers report that furniture stays out well because it is a necessity item, especially for families. For the dealer, this means fewer turn-ins. Most dealers renting furniture agree that it is desirable to minimize turn-ins; stated positively, it is good to have a high "keep rate."

Dealers renting furniture report that the new products are well received by their customers. Several report that when they added furniture, rentals of brown and white goods increased noticeably. They attribute this to increased floor traffic.

THE CHALLENGES. There are a few sobering considerations to adding furniture, all of which can be managed. Nonetheless, a rental dealer needs to be prepared for them.

Expansion into furniture will require a higher level of investment. A dealer must have the capital or credit necessary for the addition. A dealer must take a close look at how furniture will affect the company's financial statements and ratios before making the jump. Cash flows must be watched carefully. Big orders mean big jumps in cash requirements.

Dealers will also need more space, both display area and warehousing. Depending on how dealers decide to buy, they may need a *lot* more warehouse space. Freight is a major factor in furniture buying. If dealers buy direct, they will have to buy in significant quantities because of freight minimums.

Slow order turnaround seems to be a plague in the furniture business. Dealers typically must absorb larger deliveries than with home entertainment products. Most dealers are using distributors or manufacturers' representatives for at least part of their purchases. Furniture manufacturing is highly specialized. That is, one firm makes sofas, another makes coffee tables, and another yet, bedding. Because of the diversification, manufacturers' reps can offer freight consolidation or a distributor can sell in smaller quantities.

Furniture shows to best advantage when it is attractively arranged in room settings rather than just "lined up," and so it tends to take up more space than the products themselves. More showroom space often means moving to a different location with all the costs involved. Furniture also tends to be a bit more trouble to keep clean in the showroom, another cost.

Since furniture is rented in suites or in groupings, dealers must have a cube van or count on making more than one trip for most deliveries. Also, it takes two people to deliver a couch, and so labor costs for deliveries are higher.

Dealers do not need the technical service required for electronic and mechanical products. But they will need upholstery cleaning equipment and peo-

ple to operate it. Dealers report that they have to replace parts such as cushions, chair legs, table tops, and the like.

There are statutes in several states concerning used bedding. Depending on the state, dealers may find it easier to discard and replace turned in mattresses than to renovate them.

The same agreement form used for TV's and appliances can be used for furniture. If the form has enough blank space, the furniture, usually several pieces, can be identified by model and serial number. If not, the information can be provided on the back of the agreement or attached as a separate document.

Unlike TV's and appliances, furniture is often sold without model or serial numbers. This can be a problem with dealers who finance their furniture inventory, since they have to account for each piece. Dealers have been working on the problem by devising their own numbering system and marking each piece of merchandise as it comes in. Dealers report that this system can be troublesome and require careful planning.

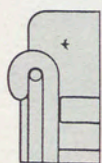
As a rule, TV and appliance dealers currently renting furniture will not put out individual units with a small unit rental value, such as a simple coffee table or a part of end tables. Some rent only fixed combinations, such as a defined living room suite: a couch, a chair, a coffee table and two end tables. Others rent groupings and allow the customer to choose a combination of pieces, usually with a minimum total weekly or monthly rate. Both ways seem to be working. This first system simplifies ordering, inventory recording and pricing. The second is more trouble but increases business by offering more flexibility to the customer.

SUMMARY. Most dealers who are renting furniture are satisfied with the decision to do so. Increased volume and improved margins sufficiently offset the additional costs and problems for the dealers who can support the additional investment.

If dealers have questions about furniture rentals, send them to THE APPROACH Editor, Elizabeth Johnston. Answers will be sought and published in the dealer Q/A column, FORUM.

THERE'S Future IN Furniture

by Curtis Beavers



Editor's Note: In preparing this special section on furniture, THE APPROACH sought a person knowledgeable about furniture construction and distribution who also understood the rental business and its unique needs. Mr. Curtis Beavers of Curtis Beavers' Manufacturing started his own furniture rental operation, then became National Merchandise Manager for Aaron Rents. When Mr. Beavers had difficulty tracking and obtaining furniture that looked good and had struc-

tural integrity, he founded his present manufacturers' rep firm. He works closely with selected manufacturers to define and fill the specific needs of the rental industry. His staff includes a former buyer for GranTree Furniture, and the former head of the Broyhill Manufacturing rental division.

