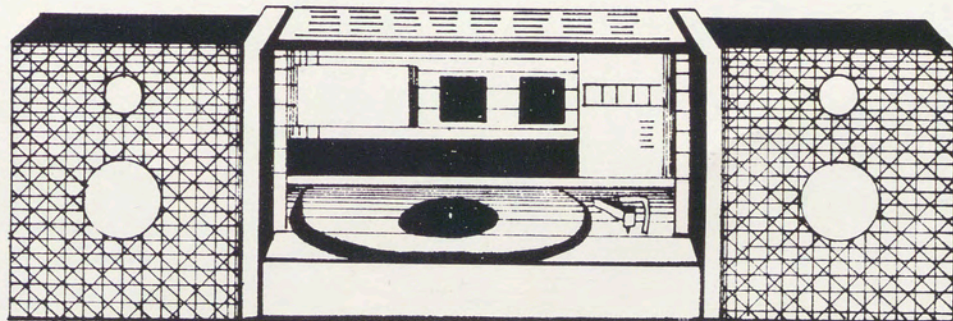
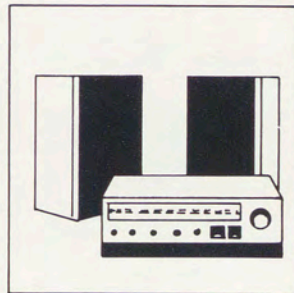
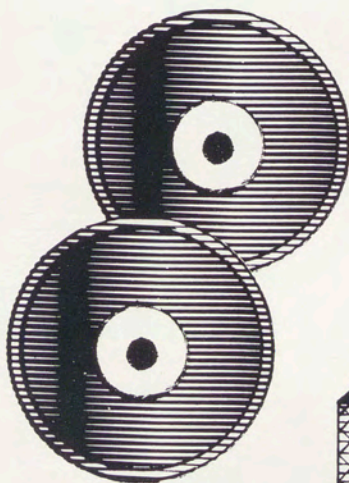
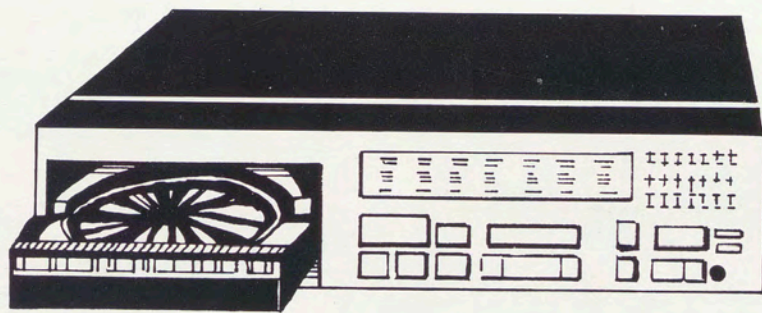


THE APPROACH

the magazine for the home entertainment, home appliance and furniture rental industry

Audio's Future in Rent-To-Own



Rental
Audio Trends

TV Stereos:
Waiting in the
Wings
For Rent-To-Own

Laser
Audio Discs

A Look At
Rental
Customers . . .
Who Are They?

Great Employees!
Find Them With
Effective
Advertising

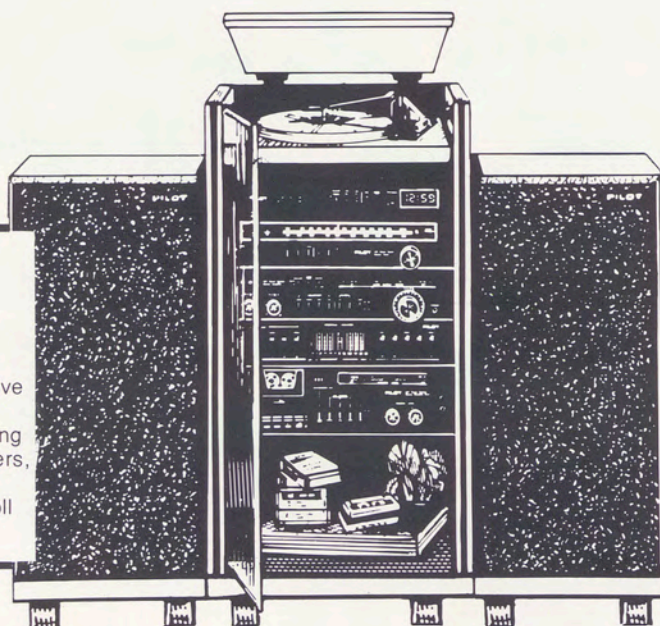
PILOT

■ ■ AUDIO SYSTEMS ■ ■

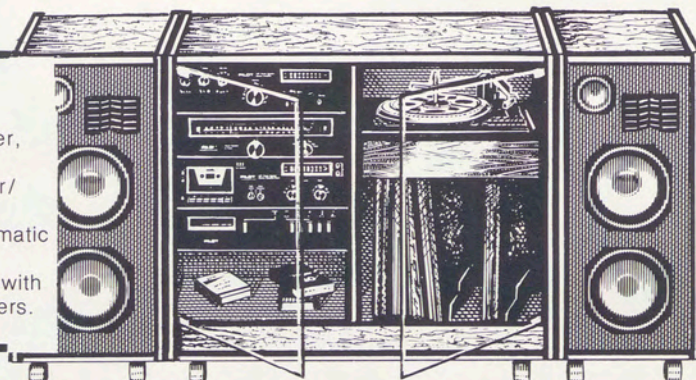
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MESSAGE

Raymond Holladay
APRO Immediate Past President

PEOPLE ARE ASSETS, TOO

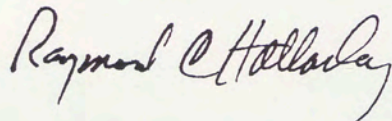
Any good organization must succeed from the bottom up. Dedicated, involved, and trained employees who carry out company policies while at the same time developing better, more efficient methods of doing the work will always make a CEO or general manager look good. Conversely, a "top heavy" company—one in which all the power, decision-making ability, and information is centered at the top—must always be replacing those people at the bottom who are not interested in what the company needs and cannot produce it.

Why should a guy making minimum wage care very much about the profits the owner is earning? He is struggling to buy groceries and probably thinking of a way to "borrow" enough of your money to pay his light bill.

The person who places your product in a renter's home and explains the rental program to the customer is probably the most valuable person in your operation. He is the key to customer understanding, timely payments, and profitable maintenance of rental accounts. You probably have at least 200 rental accounts (value: \$85,000.00) and a van (value: \$10,000.00) invested in him. In a year, he will be responsible for up to one-third of your total volume. This person does not work for \$3.75 per hour. He cannot relate to growth and efficiency if he is putting in 60 hours a week with no benefits.

A manager's greatest responsibility is developing people who can share his concern, value, and wants. Those people are worth more than minimum wage! If yours are not, they likely are the people who create your customer problems. And if they are, indeed, worth more than minimum wage, why aren't they getting more?

Shabby goods and shabby people all come cheap.
You know exactly what you are getting. Why be surprised when either fails?



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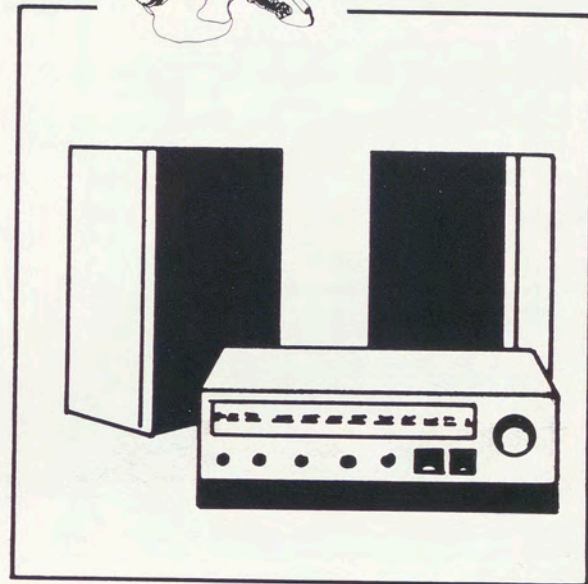
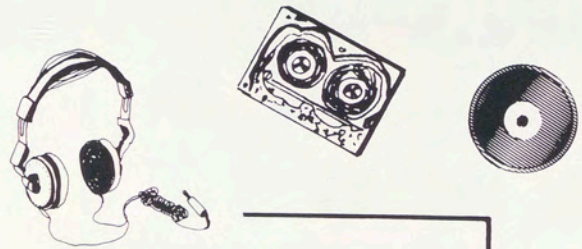
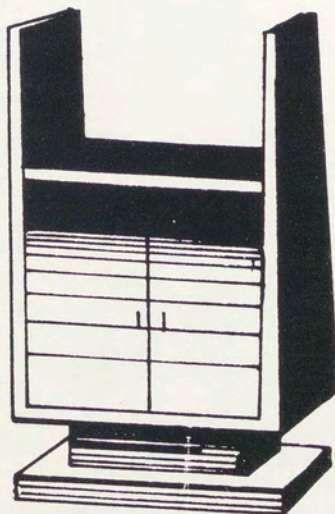
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GUEST EDITORIAL

Jerry Heber is president of AmRent, Inc. in Sarasota, Florida.

Rental Semantics

The recent convention in Las Vegas was a great success and my congratulations to all those responsible for arranging and executing it.

During our visit, I heard certain things I found quite disturbing. My concern focuses on two major issues, namely the misuse of terminology for our industry and the inference that we rental dealers are "stealing away" regular retailers' business.

First, on terminology, we all need to clean up our act, so to speak. Our industry is truly unique and deserves to be properly labeled and discussed in terms unique to our business, lest we spread confusion and animosity. I still find many dealers using terms like sell instead of rent; late charges instead of reinstatement fees; repossession instead of recovery; delinquent instead of expired; and so on.

The problem here is that, as we emerge as a new industry, we need to coin and use new, more descriptive terminology. Most of us are caught up in the habit of employing familiar terms used by retailers and loan companies. But we are different! As we struggle to identify, define and defend our industry, we must use the terminology unique to our business. I believe much of the confusion and resistance surrounding our business stems from our own misuse of terminology.

We must become better communicators, from the top down. This requires a dedicated effort and discipline to train our employees as well as ourselves. There are certain trigger words that give the wrong impression of the rental business. The following glossary of terms illustrates the uniqueness of our business.

Second, on stealing retail business, we all need to examine our actual customers. There are numerous reasons why a person may not have credit, but there are few reasons a customer will pay a premium for rent-to-own when he or she has credit to purchase. There are exceptions,

GLOSSARY OF TERMS

RETAIL/CREDIT RELATED

Sale
Purchase
•Buy
Title
Ownership
Sales **Contract**
•**Application** for Credit
Credit Worthy
Loan Amount
Long Term Obligation
Payment
•Delinquent
Grace Period
Default
•Due Date
Owe Money
•Repossess
•Late Charge
Interest Charge
Collection
Used
Resale
Warranty/Guarantee

Vs.

RENT TO OWN

#Rental
#Option
Rent/Select
Possession
Use/Possession
#Rental **Agreement**
Rental **Order**
Credible
#Option Value/Cash Value
Short Term/Options
#Renewal
#Expired
Terminate
#Lapsed
Renewal Date
Surrender Unit
Return/Recover
#Reinstatement Fee
Rental Fee
#Commitment
Previously Rented
Rerent
Service/Maintenance

*These terms are particularly misleading

#These terms are especially definitive and helpful

but consider the main.

Unfortunately, our customers do not have a stamp on their foreheads indicating, "Not Credit Worthy." For the most part, we are not doing business with the majority of the population possessing credit or open credit to buy.

Our industry has experienced phenomenal growth, not by stealing credit-worthy customers away from traditional retailers, but rather, by serving a new segment of the population not heretofore courted. Since the recent economic hard times of 1981-82 forced even more people into the "Not Credit Worthy" category, our growth has been magnified. To imply that we are stealing away retail business is farcical, and those who engage in such fantasies are either fooling themselves or salving inflated egos.

Unhappily, all too many retailers and even some rental dealers think this is so. As a result, the retailer who, because of tight credit, has experienced a decline in business and then sees a successful rental dealer in town with a growing business, is apt to feel threatened by this success. If that retailer is led to believe or encouraged to believe we are responsible for his plight, he is likely to retaliate.

Often, he will step up his advertising with low down-payment or low monthly terms—all to no avail, of course, since he still needs a creditworthy customer.

More serious retaliation comes in the form of 'bad-mouthing' the rent-to-own program within his business, which we all know is doomed to failure if managed as a retail business.

