

THE APPROACH

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



Color TV Rentals: The Big Picture

VCR Rentals on the Upswing

Projection TV Rental Success

Earth Station Sales & Rentals

Rental Store Burglaries

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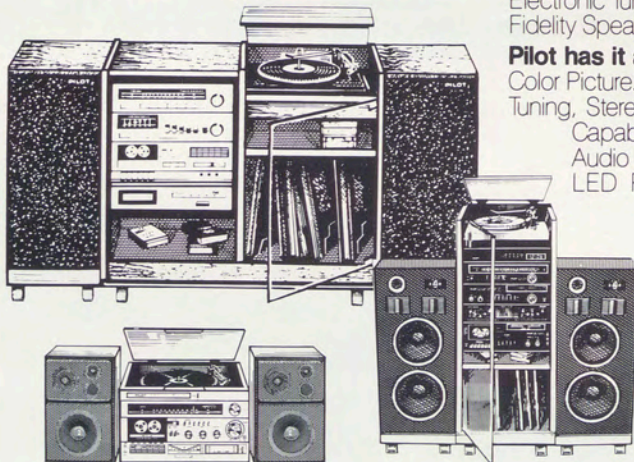
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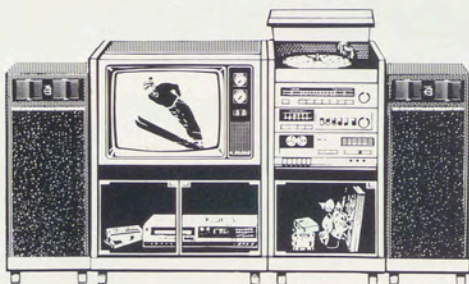
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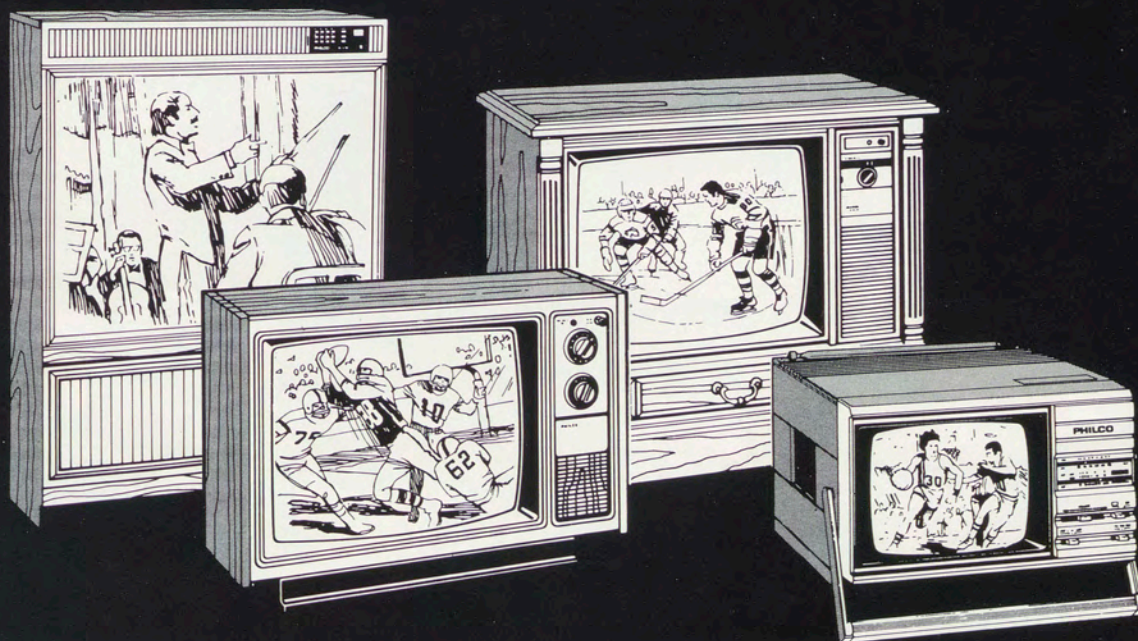
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MESSAGE

The Place of Rental-Purchase in a Service Economy

The enormous growth of the rental-purchase industry is due in part to the movement of the entire American economy toward a service economy. While some economists criticize this move as "unproductive," the movement is undeniable. Critics maintain that a service economy drains value from the Gross National Product (GNP), which can be enhanced only by the production and manufacture of hard goods.