Most of my past experience has been with the rent-to-rent furniture business. Now, I'm working with many rent-to-own dealers. I'm really excited about what rent-to-own is doing, because I believe there's a great future for the

business, and a fine opportunity to broaden its success with furniture.

The Furniture Rental Association of America members, the rent-to-renters, have not yet figured out that rental purchase dealers are serving an entirely different customer. The customer is approached in an entirely different way. Rent-to-rent customers are usually transients, people who are not as concerned with pride of ownership. Consequently, a much lower keep rate exists. There is one important thing all rental dealers *do* have in common: product needs.

Furniture manufacturing is a very fragmented industry with one company producing upholstered goods, another occasional tables, another dining room furniture, lamps, and special items like recliners and bar stools. Less-than-truckload (LTL) freight costs are very high for furniture, and there is usually a considerable lag time with LTL's. Rental dealers need to buy and receive merchandise according to customer demands without having to support huge idle inventories. Consolidating freight from manufacturers in each product category, those which fit dealer



SPECIAL SECTION

needs and customer wants, reduces inventory load.

Whether purchasing through a rep, a distributor or direct, the following are some important considerations for product selection.

THE PRICE EQUALS VALUE QUESTION

The price-value relationship is especially important in rentals because of multiples. The "best buy" at a given price point will include durability, utility and aesthetics. "Best buys" for rental dealers have customarily been in the upper-end of promotional lines or the lower-end of medium priced lines. Historically, dealers have had more success with middle-of-the-road, non-faddish merchandise that offers customer appeal on a year-to-year basis. Avoiding new styles—"bells and whistles"—is always advisable. Sticking with traditional styles, with variations in color and fabric, will generally lead to less idle inventory. Durable construction and variety in style, fabric and color are the essential ingredients for having satisfied customers and, if necessary, re-rentable merchandise. Beware of furniture offering surface appeal and low price. The low price is often coupled with a real lack of structural integrity, and this can spell big trouble in the rental business, where product life plays a major role in profitability.

The following general tips, if incorporated into the rental dealer purchasing philosophy, will aid toward the achievement of effective and profitable inventory management: Purchase a good middle-grade, durable and cleanable upholstery, offering wide appeal in styling. Select high pressure laminate (such as Formica) for tops on dinettes, tables and living and bedroom surface tops. Avoid elaborate ticking on bedding which only serves to drive up price points without adding real value. Finally, train warehouse and delivery personnel to handle furniture properly. This will add substantially to the rental life of a product as employees can cause as much damage to merchandise as customers.

THE MANUFACTURER & INVENTORY

Choosing a stable and reputable manufacturer is extremely important to ensure product continuity, matched returned items, replacement components, etc. Since all furniture is manufactured to order and many furniture manufacturers simply are not geared to quick order turn-around, securing manufacturers who offer quick shipments and service on repair and replacement parts will reduce lag time and improve overall efficiency.

Inventory is far easier to manage if bought narrow and deep. Don't make the mistake of offering too many selec-

tions. Living room lines usually require about 60% of total furniture dollars invested, dining room lines about 15% and bedroom lines about 25%. Counted in units, the breakdown will be about 65%, 20% and 15%. The model variation will depend on floor space and volume of business. Starting out, a recommended inventory includes at least two living room groups, preferably three, two dining suites and one bedroom suite. Dealers customarily require more variation in living room groups—up to eight or ten units if ample space and volume is available.

Having a good inventory system is as essential for furniture as it is for TV's and appliances. It is required for efficient operations, particularly for dealers who are floor planning. Disciplined inventory tracking is a must to insure that what goes on the truck is delivered to the customer, and what is picked up is unloaded at the warehouse. Dealers have the choice of keeping inventory systems simple or very detailed. The complexity of the system of management depends largely on how products are routed to the customer.