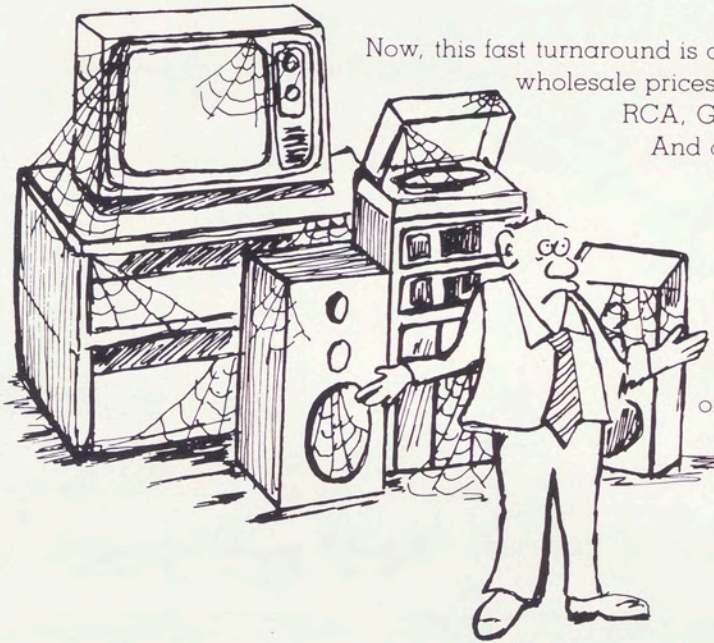
Ultimately, the retailer can become either an ally or a formidable adversary behind the scenes. Since he is a fellow community businessman, it makes sense to have him as a friend or ally. All rental dealers should cultivate clear and consistent lines of communication with local TV, stereo, appliance and furniture retailers to reduce tension and foster understanding and acceptance of our industry.

We all share common interests as businessmen and women in serving the overall market in the community. Point out the differences in the market segments we serve and assure retailers we are not out to compete for their customers. Join Chambers of Commerce and Better Business Bureaus as an expression of cooperation and to provide opportunities to acquaint the retail business community with our unique nature. Don't forget to cultivate the same kind of understanding with the many sales reps who call on you. They can often be the best "pollinators" of ideas and concepts with others in similar businesses as they travel about.

Above all, become accurate speakers for our industry and use the proper terminology.

Good Service is never having to say "We're waiting on a part"

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If you're tired of long downtime because of back-ordered parts call MIKE SMITH for prices and more information. Call (713) 530-4900 Ext. 212 or 219. Or write for a catalog. 10703 Stancliff, Houston, Texas 77099.

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SMALL BUSINESS



NAFM

NATIONAL ASSOCIATION OF FURNITURE MANUFACTURERS

The National Association of Furniture Manufacturers (NAFM) offers many services and programs. It is a non-profit organization dedicated to and comprised of furniture manufacturers and suppliers. Its purpose is to help furniture dealers and manufacturers improve profitability and operating efficiency.

The NAFM was created in 1928 in Chicago. An Associate Member Division was organized in 1964 to open channels of communication between furniture manufacturers and suppliers to the industry. In 1973, NAFM moved its headquarters to Washington, D.C. so that it could monitor the numerous agency regulations and legislation affecting the furniture industry. After establishing a Government Affairs Office in 1981, the headquarters were moved to Rockville, Maryland, where they remain today.

NAFM sponsors a national convention, this year's being held November 16-19 in Williamsburg, with the theme "Recapture the Spirit." Marketing, production, and finance seminars are held throughout the year all over the United States.

The association also offers economic forecasts and monthly statistical reports to help its members update and adjust sales, marketing, and production schedules. Monthly newsletters and special bulletins on legislation and regulatory issues provide information needed for its

members to remain competitive. The association lobbies on Capitol Hill, confers with senior members of the Administration and Congressional staffs, testifies on behalf of the industry at Congressional hearings, and maintains regular contacts with all the major agencies that affect the furniture industry.

NAFM also supplies an annual directory of its members which is used by furniture manufacturers as a convenient and reliable guide to suppliers. The *Sales Planning Guide for Suppliers* helps them in setting commissions, territories, and sales quotas.

Special discounts are also available to members. Booth rental at the largest furniture supply and woodworking show in North America will be 15 percent less for NAFM members. The International Woodworking Fair will be held in August 1984 in Atlanta. Hertz entitles members to a 15 percent discount as well, whenever they rent a car for business or pleasure.

An NAFM Associate Membership is available for annual dues of \$400. For more information contact: National Association of Furniture Manufacturers, 5515 Security Lane, #530, Rockville, MD 20852.

THE SIZE OF SMALL BUSINESS

Small is small . . . but is it? It all depends upon your point of view, it seems.

By Uncle Sam's standards, "small" may mean "gargantuan." The Small Business Administration's latest offering for determining the size of small businesses would dictate that any firm with gross receipts of less than \$4.5 million would be considered "small." This figure represents quite an increase from the present \$2 million standard set for the equipment rental and leasing industry.

This is the SBA's third attempt to revise size standards for small businesses for the purpose of loan distribution. Rental and small business-based industries opposed the first two proposals, which were based on the number of employees (15 and 25, respectively).

RENTAL REFERRAL SERVICE

Jerry Landers, President of Rental Referral Service in Dallas, Texas, reports that his firm's Computerized Customer Survey Tabulation and Analysis Service can assist rental store owners in obtaining those "right facts" they need to make the right decisions.

The format is easy to use. A one-page, computerized report prepared each month shows how customers answer survey questions. Percentages for each answer are also calculated. "The ability to see how customers cumulatively answer questions in different months and throughout the year enables one to quickly identify new trends, as well as the results, or lack of results, of new programs. This can be extremely helpful in developing new programs and evaluating old ones," Landers explains.

The service was developed after a study of rental companies indicated that they recognized the importance of accumulating customer information, and most did ask customers marketing info questions, but very few ever tabulated and analyzed answers on a consistent basis.

Companies that utilize the service, Landers says, appreciate having the survey answers readily accessible each month. The report saves company and advertising personnel substantial time in reviewing current programs and developing new ones.

The RRS computer is programmed to tabulate and analyze surveys with up to 13 questions. Ten questions may have two possible answers; two may have five possible answers; and one question may have as many as six answers to choose from. Any question can be asked, but

questions must be in the same sequence as that programmed into the computer on the RRS cards. The computer counts only the questions answered by the customers. Printout results are mailed directly to the individual specified by the ordering company.

Each printout costs \$10 per month for the first 100 surveys tabulated, and seven cents for each additional survey. Companies may order a printout for each store sending in surveys, or have all company stores within one market area on one printout. The survey cards provided by RRS are two cents each and must be ordered in groups of hundreds. Each company is charged a one-time start-up fee of \$20, and billing is quarterly, from the beginning of service.

Rental dealers who wish to utilize the RRS computer should do the following:

1. Decide which answers they would like to have customers answer.
2. Develop their own survey card with the company logo, or elect to use a card provided by RRS.
3. Have customers circle their answers on the card while the rental unit is being brought in from the delivery van.
4. Send cards to Rental Referral each week.
5. Study their computer printouts each month, comparing the answers to those of the previous month and of the year as a whole.

For further information, call Jerry Landers at his Dallas office between 10 a.m. and 6 p.m. weekdays (214) 263-0766, or write to Rental Referral Service, P.O. Box 29315, Dallas, Texas 75229.

Thanks For Letting Us Serve You

WOULD YOU PLEASE HELP US SERVE YOU BETTER? PLEASE CIRCLE THE ANSWERS YOU PREFER ON SURVEY BELOW! THANKS!

HAVE YOU PREVIOUSLY RENTED FROM...

Any rental store?..... Yes No.
This store? Yes No.
This company Yes No.

HOW LONG DO YOU INTEND TO RENT...

(circle only one answer)

1. Less than three months.
2. Three to six months.
3. Seven to twelve months.
4. Until own unit.
5. Undecided

DO YOU HAVE FRIENDS OR RELATIVES THAT HAVE RENTED UNTIL THEY OWNED A TV OR APPLIANCE?

Yes..... No.....

HAVE YOU SEEN/HEARD OUR ADS...

On television? Yes No.
On radio? Yes No.
In newspapers?(TV Guide)..... Yes No.
In yellow pages? Yes No.
In circulars?(coupon books, etc.)..... Yes No.

WHAT INFLUENCED YOU THE MOST TO RENT FROM US? (circle only one answer)

1. TV/Radio ads
2. Newspaper ads (TV Guide)
3. Yellow page ad
4. Circular ads (coupon books, etc.)
5. Our location
6. Friends/relatives comment

WHAT IS YOUR COMBINED HOUSEHOLD MONTHLY INCOME AFTER TAXES?(circle one)

1. Less than \$900.
2. Between \$901-\$1200
3. Between \$1201-\$1600
4. Between \$1601-\$2200
5. Over \$2200

ARE YOU CURRENTLY RENTING A TV OR APPLIANCE? (other than from this store)

Yes..... no.....

SURVEY # _____ SC _____ CCC _____

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 - Moonlight Cruise and Dinner

Sunday Morning - Early Morning Deep Sea Fishing Excursion





ACAPULCO SEMINAR

November 17-20, 1983



Plaza Internacional
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338 - RESERVATION APPLICATION

Please use one application per family. Please type or print carefully.
This is International Travel - full and proper names must be listed.

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Names and ages of accompanying children: _____

Company Name: _____

Mailing Address: _____
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HOTEL ACCOMMODATIONS REQUEST:

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1 Per Room 2 Per Room 3 Per Room 2 Per Suite

Airline departure city: _____ Smoking _____ Non-Smoking _____

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ONLY airline tickets can be paid for by credit card. All hotel/land arrangements have to be paid for by check. If you wish to have the airline tickets charged to your credit card, complete the following:

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\$150.00 per person deposit must accompany this reservation to confirm your hotel/land arrangements.

A \$25.00 per person cancellation fee will be charged by G.E.I. for any cancellations received after a confirmation has been mailed. Any cancellations received on/after September 2, 1983, will also be subject to a \$100.00 per room cancellation fee by the hotel. Cancellations received after November 3, 1983, will also be subject to a \$200.00 per room cancellation fee by the hotel unless the room is resold for the entire stay.

I/we enclose our check in the amount of \$ _____ for _____ reservations.

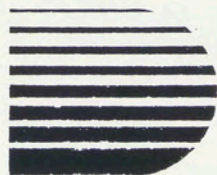
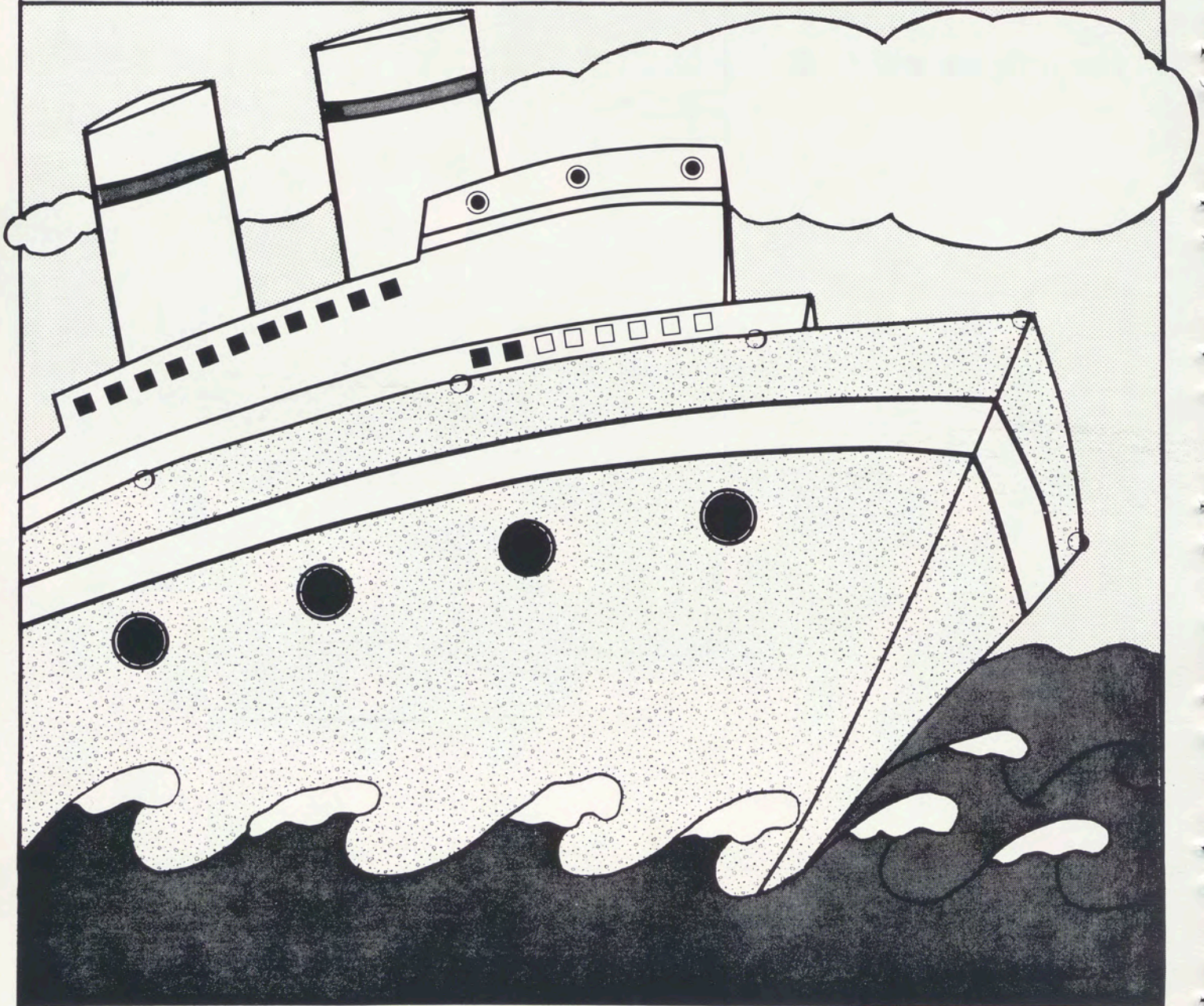
Signed: _____ Date: _____

Make check payable to and return early to..