The figures, however, contradict this position. In 1982, services generated two-thirds of the GNP and accounted for the employment of 7 out of 10 U.S. workers. The growth of the service segment of the economy has not been at the expense of manufacturing. The greatest drop over the last 20 years has been in the agricultural sector.

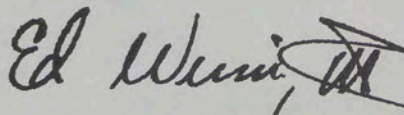
Part of the shift toward a service economy is the inevitable result of a maturing manufacturing economy. Manufacturing in the United States has become more complex and requires the support of a comprehensive service organization. Witness the explosion in the computer industry and the amount of service that must accompany the production of computer hardware.

Criticism of this structural change in the economy results in part from a statistical error that it has created. The economic indicators that this country uses to measure its health are collected primarily from mature manufacturing industries like steel. While many of these industries are declining, the service portion of the economy is often neglected in statistical reports. The benchmarks for American economic statistical reporting were established in the 1930s, and as a result, the service sector is not a highly visible part of that information.

Criticism also has sociological overtones. Service jobs have historically been viewed, albeit erroneously, as low-skilled, low-paying, unproductive, and labor-intensive. This attitude simply ignores virtually all of the professions and the many managerial, administrative, and sales functions of a service economy that require a high level of skill and training. Such industries as financial services, telecommunications, software programming, advertising, and most government jobs are all part of the service economy and require substantial skills.

To date, most of the economic policy concerns, at least at the federal level, have been over "shoring up" the weakening manufacturing base in America. To a certain extent, this has been done at the expense of encouraging the service sector. There has recently been evidence, however, of a more enlightened attitude in Washington. The House-Senate Joint Economic Committee has scheduled hearings on the service economy for the spring of 1984. Senators Inouye (D. HI) and Pressler (R. SD) and Representative Florio (D. NJ) have all introduced legislation designed to develop an overall industrial policy for the service sector. So far the concern that has been expressed over the service sector has been concentrated in the high-tech industries. It is hoped that, as recognition of the importance of the service sector increases, attention will also be given to the other kinds of services that make up that part of the economy. Service industry representatives want the same kinds of things from government that heavy industry has enjoyed over the years—investment tax credits, depreciation allowances, research and development write-offs, and the like.

The rental-purchase industry has certainly been a part of the growth of the service sector of the United States economy. A large portion of what the industry provides is service. There may be as many as twenty thousand taxpayers working in the rental-purchase industry. This number has doubled within the last five years. With continued growth expected, the rental-purchase industry anticipates doing its fair share toward helping increase the GNP during the 1980s and the 1990s.