Managing furniture inventories requires considerable attention. The addition of a furniture inventory means substantial increases in profit margins for some dealers, and careful management will certainly pay off. Points to remember: Manage inventory—minimize it and account for it; train personnel both to sell furniture effectively and to handle it carefully; keep inventory fresh, making sure no "bone piles" exist and maintain good housekeeping on the sales floor.

Pride of ownership, product utility and pleasure of entertainment are important to the rental customer. The rental-ownership industry has been quietly revolutionizing the business of putting major household items such as TV's, stereos and appliances into customers' homes. Rental ownership has given a large segment of the American consumer population a viable way to own the things consumers want. There is developing today a whole new awareness of the industry and wide acceptance of rental/purchase as a strong alternative to retailing. The industry has a tremendous future. In fact, it is the belief of Curtis Beavers Manufacturing that rental/ownership will eventually overtake retailing. Furniture can provide for some larger piece of a bright future.



FINANCING

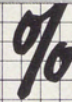


FURNI- TURE

rentals



...an interview with
Joe Eason of
Borg-Warner Acceptance Corp.



Q: As an important supplier of financial services to the rental industry, will you share with APPROACH readers your general view of the future of furniture rentals?

A: "We at Borg-Warner have been watching this new area and have selectively made financing available for about a year. We are generally holding our credit to about 10% of the selected dealer's total credit line, while we watch it more carefully on an individual basis.

The dealers we have financed seem to be doing well with furniture and are very pleased with it. The dealers we are handling have maintained a high 'keep rate'. Picked-up inventory is often pretty ragged, but it represents such a small percent of the business that it has not been a serious problem."

Q: Have you any cautions for the dealer who is considering furniture rentals?

A: "Dealers must be aware that there are greater start-up costs—more floor space is required, for example. Since furniture is a larger and more cumbersome inventory to handle, extra delivery help and box vans are required. Dealers must also be sure that merchandise is durable and cleanable."

SPECIAL SECTION

Q: Aside from the general credit-worthiness of the dealer, what do you particularly watch for in furniture floor planning?

A: "We do want to approve the manufacturers and suppliers. There is such a diversity in this area. It seems like there are a million manufacturers and a zillion distributors. We want to be sure that the sources are reputable and that the dealer gets good, rentable furniture-merchandise that will hold up."

"Also, inventory control is a problem. We are working hard to get a handle on that. Items are not identified at the factory by model and serial numbers, and there are many more items to enter into the system and to track. Consequently, it is much more difficult to audit these inventories. A good audit is critical in our business for two reasons. First, we have to confirm that Borg-Warner has safe collateral. Second, and just as important, our audits provide a significant service to the dealer by assuring that his or her assets are accounted for."

Q: Borg-Warner financing of furniture is available only on a 12-month basis. Why this limit?

A: "Because of the higher mark-up on furniture, the dealer is recovering the merchandise cost more quickly. So the 12-month financing does not put a squeeze on cash flow. Of course, the dealer pays less total interest this way, so it is to his or her advantage."