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- great price

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Color Console at Lower Prices.

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With our complete line of Color and B&W TVs, VCRs and Stereos, we give you—and your customers—more ways to rent.

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We know how to build American products that people will enjoy—year after year.

All of this makes Philco the right brand for you. Call Ken Gay today at (615) 521-4711 for more details.

PHILCO

What a picture! What a price!

GOVERNMENT RELATIONS

TENNESSEE



In early October, the Attorney General of Tennessee filed suit against two rental companies doing business in Nashville, alleging, among other things, that their rental purchase agreements were credit sales under state law and that the prices charged customers were unconscionably high.

The rental industry has been under investigation by the Attorney General's office for the past two years. During the course of its investigation, the Attorney General's office uncovered a series of lawsuits filed by a Nashville attorney on behalf of the two defendant rental companies in which the companies sued defaulting customers for the entire balance due on the rental agreements. In other words, it appears from the Attorney General's allegations that the companies were suing rental customers on their contracts as if they were credit sales. To date, 32 such lawsuits have been discovered and, in a few, judgments were taken and wages garnished to pay off the debt.

Representatives from both companies met with attorneys from the Attorney General's office and agreed that the lawsuits should have been filed for recovery of the property and back rent owed only. The companies offered to make full restitution to the customers who were parties to these lawsuits and to agree not to file any further lawsuits of this type.

The Attorney General's position in its complaint, however, was that because the companies were regularly suing customers as if they had entered into retail installment sales contracts, all of the companies' rental agreements, some 24,000 over the past two years, were, in effect, all credit sales. The Attorney General's complaint had attached several affidavits from customers, all of which stated that they intended to rent their products to term. In addition, some of the rental applications asked the question, "Why are you renting?" Several customers checked the box, "To obtain ownership." The Attorney General used this evidence to argue that the consumers intended to effect a sale when they leased the property. Next the Attorney General used the lawsuits to argue that the companies intended to sell their products since they treated the agreements as sales whenever customers refused to return the merchandise. It is axiomatic in contract law that the contents of a contract is determined by the mutual intent of both parties.

The Attorney General's argument is novel and there are no previous opinions to support it. Of course, the companies' treatment of defaulting customers is also novel.

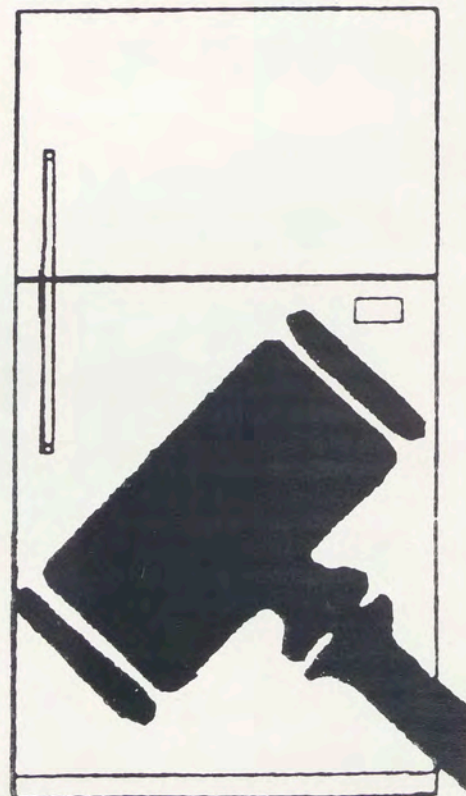
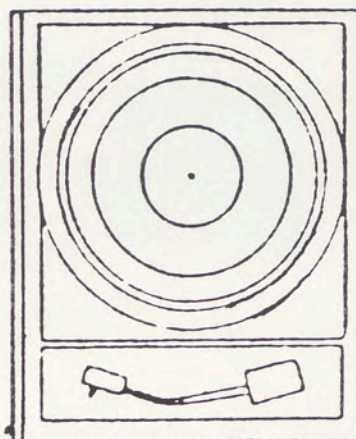
The Attorney General's argument is novel and there are no previous opinions to support it. Of course, the companies' treatment of defaulting customers is also novel. While negotiations continue, it is likely that the matter will have to be fully litigated in state court.

Also of concern is the Attorney General's allegations of unconscionable pricing. When compared with credit sales, ownership via rental purchase agreements is, indeed, most often a more expensive proposition. The Attorney General's office has argued that the prices were so much higher in Nashville that they should be declared illegal.

The issue of unconscionability has been raised before in other states. In a Connecticut state court opinion, the judge ruled in favor of the consumers. Most often, however, the consumer advocates' arguments ignore the several distinctions between credit sales and rental purchase agreements, all of which have value for consumers. For example, the Tennessee Attorney General's complaint in the Nashville lawsuit ignores completely the value of complete servicing of the products for the life of the lease which was a part of the rental agreements. Also omitted were the value of free pick-up and delivery as well as the value of no-obligation. It is hoped that once more evidence is obtained concerning the dollar value of these services, the Attorney General's office will be more tractable on this issue.

APRO has been requested to appear as amicus curiae, "friend of the court," in the event that the matter goes to trial. In the meantime, APRO is monitoring negotiating efforts by the companies involved. It is not anticipated that any settlement or judicial ruling in this case will have an immediate impact on other rental dealers in the state. Prior to the instigation of this lawsuit, however, the Attorney General's office had indicated that it was interested in getting some uniform contract disclosures in the state along the lines of those proposed at the federal level in S.1152. APRO will continue to work with the Attorney General's office toward getting some agreement concerning uniform disclosures in the state.

by Edward L. Winn, III





Association of Progressive Rental Organizations

will prevent rental agreements from being characterized as credit sales. It will take anywhere from 6 to 12 months to get the law enacted. There is opposition to the proposed legislation from consumer groups.

To be assured of success, APRO needs the help of its members to finance the project. It is estimated that the cost of the Washington effort will be \$150,000. That comes to approximately \$100 per store for every APRO member. This is the amount that the membership voted to assess itself at the convention last year in New Orleans.

This sum will not be sufficient to be used in any state legislative development that might occur in 1984.

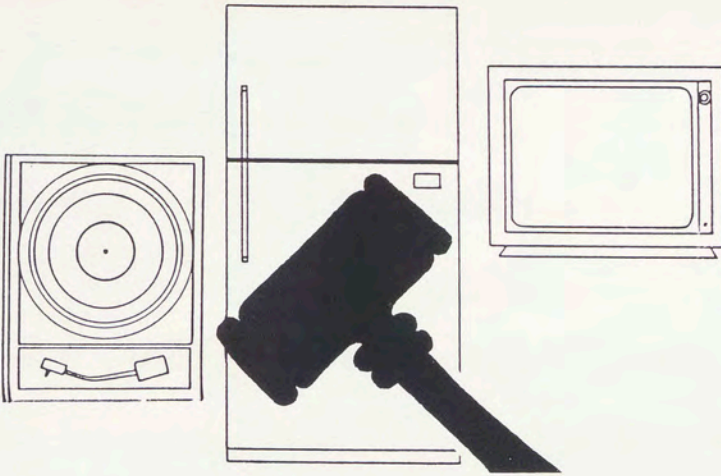
In early 1983, RTO Corp., Mid-America Leasing, Remco, and Color-Tyme, contributed \$5,000 each to create the APRO Legal Defense and Information Fund. This money was contributed to make sure the trade association would be adequately represented before various governmental bodies which were studying the industry.

Since that time, the Federal Reserve Board has sent a proposal to Congress and Senator Hawkins has introduced the proposal as S. 1152. Senator Hawkins held the subcommittee hearings on the bill in July. APRO was there. So far, APRO has spent roughly twice what the original four companies contributed.

APRO needs all the financial assistance of *all* members. A contribution of \$200 per store would defray the Washington expenses as well as carry the effort in states where the need might arise. The issue is still alive in Connecticut, Wisconsin, and Michigan. Other states are expected to introduce bills in 1984.

Without sufficient funding, we may not get what we need in Washington. Without federal legislation, it is certain that consumer advocates will push to have the industry regulated or even outlawed in various state legislatures. No rental dealer can effectively fight legislative battles alone. United, the rental industry can and will survive and prosper. Please take a moment today and fill out the enclosed pledge card for your contribution to the APRO Legal Defense and Information Fund. These funds will be controlled by the APRO government relations committee and monthly reports will be made available to all contributors.

Please note that the APRO Legal Defense and Information Fund is *not* a political action committee. No money contributed will go to the campaign funds of any political candidate or party. Contributions to this fund can be made from corporate accounts and are fully tax deductible.



During the past twelve months, APRO has been heavily involved in lobbying on behalf of TV and appliance rental dealers in various states and at the federal level. To date, legislative attempts to characterize rental agreements as credit sales have occurred in Pennsylvania, Michigan, Connecticut, North Carolina, and Wisconsin. APRO representatives have been there every time.

In an effort to avoid further attempts to regulate the industry state by state, APRO has taken the initiative at the federal level to have legislation passed which would define the industry and regulate it once and for all. You have read about activity in Washington in recent issues of THE APPROACH. It is hoped that meaningful federal regulation will end the legal difficulties that have plagued the industry in recent years and allow dealers to get on with developing their businesses.

All of these efforts by the trade association on behalf of rental dealers cost money. For example, legal and other expenses in North Carolina will exceed \$50,000.

When APRO was started, the dues structure reflected that of a traditional trade association, with allocations for a national headquarters, a newsletter, and the like. There was no provision for the creation of a reserve to finance major legislative efforts. In each instance, so far, rental dealers in the affected states have come forward to help defray expenses. Fund raising has been, of necessity, piecemeal.

Today, however, there is a major effort underway in Washington to get protective legislation passed that the industry needs. The proposed legislation will require certain disclosures in rental agreements and in advertising, but

**Make a pledge
toward the insured
success of YOUR business**

TODAY!

**by filling out and returning
this pledge card
with your contribution.**

LEGAL DEFENSE AND INFORMATION FUND PLEDGE CARD

Please fill out and return this card

Check enclosed Bill me

NAME _____

COMPANY _____

ADDRESS _____

NO. OF STORES _____

PLEDGE AMOUNT _____ \$200 PER STORE

_____ \$100 PER STORE

_____ OTHER

Please make checks payable to: APRO Legal Defense and Information Fund
1866 InterFirst Tower
Austin, TX 78701 (512) 478-6521

REPORT



FTC RULES TV LESSOR VIOLATED CONSUMER LEASING ACT IN CONTRACTS AND ADVERTISING

The January, 1983 issue of *THE APPROACH* reported on a complaint filed by the Federal Trade Commission against Rentacolor, Inc., a rent-to-rent operation doing business in the Northeast and on the West Coast. On September 15, 1983, the FTC handed down a decision in the case ruling against the company. The FTC judge held that Rentacolor had violated the Consumer Leasing Act by failing to make required disclosures in both its advertising and on the face of its lease agreements.

The judge's order concerns the way Rentacolor did business from 1979 through 1981. The court found that Rentacolor's standard rental agreement obligated the consumer to lease the property for a minimum period of twelve months. The Consumer Leasing Act applies to all lease agreements with a minimum period of longer than four months. Holding that the Act was applicable to Rentacolor's transactions, the judge examined Rentacolor's print advertising during the period and found several violations of the Act. If the statute applies, lessors must disclose the following information in all advertising:

1. That the advertised transaction is a lease;
2. The total amount due when signing the lease, including any installation fee and advanced monthly payment;
3. The number, amounts, due dates, or periods of scheduled payments;
4. Whether the customer has the option to purchase the property and at what price and time.

Most Rentacolor ads refer to low monthly price (example \$14.95 per month), and fail to make the required disclosures.

The court then examined Rentacolor's lease agreements and concluded that the same required disclosures were also absent from the contracts.

In its ruling, the FTC administrative law judge stated that the law concerning Consumer Leasing Act disclosures is one of "strict compliance." In other words, it is no defense for a company to argue good faith attempts to comply with the statute or even to argue substantial compliance. Even so-called "technical

violations" could confuse consumers and lead them to overlook important information concerning their rights under the contract.

violations" could confuse consumers and lead them to overlook important information concerning their rights under the contract.