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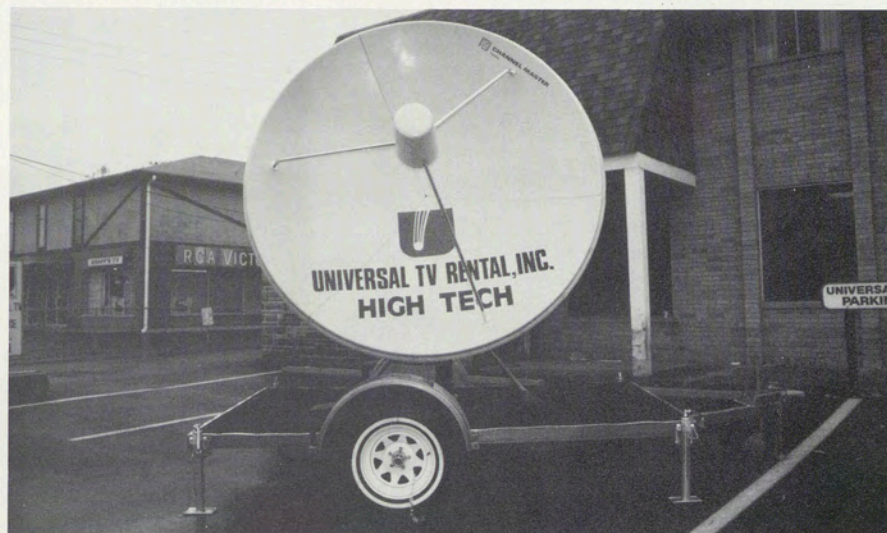
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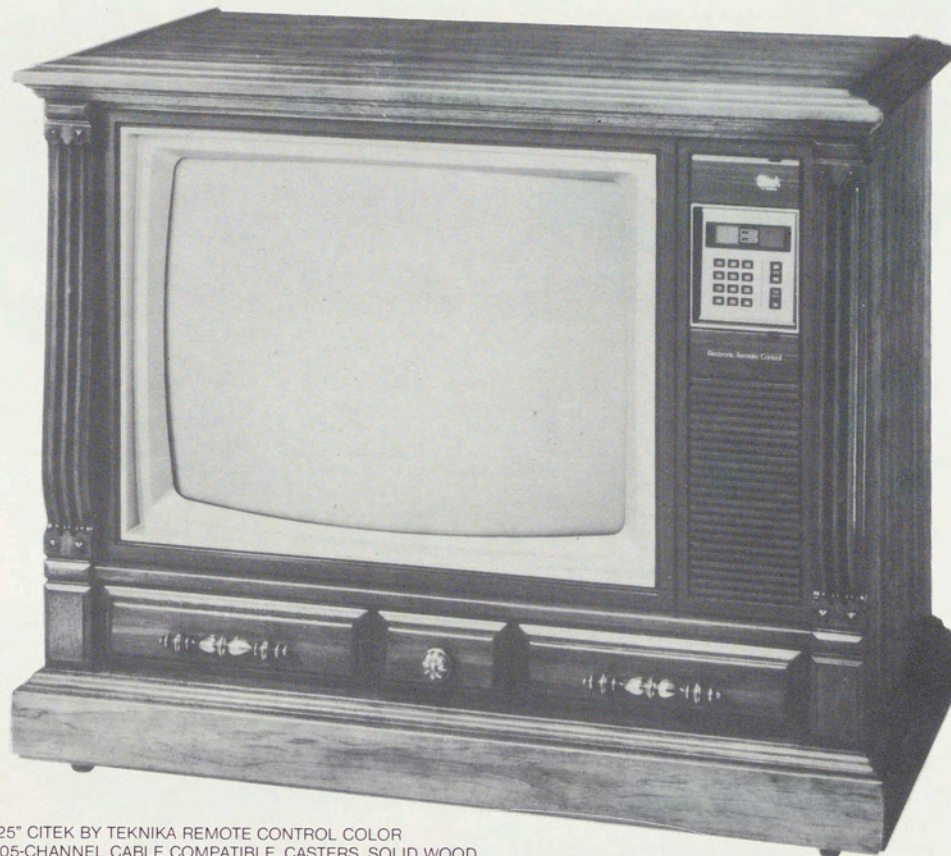
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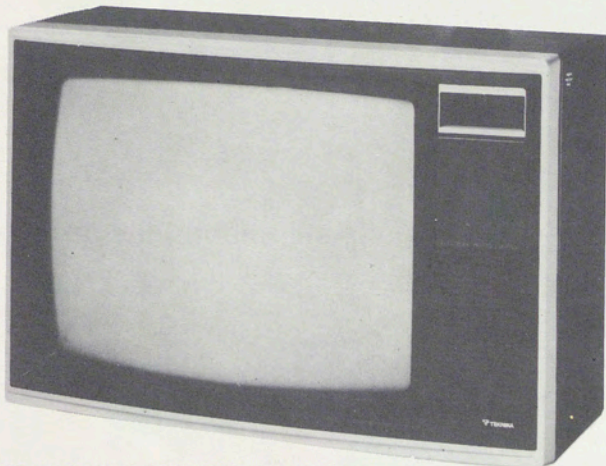
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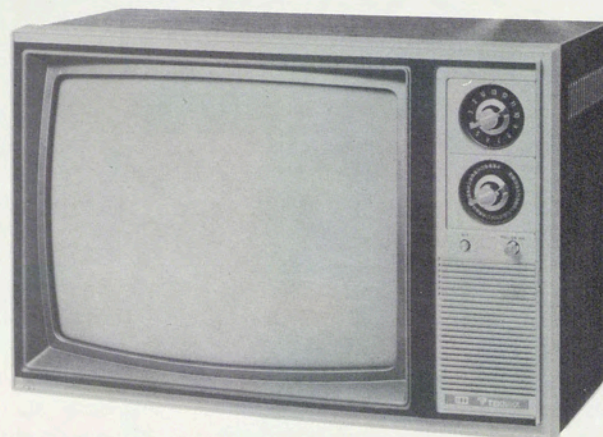
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ELECTRONIC INDUSTRIES ASSOCIATION

The Electronic Industries Association (EIA) was organized for manufacturers of radios, televisions, video systems, audio equipment, and industrial and communications electronic products. It has 350 members and has been in existence for 60 years. The EIA presents medals of honor and distinguished service awards for outstanding contributions to the electronic industries. It sponsors the Winter and Summer consumer electronics shows, international telecommunications seminars and exhibits, and the annual Design Engineers Electronic Component Conference. The association puts out five publications annually, as well as a monthly newsletter. It sponsors many committees and councils to facilitate industry representation with the federal government and to offer other services to its members. EIA is located at 2001 Eye St., N.W., Washington, D.C. 20006, (202) 457-4900.