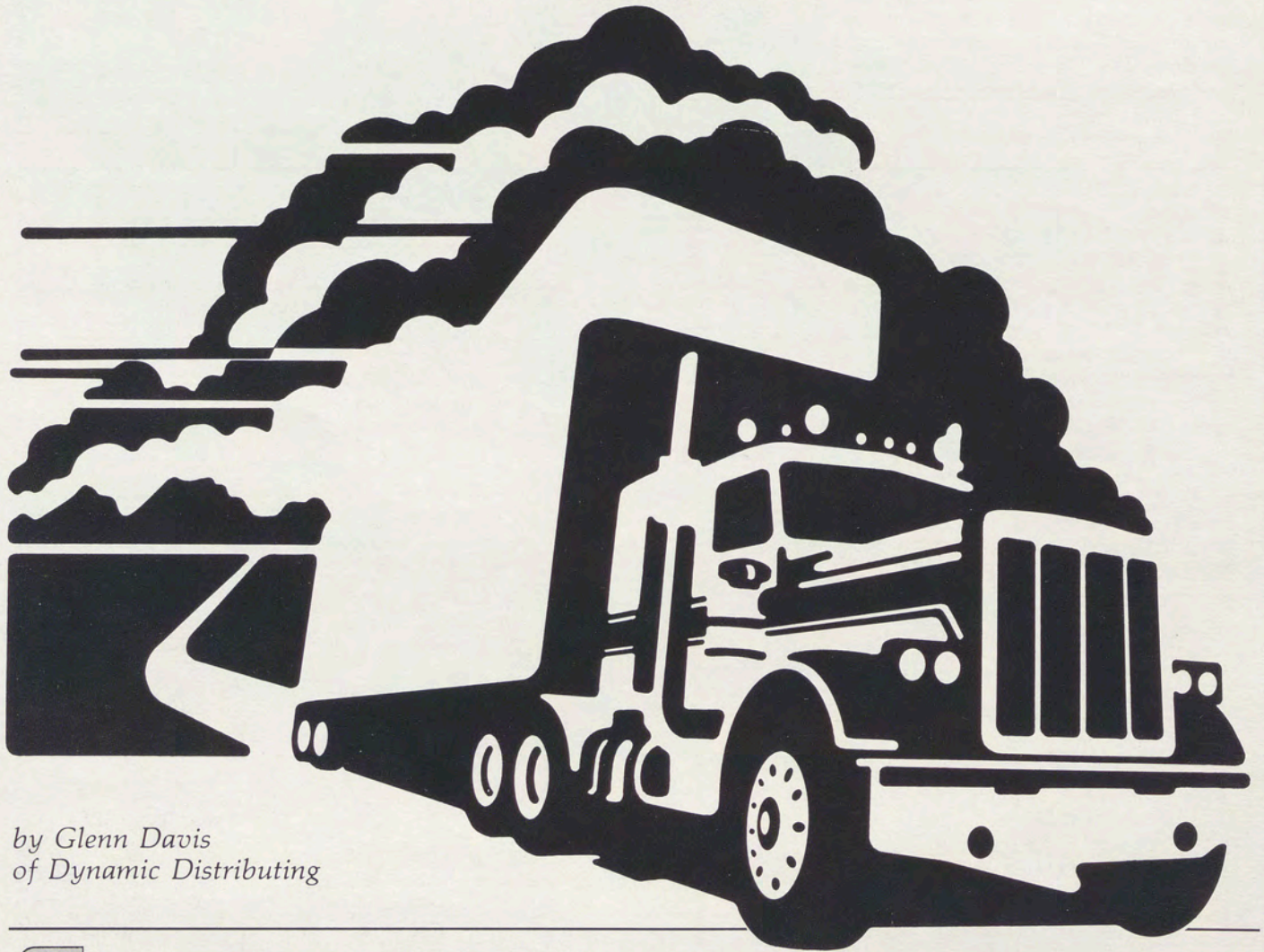
Q: What do you think is the future of furniture in the traditional rental purchase business?

A: "I think it's a real comer. Those who are doing it now are very pleased with the opportunities furniture lines provide. We expect this will be an important growth area for the rental-ownership industry, and therefore for ours as well."

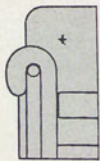
Q: How does the furniture rental business represented by FRAA compare with what APRO members are doing?

A: "Borg - Warner attended the recent FRAA meeting in San Diego to find out whether we could do anything for them. They have a completely different concept. They are renting to a totally different consumer—either large furnished apartment complexes or a person who is transferred and is moving a lot—not the rental purchase customer. The FRAA folks don't get their cost out as fast and they have a higher turn-in rate."

The Distributors' Role In Furniture



by Glenn Davis
of Dynamic Distributing



All indications are that furniture is really moving well in the rental-ownership business. It is moving well both in the distributorship and in my stores. I know of several cases of thousand unit stores renting out 50 furniture groups a month to existing customers, with no additional advertising.

The freight charges that accompany furniture are so high, that buying in truck loads is recommended and necessary in order to offset the higher charges. A small store with no warehouse space and low volume cannot do that. The distributor of furniture

serves the traditional function of making merchandise available quickly and in small quantities.

