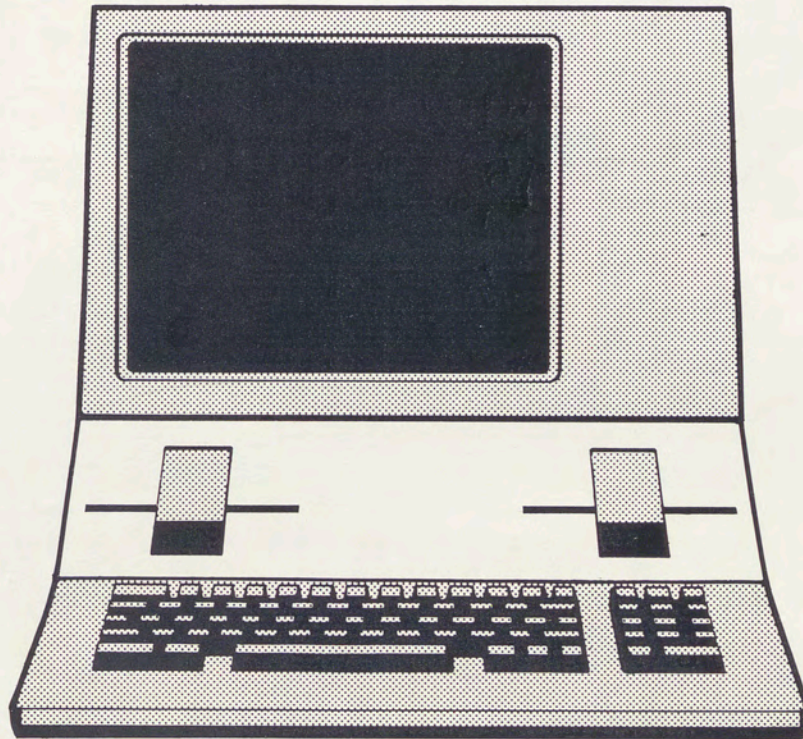


# THE APPROACH

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

## COMPUTERS



AND YOUR RENTAL OPERATION

- **M**ONEY MANAGEMENT
- **I**NVENTORY MANAGEMENT
- **M**ARKETING MANAGEMENT

# PILOT PROFIT-MAKERS FOR RENTAL DEALERS

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COAST-TO-  
COAST**

**PREPAID  
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SALES  
AIDS**

**SHIPPING  
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- ATLANTA
- DALLAS
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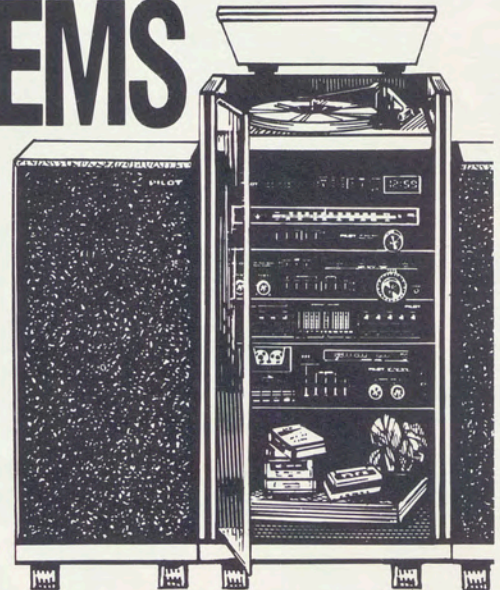
**MANUFACTURERS  
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- MATCHING  
CONCERT  
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## AUDIO SYSTEMS

### PILOT AUDIO VERTICAL TOWER

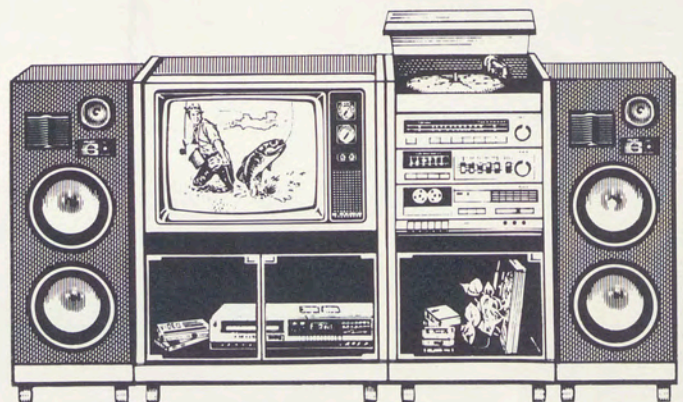
Pilot Audio Vertical Rack Tower in Palasander Finish with AM/FM Stereo Tuner, Cassette Tape Recorder/Player, with Metal Tape Capability, 5 Band Graphic Equalizer, LED Audio Power Meter, LED Record Level Meter, Automatic Record Changer, Matching Pair of 33" Concert Speakers with Large Roll Around Casters.



## AUDIO/VIDEO SYSTEMS

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# MESSAGE

by Barry Gambini  
APRO President/Chairman of the Board

Dear APRO Members,

During the past several years we have seen our member develop into more and more sophisticated entities. Not only have we grown in numbers but also in confidence. By joining our forces, we have helped the public to recognize us as responsible business men and women. Our reputation is beginning to precede us. Lending institutions no longer look at us askance when we apply for business loans. Major manufacturers are now viewing us as a viable industry, and they have ignored for too long. The reputation of the "rental dealer" has made the transition to a new level of professionalism.

We have grown from the "every man for himself" concept to a professional group of people, sharing their expertise and helping each other through problems. Our membership has been willing, both large companies and small, to share their successes as well as their failures. Seldom does a trade membership see such a willingness to "teach by example". The uniqueness of this trade association is something to be proud of. We don't harbor the fear that "the other guy might steal our idea". By sharing and giving we have all benefitted. I can't emphasize enough what a special group of people belong to APRO.

The development of the rental concept, due in a large part to the efforts of APRO and its membership, has allowed us all to profit in our own way. The smallest member is now able to look to the future with more promise. The largest have new and more profitable options available to them. Signs of the future are being painted today.

In the past 60 days, two major events have taken place within the ranks of our membership. Tom Devlin of Mid-America Leasing has taken his company public. Tom has been a long time supporter of APRO and a member of our board of directors. He has played a major part in the development of the rental industry as it is today. This is only the beginning of what will be more and more common in our business. Tom's pioneering in this area will prove him a leader in our industry for a long time to come.

The second event took place when Jim Graham with over 100 stores in Jim Graham Enterprises purchased the 75 stores in REMCO Enterprises from Chuck Sims for a reported \$40,000,000. This purchase definitely makes Jim and his associates the largest rental organization in APRO, and possibly nationally. Graham, who is a member of APRO and a strong supporter of APRO's efforts in Washington, reaffirms our basic belief that professionalism in our business is the one true way to success. My hat is off to Jim and his associates.

Chuck Sims is one of the founding fathers of APRO. While we are glad for his success in this monumental milestone, we are selfish enough to be anxious that we continue to have this valuable and irreplaceable support. I will do my best to keep Chuck involved. Chuck has been a "mover and shaker" in the industry and in APRO. We will continue to solicit his input in our seminars and other activities.

In closing, I would like to reaffirm my deep sense of pride in being part of the APRO family. I never cease to be touched by the success stories of our people. So many of us have come up the hard way. I see the future of the rental business being one of integrity and pride of ownership.

*Barry Gambini*

## LETTERS

Dear Mr. Winn:

I recently attended "The President's Panel" in Orlando, and was I shocked! I was shocked by the total professionalism in the manner that the seminar was conducted.

I have been to many seminars in the past. Quite frankly, I thought this would be just another, dull, unimaginative, uninformative experience—was I wrong.

I enrolled as a nonmember, withholding my enrollment until after completing the seminar to determine whether joining APRO would be beneficial. I'm sending my application today. I would like to thank all the people involved, but especially Mr. Bud Holladay, Mr. Barry Gambini, and yourself, for your frank and informative discussions, and for allowing us to peek into your organizations. You gentlemen set a professional standard that the rest of us in the rental industry can strive to emulate.

I will encourage all my friends in the rental industry to join APRO and look forward to meeting with you gentlemen in the future.

Very truly yours,  
Harold A. Cottam  
Bond Television Leasing of Miami

EDITOR-IN-CHIEF  
**ELIZABETH T. JOHNSTON**

EXECUTIVE EDITOR  
**EDWARD L. WINN III**

COPY EDITOR  
**JANE SMITH**

CONTRIBUTING EDITORS  
**DAVID BENBOW**  
**ALICE BRUTON**  
ART DIRECTION  
**ELIZABETH T. JOHNSTON**

MECHANICAL ART  
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**THE APPROACH**

1866 InterFirst Tower, Austin, Texas 78701

## CES PREDICTIONS: BLOCKBUSTER '84 FOR TV AND STEREO HARDWARE

The 1984 International Winter Consumer Electronics Show was held January 7-10 in Las Vegas, Nevada. A record-breaking 85,000 people visited over 1300 booths covering some 725,000 square feet of exhibit space. This year the convention burst the Las Vegas Convention Center seams and spread out into neighboring hotels.

The mood was definitely upbeat. Manufacturers, retailers were finishing a prosperous 1983 and predicting an even better year in 1984. Industry experts noted that consumer electronics did \$30 billion worth of business at the retail level in 1983 and predicted at least a 16% increase for 1984. While computers and telephones are predicted to enjoy the most rapid growth, manufacturers are planning on a 2% increase in color TV sales to 14.2 million units, a 6% increase in stereo to 3.1 million units and whopping 33% increase in VCR's to 5.5 million units. TV and appliance rental dealers should enjoy even more rapid growth since, in addition to the market increases, they can be expected to increase their share of the overall market.

Hot items at CES included Kodak's unveiling of its new 8mm video format. While high-end retailers were trying to decide what impact the Kodak entry would have on the VCR market, most rental dealers felt the new product would have little immediate effect, if any, on their businesses.

The issue of who will control the prepackaged video software business continued to be a hot legal topic as movie studios and retailers battle it out before the U.S. Supreme Court and in Congress. At a show like CES, retailers had the loudest voice. Different lobbying groups had booths set up to collect money and signatures. An adverse ruling from the Court or passage of one of the several movie industry-supported bills would seriously affect the way video software dealers do business.

An item of possible interest to rental dealers is the advent of stereo sound on TV. While major manufacturers, Zenith, RCA, Sanyo, and others are all waiting on action from the FCC, most thought stations may be broadcasting in stereo as early as the third quarter in 1984. Several industry speakers noted that the biggest impact could be in bilingual markets where shows could be heard in either of two languages at the viewers' option. Manufacturers predicted that the hardware to receive stereo transmissions would be aimed at the high-end market. They also thought that the retail price for a 19" color portable would need to get \$600-\$700 before it would have wide market appeal. When the price reaches this level, it should be a highly attractive product for the many rental customers.