OFFICE OF CONSUMER AFFAIRS

The *Consumer's Resource Handbook*, published by the Department of Commerce, Office of Consumer Affairs, Room 5725, Washington, D.C. 20231, (703) 557-3428, contains a directory of offices and organizations offering assistance with consumer complaints. The handbook guides the consumer step by step through dealing with the seller; contacting the company; contacting an industry dispute program, the Better Business Bureau, or a local or state government office; contacting a trade association or federal agency; and, if necessary, filing in small claims court. Listings include corporate consumer contacts; Better Business Bureaus; industry-sponsored, third-party programs; trade associations; state, local, and federal offices; and Federal Information Centers, which will assist in locating the appropriate federal agency in an area. Copies of the *Consumer's Resource Handbook* may be obtained by writing to: Handbook, Consumer Information Center, Pueblo, Colorado 81009.

SATELLITE TELEVISION TECHNOLOGY INTERNATIONAL

Satellite Television Technology International (STTI) is a private company, not a trade association, and is the largest publisher of data and manuals on the TVRO industry. STTI puts on four annual exhibitions and trade shows. This year's remaining shows will be in June

at Niagara Falls, September at Nashville, and November at Dallas. STTI has seen attendance at its shows grow from 400 to over 8,000, with 1,000,000 expected this year. Rick Schneringer is the President of STTI, which is located in Arcadia, OK, (405) 396-2574.

SOCIETY FOR PRIVATE AND COMMERCIAL EARTH STATIONS

The Society for Private and Commercial Earth Stations (SPACE) is located at 709 Pendelton St., Alexandria, VA, 22314, (703) 549-6990. Founded in 1980, SPACE is an association of manufacturers of low-cost satellite television hardware, dealers and distributors of satellite equipment, and persons who own and operate satellite receiving terminals. Its purposes are to promote the interest of the public in satellite communications, to eliminate misconceptions about the use of private earth stations, and to establish the rights of private earth station users to view programs transmitted by satellite. According to the organization, private

earth stations may be perceived as a threat to existing communications systems, including television networks, broadcasters, cable television systems, motion picture companies, and others. To offset this perceived threat, SPACE seeks to defend its right to co-exist in the communications community. It works with the FCC, Congress, and the White House to ensure that the use of private earth stations can develop without government intrusion. *Inside Space* is the society's weekly publication. *SatVision* and the *SPACE Newsletter* are published monthly.

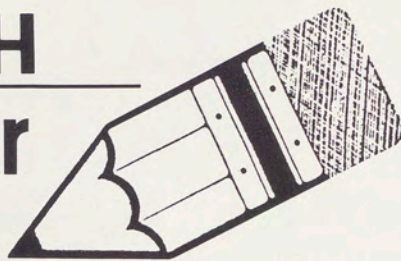
ASSOCIATED VIDEO DEALERS OF AMERICA

The Associated Video Dealers of America (AVDA) is a group of authorized/franchised video dealers who have video tape recording franchises, outside salesmen, and service and rental capabilities. The group's purposes are to promote the welfare of video dealers through better communications and procedures among members, their customers, and suppliers, and to improve the professional standing of member dealers. Furthermore, it provides a national sales, service, and rental network and a product and information exchange, and maintains a booth at video industry trade shows. Plans for the future include research and education programs. AVDA has committees for marketing methods, new product research, and the promotion of video for the home. *The Video Dealer Roster* and the *Buyer's Guide to Equipment* are published annually. AVDA's address is P.O. Box 252, Cary, IL 60013, (313) 639-0096.

STTI & SPACE AT LAS VEGAS SHOW

STTI and SPACE joined together in March for a satellite show in Las Vegas. This united effort was to prevent hardship on participants and attendees loyal to both organizations. November 1983 was the last time STTI and SPACE held separate conventions and exhibitions. Surprisingly, the closely scheduled events did not detract from each other, and both had respectable turnouts. At these shows, Drake introduced the new infrared remote control ESR240, which permits armchair video and audio selection and automatic operation of a Polarotor, and features a front panel "skew adjust." Winegard premiered its new 10-foot, .3 F/D, extruded aluminum rib mesh antenna, designed for quick installation. Commander Satellite showed its gold anodized "Mini-Harris," a .25 F/D, modified cassegrain feed, 8-foot antenna. California Amplifier actually manufactured and tested LNAs on the exhibition floor.