Of course, the price is a bit higher dealing through a distributor, but the dealer will not have to choose between overloading a small store, adding a warehouse, or paying interest on large idle inventories.

A lot of dealers operate with the misconception that a couch is a couch is a couch. Try telling that to a customer who is about to make a major addition to his home. Choice is very important to the customer, and *the customer* is what the business is all about. Style and

quality get the customer.

With furniture representing about 30% of the average rental operation offering furniture lines, careful selection of lines, inventories and distributors will aid the dealer in arriving at his desired profit levels.

Editor's Note: Glenn Davis, National Director of Sales at Dynamic Distributing in Dallas, Texas, not only serves the industry as a distributor but as a fellow dealer with rental stores in Louisiana and Colorado. Glenn's involvement at the store level has provided him with valuable insight into the special needs of rental dealers.

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Director of Sales

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DIRECTORY OF EXHIBITORS. The July Convention Issue of THE APROACH will feature a special pull-out exhibitor directory, a guide to convention activities and a city guide to Las Vegas, the "Entertainment Capital of the World". It's all here—the suppliers, the seminars, dining, dancing, shopping and recreation—in one action-packed issue of THE APROACH.

APRO HOLIDAY IN ACAPULCO. APRO will host rental dealers in sunny Acapulco for a fun-filled vacation and learning experience November 17-20 at the Hyatt Regency Acapulco. Program offerings will highlight tax benefits and liabilities, personal estate planning, ACRS and personnel recruiting and management. A special seminar devoted exclusively to Women in APRO is a first-time offering for wives and partners of rental dealers. Registration details and more info on the BIG beach party and deep-sea fishing excursion in the July issue of THE APROACH.

Q: Late fees generate a lot of income for my company. Are there any problems associated with charging customers late fees?

A: Yes, there are several potential problems involved with late fees. In the first instance, there have been a few courts that have considered late fees on installment contracts a part of the interest charge. In the cases where the rate of interest on late charges was added to the interest already being charged on the debt, the lenders were held liable for charging usurious rates of interest. While this is by no means the majority view of late charges in the U.S., it is the view in a few jurisdictions.

If the late charges on a rental agreement are considered interest, the rates would almost certainly be usurious. If, for example, a customer was paying \$14.00 a week on a product and the rental agreement had a \$2.00 per day late charge, the interest rate for the transaction would be over 100 percent.

Before including late charges in rental agreements, dealers should verify with their local attorneys the status of the law in their jurisdiction.

Late charges, even when not considered interest, have historically been viewed as a part of credit sales and debtor/creditor law generally. This is where the concept originated. To the extent that rental dealers insist on paralleling traditional credit sellers, they risk being stuck with the label. Customers with past due accounts can argue that if they are being charged for a late payment, the payment must have been required, and that requirement might defeat the no-obligation aspects of the transaction. In other words, the rental agreement might be construed as a disguised credit sale.

In addition, there is always considerable suspicion raised when a consumer transaction poses potentially unlimited liability for a consumer. Late charges calculated at a daily rate do just that. The state of Maine made much of the fact that customers testified they had paid over \$100.00 in late charges in the *Hawkes* case.

If rental dealers are intent on keeping

revenues that late charges have generated, there may be alternatives. One possibility is to have a daily rental rate on the rental agreement. Then a customer can rent by the day, the week, or the month. The contract can also state that if a customer begins renting by the week or month and does not renew on time or return the product, then the customer agrees to pay the daily rate.

Another alternative is to include a reinstatement charge on the rental agreement. This should be a fixed fee. To have a reinstatement fee calculation depending on how many days a customer is past due begins to resemble interest. The fixed fee should bear a reasonable relationship to a dealer's cost of servicing a past due account—the cost of the paperwork involved, etc.

There are other fees that dealers charge—processing fees, in-home collection fees—most of which are perfectly legal and which will be considered in future Forum articles.