In other CES news of interest to rental dealers, Curtis Mathis announced plans to expand its franchise program. A substantial number of the over 700 Curtis Mathis franchise stores have rental-purchase programs. Curtis Mathis President Lud Huck predicted increases of 75-100 stores each year for the next several years.

Rental dealers who have never attended a CES show should plan to see at least one. Held twice a year, in Las Vegas in January and Chicago in June, there is nothing quite like it for people interested in the TV and stereo business.

## APRO BOOTH AT LAS VEGAS CES

APRO made its first showing at the Winter CES Show in Las Vegas, January 7-10. Trade associations are regularly provided booth space at the convention free of charge. Ed Winn, III conducted two mini-workshops on the topic "Is there Profit in the Rental of TV and Stereo Hardware?" Answering the question with a cautionary yes, Winn explained at length the differences between retail and rental marketing. Many in the retailer-filled audience were dismayed to learn of the rental industry's legal difficulties as well as the increased customer contact associated with the weekly rental trade. Explaining that he was not at CES to help put retailers into the rental business, Winn went on to talk about personality types best suited for the rental business. Vastly increased customer contacts requires "people people". The rental business also requires considerable patience working with past due accounts and outright thieves. The rental business also requires the ability to accept a reasonable level of lost and stolen merchandise without excessive worry or looking back. "Successful rental dealers," according to Winn, "are those who can accept some skips and stolens as a part of the cost of doing business. Those who cannot deal with that part of the business shouldn't be in it."

APRO representatives in the booth talked to several rental dealers who are at CES either looking or buying. Numerous suppliers were also contacted about the rental industry. Several suppliers who have not previously been heavily involved in the industry expressed interest in the upcoming APRO convention in Las Vegas on July 19-23.

APRO's presence at CES was an important step toward making rental-purchase a legitimate and respected part of the consumer electronics industry. As word continues to spread about the size and vitality of the business, rental dealers are bound to benefit by more competitive pricing from an increasing number of suppliers as well as increased financing alternatives.

## ONE-BRAND AUDIO SYSTEMS MAKING A COMEBACK

For a long time audio purists were only satisfied if all of the different components in their audio systems were different brands. Aside from the obvious snob appeal, audio specialists reasoned that manufacturers were more interested in hitting specific price points than in filling customer needs. This attitude, never substantiated factually, is changing. Major audio manufacturers like Fisher and Sansui have always considered a consumer's needs and toward that end have offered a variety of systems. No one has ever shown component systems to be any better technologically than one-brand systems.

The news is that sales of one-brand systems are up, especially at the high-end. Why the change? Consumers are more than ever interested in quality, that is, lasting value, as opposed to low price, report Yamaha and Aiwa representatives. For another thing, one-brand systems can combine more features — wireless remote control or program scan — and these are the features consumers are shopping for.

One-brand systems sales increases will mean good news for rental dealers. Many dealers have long carried sophisticated one-brand systems renting for as much as \$100 a month or more. While component systems were in vogue with consumers, rental dealers experienced some resistance from customers who were unable to mix and match in a rental store like they could in a retail outlet. With consumers resistance to one-brand systems declining, rental dealers can expect increased movement in their middle and upper priced audio systems for 1984.

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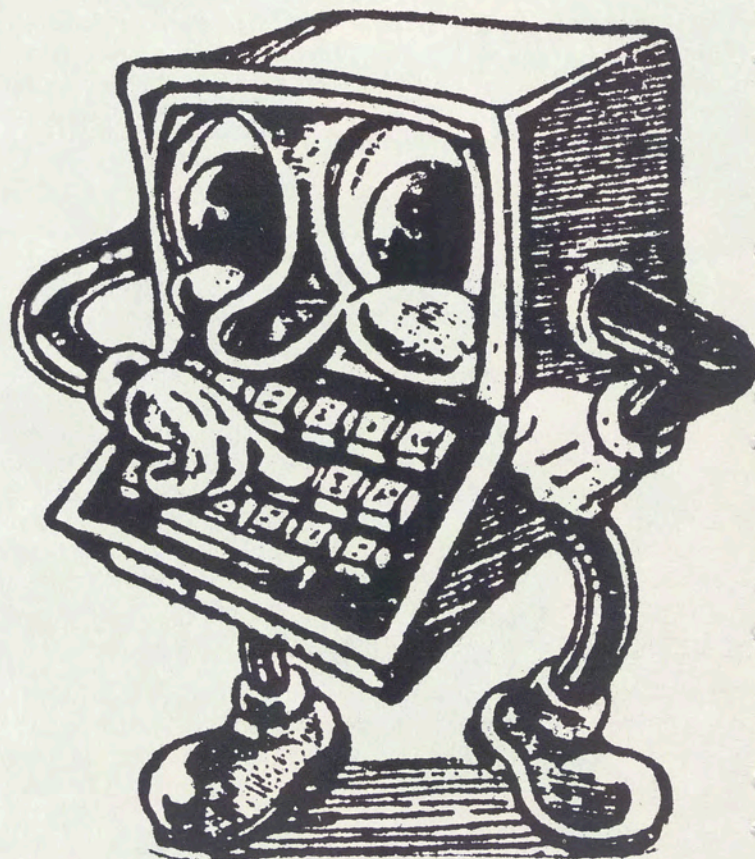
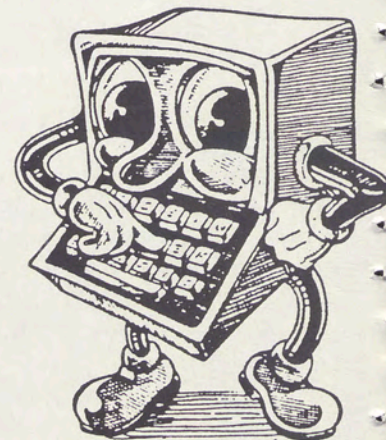
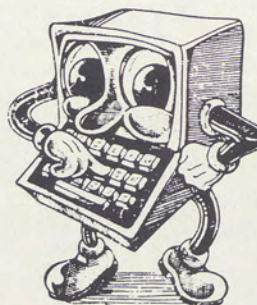
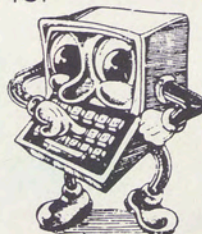
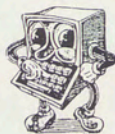
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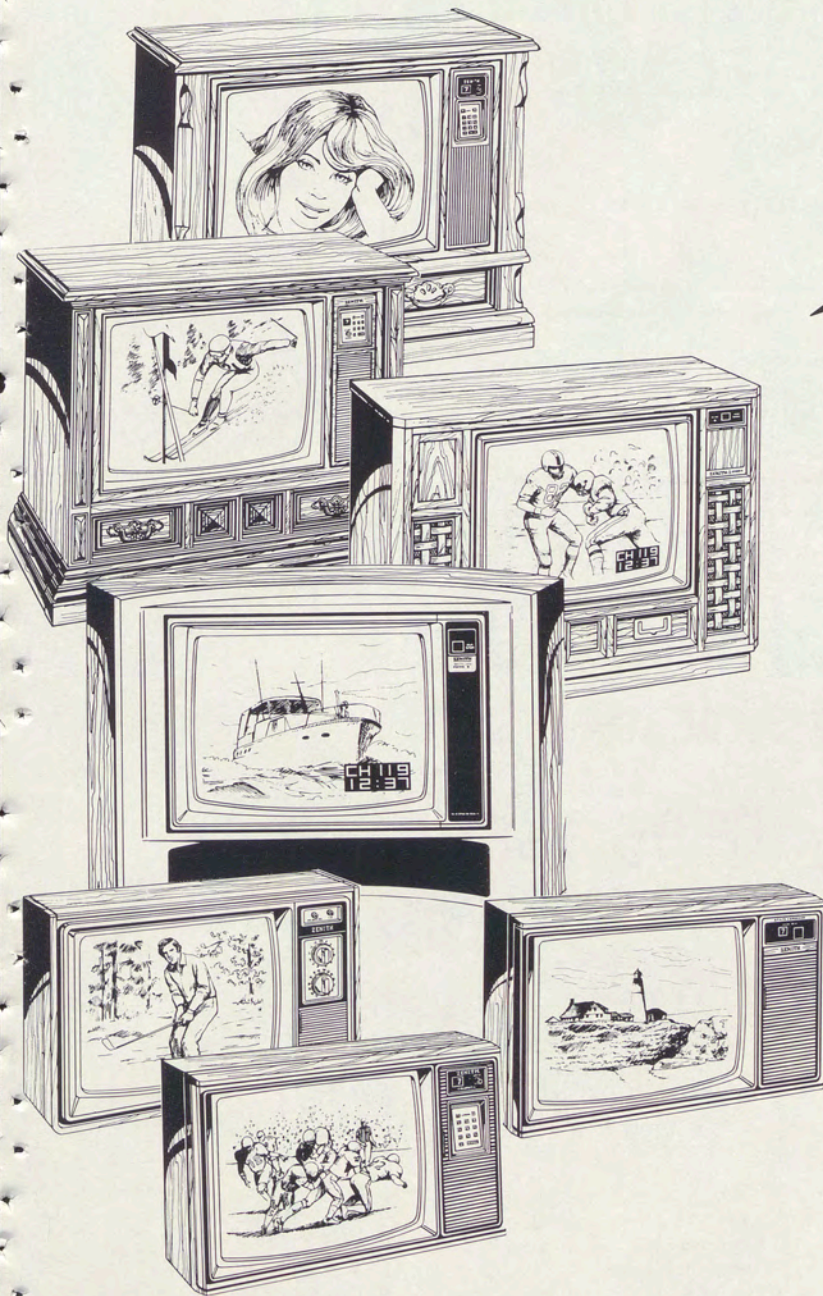
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The Decision to Buy  
Computer Hardware  
Computer Software  
Stand-Alone Systems vs. Networking

Programmers  
Accounting  
Installing  
Back Up

Service  
Computer Personnel  
Renting Computers

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- ✓ Most Respected Name in Television

**ZENITH** The quality goes in before the name goes on®

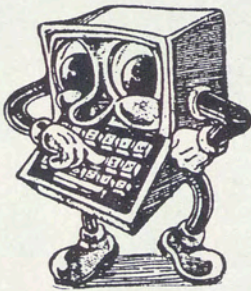
# COMPUTER USES FOR RENTAL OPERATIONS



Association of Progressive Rental Organizations

## 1984

# COMPUTER CONFERENCE with exhibits



### February 15-16, 1984

## Stouffer's Airport Hotel ~ Denver, Colorado

### Purpose

The impact of the computer in the business world and in all of American society is potentially staggering. The impact on the operation of small business has already been far reaching. TV and appliance rental dealers who ignore this phenomenon will fall behind in the marketplace. Ultimately, rental dealers without computer know-how and workable functioning computer availability will fail.