Upon finding that Rentacolor had indeed violated the Act, the administrative judge entered an order for the company and its president, individually, to cease and desist from any further violations of the Act.

Throughout the proceedings, Rentacolor had argued that as soon as the Federal Trade Commission had contacted the company concerning possible violations, the company had immediately attempted to conform its procedures to the law. The judge noted that voluntary discontinuance of a practice will not prevent a cease and desist order. The judge found further that:

The record does not support a picture of a company that voluntarily discontinued the challenged practices, or a company that was content upon complying with the law. Rather, the picture presented is one of much footdragging by respondents before and after contact by the staff, a marked degree of inattentiveness or indifference with respect to the legal requirements ap-

licable to what is apparently respondents' principal business—leasing. In any event, it is obvious that whatever the steps taken by respondents to effect compliance with the law, they were both dilatory and inadequate.

The Commission should not be required to continue to monitor respondents' leasing practices so as to advise them every time they violate the law. A cease and desist order will place the burden of complying with the law where it should be—on respondents.

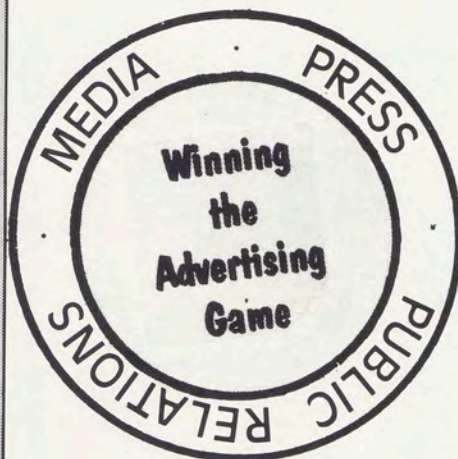
Nonetheless, the FTC will likely be the watchdog of the industry if the legislation passes, and rental dealers will have to be careful to follow the letter of the law to avoid problems like those incurred by Rentacolor.

APRO members should note several items of interest to them from this opinion. In the first place, the Consumer Leasing Act as currently written probably does not apply to their rental purchase agreements. Most APRO dealers use rental agreements with a minimum rental period of one week or one month. Therefore, they fall outside the Act which only applies when the minimum lease period is for longer than four months.

Importantly, however, dealers should note the Federal Trade Commission's jurisdiction over the Act and the standard of compliance in the event S.1152 or similar legislation is passed which would bring rental purchase agreements within the scope of federal law. The Federal Trade Commission has gone on record as supporting stronger preemption language in S.1152 than that offered by the Federal Reserve Board. This is a position that the industry supports. Nonetheless, the FTC will likely be the watchdog of the industry if the legislation passes, and rental dealers will have to be careful to follow the letter of the law to avoid problems like those incurred by Rentacolor.

by Edward L. Winn, III

ADVERTISING



Millions of advertising dollars are wasted every year, not individually by corporations who spend millions, but collectively by small businesses who spend only hundreds.

Those hundreds soon turn to thousands and more is lost than just the ad expenditure. Lucrative markets do not get effectively cracked, and thousands of dollars are lost as potential income. The sobering fact is that because advertising is so hard to measure, managers may never know whether they are in the wrong market with potentially effective advertising or in the right market with ineffective advertising. When nothing works, dozens of variables can be adjusted and the system may still never click.

The problem is that advertising agencies and small budgets are opposites that rarely attract. Therefore, advertising luxuries, like marketing studies which discover the correct market and pinpoint its hot segments, which in turn determine the campaign direction and skew, are absent.

Can anything be done? Most definitely. In most industries, including rent-to-own, there are certain steps managers with small ad budgets can take to insure effective advertising. The system is simple, but it will help eliminate costly mistakes. The system is based on the "three M's"—Market, Message and Media—and it works like this.

Market is of primary concern and must be researched with great care. The

nature of a particular rent-to-own business will immediately determine the primary and secondary markets. If a store rents televisions, obviously the primary market is the private sector. This is where the bulk of the budget should be spent even though the store may do some commercial renting also. As a part of determining the market and before planning the campaign, look over last year's contracts and write down all significant factors, for example, where the bulk of customers live geographically. Do they live in apartments, or single family dwellings? Age group, sex and income level are also important demographics to be considered. This is crucial information which will add substantial validity to decisions made later. Once this data is assembled, build a model person or two who will be representative of this information. Now, the vast and seemingly unknown clientele begins to have personality. Questions like, "What will appeal to potential customers?" can be answered more confidently, leaving behind that feeling of making a wild stab in the dark.

The second "M" is message and it is determined by the information generated by the market analysis. On a limited budget, the main thrust of the ads' "sell" and creativity should be concentrated on the primary market. It is not a good idea to dilute the impact of an ad that is geared toward both markets equally, when the markets themselves are not equal in size. A campaign theme should be developed to create continuity in advertising. In most forms of advertising, frequency is usually the key to success. This becomes difficult with small budgets but giving the ads a similar look makes recall higher and frequency is boosted without spending more money.

This continuity can be achieved in many different ways such as similar writing styles used in headlines and body copy, in similar art or models used in print ads, or by using the same announcer on the radio. If possible, radio spots should be derived from body copy written in the print ads in order to give

the campaign cross media support.

The offers in the ads should be made to accommodate the personalities found in the customer files. The same selling approach can be used on virtually all items being rented.

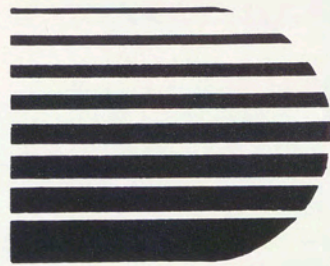
The ads this week featuring VCR's look similar in format to those that featured TVs last week. Directly, last week's unrelated advertising has given this week's ads strong support. The creative portion of the advertising is now beginning to come together and is having a better effect in the market place. Many times advertising budgets do not need to be increased, it is the advertising effectiveness that needs a boost.

The third "M", media, involves selecting a medium that will effectively deliver the message. A clear understanding of market demographics is very important. What age group should be targeted? In what areas is that group concentrated? Should the city newspaper carry advertising because the clientel is spread out or is it concentrated enough to use a city regional and save money? When concentrating a direct mail effort, should it go only to single family dwellings or apartments or both? What radio station should be chosen to carry the spots? Age and socio-economic status are important factors to be considered here.

Predetermining markets, studying demographics and planning the most effective methods of advertising will save the advertiser many dollars in "spot" media buys and "specials" which, in the long run, are not that special. Target ad dollars. That is the key. An inexpensive "special" is not a special at all if it does not fit into a media plan. Familiarize regular advertising representatives with the campaign and market goals set. More often than not, package deals can be made based on volume of space purchased within a specified period.

Planning an effective media campaign is serious work but the savings and effects will be noticeable.

ADVERTISING



DYNAMIC

Distributors of consumer electronics, appliances and furniture coast to coast.

**“Exclusively
dedicated
to the
complete
service of
the Rental
Dealer”**

JVC

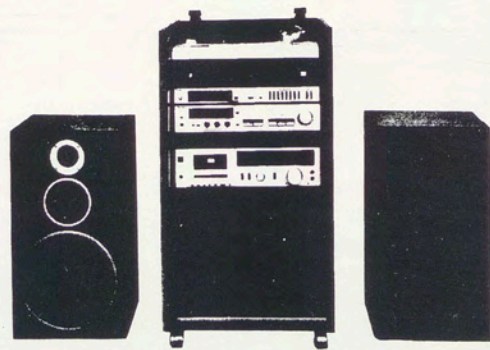
Technics

Technics

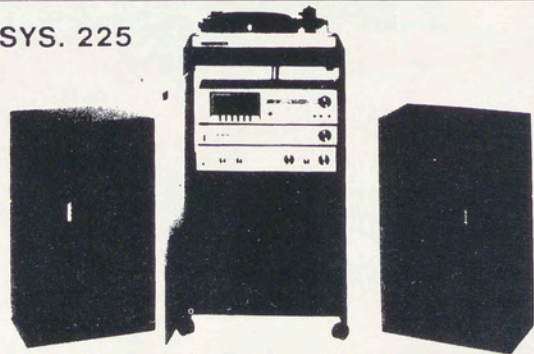
RK 11/00

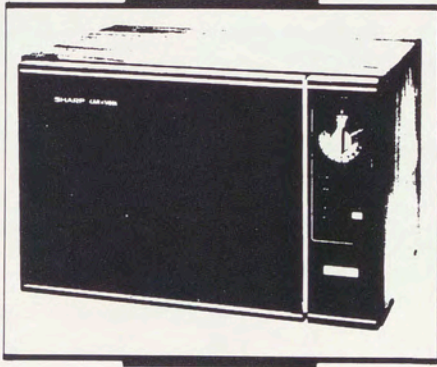


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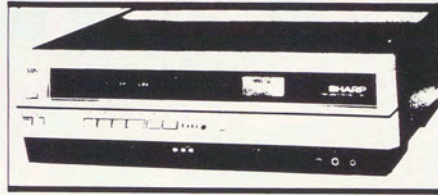
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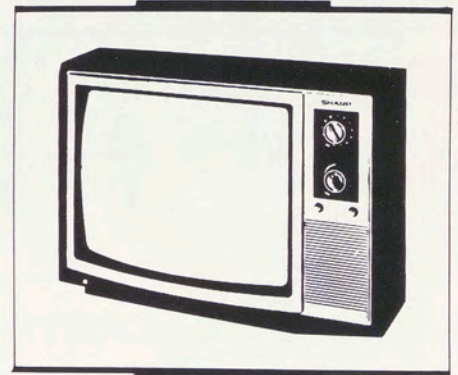


• **Microwaves**

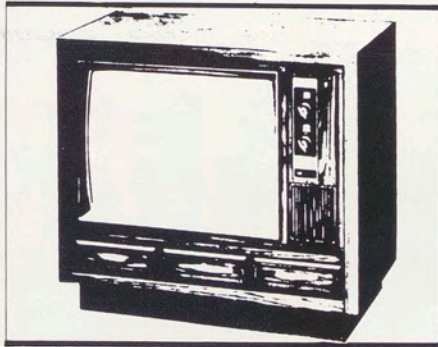
SHARP



• **Video Recorders**

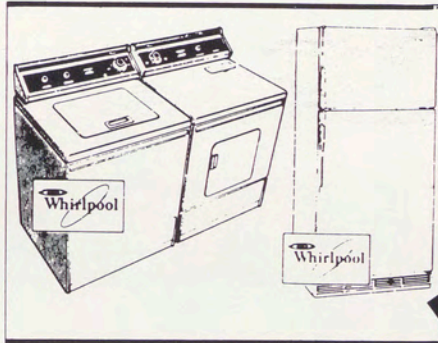


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just slightly ahead of our time

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- **Remote control optional**



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- **Mini-Laundries**
- **Refrigerators**
- **Freezers**



- **Livingroom Suites**
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- **Lamps**

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 TEXAS 1-800-442-6226

Site Selection and Lease Negotiation

Editor's Note: For those convention attendees who had planned to attend the Site Selection & Lease Negotiation seminar, which was unfortunately cancelled, THE APPROACH offers advice on the do's and don'ts of leasing and site selection.

One
of the most
distressing
problems a
rental dealer
can have
is
a bad lease.

Especially troublesome is the lease you don't realize is bad until you have to pay extra fees or percentages, or find you can't change your sign. There's no reason for unpleasant surprises if you go about site selection and lease negotiation in a planned and careful manner.

A three-year store lease at \$1,500 a month shows up as only a 2% or 3% expense on your monthly financial statement, but it represents a \$54,000 obligation for your business—about the same as the cost of financing 100 TV sets. Yet many dealers will zealously negotiate terms and pricing while skimming the details of a store lease where no real inspection or analysis has been done.

There are several key points to consider in a building lease:

1. Cost per square foot after all finish-out and decorating.
2. Relation of any finish-out allowance on new space to current building costs in the market.
3. Cost to the rental company of upkeep or replacement of major components that the landlord may not take care of.
4. Real estate taxes and assessments—who pays?
5. CPI index rent increases that could double your rent before expiration of the lease term.
6. "Common Area" and other add-on charges which may be hidden in the small print.
7. Restrictions on the type or color of signs that may be erected.
8. Unusual insurance or liability clauses that conflict with your normal or acceptable practices.
9. The track record of the owner or property manager in making repairs and keeping the property clean.
10. The lease terms of major tenants (who might move out and leave a half-empty shopping center six months after you move in).
11. Percentages of gross paid to the landlord.

If your management people do their

homework on analyzing proposed leases, you should never be surprised to learn that your sign can't go up, or your biggest neighbor is moving out next month, or you can't park your truck in front of the store, or you have to buy a new air-conditioning system for someone's else's building.

You should never have to pay a percentage of gross to the landlord on business you bring to the shopping center (your current contracts in force), and you shouldn't have to pay much of a percentage at all if you get the landlord to subtract from any percentages due those funds you spent on advertising to bring shoppers onto his property.