Reader Survey



I wonder if the editor of this magazine would like to know about my company's rule of thumb concerning pick-ups?

The staff of *THE APROACH* is very interested in knowing the opinions of readers. We are working diligently to provide the rental industry with concise, informative reporting on topics of interest to rental dealers and industry suppliers.

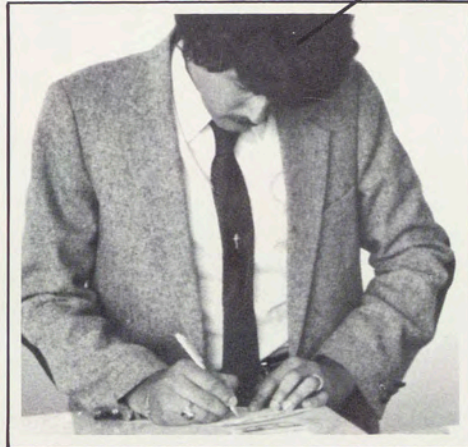
THE APROACH will soon undergo a major image change—a new name, process color cover, increased editorial and advertising pages. Obviously, the readers can best support a successful transition by answering the questions below. Please take a moment to do so. The more we know about you the better your magazine will be.

Let us hear from you soon. Return completed questionnaires to:

THE APROACH
Survey
1866 InterFirst Tower
Austin, TX 78701

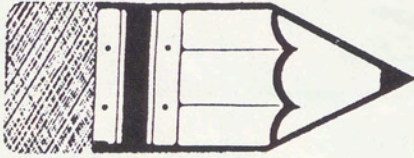
What's your opinion of *THE APROACH*?

1. How often do you read *THE APROACH*?
 - a. ___ Every issue.
 - b. ___ Often.
 - c. ___ Occasionally.
 - d. ___ Never.
2. When you read *THE APROACH*, how much time do you normally spend reading it?
 - a. ___ 5 minutes or less.
 - b. ___ 5 to 10 minutes.
 - c. ___ 10 to 15 minutes.
 - d. ___ More than 15 minutes.
3. How much of *THE APROACH* do you read?
 - a. ___ All of it.
 - b. ___ Most of it.
 - c. ___ A few articles.
 - d. ___ I don't read it.



4. Do you always receive *THE APROACH*?
 - a. ___ Always.
 - b. ___ Usually.
 - c. ___ Occasionally.
 - d. ___ Never.
5. Do you receive *THE APROACH* on time?
 - a. ___ Always.
 - b. ___ Usually.
 - c. ___ Rarely.
 - d. ___ Never.
6. Do you take *THE APROACH* home to your family?
 - a. ___ Always.
 - b. ___ Usually.
 - c. ___ Occasionally.
 - d. ___ Never.
7. How often do you think *THE APROACH* should be published?
 - a. ___ More often.
 - b. ___ Less often.
 - c. ___ Continue as is.
8. How satisfied are you with *THE APROACH*?
 - a. ___ Very satisfied.
 - b. ___ Somewhat satisfied.
 - c. ___ Somewhat dissatisfied.
 - d. ___ Very dissatisfied.
9. How do you rate *THE APROACH* for accuracy?
 - a. ___ Very accurate.
 - b. ___ Fairly accurate.
 - c. ___ Fairly inaccurate.
 - d. ___ Very inaccurate.