APRO wants to help rental dealers make the right computer decisions. When and if to buy a computer. What to look for. What a computer can and cannot do for a rental company. How much to pay.

APRO recognizes that every dealer's situation is unique. Nonetheless, the computer conference has been designed to give dealers a solid foundation in computer technology to help them ask the right questions and ultimately to make the right decisions.

### Approach

This computer conference will provide dealers with the fundamentals necessary to approach the often misunderstood array of goods in the computer marketplace. The approach is not theoretical. Rather, conference attendees will have a real world problem concerning a rental company and computers to aid in solving the problem. Explanations will be given in plain English, not "computerese" and there will be ample opportunity for hands-on experience with the equipment furnished by exhibitors.

Several exhibitors have equipment designed especially for TV and appliance rental store accounting. These packages will be on display and can save dealers time and money.

### Special feature

APRO and its computer consultants will present a hypothetical problem concerning a rental company and computer systems to all attendees upon arrival. Attendees will be divided into small discussion groups for the two-day conference. Each group will eat lunch together as well as visit suppliers together. Group members are encouraged to question suppliers as well as the computer consultants for information and approaches concerning a "solution" to the "problem". At the luncheon on the 2nd day, each group will have 10 minutes to offer its suggestions.

Rental dealers are reminded that in such an exercise there are no "correct" or "incorrect" answers since the problem is hypothetical. The exercise is useful for getting dealers to think through different aspects of the problem of computerizing a rental store in a structured way.

### Fees

APRO Members .....\$110  
Non-Members .....\$160

Fee includes handout materials, refreshment breaks and lunch on both days.

**All fees must be paid in advance and must accompany the registration form.**

### Hotel reservations

Enrollees are responsible for making their own hotel reservations. Please make sure to designate affiliation with the APRO program. A special room rate and block of rooms has been arranged for APRO program participants. Please make room reservations as soon as possible. The APRO staff wants attendees to be happy with their accommodations. 1-800-325-6064.

Single room rates .....\$62  
Double room rates .....\$72

# PROGRAM OUTLINE

## Wednesday, Feb. 15

- 8:00- 8:30 Welcome Coffee and Donuts—Queen City North Room
- 8:30- 9:30 Distribution and Explanation of the Computer Problem
- 9:45- 1:00 General Session  
—Computer Fundamentals  
—Types of Computers  
—The Jargon  
—Computer Needs: Defining What a Computer Can Do For a Rental Dealer  
—Computer Purchases and Alternatives  
—Selecting a System  
—Analyzing Total Cost  
—Converting a Manual System To a Computer System  
—Hiring, Training and Managing Data Processing Staff  
—Security and Legal Issues  
—Reviewing the System  
—Question and Answer Session
- 1:00- 2:00 Luncheon—Queen City South Room
- 2:00- 6:00 Group Sessions with Vendors  
(list of suite assignments will be distributed during General Session)

## Thursday, Feb. 16

- 8:30- 9:30 Coffee and Donuts, General Q & A Break-Out for Group Sessions with Vendors—Queen City North Room
- 9:30-12:30 Group Sessions with Vendors—locations to be announced
- 12:30- 2:00 Luncheon—Prospectors Hall I
- 2:00- 4:00 Open Visits with Vendors

## Objectives

At the completion of this conference, attendees will be able to:

- Understand the various applications of computer technology to the rental business.
- Identify and evaluate alternative computer services currently available for rental dealers.
- Learn what questions to ask a

buyer in the computer hardware and software marketplace.

- Integrate computer technology into day-to-day rental store operations.
- Evaluate the cost effectiveness of using computer services in a rental store.

## Exhibitors

The following suppliers will have exhibits in hotel suites for hands-on demonstrations, both during selected conference times and during free time. All attendees will have scheduled meetings with all suppliers.

- **ABC Rentals, Inc.**  
Rental Store Management Systems  
3000 W. Kellogg  
Wichita, KS 67213  
Contact: Bud Holladay (214) 458-0093
- **Comp-Unique, Inc.**  
Computerized World for the Rental Industry on Ontel computer hardware  
512 E. Riverside Dr., Suite 204  
Austin, TX 78704  
Contact: Dennis Palmquist  
(512) 441-5516
- **Computer Logistics, Inc.**  
The Complete Rental Tracking Systems on Alpha Micro computer hardware  
New Orleans, LA 70113  
Contact: Ray Grantz, Dan Grantz, Michael Borne or Bob Abney,  
(316) 265-6266 or (504) 822-0118
- **CompuRent, Inc.**  
The CompuRent In-Store Rental System on Morrow and NCR hardware  
11638 Fair Oaks Blvd., Suite 208  
Fair Oaks, CA 95628  
Contact: Dave Happe (916) 962-1238
- **Five Dimensions Software, Inc.**  
TRIM (The Rental Industry Manager) on IBM PC XT  
4843 Keller Springs Rd.  
Dallas, TX 75248  
Contact: Michael Sheriff (214) 380-0621
- **The Rent Factory Computer Systems**  
800 E. Davis St.  
Vacaville, CA 95688  
Contact: Richard Burke (707) 447-5464

### APRO Enrollment Form

1. Is your company presently using a computer? \_\_\_\_\_
2. How long have you had your computer? \_\_\_\_\_ Is this your first system? \_\_\_\_\_ If not, how many others have you had? \_\_\_\_\_
3. Indicate the manufacturer and model number of your hardware and who developed the software package you are currently using. \_\_\_\_\_
4. Have you had any formal computer training? \_\_\_\_\_
5. What is your data processing budget? \_\_\_\_\_
6. List any major problems or concerns you have with your computer.  
\_\_\_\_\_  
\_\_\_\_\_
7. What do you hope to learn by attending this seminar? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Payment must accompany registration form. Make check payable to: APRO**

**Please enroll the following:**

Name \_\_\_\_\_ Name for Badge \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_ Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

**Please check:** \_\_\_ APRO member .....\$100  
\_\_\_ Non-member .....\$160

**(Sorry, APRO cannot bill you. All fees must be paid in advance and must accompany the enrollment form.)**

My check is enclosed

Charge my:  VISA  MasterCard Acct. # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

**Mail to:** APRO, 1866 InterFirst Tower, Austin, TX 78701 • (512) 478-6521

# GOVERNMENT RELATIONS

by Edward L. Winn, III

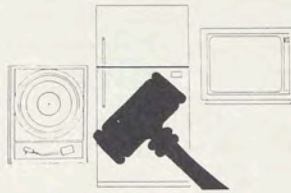
## TENNESSEE

In late November, a Nashville chancery court judge heard arguments on several motions in a lawsuit filed earlier by the Tennessee Attorney General's Office against several rental companies. The details of the lawsuit were reported in the November 1983 issue of *THE APPROACH*. The November hearing was to determine whether a temporary injunction should be continued against the companies pending a full trial on the merits. The judge ordered that the injunction remain in effect.

The judge ruled specifically that the companies were enjoined from suing customers for the balance due on rental agreements. He stopped the companies from collecting on any such judgments already taken. It should be noted that all companies had voluntarily agreed to do this before the hearing.

The judge went on to find that when customers rented to term they were paying a price that was excessive when compared to retail installment sales prices. He stopped short, however, from holding that the prices were unconscionable. This is the legal standard that would have to be met before rental agreements could be declared illegal on account of the price charged. In effect, the judge said that the prices charged were too high, but not so high as to be illegal.

Finally, the judge ruled that the companies' rental agreements were in violation of the Tennessee Usury Statute. The judge offered no explanation for this ruling and did not declare that the rental agreements were credit sales. He did not explain where he found an extension of credit. Ironically, if the rental agreements had been credit sales under state law, the companies would have been entitled to sue defaulting customers for the balance due as they had been doing.



This portion of the judge's opinion may affect as many as 2400 rental agreements currently in effect.

It is unfortunate that the judge's opinion contains no citation of legal authority nor any legal reasoning whatsoever. That makes it difficult for the defendants to understand what the judge was thinking or what they can and cannot do.

One of the company defendants had voluntarily begun using "Pennsylvania" type contracts in Tennessee before the lawsuit was filed. These agreements require customers to pay a lump sum purchase price at the end of the rental period in order to obtain ownership. (This is also how rental agreements must be written in North Carolina.) The Nashville judge specifically ruled that this type of rental agreement was not covered by his ruling.

While this injunction is in effect defendant companies cannot collect money from customers in excess of the usury limits in the state. The difficulty with the court's ruling is that the judge gave no guidance for determining the amount financed. The rental companies argue that the various services that accompany atypical TV or appliance rental transaction—no credit check, no obligation, complete repair and servicing, and the like—all have substantial value. This amount, however calculated, ought to be properly added to the price of the product when calculating the amount financed.

The next step in the lawsuit is expected to be a full scale trial on the merits. The rental companies will have another opportunity to show the differences between credit sales and rental agreements at that time. There will also be an opportunity to prove the value of a rental transaction when viewed as a whole. No date has been set for a trial at this time. Copies of the judge's ruling are available from *APRO* upon request.

## CONNECTICUT

During the 1983 state legislative session Connecticut rental dealers successfully lobbied against passage of a bill that would have recharacterized rental agreements as credit sales in that state (see *THE APPROACH*, March, 1983, and May, 1983). Connecticut dealers were asked to organize quickly and effectively to combat legal aid attorneys who were pushing for the legislation.

Connecticut dealers have learned that consumer forces are preparing to introduce similar legislation during the 1984 term. This despite the legislation pending in Washington. Connecticut legal aid attorneys have indicated that they are disappointed with the limited scope and effect of the federal bill. They will only be satisfied when rental agreements are legally recharacterized as credit sales.

In response to his consumer advocate constituents Congressman Morrison, a freshman Democrat from the state, has indicated that he is dissatisfied with the bill currently before Congress, S.1152.

He is reportedly considering introducing stronger legislation of his own in Washington.

In the meantime, Connecticut dealers remain well-organized and are continuing to fight the state legislative battle. Rental dealers there have found several state legislators sympathetic to the industry's point of view. The officials have agreed to consider introducing legislation that would regulate the industry at the state level along the same lines as the federal bill. Meetings have been scheduled in early 1984 among rental dealers, lobbyists, legislators, and *APRO* attorneys to discuss the details of this proposed legislation.