READE YOUR LEASE AS YOU WOULD A CONTRACT WITH YOUR FINANCIAL COMPANY OR BANK.

Know in advance who will pay for broken plate glass. If burglar bars are prohibited, you should see that the landlord pays for plateglass insurance or shares the cost of other, acceptable burglar-prevention devices. Have the landlord replace any wooden back doors with modern steel doors before you move in.

Sometimes the most obvious problems are overlooked; is the property on a one-way street, or on a street with no break in the median, which might prevent customers from turning in? Does it have easy access from all expressways or major thoroughfares? Would any cabdriver in town know exactly where the address is? If not, don't move there—nobody else will know where it is, either.

Another important consideration in site leasing is the local or national Yellow Pages closing date. Can your lease term be written to coincide with the period in

IF YOUR MANAGEMENT PEOPLE DO THEIR HOMEWORK ON ANALYZING PROPOSED LEASES, YOU SHOULD NEVER BE SURPRISED TO LEARN THAT YOUR SIGN CAN'T GO UP, . . .

which you renew Yellow Pages advertising? This prevents those long, unprofitable periods when you're "not in the phone book."

There's no written law that says building leases have to run exactly twenty-four, thirty-six, or forty-eight months. If twenty-three months or nineteen months better suits your purposes, write it that way. And be sure any renewal options give you plenty of time to explore other alternatives without pressure. The landlord should be required to send you a letter far in advance of the renewal option period in the event you forget.

Read your lease as you would a contract with your finance company or bank. It just as surely represents a legal obligation you or your company (usually, both of you) must live up to. That \$1,500 monthly lease is really a \$54,000 debt you're incurring, and it doesn't make sense just to flip through the pages and sign on the last line. Use this simple rule of thumb: if you want it, write it in and initial it; if you don't want it, cross it out and initial it. Remember, the lease is an offer that you may accept or decline.

USE THIS SIMPLE RULE OF THUMB; IF YOU WANT IT, WRITE IT IN AND INITIAL IT; IF YOU DON'T WANT IT, CROSS IT OUT AND INITIAL IT.

Returning a signed lease with a check and a short letter describing the changes you've made is a good ploy: It's hard to send back a check lying on the desk and most landlords will quickly agree with

what you want, as long as it's not totally ridiculous. If you don't ask for changes, their job is easier and your ultimate cost is higher.

If you'd like a copy of a competition analysis and site analysis form, write to: APRO, 1866 InterFirst Tower, Austin, Texas, 78701.

COMPETITION ANALYSIS

1. Business Name _____ d/b/a _____
2. Address _____ 3. City _____
4. Telephone # _____
5. Owner's Name _____ 6. Yrs. in Business _____
7. Number of Employees _____ 8. Number In-Store Employees _____
9. Appearance of Employees _____ E G F P Uniforms Worm? Yes No
10. Comments on Employees _____
11. Building Size (approx.) _____ X _____ 12. Free Standing Strip Mall Center
13. Outside Appearance of Building _____ E G F P
14. Inside Appearance of Store _____ E G F P Comments: _____
15. Specialized P.O.P. Used (w/company name) Yes No Type: _____
16. Type of Outside Signage _____ Dimensions: _____
17. Number & Size of Trucks _____
18. Number of Units on Display Floor _____ 19. Condition _____ E G F P
20. Mix of Floor Inventory _____ COLOR CONS _____% 20. COLOR PORT _____% AUDIO _____%
- WASHER OR DRYER _____% REFRIG _____% FREEZER _____% VIDEO _____% FURN _____%
21. Brands Displayed _____
22. Telephone Technique _____ E G F P 23. Counter Technique _____ E F G P
24. Rental Rates (for market) HIGH LOW Comments: _____
25. General Reputation in Market _____
26. Comments _____

SUMMARY OF MARKET AREA ANALYSIS

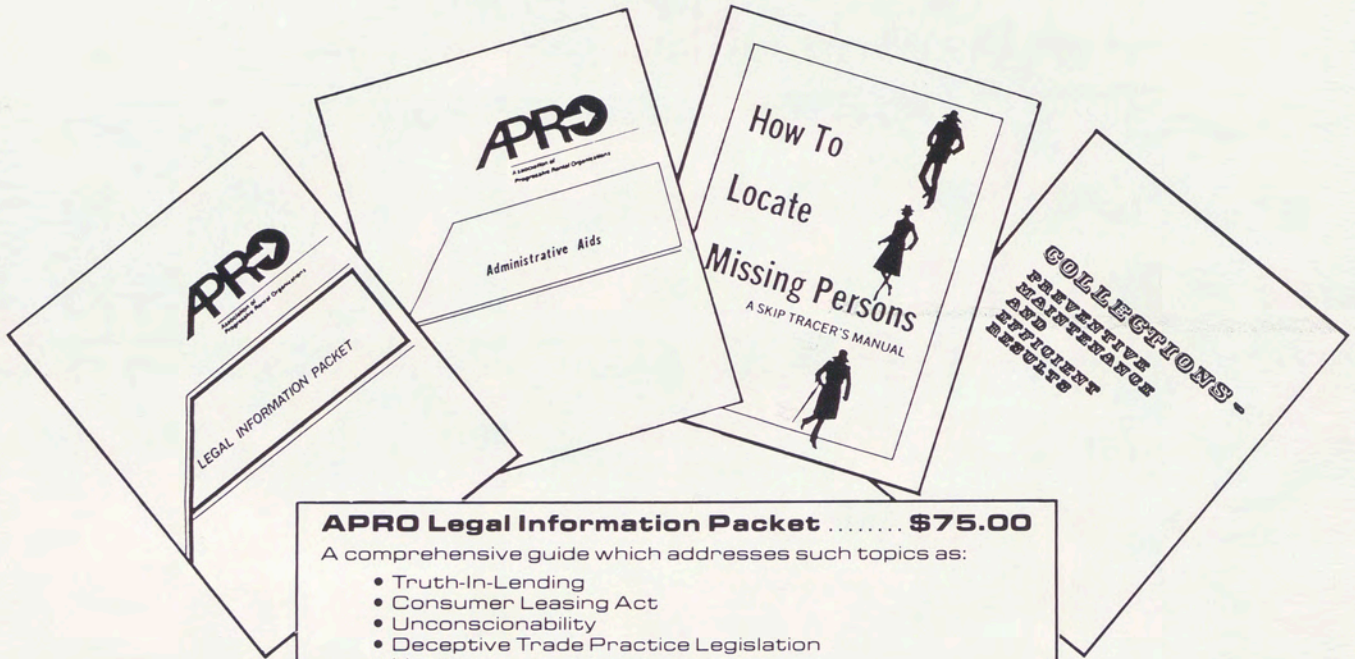
1. Metro ADI _____
2. Market Area Name _____
3. Cities in Market _____
4. Target Intersection _____ (at) _____
5. Major Competition Within 3 Mile Radius _____
6. Major Retailers Within 3 Mile Radius _____
7. Nearest Main Commercial Intersection _____ at _____
8. Population Within 5 Mile Radius:

Households _____	% Renter Occupied _____
Population _____	% Owner Occupied _____
Avg. Age _____	Avg. Income Per HH _____
9. Major Employer in Market Area _____ Unionized: YES NO
10. % of Workforce Engaged in: FACTORY/MFG _____% RETAIL _____% ADMINS _____% OTHER _____%
11. Avg. Major Appliance Purchased by Population, IX Every 2 4 6 8 10 years
12. Number of Direct Competitors in Yellow Page Display _____
13. Number of TV/Appliance Repair Shops in Yellow Page Display _____
14. Chief Advantages of Market Area _____
15. Chief Disadvantages of Market Area _____
16. Comments _____
17. Yellow Pages Data:

a. Local Closing Date _____
b. Publication Date _____
c. Name Of Major Directory _____
18. Laws, Statues, Ordinances, Regulations: _____



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VALUABLE TOOLS FOR EFFICIENT
AND PROFITABLE OPERATIONS**



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A comprehensive guide which addresses such topics as:

- Truth-In-Lending
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- Unconscionability
- Deceptive Trade Practice Legislation
- Usury
- Perfection, Repossession, Bankruptcy
- Warranty Problems

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A compilation of various standard business forms for the rental dealer:

- Rental Application Forms
- Rental Agreement Forms
- Employment Forms
- Daily Report Forms
- Inventory Control Forms
- Skip-Trace Forms
- Vehicle Report Forms

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on your Reader Service Page in this issue

- # 5 APRO Administrative Aids Packet
- # 4 APRO Legal Information Packet
- # 8 How to Locate Missing Persons
- # 7 Collections

SPECIAL SECTION

Welcome TO THE Future

TV Stereos • Laser Audio Discs • Audio Trends • Rental Customers • Employee Advertising



AUDIO TRENDS

by Betsy McLellan

Digital audio discs scanned by laser beams, VCRs going hi-fi, televisions combined with stereo—these are but a few of the latest incredible audio innovations available for consumers to choose from.

They will be part of the rental dealers' future as well, though many APRO members say they're waiting on most of the latest audio products to come down in price and for manufacturer competition to die away, leaving a few major brands and models instead of the bewildering array now rivaling each other for market supremacy.

Audio products currently comprise from 10 to 20 percent of rental dealers' business. Stereos are hotter items in the southwest and on the west coast at the moment, though approaching holidays will cause an increase in RTO audio dealings in general nationwide.

What about next year?

"I firmly believe anybody who thinks they can say right now what's going to be hot in the future is going to have a rude awakening," states Bob Holladay of ABC Rentals in Dallas.

He explains, "Up until last year audio sales had declined for the past ten years. Changing technology has altered that. Manufacturers are trying to figure out who's going to come out on top . . . store employees are trying to sell six or seven different kinds. When everything shakes out, then we'll know what stereo's going to be—it's a calculated gamble at the moment."

Holladay continues, "Right now, we're buying for price point and features. We've found we can rent about any stereo on the floor with basic, standard features, as long as it's a name customers have seen advertised nationally."

As for manufacturer details on their audio future, Pilot Audio Systems' Vice President of Sales, Bill Simpson says, "We will continue with our fully assembled audio rack models and will introduce two new audio/video systems. We will have two new hi-tech series that will be between 50 to 100 watts per channel with equalizer, advanced cassette decks, and linear turntables—these will all be introduced in January."

Additionally, Simpson says Pilot will introduce a new concept in lower priced audio rack systems which will be priced from \$150 to \$250 to dealers.

Pilot's other news for the future includes two new distribution locations, one in California and one in the East—most likely, according to Simpson, in Atlanta. And he adds, "Pilot is looking

at audio discs in the fall of 1984 as an additional feature.”

Laurie Berger at Teknika in New York, said the company plans no new releases for the moment for their audio products.

At Dynamic Distributors in Dallas, Shelly Carnes notes specific features on Grundig's latest in Home entertainment systems. “It's fully functional, 19-inch remote control . . . Service techs will appreciate that it had just two screws on the back that can be removed by hand and the chassis falls out . . .”

As for current audio happenings in Rent-To-Own, stereos seem to be a steady mainstay of many rental businesses.

“We do fairly well—over 20 stereos in a good month,” says Steve Mikemayer at Western Rents in San Jose, California. He cites Fischer, Sansui, Pioneer and

JVC as being their most popular products.

Gary Weber, president of Aim Rental in Long Beach, California notes, “The better audio products are doing well—fischer and Hitachi. People are going for better components.”

At Rent To Own in Bakersfield, California, Lou Kiefer says their audio business is going great. “Everybody and their uncle wants component stereo. Fischer, Sansui, Hitachi and Akai are up and coming for us. And our GE TV-stereo system is incredible.”

There were a few sour notes in audio, however. “It's not happening in LA,” rental store manager Evan Cooper says. “They mix and match here. TV-stereo combo's very difficult for us. They want to compare watts and speakers; they're more sophisticated here.”

Barbara Estevens, American Rental

Center in Waterbury, Connecticut, says her area doesn't have much call for TV-stereo systems. And, she adds, “People here aren't into stereos—there isn't much call for them.”

Overall though, audio rentals are up, reflecting a general rise in market popularity. Retailers hottest items seem to be the rack systems favored by female customers; discounters are having no problem selling anything and everything due to their pricing. This audio business mood is upbeat and, it appears, somewhat contagious. It's hoped APRO members will catch the current audio bug as well.

As for the future, rental dealers aren't making too many predictions, but some products—component stereos, VCRs with hi-fi, TV-stereos and audio discs—will figure in the rent-to-own industry. Whether the part they play will be large or small remains to be seen.



Digital audio discs scanned by laser beams . . . are but a few of the latest incredible audio innovations available for consumers to choose from.



LASER

AUDIO

DISCS

by Betsy McLellan

Most Rent-To-Own dealers are keeping their eyes on audio compact disc players for future additions. Many feel, as with TV-stereos, that prices are too high just yet to justify including them on RTO store shelves; rental dealers will wait for them to come down in price and also observe who the leaders in CD players really are.