COMING

IT'S SHOWTIME FOLKS! THE APROACH offers a preview of great things to come in Las Vegas . . . the biggest and best show yet with lots of new seminar offerings . . . Employee Theft Prevention & Detection, Shopping For A Computer, Personal Tax Planning for the Rental Store Owner, Site Selection & Lease Negotiation with Coldwell-Banker, and Ask The Attorneys, an open Q/A forum with APRO attorney Edward L. Winn, III, and COLOR-TYME attorney Samuel Choate . . . PLUS Seminars on Wage & Hour, Rental Finance Advertising and Marketing, Government Relations and Collections . . . be there!

GROOMING YOUR NEW ACCOUNT MANAGER. A step-by-step 90-day plan to determining and improving the effectiveness of your new account manager.

DEDUCTING SPOUSE CONVENTION EXPENSES. The IRS rules on spouse convention expenses have always been a little tricky. Here's a look at how the IRS currently views the matter.

CUSTOMER FREEBIES. A little customer appreciation goes a long way. This month's BOOKSHELF offers a great lineup of consumer guides to audio/video service and product safety published by the Electronic Industries Association.

APRO IN ACAPULCO

Now you can enjoy the best benefits of trade association membership: a fun-filled holiday in sunny Acapulco, Mexico built around fact-filled seminars designed and developed especially for the rental dealer. APRO goes to Acapulco November 17-20 and you won't want to miss this special event!

For the first time, APRO spouses will be able to participate in a half-day seminar devoted exclusively to "Women in APRO." Whether you are the wife or partner of a member dealer, or a principal in your own business, you can gain from the insight of an expert's discussion on the emergence of the female in the rental industry.

APRO will devote a full day in Acapulco to "Taxes and the Rental Industry," a two-part course targeting the tax benefits and liabilities of a properly structured accounting system. The controversial and often misunderstood ACRS Inventory Accounting Method (accelerated cost recovery system) will be covered in depth, as well as personal estate planning and how you can take money out of the privately-held corporation without incurring excessive personal tax liabilities. If you've often looked at your tax bill and wondered how you could cut it legally and still increase your personal wealth, this APRO seminar is not to be missed!

A half-day session addressing the unique problems of "Personnel Recruiting and Management" in the Rent to Own industry will answer many of your questions and doubts about where to find the best management people and how to keep them once you do. You'll learn you needn't pay exorbitant employment fees when some of the best people are right under your nose.

Plan now to make your winter vacation one of the best ever in beautiful Acapulco . . . join APRO November 17-20 for a fully tax-deductible holiday and seminar retreat at the Hyatt Regency Acapulco. What better way to combine business and pleasure than to join other APRO members for education, information, and that famous Acapulco nightlife and tropical fun! This will be the most affordable and productive holiday vacation ever for today's professional rental dealer.

SPECIAL ATTRACTION

Your registration entitles you to join the big beach party and cookout on the final evening of your stay . . . warm ocean breezes, white sands, music, cocktails, and delicious Mexican barbecue under the tropical moon that made Acapulco Bay famous around the world . . . don't miss it!

Seminar Schedule

Thursday evening, 11/17: Room check-in and hospitality cocktails. (APRO Table set up in lobby with info on seminars, parties, and local activities available)

Friday morning/afternoon: Seminars I & II

Seminar I "Taxes and Rental Industry,"

- a. Rental Accounting Basics
- b. ACRS vs. Traditional Inventory Write Off
- c. Personal Estate Planning
- d. Getting Your Money Out of the Company
- e. Outside Investments: How to Choose

Seminar II "Women in the Rental Industry"

- a. Your Husband, the Owner
- b. Your Wife, the Partner
- c. Women as Business Principals
- d. The Challenge to Females in Business
- e. Overcoming Outdated Attitudes

Friday evening - open

Saturday: Seminar III

Seminar III "Personnel Recruiting & Management"

- a. The "Right Stuff"
- b. Planning for Hiring
- c. The Search
- d. Managing the Newly-Hired
- e. When Competition Calls

Seminar IV "Rental Law"

- a. Washington Report
- b. Legal Agreements - State of the Art
- c. Credit Reporting and Rental
- d. Discrimination: Customers and Employees