## NORTH CAROLINA

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The legislator who pushed through a new law on rent-to-own agreements says she will keep working at future General Assemblies to give consumers more protection when they enter into the transactions.

"My mistake was in trying to change their turf, to make them sales—which I continue to be convinced is what they are," said Rep. Jeanne Fenner, D-Wilson. "So I think my approach now will be in regulating them, not making them sales but making the protections for sales apply.

not rentals but a way to purchase an item. As a result, she introduced legislation earlier this year to make rent-to-own contracts subject to the state's laws on installment sales.

The changes would have been sweeping.

Installment contract cannot charge more than a certain interest rate (never more than 24 percent at the highest level), must list the value of the item being purchased and must give the consumer some compensation if the item is repossessed.

that this not a retail installment sales transaction. We call it a rental purchase agreement."

Margot Roten, an attorney for Legal Services of North Carolina, said she has spoken with several firms who wanted to know how to keep their contracts considered rentals. "A lot of the rent-to-buy people around the state have changed their contracts to try to get their contracts within the huge loophole," she said.

Neither Ms. Roten nor the consumer protection division of the state Justice Department have heard any

"...Fenner argued that in many customer's eyes, these agreements are not rentals but a way to purchase an item. As a result, she introduced legislation earlier this year to make rent-to-own contracts subject to the state's laws on installment sales."

Mrs. Fenner's plans could mean she will be butting heads again with lobbyists for rent-to-own companies.

Earlier this year, the lobbyists succeeded in adding a loophole to Mrs. Fenner's bill that exempts most rent-to-own agreements from the new rules. Several persons who have studied rent-to-own deals say it appears many firms have begun exploiting the loophole since the new law took effect Sept. 1.

When customers sign a rent-to-own transaction, they agree to rent an item—usually an appliance, TV or stereo—on a weekly or monthly basis. At the end of a certain period, the rental agency agrees either to hand over title to the item to the renter or sell that item to the renter for a certain amount.

Mrs. Fenner argued that in many customer's eyes, these agreements are

The bill Mrs. Fenner eventually saw passed does apply installment sales rules to rent-to-own agreements—except when the contract ends with more than 10 percent of the item's value left. In those cases the old rental rules prevail.

William W. Webb, a Raleigh attorney for the ColorTyme rental system, said franchises in four cities all changed their contracts so the rent-to-own deals end with less than 90 percent of the item bought.

Webb said the customer then has the option of deciding whether to spend that final 10 percent in one payment and buy the item. This is known as a "balloon payment."

"They all went towards a balloon payment at the end rather than toward (following) the Retail Installment Sales Act," Webb said. "That's because it's the feeling of the industry

complaints about the new law. Ms. Roten said this might be because customers haven't gotten into trouble making payments under the new contracts.

"I'm not satisfied at all with what we've done," Mrs. Fenner said. "We still don't have in the rent-to-own the kind of consumer protection that being under the Retail Installment Sales Act would afford to citizens. We need the disclosures, so people know how much the contract is worth—and they are always exorbitantly high."

Mrs. Fenner said she also wants to give the customer some vested interest in the merchandise if it is taken away because a payment wasn't made on time. She said she also might advocate requiring that rent-to-own contracts show how much it would cost just to rent the item without any purchasing option.

# WASHINGTON REPORT

Congress recessed in November and is scheduled to reconvene in January. No further action was taken on S.1152 before the recess. However, negotiations continue in an effort to get that bill or a similar one enacted during 1984.

At the subcommittee hearings in July, all who spoke were in favor of S.1152. Consumer advocates argued for more disclosures than those proposed by the Federal Reserve Board and Senator Hawkins. A written record of the July hearings, some 240 pages of written testimony, is available from the Documents Clerk, Committee on Banking, Senate Dirksen Building, Room 546, Washington, D.C. 20510.

S.1152 continues to be the only bill aimed directly at consumer leasing and the TV and appliance rental industry in either House. The Senate bill remains in the subcommittee until such time as the chairman of the full committee, Senator Jake Garn (R. Utah), elects to have the matter considered. Sources indicate that the matter will be brought before the committee in the spring. One of the delays concerns other matters the committee is considering.

Senator Garn has for some time been studying the issue of financial services deregulation. A year ago, passage of the Garn-St. Germain bill deregulated portions of the financial services industry. Garn estimates that bill caused the diversion of more than \$300 billion from traditional depository institutions—banks and savings and loans—into money market accounts with securities dealers. The deregulation is expected to continue. Earlier this year, the Treasury Department introduced a deregulation bill, and Senator Garn has just introduced his own omnibus bank deregulation bill, S.2181.

Deregulation issues involve the extent to which banking organizations will be allowed to engage in insurance, underwriting & brokerage, securities and real estate development and brokerage ac-

tivities. Also at issue is the extent to which states can permit branches of out-of-state banks. The matter is a complex one. Some members of Congress favor a moratorium on the acquisition of banks and savings and loans by non-depository institutions. A moratorium would allow Congress time to study how best to achieve deregulation.

One of the reasons that Senator Garn did not allow consideration of S.1152 by his committee is because the bill could have allowed other committee members to add pieces of deregulatory legislation to it. Senator Garn feels that deregulation raises too many issues to risk piecemeal consideration of them. Rather, he prefers his own comprehensive deregulation bill to serve as the focal point for the committee's consideration.

Just before the session ended in November, Senator Garn introduced his bill and announced it would be discussed in early 1984. Amendments to the Consumer Leasing Act, including coverage of rental-purchase agreements, are a part of the Garn bill, S. 2181. There are then, two bills in the Senate affecting the TV and appliance rental industry, one standing alone, and one a part of a comprehensive financial services deregulation bill. Consumer advocates were unsuccessful in getting Garn to propose more stringent standards on the industry than those contained in the Hawkins bill. As a result, substantively, as they relate to the TV and appliance rental industry, the bills are the same.

On the House side, Congressman Doug Barnard (D. Georgia) has agreed to introduce the Federal Reserve Board bill. He has requested, however, that industry representatives meet with Congressman Frank Annunzio's (D. Illinois) staff first. Congressman Annunzio has indicated an interest in regulating the TV and appliance rental industry and, further, has indicated that the FRB bill may not go far enough. Congressman Annunzio is chairman of the subcommittee on Consumer Affairs of the House Banking Committee. Industry representatives will meet with Annunzio

staff members in December or January.

In addition, Congressman Bruce Morrison (D. Connecticut) has expressed an interest in the proposed legislation. He, too, favors more comprehensive disclosures than those recommended by the Federal Reserve Board and is reportedly working on draft legislation of his own.

If there are several versions of bills circulating, it will be a matter of having suitable legislation marked-up in the appropriate committees of both Houses. Even so, Senator Garn predicts that his comprehensive deregulation bill will be passed sometime during 1984.

Because the industry is concerned with increased legislative activity at the state level, APRO is anxious to get federal legislation as quickly as possible. In an effort to strike a deal with consumer advocate groups, bypass much of the legislative machinery, and hasten passage of the bill, APRO representatives have approached the National Consumer Law Center (NCLC), a research and coordinating unit funded by the Legal Services Corporation. In October, APRO President Barry Gambini and APRO attorneys Ed Winn, III and Sam Choate met with this group in an attempt to negotiate an agreed version of S.1152. Unfortunately, the NCLC had recently lost the two attorneys most knowledgeable about the TV and appliance rental industry and other members of the organization were not sufficiently informed on the issues to make commitments on behalf of consumers. Nonetheless, the lines of communication remain open between APRO and the NCLC. In the event some compromise can be reached, Congressional approval should occur quickly thereafter.

APRO's strategy for the spring of 1984 will be to get legislation introduced in the House and to monitor closely developments in Senator Garn's committee. Once a House bill has been introduced, it is likely that Congressman Annunzio will hold hearings, perhaps in early spring of 1984. APRO looks toward getting similar bills marked up in both Houses during the spring.

by Edward L. Winn, III

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# Q:

**How can I  
keep former  
employees  
from running  
off to the  
competition  
with my  
business  
practices?**

# A:

The problem of losing employees to the competition or having them leave to open stores of their own is not unique to the TV and appliance rental industry. In some industries the use of trademarks, copyrights, and patents, are used to protect business secrets and practices. The nature of the TV rental business, however, as with other retail businesses, does not lend itself to the use of these devices. A device that can work is a "covenant not to compete" attached to an employment contract.

While there are pitfalls associated with the use of covenants not to compete and the price of enforcing may exceed the interest protected, employers in many businesses use them regularly and enforce them where need be.

In the first place, it is a good idea to have a written employment contract signed by all employees setting forth the terms and conditions of employment. Such contracts need not have any fixed term and can be expressly made month-to-month or for shorter periods at the employer's discretion. Employers should be advised that courts have ruled that employee handbooks are a part of the agreement between an employee and the company.

If an employment contract contains a covenant not to compete, it will likely state that an employee may not engage in any carrying on or engaging in the same or a similar business during the term of employment and for a fixed period thereafter. The general rule is that they are enforceable as long as they are reasonably drafted to protect some legitimate employer interest. Otherwise, the covenants run afoul of antitrust laws which protect the right to compete.

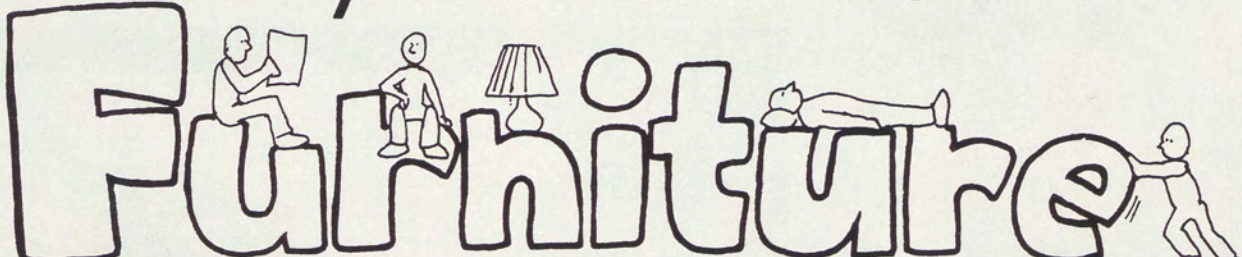
Reasonableness is measured in terms of the territorial restriction and the length of the restriction. An employer cannot prevent an employee from ever entering into the business, nor can he prevent an employee from engaging in the business in a place where the employer does not do business. Courts will also look at what kind of interest the employer has to protect, customer lists, for example, as well as the employee's skill when determining what restrictions are reasonable.