Exactly what are these new forms of music playback media? The disc itself, an end product of radical changes in record technology, is 4.7 inches in diameter. Audio information is placed on it as a track of microscopic pits in a thin layer of reflective aluminum. The spacing and length of the pits determine what data is actually "seen" by the player, as an infrared beam from a semiconductor laser focuses on them. The light is converted to an electronic signal, then decoded by a series of microcircuits and fed into an electronic filter where it becomes an analog signal suitable for any hi-fi amplifier. (A few manufactureres have a different digital to analog conversion method and claim their product has resulting superior performance.)

Because nothing except a beam of light touches the surface of the disc as it's played, when handled with care, these latest electronic LP versions can be expected to last indefinitely. And the millionth playing will still sound as marvelous as the first, according to those in the know.

CDs offer amazing sound fidelity—distortion is negligible, no flutters, hisses, pops or clicks can be distinguished. The manner in which these audio discs are processed and reproduced renders them immune from the types of distortion and noise that affect even superior hi-fi systems.

The music tracks on CDs are played back in a manner opposite that of ordinary LP records. A CD's first track is on its inner-most section; the last track is on its rim. Only one side of the disc is used, simplifying manufacturing.

Some machines are able to repeat a specific musical phrase within a track that interests the listener. Other, special signals stored on CDs enable more complex players to perform a variety of unusual tricks—indexing, for example. The disc's contents can be divided into selections drawn from different tracks and then further subdivided into subsections.

Most machines have a digital display which indicates the elapsed time after a selection starts. A few also have wireless remote controls. Many even show how much playing time is left on the disc.

Customers interested in CD players may end up reevaluating their hi-fi gear. In order to gain all the benefits CDs offer, many will end up replacing much of their audio equipment with components capable of handling audio discs. Listeners who prefer their music played at moderate levels will probably have few problems and enjoy the dazzling high fidelity CDs provide. However, rock and rollers and other listeners who like to turn the volume way up may find the dynamic range built in to the CDs too much for their audio equipment to handle. Their amplifiers or receivers may introduce distortion, or their loudspeakers may become overloaded, for example.

Price has been the major obstacle facing potential customer and rental dealers who would like to include audio disc players in their audio line. Prices have begun coming down, most noticeably, this past summer.

In the United States, CDs were officially introduced on a nationwide basis in June at the Summer Consumer Electronics Show, held in Chicago. Players to watch for, rental-wise, might include the larger NEC CD-803E, which offers wireless remote control of all functions and can be programmed to play up to 99 selections in ANY order. It's presently retailing at \$1,000.

Philips Magnavox Super Compact FD-1000 is the smallest CD player (as of press time!). It is top-loaded and has no programmability. This one retails for \$800.

Sansui's PC-V1000 also offers wireless remote control, which permits random access to individual tracks. The company also claims this CD player will accurately retrieve signals by means of a three-beam

Audio information is placed on (a disk) as a track of microscopic pits in a thin layer of reflective aluminum.

laser pickup even after a CD has been accidentally scratched. It retails for \$1,000.

Sony's CDP-701ES, released in September, is unique in that the program remains audible in fast forward and reverse modes. It retails for \$1,500.

The current lowest price for a CD player is held, oddly enough, by Sears Roebuck & Company—they have a model that sells for under \$600.

What about the actual discs themselves? Production is not expected to catch up with demand until sometime next year. Disc availability has been the major reason for lagging CD players sales—one million for 1983. But more and more discs will hit the market, and sales of eight million or more are projected for next year.

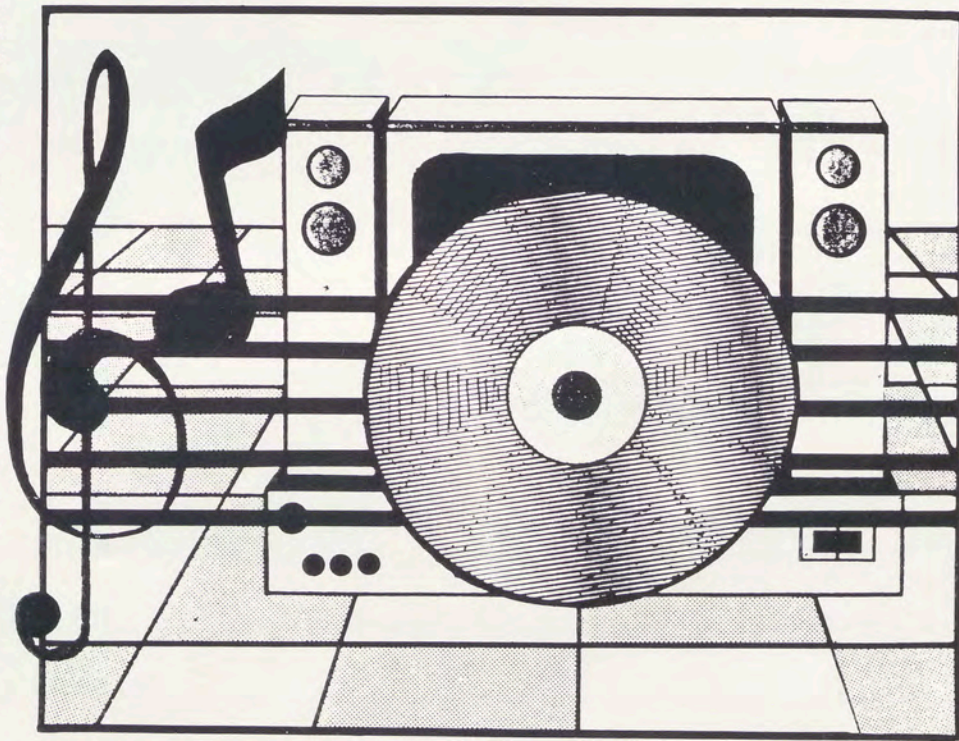
Originally, discs were limited to classical music, but that's changing. There are about a dozen labels out now, though most discs are being pressed by only four major firms in Japan and Europe. CBS

Records, Terre Haute, Indiana, says part of its plant will be devoted to disc production by mid-1984. They offer 22 titles of classical music, 26 popular music titles. CBS/Sony has eight titles out for both classical and popular music; Warner/Elektra/Atlantic has 33 popular music titles available; and Denon offers 21 classical titles and seven popular.

Other manufacturers and/or available labels for classical music include Arista; Capitol; Chrysalis; Deutsche Grammophon, with 28 titles; London, also at 28; Philips, with 24; Telarc, with 23; and RCA Records.

The Compact Disc Group, an organization consisting of major CD hardware and software manufacturers, issued its first CD catalog in June. For a copy of it and future publications, contact the Compact Disc Group Information Center, P.O. Box 2395, Rockefeller Center Station, New York, NY 10185. The phone number is (212) 355-6947.

Because nothing except a beam of light touches the surface of the disc as it's played, when handled with care, these latest electronic LP versions can be expected to last indefinitely.



TV-STEREOS:

Waiting in the Wings For Rent-To-Own

TV-stereo's time hasn't quite arrived yet in the Rent-To-Own industry. These latest home entertainment centers are being watched with interest by many rental dealers. However, only a few stores in the southwest and on the west coast are carrying them with any success. The majority of rental stores carry only one model or none at all.

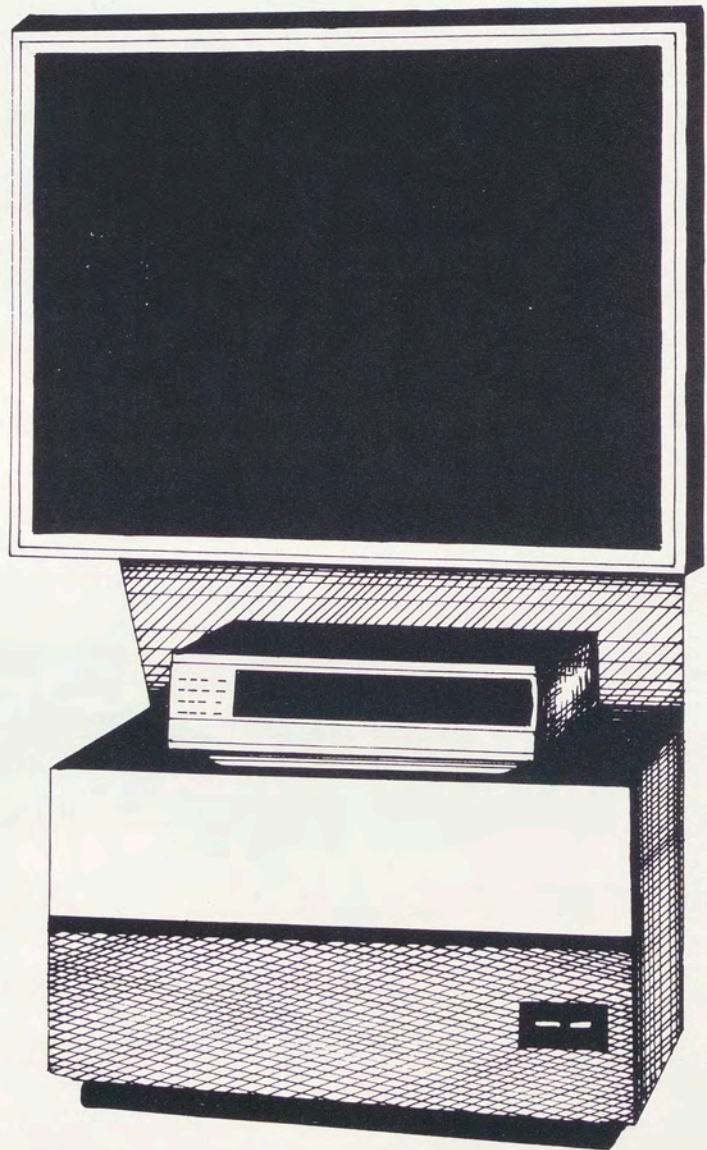
Typical dealer comments include, "We're not carrying any yet; it hasn't taken off," and, "It's too new. We rent them for mostly businesses and professionals."

Many rental dealers interviewed by THE APPROACH frankly admitted the prices of these units are just too high right now. Others added that the accompanying software would have to be made available first.

Ed Mohanna, owner of Cari TV & Appliance Rentals, Inc. in Omaha, Nebraska, explains, "It's just too new for us. I've seen some real good combinations, but rental isn't retail. We won't carry top-of-the-line until they've been out for a while and have established themselves."

Dealers' concern over too many competing brands in an area new to them, as well as to their customers, reflects a basic Rent-To-Own fear of investing in several expensive units, only to see newer versions available next spring in local retail stores at reduced prices. Rental business owners remain content for now to wait and see which TV-stereo brands will out-muscle their competition.

Rent-To-Own seems determined to bide its time until the novelty of televisions accompanied by stereo wears off and manufacturers' prices come down.



A Look At RENTAL CUSTOMERS . . . Who Are They?

The average rental customer.
Is there such a person?

Actually, there's more than one sort of customer seen daily by rent-to-own dealers and their salespeople. Rental store owners, managers, and sales staffs around the country describe three types of customers most often encountered. They are:

1. Young singles
2. Young married couples
3. Older customers

Customers in the first group are primarily interested in stereo equipment. Some are college students or recent graduates setting up their first apart-

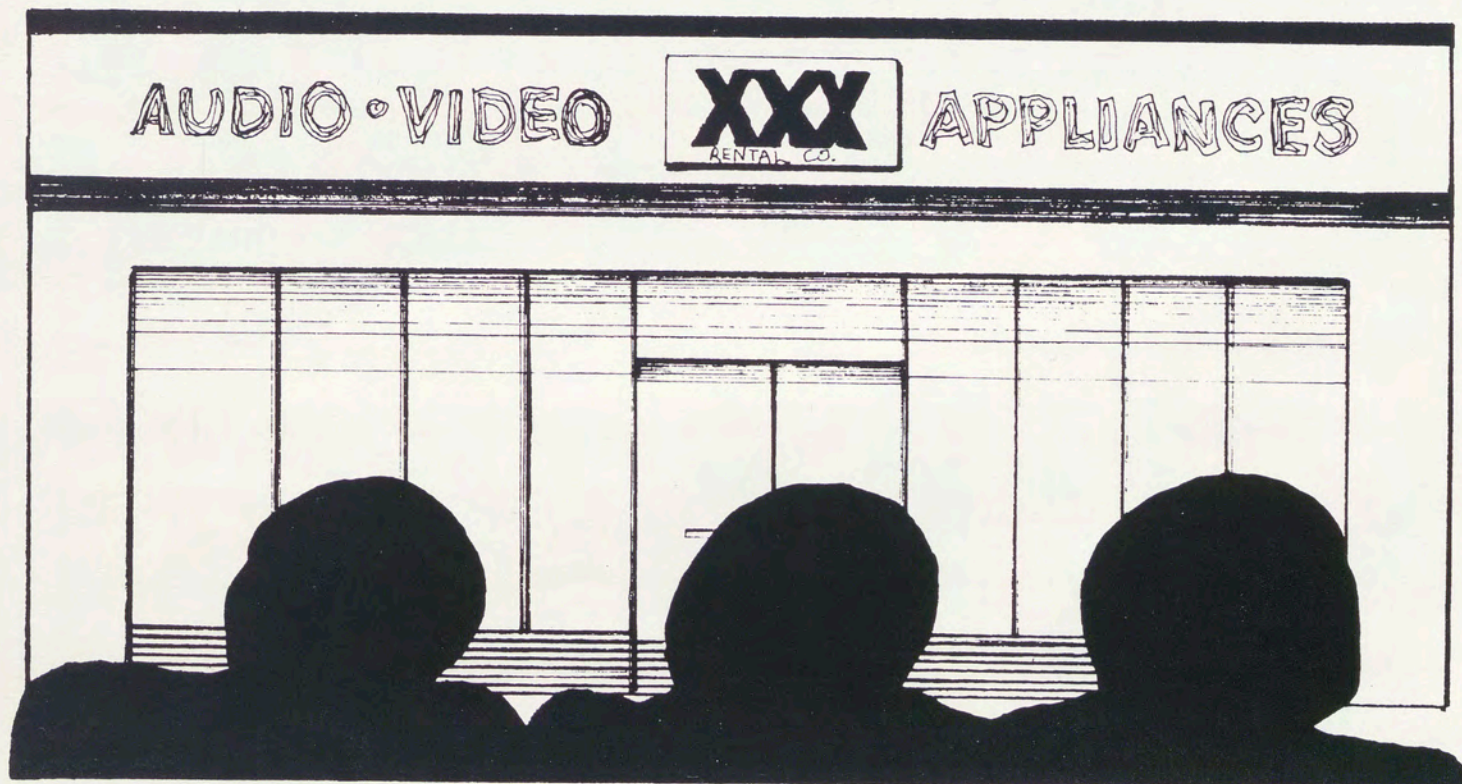
ments. They are interested in trying various brands and models before making a firmer financial commitment. Others are in the military, liable to be transferred every couple of years or so, who've found that renting best meets their needs.