10. Do you rate *THE APROACH* interesting or dull?
 - a. ___ Very interesting.
 - b. ___ Somewhat interesting.
 - c. ___ Somewhat dull.
 - d. ___ Very dull.
11. How do you rate *THE APROACH* for coverage of news that's interesting to you?
 - a. ___ Very good coverage.
 - b. ___ Good coverage.
 - c. ___ Poor coverage.
 - d. ___ Very poor coverage.
12. Do you agree or disagree that *THE APROACH* is written for people like you?
 - a. ___ Strongly agree.
 - b. ___ Agree somewhat.
 - c. ___ Disagree somewhat.
 - d. ___ Strongly disagree.
13. How do you rate the design of *THE APROACH*?
 - a. ___ Excellent.
 - b. ___ Good.
 - c. ___ Fair.
 - d. ___ Poor.
14. Are you:
 - a. ___ an executive/owner?
 - b. ___ a salaried employee?
 - c. ___ an hourly wage employee?
 - d. ___ a part-time employee?
15. Sex:
 - a. ___ Female.
 - b. ___ Male.
16. Your age:
 - a. ___ Under 22.
 - b. ___ 22–30.
 - c. ___ 31–40.
 - d. ___ 41–50.
 - e. ___ Over 50.
17. How long have you been affiliated with the rental business?
 - a. ___ Less than 1 year.
 - b. ___ 1–3 years.
 - c. ___ 4–6 years.
 - d. ___ 7–10 years.
 - e. ___ 11–20 years.
 - f. ___ More than 20 years.



READER SURVEY (continued)

How interested are you in the following kinds of news and features?

Very interested

Somewhat interested

Not at all interested

	Very interested	Somewhat interested	Not at all interested
18. Store management advice			
19. Advertising methods			
20. Personnel management			
21. Tax tips			
22. Financing information			
23. Sales techniques			
24. Inventory management			
25. Accounting methods			
26. Promotional strategies			
27. Business expansion plans			
28. Rental industry/government relations			
29. Manufacturers' news			
30. Helpful books and seminars			
31. Profiles of industry leaders			
32. Product sales statistics			
33. Economic trends			
34. Cartoons, jokes			
35. Any additional comments?			
Thank you for your time and cooperation.			

CONNECTICUT

The Connecticut Appliance Rental Dealer's Association (CARDA) with APRO's support and assistance, came within a hair's breadth of getting the Federal Reserve Board's bill passed in their state. Last year Connecticut dealers fought a difficult battle to defeat legislation introduced by Joanne Faulkner, a legal aid attorney in New Haven. Faulkner has been an outspoken critic of the industry for several years and is responsible for the class action lawsuit filed in that state in 1981. Because of her active lobbying campaign on behalf of her bill last year, APRO had to file a complaint against Faulkner with the Legal Services Corporation. It is against the law for legal aid attorneys to lobby.

This year, Connecticut rental dealers took the offense and introduced legislation of their own. Both this year and last, CARDA dealers have enjoyed the services of John King, a Hartford attorney, and well-known and effective lobbyist for various business concerns in the state. During the winter King was able to line up several legislators willing to support an industry bill. Earlier this year, several Connecticut dealers, APRO attorney Ed Winn III and Connecticut legislators met in New York for a strategy session.

Connecticut dealers essentially decided to have a state version of the Federal Reserve Board's proposal introduced. Connecticut S.B. 539 was introduced and sent to the General Laws Committee. The bill would have required certain contractual and advertising disclosures to be made by all rental-purchase dealers. Importantly, the bill clarified the differences between credit sales and rental-purchase agreements under state law.

After a public hearing, the committee passed the bill by a vote of 12 to 7. Once legislation clears a committee, it is difficult to stop its progress. It was only last minute maneuvering by the New Haven legal aid office that kept the bill from being voted on in both houses. Legal aid lobbyists were apparently able to convince a few key legislators that the matter needed further study, much the same strategy that rental dealers had resorted to last year.

The Connecticut legislature is notoriously liberal and more often than not has a decidedly anti-business slant. Had the rental dealers there been successful with their legislative effort, it would have been a coup. To have come as close as they did was a significant accomplishment. This time last year, dealers were fighting to stay in business. This year legal aid lawyers were fighting to maintain the status quo. Everyone expects the battle to continue in 1985. Copies of the bill that was introduced are available upon request from APRO.

MAINE

Hawkes' Legal Woes Continue

Despite the favorable ruling from the Maine Supreme Court last July, the Hawkes' legal battles are not over. The ruling last July reversed two lower state courts and declared that the Hawkes' rental purchase transactions were not "credit sales" under the state's Consumer Protection Act (see *THE APPROACH*, Vol. 3, No. 5, Sept., 1983).

The latest action is a continuation of a companion lawsuit begun in 1980. Besides the "disguised credit sale" claims, which the Supreme Court opinion settled, plaintiffs had also made claims under the Uniform Commercial Code and Maine's Unfair Trade Practices Act.

The trial court judge ruled on a motion for summary judgment that the Hawkes' rental-purchase agreement was a lease intended as security under the UCC. The court cited as authority a minority opinion from a Connecticut lower court. Most courts, including the United States Seventh Circuit Court of Appeals, and all legal commentators agree that a lease should only be considered a security interest when the lessee is contractually obligated to make payments. Otherwise, there is no debt and, without debt, there can be nothing to secure.