A few states have statutes regulating covenants not to compete—Alabama, California, Florida, Louisiana, Michigan, and Oklahoma. These statutes vary widely and dealers in those states must refer to the particular statute to determine the legality of anti-competitive covenants there.

What is a reasonable restriction on an employee varies case by case. Anticompetitive covenants covering store managers have been held valid for one year, but invalid for two years. Typically, these restrictions include the city in which the store is located. Occasionally, restrictions are drawn to cover a radius from the store—two miles to five miles—especially in larger cities. A territorial limit must be reasonably related to the area from which a store draws its customers to be enforceable. Courts have split on the question of whether a company could restrict a store manager from competing in other cities where the company does business. Courts have enforced anticompetitive covenants as a part of employment contracts for routemen also. Courts have refused to allow routemen to solicit former customers for a reasonable period after termination of employment.

Rental dealers wishing to consider adding covenants not to compete to employment contracts are advised to consult with local counsel and to match the degree of restriction with each employment category. If a company attempts to place too many restrictions on an employee, courts will usually declare the entire restriction invalid and let the employee do what he wants.

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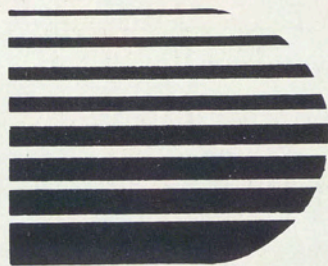
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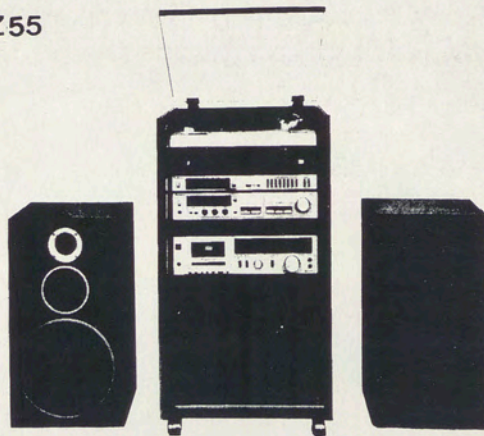
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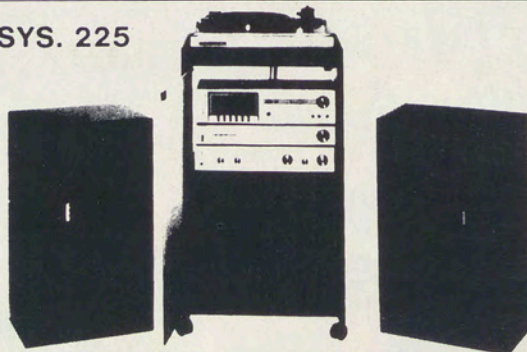
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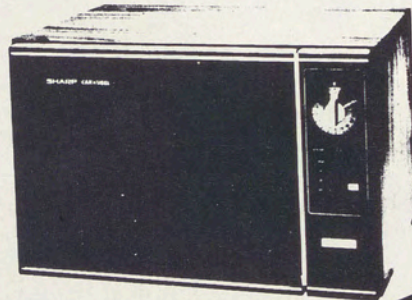
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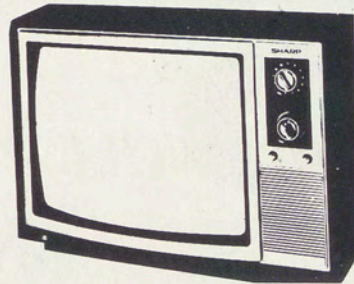
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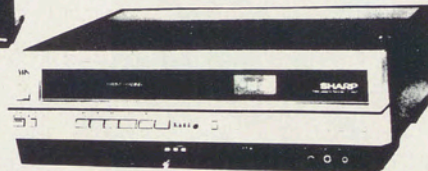
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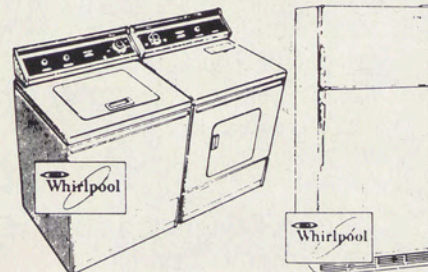
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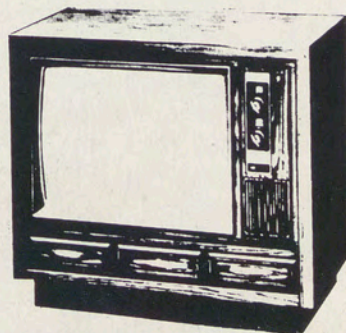
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## **S**TILL NO DECISION IN THE BETAMAX CASE

**T**he U.S. Supreme Court is still deliberating on the legality of videocassette home recording. Sony, Inc. and others have been sued for violating U.S. Copyright laws by producing a product and tapes designed to allow reproduction of copyrighted materials. The case has made its way to the highest court which has now heard arguments from attorneys on both sides—twice. Last spring the Court decided not to decide the case since it appeared that Congress was going to step in and clarify the issue one way or the other (see *THE APPROACH*, July, 1983, p. 18).

When Congress failed to act, the Supreme Court put the case at the top of the docket and heard another round of arguments on the first day of the October term. Experts predict that the Court will render a decision this time around. Congress can then respond if it does not like what the Court decides.

Sony attorneys argue that VCRs are "staple items in commerce" with multiple uses. Manufacturers cannot be held liable for possible illegal uses. They also argued that the copyright

laws ought not to apply to VCRs and home taping from TV. Citing high dollar sales and movie rights to TV stations by the movie companies, the VCR manufacturers argued that the movie companies were not really being harmed by home taping. Viewers who choose to watch programs by tape delay should not be penalized when other viewers can see the programs free on commercial TV.

Movie company attorneys argued that home taping is nothing more than illegal use of copyrighted material. They argued that manufacturers sell VCRs with full knowledge that they will be used for unlawful purposes by consumers.

Meanwhile bills languish in Congress that go both ways. Movie studios are expected to push hard again for repeal of the "first sale doctrine." That would allow the studios to control what movie retailers do with their tapes. Other bills would recognize home taping off of TV as a specific exemption to the Copyright law.

It is expected that Congress will continue to dodge this issue.

# NEWS • VIEWS • PEOPLE • PRODUCTS • IDEAS

# NOTS&DOLTS

## A<sup>D</sup> STATS

**T**elevision advertising in local markets gained over 15% during the first half of 1983. Total revenues exceeded \$1.3 billion. McDonald's was the largest single advertiser in these markets with a budget of \$47.8 million. McDonald's understands the value of well-placed advertising dollars.

## V<sup>CRS</sup> SOLD IN SEPT?

**456,334!**  
**T**hat is a U.S. record for VCR sales. Reports are that rental dealers collected their fair share of those customers.

The U.S. Supreme Court has agreed to decide whether the NCAA can control the televising of college football games. The NCAA has had rules controlling the number of times a college

team can appear on TV in an effort to spread around more than \$75 million worth of TV revenues. The U. of Oklahoma and the University of Georgia sued arguing that such restrictions violate U.S. antitrust laws. Other big name schools would love to be able to negotiate with TV stations and broadcasting companies on their own. The tenth circuit ruled that the NCAA contracts violate antitrust, but no changes will be made in the current system pending the Supreme Court's review.

## F<sup>RAA</sup> CONVENTION

**T**he Furniture Rental Assoc. of America (FRAA) will be holding its Annual Convention and Industry Expo at the Sheraton-Sand Key Resort, Clearwater Beach, Florida on March 6-9, 1984. A full slate of seminars and exhibits has been scheduled for the four day event. Among other speakers, Ed Winn, Executive Director and General Counsel of APRO will talk to furniture dealers about "Rent-To-Own: A View from the Other Side." For more information about the Convention, contact Jim Bannister, Exec. Dir., FRAA, 6130 Sunbun Rd., Suite C, Waterville, Ohio 43081 (614) 895-1273.

## F<sup>RANCHISES</sup> ANYONE?

**W**ant to know more about franchises? There are several organizations that you ought to know about. The International Franchise Association and The National Alliance of Franchisees are two trade associations for franchises. For more information about the IFA, contact: IFA, 1025 Connecticut Ave., N.W., Suite 707, Washington, D.C. 20036. For more information about NAF, contact Mr. Bennie L. Thayer, Chairman and Executive Director, National Alliance of Franchisees, P.O. Box 75416, Washington, D.C. 20013.

Another organization, Info Press, Inc.—International Franchise Opportunities publishes the Info Franchise Newsletter as well as the Franchise Annual Directory. The newsletter is published monthly and contains legislative, legal and other news concerning franchises. The annual directory is the most complete listing available of American and Canadian franchise opportunities. The 1984 edition will contain a listing of over 2500 franchises. For more information, contact Ms. Caroline McCaffery, Info Press, Inc., 728 Center St., P.O. Box 550, Lewiston, N.Y. 14072 (716) 754-4669.

Who's Who in **Rent-To-Own**, published annually in **February**, is a daily reference guide and valuable networking tool for the 450 members of the Association of Progressive Rental Organizations who represent over 1600 home entertainment, appliance and furniture outlets nationwide.

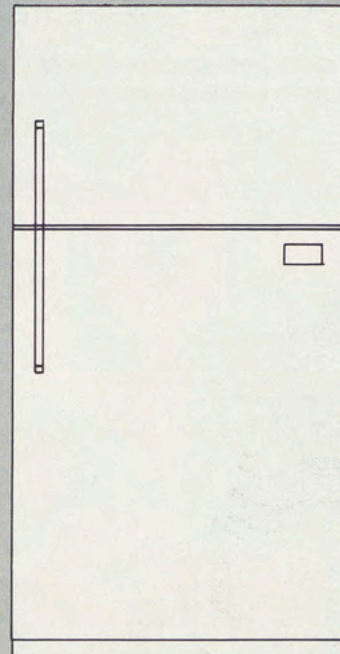
**Who's Who** is the most complete listing available of dealers who market with the rent-to-own concept.