Young married couples, are primarily interested in renting appliances and furniture. They may rent or own their homes. Often, these young customers become interested in a rent-to-own microwave or freezer, viewing these items as investments in their future.

The third type of customer described by RTO dealers may be an older person who has become "overloaded" credit-

wise, or who has perhaps had financial difficulties and is attempting to re-establish a good credit rating. Other older customers are elderly couples, several years retired and on limited incomes, who find that renting-to-own allows them to have the new refrigerator or washing machine they need and still stay within their budget.

Overall, the majority of rental customers now are young and are undergoing some sort of transition—job changes, moving to a new town, etc. It's a safe assumption that more and more, these younger outlooks will be reflected in rental merchandise popularity and marketing strategies.



Great Employees!

• Find them with effective advertising

Great employees—everyone wants them, but finding them is often a problem, especially for rental dealers. The APROACH checked with professional personnel services and rental dealers for their tips on writing effective employment ads. Here's what we found:

Don't restrict your search to the classified section in the newspaper. Bud Holladay of ABC Rentals in Dallas Texas, says there's no real hard and fast rule about placing help wanted ads. "The best are those people who already have jobs but are looking to change to something better," he notes, adding that placing employment ads in the local newspaper's TV/movie guide or sports section will not only attract their attention, but also have fewer competitors.

"Be creative," Holladay asserts. "Put the same originality and inventiveness into an employment ad that is devoted to product advertising." If the company's budget allows, he adds, try typing up a one page job description with the type of person you're looking for, then turn it over to your ad agency and have them develop the ad for you.

Miss Kathy Hancock, owner of Matchmaker Personnel Consulting Services advises employers to keep their ads simple and straight-forward. "Put salary information in the ad, so individuals can screen themselves in or out of the position," she notes. "Without that disclosure, individuals tend to go to other listings with the information where they can take immediate action."

She adds, "One of the most important things to give is a telephone number, place to stop by or person to contact, rather than just listing a post office box number for resumes. Many individuals, Hancock explains, feel vulnerable about sending in resumes of their personal backgrounds and past work histories.

Be sure to describe specific jobs, rather than giving a general, catch-all term and also state clearly what the job will require of the person who applies for it.

Hancock says she feels display ads are a waste of money as far as help wanted listings are concerned. She recommends spending the money to buy one inch of column space in the newspaper—smaller ads are easily lost. If there is a small amount of copy, she advises blowing it up to a larger size, such as ten point, or centering it within the ad and surrounding it with white space so it will be more noticeable.

Shelly Carnes at Dynamic Distributors adds that rental employers need to check terms they use for job positions when placing the ad. "Not everyone knows what is meant by an account rep. Explain what that is so someone who is thinking about applying for it knows exactly what you're looking for and knows whether they fit the description or not."

Carnes also suggests putting the words, "salary negotiable" in if a firmer salary remains to be agreed upon.



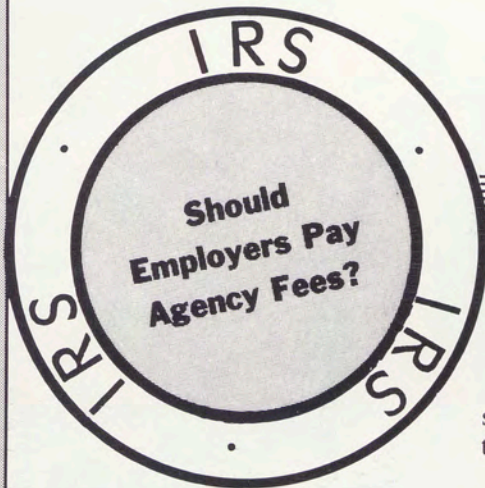
Don't forget to put up notices for graduating students at local college campuses and in city magazines or in campus publications. If the rental store is near a military base, try placing a low-cost ad in the post newspaper to alert military personnel nearing their end of service to the fact that you have positions available.

Participate in community hiring projects, such as annual summer Hire-A-Teen programs. Applicants involved are frequently determined to do a good job and prove their dependability in exchange for that first chance at a job. Local newspapers often cover these extensively, and the resulting beneficial publicity has its own rewards for rental dealers and their stores.

Great employees—they are out there! Attract them with simple, straightforward ads placed with a bit of creativity; don't be afraid to say exactly who you are looking for, what they will be doing and what you are willing to pay.

TAXES

TAXES



Rental store employers who often use employment agencies to locate employees suited to their special needs may find both themselves and those they hire better off if the employer pays the fee.

Payment of agency fees, according to the Internal Revenue Service's position, gives rise to tax consequences that do differ, depending on who pays the employment agency.

If the employee pays with the understanding that reimbursement will be made by the employer after a trial employment period is completed, the reimbursement is considered wages, and then becomes subject to withholding for the Federal Insurance Contributions Act (FICA), Federal Unemployment Tax (FUTA) and income tax purposes.

The IRS view on the reimbursements is that they are in the nature of special bonuses paid to the employee for services rendered by continuing in employment and performing satisfactory work for a

specified period of time, according to the Federal Tax Guide Reports.

As bonuses, reimbursements are considered part of the employee's wage structure. Because of the IRS view, the employee, as a result, is not compensated for the full amount of the fee because it must be withheld.

However, if the employer pays the agency fee directly, the payment is not considered wages to the employee. The IRS views these payments as business expenses of the employer.

Another business expense analogy made by the IRS involves interview expense reimbursements, made by an employer to prospective employees for expenses incurred in connection with an interview about possible employment conducted at the invitation of the employer.

Agency fees paid by employers are ruled deductible business ex-

penses, whether paid to the agency or reimbursed to the employee. There are several advantages of direct agency payment.

Most obviously, the employer is viewed in a more attractive light by employees who are not required to pay fees. Direct payment also relieves the new employee from having to convince the IRS that reimbursed fees paid are deductible business expenses. (Job-hunting expenses, the IRS has ruled, are deductible only if incurred while employees look for work in their established field of expertise, not if incurred while changing lines of work.)

Employers benefit in a monetary way—they are relieved of the required FICA payments on their employee's behalf.

Additionally, employers are able to enjoy similar protection afforded by an employee trial period simply by stating in its contract with the employment agency that the agency will refund the fee the employer has paid if the employee is terminated within a specific period of time for good reason.

"Employers benefit in a monetary way—they are relieved of the required FICA payments on their employee's behalf."

MANUFACTURERS' NEWS

KAR Software has developed an amazing inventory control system. Adding merchandise to inventory prints a detailed Receiving Report and deleting merchandise prints a Deletion Report with codes for paid-outs, sales, transfers or skips.

The Rental Inventory Manager (RIM) has the capacity for hundreds of item types, sorted by the serial and model number. When an item is called up for review, it gives model number, serial number, type, original cost, monthly depreciation, remaining value and disposition.

This information is at your fingertips within seconds for every inventory item you have.

The RIM helps you keep up to date records on all accounts. After adding a new customer, RIM will print a detailed receipt for the customer and update the account status each time a new payment is made. Customers are identified by account number and information such as name, address, phone, item description, total paid to date and due date is immediately available.

RIM prints a complete daily report consisting of the following basic information: income and cash activity—rental income, sales income, tape income, reinstatement fees, cash over or short; and past due accounts for both day's open and close are given by numbers and percentages.

RIM prints a monthly recap report with average BOR, unit yield, net rental income, monthly depreciation by type, complete addition list of all new merchandise, complete deletion list and all income totals.

Rental Industry Manager was designed by people in the rental business, for people in the rental business. It is a complete system of controls with quick and easy operation that anyone can use.

For more than a generation the all-in-one television set has reigned supreme. This year the Sony Pro Feel System ushered in the era of component video. In this system, the television set will be replaced by a high performance video-audio tuner for broadcasts (with stereo-ready audio circuits) plus a high resolution monitor screen to display pictures from video discs, video cassettes, cable, and satellite receivers, as well as in-the-home sources such as computers and video games. Specifications for this new system are rigid and now television viewers may enjoy the same flexibility they have known through advances in audio technology.

Data Design & Development, Inc. has now added the Televideo line of computers to their product selection. Televideo revolutionized one part of the microcomputer industry with its high-quality, sophisticated terminals.

The Televideo "family" provides its users with a clear growth path. When expansion is necessary to the data processing needs of a company, these needs can be met without software or hardware obsolescence.

A legislative provision restricting computer software rentals may be in the works shortly, if a recent District Court suit filed by MicroPro International Corporation against a company offering computer programs for rent through the mail is successful.

The action against United Computer Corporation sees computer software companies joining the videocassette industry in the controversy raging around home copying.

MicroPro contends United Computer rents software programs so that customers can illegally copy them. Apparently, though most programs contain anti-copy coding, it is an easy matter for users to override that guard and transfer programs onto blank discs.

The suit also charges United Computer obtained MicroPro programs, removed the user contract forbidding copying and then reboxed the discs for rental.

RCA has announced its first series of interactive discs for the new interactive disc players. They include a Walt Disney game featuring the Mouseketeers, a movie trivia quiz from Paramount and a horseracing game hosted by jockey Willie Shoemaker. The new Vidmax Mysterydisc, *Many Roads To Murder* is also available in the new format. Players can sleuth their way through 16 different plots; the game is adapted from the Laservision disc.

The disc player ranges in price from \$500 to \$550. The discs are priced between \$20 and \$30.

Fourteen Japanese manufacturers have agreed on a new set of computer software standards which translate into mass production of the software and related equipment and lower prices for consumers.

Participating Japanese companies will use compatible microprocessor, graphic and sound integrated circuit chips, enabling all the machines to be operated by the same software. Additionally, all will have identical input-output interfaces so that any Microsoft Super Extended (MSX) standard printer, tape, modem or disc drive can be used.

American software makers who anticipated the agreement have already begun adopting the new format. Colco, Atari and Spectravideo are planning a plug-in module to enable their consoles to run MSX programs.

NUTS & BOLTS

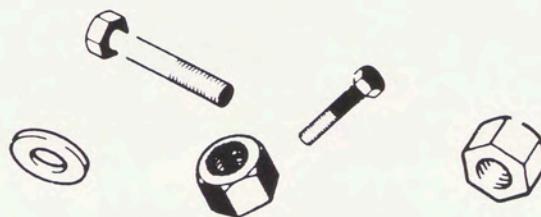
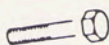
ENERGY GUIDE LABELS ↓ CONFUSING?

Have you ever been confused by those little yellow "Energy Guide" labels stuck on new appliances? If so, you're not the only one. Shoppers aren't paying attention to them because they don't understand them. Neither do the salespersons trying to explain them.

Originally, the guides were intended to help shoppers compare the operating costs of new appliances. But according to the Chicago Consumer Sounding-Board, which recently examined the guides, the present labeling has succeeded in confusing, rather than helping. Information on the guides is almost meaningless because the methods used in computing the estimated operating cost figures are based on variables such as "typical" usage and changing utility rates.

Recommendations by the CCSB would update and clarify the guides, but the final say will be had by the Federal Trade Commission, which administers the energy program established by Congress in 1975. It could be some time before changes are made.

Meanwhile, folks, leave the labels alone. It's against the law to remove them.