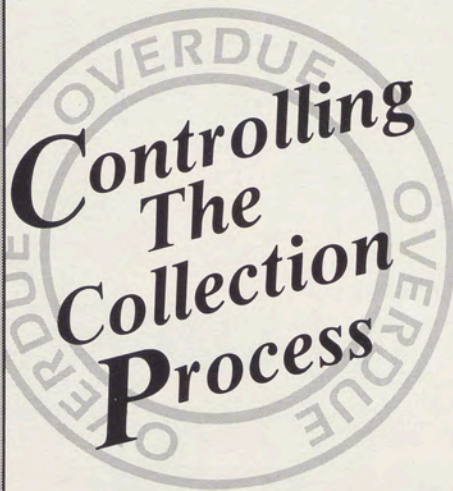
Saturday Afternoon - Acapulco Shopping Tour

Saturday Evening - Nightclub Tour and/or Beach Party

Sunday Morning - Early Morning Deep Sea Fishing Excursion

WATCH FOR REGISTRATION DETAILS . . . COMING SOON!!!

COLLECTIONS



Bud Holladay

Author: Raymond C. "Bud" Holladay is the immediate past-president of the Association of Progressive Rental Organizations and Vice President/General Manager of ABC Rentals, Inc. based in Dallas, Texas.

Effective collection management begins with recruiting, hiring and training good people; establishing store policy in all areas of collection activity; and maintaining sufficient controls to ensure that activities can be monitored and results measured.

In efforts to maintain a degree of control in the area of collection management, several critical questions should be answered on a daily basis.

1. Who is past due?
2. How many days are they past due?
3. Who is responsible for getting them current/ahead?
4. What is the status by hour of the past dues in process?
5. Are the results satisfactory?

The answers to these questions can be easily determined by maintaining accurate and current records of accounts. For example:

1. Listing, on a daily basis, all accounts due but unpaid through the start of the day's business, divided by geographical area;
2. Dividing all past due cards into different categories according to the number of days past due (1-4 days,

5-7 days, 10-more, etc.) then calculating the total amount of delinquent rent outstanding. Divide this figure by the number of past dues you end with nightly and this is what your collections inefficiency is costing you—the "float";

3. Dividing the market into geographical areas and assigning the same person who delivered the product the responsibility of clearing the delinquent account; let no one else in the store deal with that customer other than to take the money at the counter;
4. Drawing a simple chart, as illustrated below, and communicating with employees each hour or every two hours to determine their progress;
5. Tracking real revenues as a percentage of maximum revenues possible; determining whether the "float" is going up or down daily; tracking the time and related costs involved in reducing the "float" daily; charting the move of collection pickups from later in the week to earlier in the week. Efficient collection practices will create more pickups on Mondays, and fewer on Fridays, etc.

... let no one else in the store deal with that customer other than to take their money at the counter...

UNIVERSAL SPEAKERS SPEAKER REPLACEMENT PROGRAM

UCP1000

3-way 10"
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120 watts peak

\$105.
per pair

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WELBILT

Model WCF80: \$245.

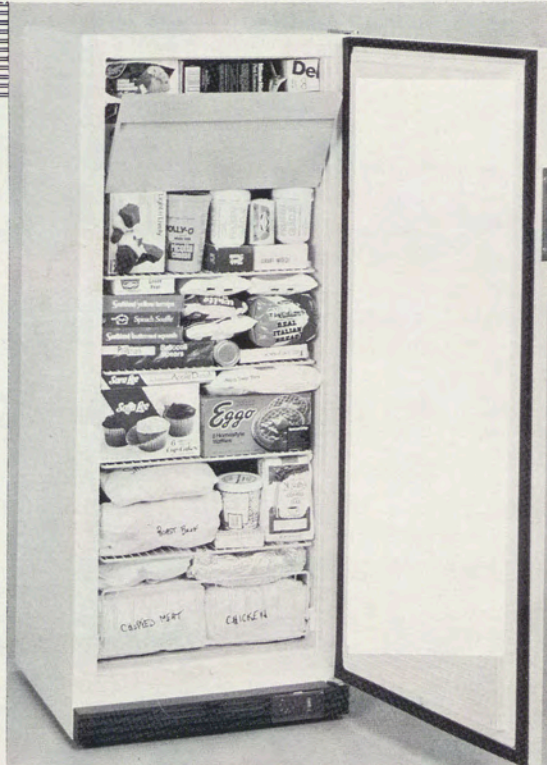


SPECIFICATIONS:

Model number WCF80
Capacity—7.5 cu. ft.
Defrost—Manual
Width—31-1/2"
Depth (including spacers)—28"
Height—33-5/8"
Height—lid open full—60"
No. of Baskets—1
Color—White
Shipping Weight—143 lbs.