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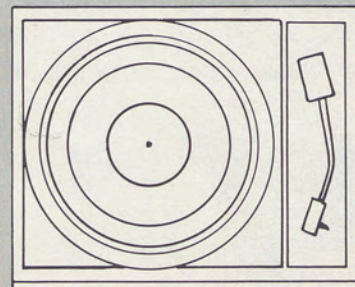
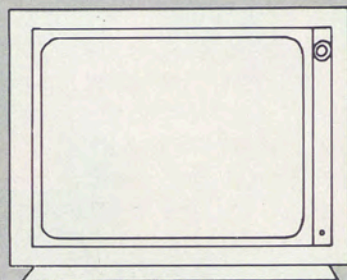
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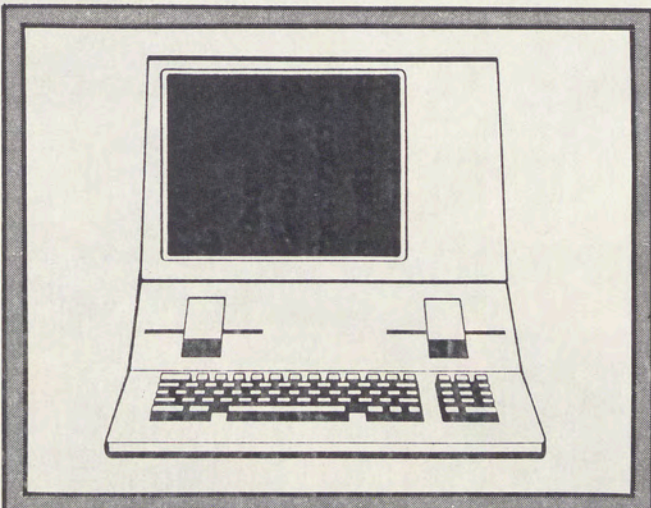
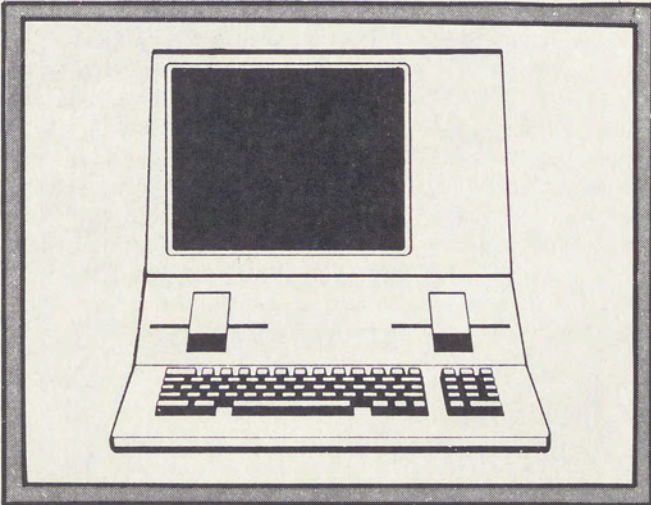
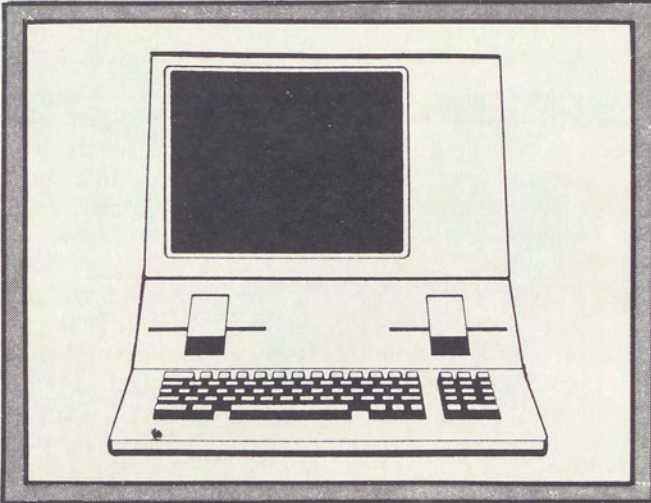
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WHO'S WHO IN  
RENT-TO-OWN

1984

# SPECIAL SECTION



**THE DECISION TO BUY**

**COMPUTER HARDWARE**

**STAND-ALONE SYSTEMS  
VS. NETWORKING**

**PROGRAMMERS**

# Computers and Your Rental Operation

**ACCOUNTING**

**INSTALLING A COMPUTER**

**BACK-UP**

**SERVICE**

**COMPUTER PERSONNEL**

## COMPUTERS & YOUR RENTAL OPERATION

### INTRODUCTION

Home computers have become the playtoys of the eighties. They were the top selling item of Christmas 1983. Everyone is jumping on the bandwagon and marketing them. But what about the work place? That is where the computer got its start, and with all the new technological advances, the time to shop for a business computer is now.

What does this "computer craze" hold for the TV and appliance rental industry? "Plenty," according to Harry Krause of Options III, in Indianapolis. Krause says that a few of the many computer uses include inventory management, stock location, payroll, and the permanent and safe storage of store documents.

Dealers who have computerized their stores can keep track daily of all inventory, both rented and idle pieces. They can record customer payments and track cash flows much quicker than with a manual system. They can keep tax, social security and other records on employees, and quarterly reports can be printed in no time. They can keep records of accounts—active, inactive, and past-due—deliver messages between different locations, do financial planning and forecasting, and a variety of other functions. Finally, a computer can store all of a company's records and documents more easily, safely and permanently than a manual system. Computer disks with back-up systems remove the danger of lost customer files.

The number of different types and brands of computer hardware and software currently on the market is dizzying. It may be years before the computer industry shakes out to a manageable number of products and competitors. A system purchased today may be rendered technologically obsolete tomorrow. None the less rental dealers can shop for and purchase systems that will help their businesses now. If a dealer finds a system that works in his operation and allows room for growth, it really doesn't matter that a new product might do the same job more effectively. TV's with manual tuners still receive transmissions satisfactorily, even though the technology of electronic tuning is more effective.

### THE DECISION TO BUY

Contemplating a computer purchase for a rental store requires considerable thought and planning. A rental owner needs to understand fully the options, implications and potential of the process of computerizing a store or an organization before moving ahead. Step number one is analyze the computer needs and objectives of a store or company. Without knowing really what it is that computers can do, a rental dealer may need help with this first step. Nonetheless, a dealer must have a complete list of computer expectations before he begins shopping for hardware and software to do the different jobs.

The first question that a computer consultant is likely to ask a rental dealer is "why do you think you need a computer?" To wander blindly among hardware and software suppliers relying on them to explain what a particular dealer needs is to court disaster. Dealers should not have to make major changes in the way they do business in order to have their businesses be compatible with a computer they have purchased.

### COMPUTER SOFTWARE

Originally, people in search of computers selected hardware first and then looked for the software. Today, the situation has reversed itself. Software has become the core of every system. Typically, people in the computer market will find software designed to do certain desired tasks and then find the hardware to run it on. This is particularly true for the rental business. There is only limited software available to do the kinds of tasks most rental dealers want performed. Once a dealer finds the software he wants, it is relatively easy to find suitable hardware among the many different brands available.

Rental dealers differ on the question of whether to purchase existing software designed for the industry or to have software custom designed for a company. There are advantages and disadvantages to each. Using an existing system will be cheaper than paying the price of custom programming. Even adjusting an existing program will be cheaper. However, the more changes in an existing system, the higher the cost.



# SPECIAL SECTION

Hiring someone to write a program will give a dealer exactly what he wants. This process, however, will take time and money.

A programmer cannot write a program without knowing clearly what is to be done. The advantage here is that getting a company ready for customized computerization will require a dealer's analysis, step-by-step of what all of the employees do. This analysis may show a dealer things in his organization that he has not seen before—things that need fixing before they get programmed into a computer.

When deciding on a system, Bud Holladay of ABC Rentals, Inc. in Dallas suggests the company management "sit down and decide what it wants. Do we need these once a month or once a year? What do we want to know? Who gets the information? Does the store get it? Does management? Who will have access to these reports? What is the time factor involved?" Only after a company has decided on all of these issues is it ready to utilize the computer to its fullest extent. Holladay reports that in his company, daily reports go to the store managers and monthly reports go to both store managers and the home office.

## STAND-ALONE SYSTEMS VS. NETWORKING

A threshold question for many dealers is whether to purchase a self-contained system for each location of a multi-store operation or whether to purchase a master computer for the home office and have a network of computer terminals in the stores. Both systems have advantages, although Krause prefers networking for his operation.

"Financially speaking, you'll save money with the remotes and a stand alone system (in the home office) in the long run," Krause said. His is the voice of experience. He originally purchased a stand-alone system for his store, but as the business grew and the company expanded to other locations, the single computer could not reach the chain stores. The original system was not set up to receive information from remote terminals. "Now, we're at the point of either modifying our old system, or getting a completely new one." Krause advises that dealers who are planning a computer purchase carefully consider their needs over the next few years.



Krause noted that a central computer with remote terminals, like the one he is contemplating, can easily be programmed with security codes to prevent employees from checking payroll records or other information stored in the main terminal. Different kinds of information can be stored with different passwords. Only an operator with the correct password would be able to call up the information. Krause maintains that such a system insures privacy and reduces employee theft.

## PROGRAMMERS

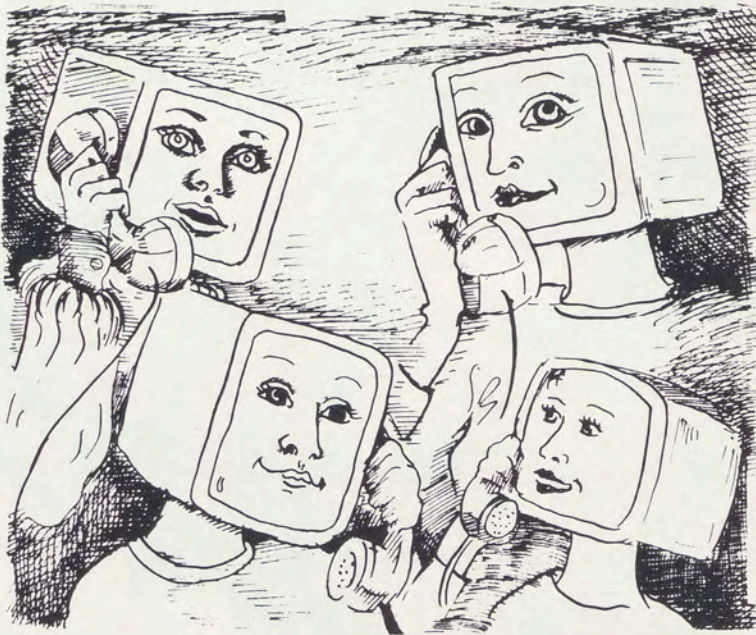
Part of the decision on software will include looking at installation. Who will do it? When will it be done? What people will be involved with the switchover? Who will operate the system when it is in place?