NEW EMPLOYER TAX CREDIT

For the small-business man, summertime often means an increase in the number of job applicants. With so many to choose from, hiring can be quite a task. The government wants to help.

Through the Targeted Jobs Tax Credit Program enacted by Congress in 1978, businesses hiring the economically disadvantaged (which includes Vietnam veterans, ex-convicts, and young people) are eligible for a tax credit equal to 50 percent of the first \$6,000 of each employee's qualified wages during the first year of employment and 25 percent of the first \$6,000 of each employee's qualified wages during the second year. The maximum tax credit per employee could total \$3,000—\$4,500 for the first year and \$1,500 for the second. The credit cannot be more than 90 percent of a company's tax liability, but any unused portion of the credit may be carried back three years and forward 15 years.

In 1983, hiring young people from poor families qualifies employers for a tax credit equal to 85 percent of the first \$3,000 paid to each 16 and 17 year old hired between May 1 and September 15. The state determines an employee's economic category based on the Bureau of Labor Statistic's lower living standards, so the category could apply to college graduates who have not worked full-time six months prior to taking the job.

To participate, the employer must be sure that the new employee has been interviewed by the state employment service and is certified for the program on or before the first day of work. The employer must then receive proof of eligibility in order to claim the tax credit.

Commitment to the program is necessary to receive benefits. Those responsible for hiring must be sure to aggressively pursue employee certification.

TV'S LATEST

Sony Corporation will soon unveil a Betamax video recorder that talks back. After the machine is programmed to record a TV show, it repeats its instructions in a pleasant voice. If a mistake is made, the voice informs its programmer of the goof. No price has been set yet.

American Audio Corporation has developed a dash-mounted TV set consisting of a two-inch black and white screen and a magnifier lens that slides on and doubles the screen's size. Also included with the set are an AM-FM radio, digital quartz clock and a stereo cassette player. The idea behind the set is to allow anyone waiting in a car for a returning shopper to watch TV in the meantime. Cost of the set is around \$995.

Seiko's Pocket Color TV will premiere within the next six months. Priced between \$400 to \$500, the world's first flat screen color LCD television is expected to be a popular gift item.

Another TV set, developed by the Sampo Corporation of America, serves a variety of duties including babysitting and home security. The set features a 19-inch color TV screen and two five-inch black and white screens which can be linked with video cameras. One camera could, for example, be used to view nursery activities, while the other guards a home entranceway. The set is priced at about \$1,000; the accompanying video cameras cost around \$250 each.

Panasonic has a new miniature satellite TV receiving system, less than two feet across, which can pick up signals from satellites orbiting 23,000 miles above. The dish can be used to pick up subscription TV or network programs with improved reception in "fringe" areas. It is expected to cost around \$600.

FINANCE



Bud Holladay



The lure of lower monthly payments on long-term notes with the finance company or bank is often too attractive to resist. However, the total cost of such payments can be very high compared to the short-term, high monthly payment type of financing.

The established TV/appliance rental dealer who is already financing rental inventory on 12-, 15- or 18-month notes or on a revolving credit line should examine company cash flow requirements before making the decision to change financing plans.

If the dealer is primarily concerned with total net outlay for inventory rather than monthly cash payments, the company's accountants should do an extended cash flow forecast using both types of financing. When interest is essentially a "pass-through" expense and a dealer is near the 50 percent income tax rate, the interest rate is often less important than the effect on cash flow.

Another consideration for the rental dealer is the effect on the business of continuing to make note payments (including interest) on goods that have already left inventory or are otherwise not producing rental income. At the same time he may be having to come up with new inventory at possibly higher interest rates—and almost certainly higher price tags—in order to stay in business and expand the base of operation. One can develop a severe cash flow problem in later months because of a decision today to make lower monthly payments.

The current controversy over ACRS (Accelerated Cost Recovery Schedule) versus straight-line inventory write off over 18 or 24 months adds still more choices for the dealer. For inventory financing, get the best accountant available who understands the unique properties of the rental business. Then select the type of financing that best suits the long-range goals and short-term needs of the company. It may not be what the dealer across the street is doing, but every rental company has different requirements. Preparing a 60-month cash flow forecast comparing both types of financing is critical to determining what is best for the rental company.

**The lure of lower monthly payments on long-term notes
with the finance company or bank
is often too attractive to resist.**

Here's one way we specialize...

Rental financing.



No mistake about it. Rental financing demands professionals who really understand how the business works.

We do. We know that responsive financing programs serve a rental dealer's needs best. And we know how to help the rental dealer grow progressively and profitably.

But that's what you expect from the

professionals at BWAC. We've been providing innovative financial services to business for 30 years now — ranging from traditional inventory financing, or floor planning, to commercial leasing, insurance services, floor check programs and much more.

And our network of branch offices in the United States enables us to serve your market on a timely basis.

And we're specialists, too. The BWAC Rental Finance pro who works with you works exclusively

in rental finance. You won't need to teach him — or her — the business.

To put an experienced BWAC rental finance specialist to work for you, give us a call.

After all, wouldn't you rather see a specialist?



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National Sales
Manager
214 960-8351

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8	APRO Legal Defense Fund	15
9	APRO Publications	22
10	Borg Warner Acceptance Corporataion	35
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THE APROACH

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THE APROACH
November 1983

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17

COMING

THE LATEST IN HOME APPLIANCES—COMPUTERS! January's APROACH will feature favorite rental software and hardware, plus tips on marketing the ultimate electronic merchandise, and profit projections for dealers who use them!

TAX DOLLAR SAVINGS. The APROACH'S next issue includes a financial method for saving tax dollars by structuring voluntary retirement plans for employees and owners alike.

RENT TO OWN EUROPEAN STYLE. An overseas look at rental businesses; their similarities to American rental companies and ways they differ in outlook and marketing strategies.

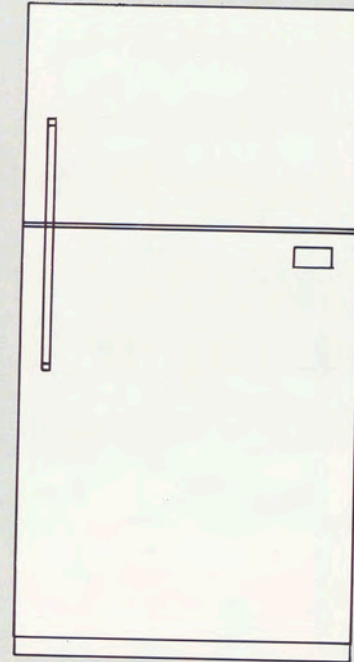
Who's Who in **Rent-To-Own**, published annually in **February**, is a daily reference guide and valuable networking tool for the 250 members of the Association of Progressive Rental Organizations who represent over 1100 home entertainment, appliance and furniture outlets nationwide.

Who's Who is the most complete listing available of dealers who market with the rent-to-own concept.

Don't miss the opportunity to receive **year-long exposure** at these rates.

CONTRACTS FOR WHO'S WHO 1984
AVAILABLE NOW

Contact: E. T. Johnston, 1866 InterFirst
Tower, Austin, TX 78701 (512) 478-6521



1984 RATES
BLACK AND WHITE ONLY

Ad/Copy Payment Deadline
Dec. 15, 1983

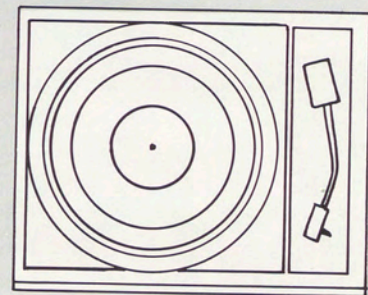
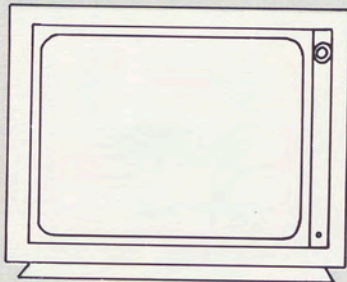
REGULAR RATES

FULL PAGE	(5½ X 8½)	\$750
2-PAGE SPREAD	(11 X 8½)	1500
HALF PAGE	(5½ X 4¼)	500
THIRD PAGE	(5½ X 2½)	425
QUARTER PAGE	(2¾ X 4¼)	350

PREMIUM SPACE

Ad/Copy Payment Deadline
August 20, 1983

BACK COVER	(5½ X 8½)	\$1000
INSIDE FRONT	(5½ X 8½)	875
INSIDE BACK	(5½ X 8½)	875
CENTER SPREAD	(11 X 8½)	1300
PAGES 1-5	(5½ X 8½)	850
LAST PAGE	(5½ X 8½)	850
PAGE EDGE	(1 x 8½)	150



WHO'S WHO IN
RENT-TO-OWN

1984

Our Insurance Program is the Answer for
Rent-to-Own-Dealers
Designed Especially for



MAINT
THE INSURANCE

800-338-5513 MS
800-233-7075
6045 Ridgewood Road, Jackson, MS 39211

COMING

CONSIDERING COMPUTERS? The January issue of The APROACH will feature ideas on using computers for inventory management, bookkeeping, customer and collections management, plus tips on what to include and leave out of your current programming.

AD AGENCY DEALINGS—The APROACH takes a look at the pros and cons of advertising and its effect on rental dealers, their businesses and their customers.

APPROACHING YOUR BANKER FOR A BETTER DEAL. Getting the most for your money is important! Make your banker work for you. January's APROACH will have information on securing the best arrangement for your growing business.

UNIVERSAL SPEAKERS SPEAKER REPLACEMENT PROGRAM

UCP1000

3-way 10"
24" x 14-1/2 x 10-3/4"
80 watts peak

\$85.
per pair



UCP1200

3-way 12"
29" x 14-1/2 x 10-3/4"
120 watts peak

\$105.
per pair

ALL SPEAKERS ARE EXTERNALLY FUSED, PACKED WITH WIRE AND FINISHED IN HICKORY

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.



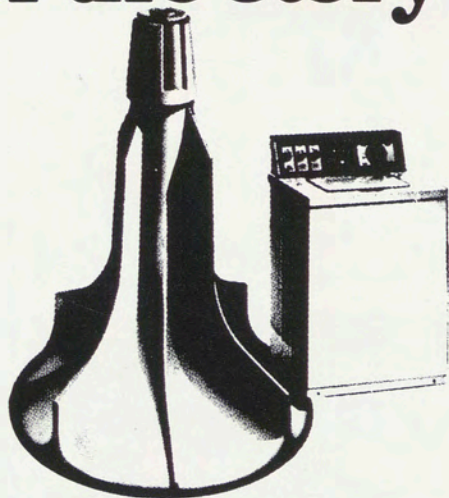
SPECIFICATIONS:

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

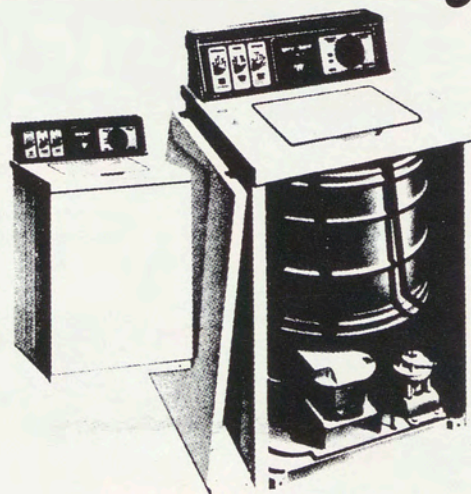
- All around cooled liner
- Front ventilation
- Hammered Aluminum liner
- Removable inner compartment divider
- Ice Scraper
- Front Panel controls
- Operational signal lights
 - a. Green Light—visual on/off power indicator
 - b. Red Light—visual temperature warning
 - c. Yellow Light—visual on/off temperature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

Just part of the story



This is the agitator
built with the 210 degree power stroke.
No other washer
goes farther to get clothes clean.
Really clean.

Another part of the story



A Speed Queen washer
has one feature that will probably
take a long time to be appreciated.
But if you need it it's there.
100% front service from the installed position.

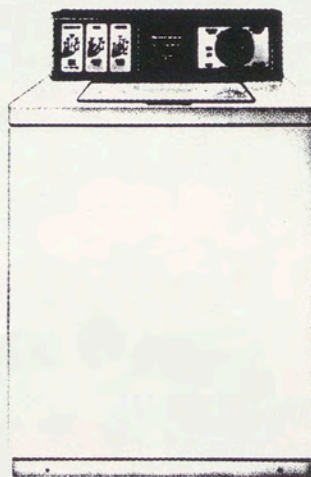
Another part of the story



Speed Queen's
transmission warranty lasts 10 years.
Most others stop after five years.
Some even stop after one.

Call Rich Raczynski at (414) 748-3121 for
the name of your nearest Speed Queen
distributor.

The complete story



Speed Queen washers are built tough.
That's been proven in coin laundries.
And you get that same
built-in toughness here.
But for the complete story
see your Speed Queen distributor.



Speed Queen[®]

Ripon, WI 54971

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