FEATURES

- All around cooled liner
- Front ventilation
- Hammered Aluminum liner
- Removable inner compartment divider
- Ice Scraper
- Front Panel controls
- Operational signal lights
 - a. Green Light—visual on/off power indicator
 - b. Red Light—visual temperature warning
 - c. Yellow Light—visual on/off temperature indicator
- Automatic adjustable thermostat
- Fast freeze switch



Model WF260: \$292.

Specifications subject to change without notice.
For complete warranty information, see warranty card packed with unit.

- Terms and Conditions
- Borg Warner Acceptance Corp.
- Open Account

- Freight Prepaid
- Speakers: 6 pair
- Freezers: 500 # min.

- Warranty
- Speakers: 18 Months parts/labor
- Freezers: 1 Year parts/labor
5 years compressors

FREEZERS

Model WCF12: \$292.



SPECIFICATIONS:

Model number WCF12
Capacity—11.3 cu. ft.
Defrost—Manual
Width—43-3/8"
Depth (including spacers)—28"
Height—33-5/8"
Height—Lid open full—60"
No. of Baskets—2
Color—White
Shipping Weight—174 lbs.

FEATURES

- All around cooled liner
- Front ventilation
- Hammered Aluminum liner
- Removable inner compartment divider
- Ice Scraper
- Front Panel controls
- Operational signal lights
- a. Green Light—visual on/off power indicator
- b. Red Light—visual temperature warning
- c. Yellow Light—visual on/off temperature indicator
- Automatic adjustable thermostat
- Fast freeze switch

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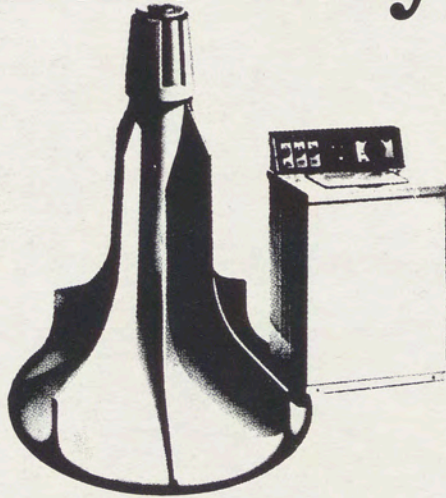
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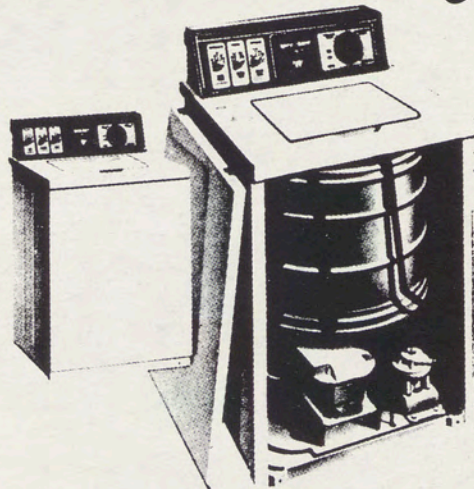
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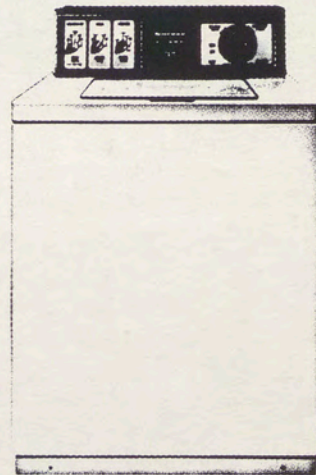
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Speed Queen's
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the name of your nearest Speed Queen
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