Depending on the number of bugs in the system purchased, it can take a little time or a lot of time to get a computer system fully operational in a rental

store—anywhere from one month to one year, or longer. According to Dave Happe, RTO, Inc. in Sacramento, CA, shifting a rental store's paperwork to a computer need not be difficult. "All you really need is a good programmer." When RTO first went on computer over a year and a half ago, they contracted for the software programming from a software company. That plan did not work very well because the programmer "had a rough time trying to understand what the company needed," Happe said. The unique features of the rental-purchase industry, such as high turnover of merchandise, customer account delinquencies, and rental-purchase options were confusing to the programmer, and caused RTO "real headaches and real problems because he (the programmer) did not know the business," Happe explained.

So, RTO hired a programmer to work exclusively on their programs. This arrangement worked well, because soon the programmer learned all about the rental

# SPECIAL SECTION



industry and could do a more efficient job.

Not every dealer, however, can afford to hire a programmer to go in-house. Consultants may provide a useful service by acting as a go-between for the rental company and the software source. A good consultant could explain the rental business to the computer people and vice versa.

Because there are several systems for sale that are already in operation in rental stores, dealers may want to look at these systems first. They will be cheaper than a dealer hiring his own programmer and starting from scratch. Since business methods differ so from dealer to dealer, even the systems already in operation may have to be reprogrammed to suit a particular dealer's needs.

## COMPUTER HARDWARE

Once the software has been purchased or programmed, the next step is the selection of hardware. Dealers need not necessarily purchase hardware outright. There are timeshare operations in most cities that ought to be explored. Several businesses share time on large centrally located computers and pay substantially less than it would cost to purchase sophisticated hardware to keep it in-house. Price is calculated according to the amount of computer time used. Maintenance is included in such a pro-

gram, so hardware problems, modifications, or technological advances are handled by the owners of the system, not the dealer. A lot of businesses use time sharing for their accounting functions.

Dealers need to realize that even though computerization is designed to streamline an operation's functions, it takes time to incorporate a computer system. Dealers cannot expect changes in productivity overnight. Staff must be retrained and files must be entered into the computer.

## INSTALLING A COMPUTER

Installation of a computer will likely be part of the total computer system package that a rental dealer purchases from a supplier. Computer installation is more complicated than the installation of other business equipment, because a computer is more complex and does more things.

Moving to computers does not mean adding a new staff of computer experts, either. "At Options III, we have one person who does all the data entry at the main terminal," Krause explains. "All the other remotes are handled by regular store personnel."

## COMPUTER PERSONNEL

There is some personnel training involved, and depending on the system, it can take weeks or even months. Train-

ing may or may not be included in the purchase price. Be sure to ask. Some computer companies have developed a variety of aids, including on-site teachers, manuals, training tapes, in-store classes and 800-assistance numbers.

Some people are intimidated by machines, especially computers. Be sure that key personnel are included in the decision-making process when possible and let the organization know what is going on in advance.

## SERVICE

One of the questions that a rental dealer will want to ask of a prospective computer supplier is the availability of support services. Will the supplier be on hand to see that the system is properly installed? Will the supplier remain on hand until the system is "up" and running properly? Is this service included in the purchase price? Does it include a specific number of hours of programming? Does the supplier guarantee his system's compatibility with the rental company's way of doing business?

Dealers who purchase computer systems should not be too quick to abandon their manual systems until they are certain their computer system is doing the job it is supposed to do. It is a good idea to keep both manual and computer systems operating together for 2-3 months to insure that the information generated by the computer is the same information the manual systems have been providing. Only after a dealer feels comfortable with the printouts coming from the computer should he abandon his manual system.

## COMPUTING IN A RENTAL STORE: INVENTORY MANAGEMENT

The main reason many rental operations are looking seriously at computers is to help with inventory management. Using a computer to track the hundreds of thousands of dollars worth of equipment and furniture can save time and money.

Setting up an inventory management system depends upon what a company wants to know about inventory, according to Holladay. Once the system is in place, the computer can generate reports in a fraction of the time it takes to do the job

# SPECIAL SECTION

manually. David Glover of ABC Rentals in Wichita reports that dealers can get all kinds of reports—daily, weekly or monthly. Some are “on demand” and can be called up any time. With others, a dealer can specify when he wants a report and the computer will print it up without having to be reminded. Holladay adds, “You can get ‘em hourly if you want.”

Inventory information can be “computed” a lot of different ways. Holladay has ABC merchandise logged by manufacturer’s serial numbers. With furniture, when there is no serial number, ABC uses its own numbering system and tracks the pieces that way. Harry Krause prefers to give all merchandise an Options III identification number. In addition, his company adds the location at the central warehouse. Krause uses this system because it allows the company not only to know what is in stock, but also where it is.

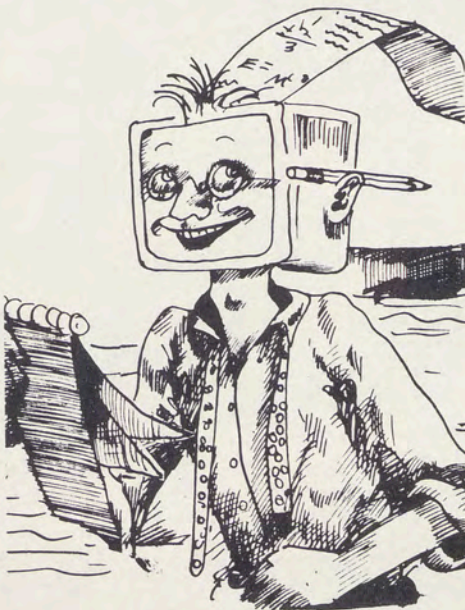
All computer users report that care must be taken when logging inventory and other information into the computer. Putting information into the computer that does not match up with the paperwork in the store can cause a lot of headaches. Inventory can get “lost” in the computer, and such errors are difficult to find.

If properly done, however, inventory management by computer can be a blessing. For example, a computer can pick up trends and project them into the future. This helps the company make purchases at the right times and in the right amounts. A dealer might know that he needs to buy more VCR’s for December. A computer can tell him exactly how many VCR’s he rented each December for the past three years, the percentage of growth each year, and based upon certain assumptions exactly how many he should buy for the following December.

Krause recommends that inventory be counted every day. “Otherwise, you can lose track of what you do and do not have in the store,” he says. Krause also suggests surprise unannounced internal audits matching up units in the store with what the computer says should be in the store. Such a system can help catch mistakes made when entering information into the computer.

## ACCOUNTING

Accounting packages have gotten very sophisticated in recent years. Most dealers who have computerized their operations have added the accounting function. All accounting packages will perform standard accounting functions. They will keep track of accounts payable and receivable. They will report when the last bill was paid, when the next bill is due, and some will check the system for double billing before ordering payment. Some will type the checks for signature. They will determine inventory levels and print out fixed asset depreciation schedules. They will keep employee records, including sick days, time off and vacation schedules. They will print out profit and loss statements and balance. Some can be used to perform financial projections, although there are programs specially designed for that sort of work. These programs can quickly answer the question, “If I increase my BOR by 5 units per week on average for the next 18 months, and raise the price of my units an average of \$1.00 in six months for the next 6 months, what will my cash flow be over the next year and a half?”



## BACK-UP

All good computer systems will have some sort of back-up. Back-up protects the information stored in a computer in case the machine breaks down. Back-up can be on floppy disks, the new video

tapes or on a number of other systems. Krause recommends that a back-up copy of information stored be made on a daily basis. This information should then be stored in some safe place. On the system that Krause uses, if something should wipe out the information on his main computer, he can have another set up and ready to go in one day, by using the back-up records that he stores.

## SUMMARY

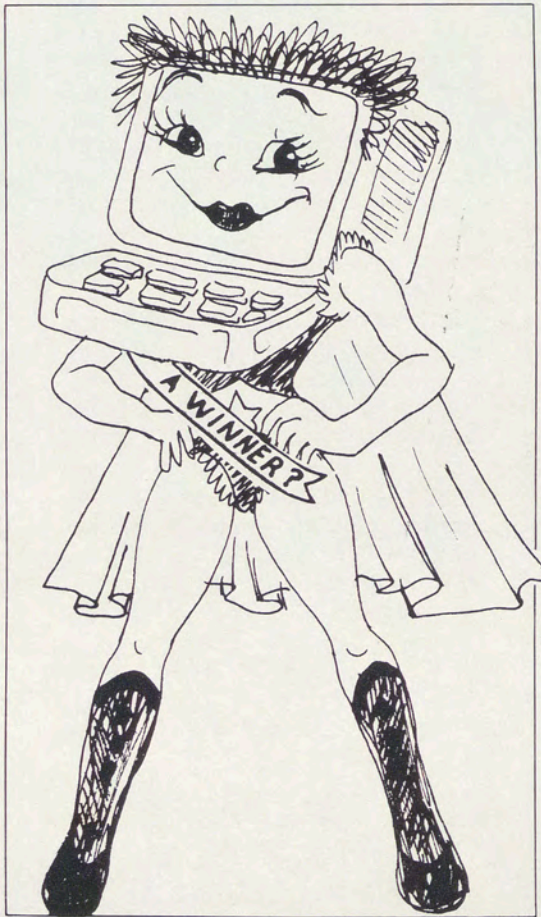
Happe reports that RTO decided to computerize their operations because they wanted an accurate control on cash flows and inventory. “Basically, to provide protection from having things fall through the cracks,” Happe said. Their inventory control system, for example, is set up so that only the store manager can clear a piece of inventory off of the computer. Each RTO store has its own separate computer, and Happe is wary of modifying the system to link all of the computers together for fear that a mishap at the central computer could cause all the other computers to fail.

When asked if his computer has been a good investment, Happe replied that in a 1000 unit store, the computer has cut down a good three hours per day of a store manager’s time, freeing him up to do the other things he is supposed to do—like get new rental customers.

Computers may well be the answer to the rental industry’s inventory headaches. They can keep tabs on merchandise faster and for less than traditional manual systems. Prices are dropping on computer systems and, as the industry grows, so does the need for fast, efficient ways of dealing with stock. With the many suppliers offering systems tailor-made for the rental industry, dealers should be able to find a system that will fit their needs.

Because of the nature of the business—the amount of paperwork involved carrying weekly accounts, the amount of inventory in a mature store, and its constant movement—the computer question is a pressing one for rental dealers. No one answer is correct for every dealer. No single program can do the job in every different type of operation. Dealers should know, however, that others have asked the question before them and found satisfactory answers. Today’s dealer can explore the computer marketplace and do the same thing.