If a lease is intended as security, the provisions of Article 9 of the UCC apply. By the terms of that article, in the event of a default, a secured party, upon repossessing merchandise, must sell it according to strict rules and account to the debtor for the proceeds of the sale. Hawkes failed to comply with the provisions of Article 9 since he re-rented items that had been returned.

The court examined the Hawkes' rental-purchase program and concluded that the parties intended all customers to rent to term. This is the same reasoning applied by two lower courts that the Maine Supreme Court expressly rejected.

The court went on to conclude that a rental-purchase customer satisfied the definition of "debtor" in Article 9. The definition of "debtor" is as follows: "the person who owes payment or other performance of the obligation secured. . . ." Again, since a rental-purchase customer never goes into debt, the court's reasoning is flawed. The court simply declared judicially that a debt existed even though by the terms of the written contract there was none.

In a separate claim the court ruled that the failure to disclose the total ownership price, standing alone, was not a deceptive trade practice under state law.

It is unfortunate that the Hawkes continue to be plagued with poorly reasoned cases from the lower courts in their state. The expense of defending these lawsuits has been enormous, both financially and psychologically. Maine state officials have made it abundantly clear how they feel about the rental-purchase industry (see related story concerning legislation in Maine in this issue of *THE APPROACH*). Maine's economy is depressed yet, incredibly, the state apparently has little interest in using small business to stimulate it. It may well cost Hawkes another trip to the Maine Supreme Court to rectify this most recent attack.

Maine Legislature Seeks To Regulate Rental-Purchase

Still smarting from its defeat before the state Supreme Court, the Maine Bureau of Consumer Credit Protection has moved its attack against the rental-purchase industry to the legislature. The bureau introduced a bill this spring that would make several changes in the Consumer Credit Code, including an amendment to the definition of "sale of goods." The proposed definition reads as follows:

Sale of goods includes any agreement in the form of a bailment or lease of goods if the bailee or lessee pays, will pay or agrees to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the goods involved and it is agreed that the bailee or lessee will become or for no other or a nominal consideration has the option to become the owner of the

goods upon full compliance with the terms of the agreement, including any optional renewals thereof.

This definition is similar to the revised definitions of the term that were enacted in Pennsylvania and North Carolina.

According to the bill's author, Robert Burgess, head of The Bureau of Consumer Credit Protection, the purpose of the change in the definition is

to close a loophole in the Code created by the Law Court's July, 1983 decision in *Hawkes Television, Inc. v. Maine Bureau of Consumer Credit Protection*. In its decision, the court concluded that because "credit" was never formally extended to consumers the "rent-to-own" agreements did not fall under the Maine Consumer Credit Code. The result of this decision has been that agreements in the form of renewable leases, on appliances such as televisions and stereos, which subject consumers to oppressive interest charges in the range of 70% are legal in Maine. By changing the definitions of the terms "credit" and "sale of goods," this bill intends to make clear that "rent-to-own" programs must comply with the Maine Consumer Credit Code if they are to be offered in this State.

The bill was referred to a joint Committee on Business Legislation, and the committee held a public hearing in early March. Al Hawkes and his family attended the hearing to testify against the bill by cataloguing the continuing ruthless and unwarranted attacks by the bureau against his business. During the hearing one of the legislators expressed concern over the availability of many products to people without credit. Specifically, the official wanted to know what people without credit should do about getting a television. The head of the bureau stated that they should all go to K-Mart or other discount retailers and purchase small black and white TVs which sell for under \$100. Dealers everywhere must be alert to this attitude, which attacks not only the rental-purchase industry, but the foundations of the free enterprise system.

APRO General Counsel Ed Winn III followed up the public hearing with a written statement on behalf of the industry to the committee explaining the size and nature of the business and arguing against the bill.

The committee postponed voting on the bureau's bill until more information could be obtained at a legislative workshop, held March 21. APRO Counsel Winn attended the workshop with the Hawkes. It was apparent at the workshop that proponents of the bill had been lobbying heavily for its passage by arguing that rental-purchase was merely loan-sharking in disguise. The committee, particularly its chairwoman, a schoolteacher, had little interest in any free market or freedom of choice arguments. Nor were they moved by the possibility of inconsistent federal regulation in the area. The overall anti-business attitude of the Business Legislation Committee demonstrates why Maine ranks 46th in per capita income among the states.