# Computers on the Rental-Purchase Plan



**R**ental dealers across the country are carefully studying whether to bring computers into their operations. Is there any profit in renting computers to customers? A couple of dealers think so. First National Computer Centers, owned by Mike Sheriff and Rozanne Flatt, has opened its first store in Dallas, Texas. It is a full-fledged rental-purchase personal computer store. According to company president Sheriff, "It's a try, no obligation system." An individual or business can rent a complete computer package on a monthly basis with an option to buy at any time. After 18 months rental, title transfers automatically to the customer. Sound familiar? Sheriff says the idea is to take some of the confusion out of the computer marketplace. The rental-purchase plan allows a customer a "test

drive" on a certain brand of computer without having to make a purchase commitment. Mistakes can be returned. At the First National store, a customer can rent an Apple II with monitor, keyboard, disk drive and printer for about \$280 a month. According to Sheriff, a similar system would cost over \$3000 if purchased outright.

Some businesses may prefer to continue leasing because of the tax benefits.

The company predicts that once a customer settles on a computer he or she likes, a purchase will be made within the

first four months. Some businesses, however, may prefer to continue leasing because of the tax benefits. If the idea takes hold, First National has plans to open stores in eight major cities across the U.S. during the next year.

A similar operation has just opened recently in Visalia, California. Compu-Rent, headed by President Ron Happe, has had the doors open to its first store for 90 days. Carrying MCR, Morrow, and Commodore brands, Compu-Rent offers customers a lease program with a purchase option based on a percentage of the cash price. Compu-Rent can outfit a customer with a complete system for \$150-\$225 per month. Compu-Rent is currently testing its plan in different size markets and will open a second store soon in Sacramento.

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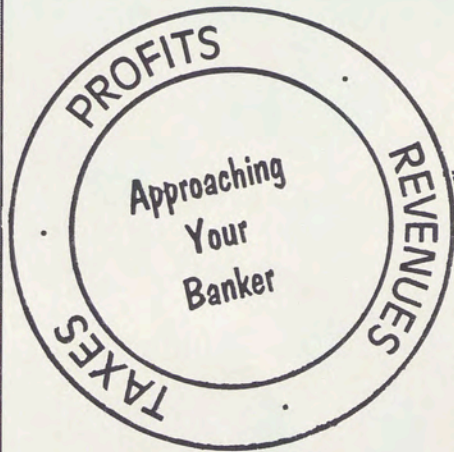
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# FINANCE



When a growing rental dealer gets ready to expand his business, one of his first concerns is a "good deal" financing package.

So what's the key to success in getting the money he needs from a lending institution?

The first step is careful, thorough preparation of facts and figures to be presented in a professional manner, agree several experts consulted by THE APPROACH.

Wayne Chambers, vice president of finance at Remco Enterprises, Houston, Texas, outlined what he termed a "presentation packet;" a guide list of information which should include:

1. Two or three years of financial statements, including the most recent.
2. A brief discussion of the company management team, giving a composite picture of people who run the organization.
3. A business plan, including profit and loss as well as cash flow projections for the next two or three years.
4. A detailed description showing how the money will be used and how the lender will be repaid.
5. Illustrations—graphs and charts in a pictorial presentation adds "icing on the cake" when used with statistics, Chambers said.

Actual presentation of these carefully gathered facts is, of course, of prime importance.

"Professionalism is the key," Chambers said.

"It is important to be objective and honest during the presentation," he added.

Attitudes and acceptable dress are intangibles which influence decisions.

Chambers summarized by saying, when approaching a banker, know what you want, present the facts in a professional manner and show how your business objectives can be mutually beneficial.

Dennis Palmquist, owner of DLP, Inc. of Austin, Texas, and APRO treasurer, listed other pointers for success for the dealer on the way to the bank.

A banker will want to look at a proposed "proformance" schedule, with projected budgets for one, two and five years, he said.

He also emphasized the importance of preparing a cash flow plan. A ratio schedule of "how much money you want to make to the ratio of the cost of the project should be presented," he said.

"Bankers tend to take a harder look at the rental business, as there are no receivables," he said.

He considers it important to establish "rapport with a bank" so that necessary money will be more easily obtained when needed.

Palmquist also pointed out that several types of financing may be required for one expansion project.

For example, he said, the conventional bank may be the source of financing money for fixed expenses to be incurred in an expansion, such as a new store opening. Expenses of this type will include office furniture, supplies, advertising budget, etc.

**Actual inventory financing may be obtained through an increased "line of credit" with the supplier...**

And how does a supplier look at a rental business before extending credit?

Jeff Towner, former district sales manager for Westinghouse, and present district sales manager for ITT Commercial Finance Corporation in San Antonio, Texas, named several areas of concern when a supplier looks at a potential credit applicant.

"It is necessary to know the net worth of a business; to look at delinquency percentages in the rental business and to show basic ratios," he said.

In addition, a supplier will certainly look at the reputation of the rental dealer.

Right now, he said, the rental industry is a high growth type which has caught the attention of the lending institutions.

Because of this, obtaining credit is easier now for the dealer with sound business practices and a professional attitude in projecting his aims and needs before a lending institution.

Ultimately, it could be said that the "best deal goes to the best dealer."

Alice Bruton

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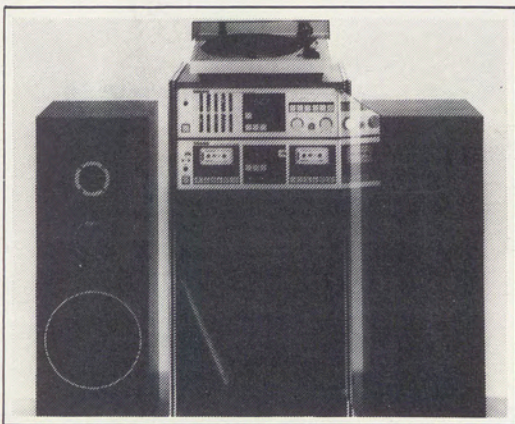
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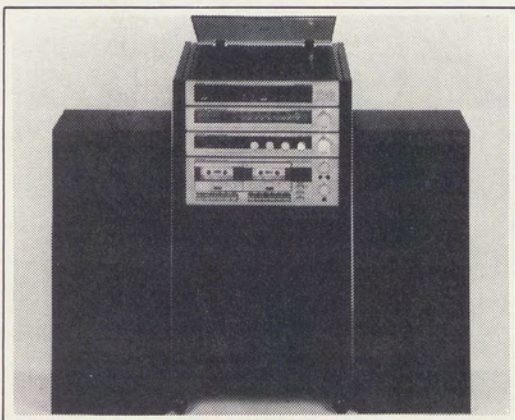
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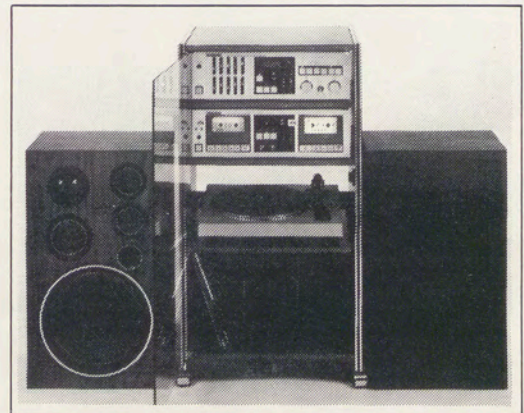
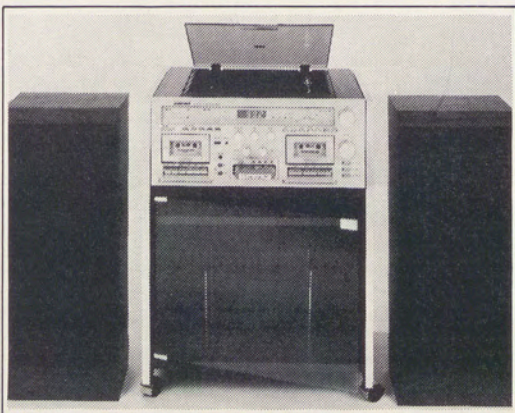
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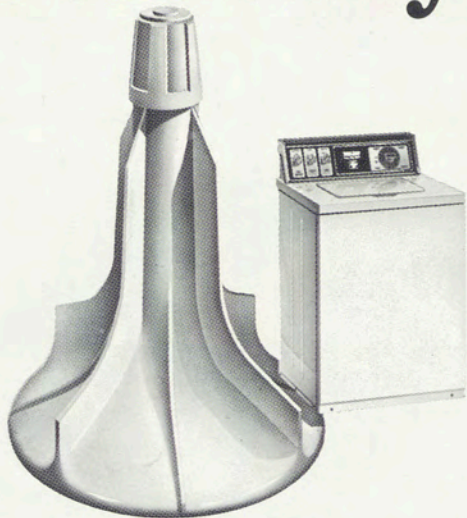
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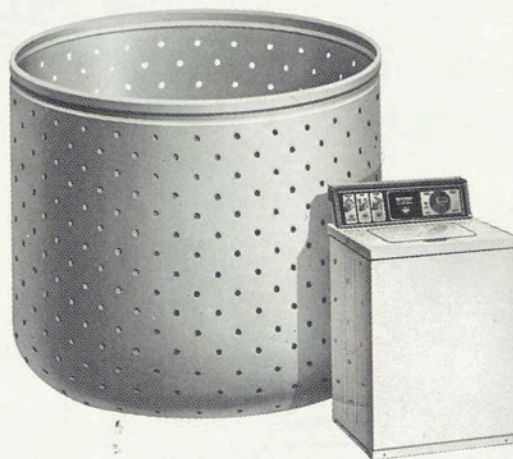


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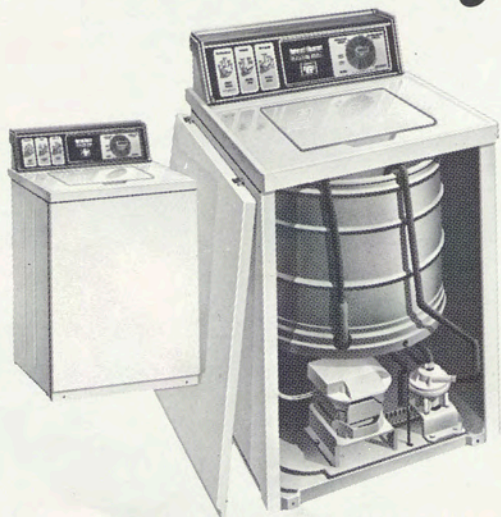
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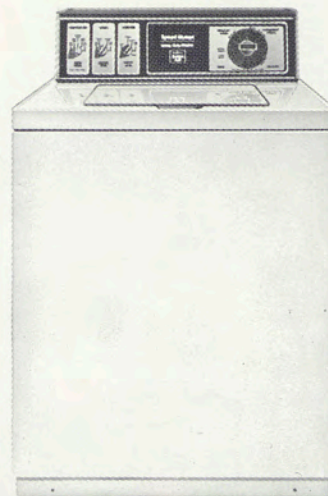
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