Unfortunately, the lobbying effort on behalf of the industry was minimal. APRO research turned up only one other dealer in the state who rents TVs and he had removed all purchase options several years ago due to pressure from the state. Despite the best efforts of Hawkes and his family, there is only so much a one-store operator can do. Because of all of the adverse publicity, Hawkes' BOR has dwindled to 65 units. That represents the entire rental-purchase industry for the state.

The bill would require a bona fide sale at the end of the rental period before title can pass. Rental dealers in Pennsylvania, North Carolina, and elsewhere have been doing business that way for some

GOVERNMENT RELATIONS (cont.)

time with no adverse results. The Maine bill, however, has a more serious flaw than similar bills passed elsewhere, because it is ambiguous. The author of the bill, Burgess, when pressed, could not answer questions concerning the scope of the new definition. APRO Attorney Winn asked the bureau head if the bill was intended to cover rental agreements with bona fide purchase options. He confessed that he had not considered the issue when drafting the bill and could not tell from the statutory language written. There is an argument that the draft language turns all rental agreements that allow a customer to own the product into credit sales in the state.

As of this writing, the bill has not been passed, although it has cleared the House of Representatives. It is not expected that industry forces can mount substantial opposition in the Senate. Hawkes is reported to be preparing a protest to the governor of the state, who has veto power. It would appear, however, that Maine officials will not rest until they have put the Hawkes out of business and forbidden the concept of rental-purchase in their state. Copies of the Maine bill are available upon request from the APRO office.

MICHIGAN

Class Action Certified Against Michigan Rental Company

A circuit court judge in Kent County, Michigan, has recently certified a class action lawsuit against a rental-purchase dealer in that state. The lawsuit was originally filed in the fall of 1982 by Legal Aid of Western Michigan on behalf of "all persons... who are presently involved in or will enter into 'rental-purchase option agreements' with the Defendant."

The suit alleges that the defendant rental company violated the Michigan Consumer Protection Act in several particulars. The chief complaint seems to be that the rental company charged prices "grossly in excess of the prices charged for similar products and [has contracts] which cause a probability of confusion as to the consumers' legal rights and responsibilities."

Defendant rental company had been using a rental-purchase agreement with a distinctive early buy-out feature. The agreement lists a cash sales price for each item rented. Rental payments are weekly and are terminable at any time at the option of the customer. The agreement goes on to provide that the customer gets credit towards purchase of one-half of every rental payment made. Customers can then calculate the early buy-out purchase price at any time by subtracting one-half of the payments made from the original cash price. The company set prices so that the buy-out in the 18th month would be zero. In other words, the total price of an item if rented to term is exactly twice the cash price listed on the agreement.

The essence of the plaintiffs' argument is that the rental agreement is really a credit sale and the "interest rate" charged is in excess of the usury limits. Plaintiffs pointed to such factors as defendant's computer statement which shows a "balance," "amount past due," and "weeks left (to obtain ownership)." While the company was providing this information as a convenience to customers, plaintiffs are attempting to use the information as evidence that the company treated the transactions as credit sales since the print-out uses credit sale language.

Plaintiffs also argued that defendant's advertising violated the deceptive trade practices statute. As a part

of defendant's advertising campaign, it stated, among other things, that "rent applies toward ownership." Apparently, plaintiffs' legal aid lawyers feel the advertising is deceptive since it doesn't make clear that one-half of rent applies toward ownership.

Plaintiffs in the suit requested an injunction against the business practices complained of and damages equaling the difference between what all the plaintiffs did pay and how much the legal aid attorneys felt they should have paid.

Everyone in the TV and appliance rental business runs the risk of getting sued, much like anyone in any business. The importance of this lawsuit is that it is a class action and the potential liability is far greater than with ordinary lawsuits.

A class action allows one person to sue not only for himself, but also on behalf of all people similarly situated and injured by the same defendant. The Michigan rental company being sued estimates that there may be as many as 10,000 plaintiffs now in this lawsuit. In order to pursue a class action, a judge must certify the class, or recognize sufficient similarity of interest among the class members to allow one person to sue for the group. Remember, if the named plaintiff wins, he wins for everyone in the class. Likewise, if he loses, he loses for everyone, and the other members of the class are then foreclosed from bringing suit on their own.

One difficulty with class action lawsuits is determining the size of the class and giving notice of the lawsuit to each person. Under Michigan law, the judge can require the defendant to bear the often considerable expense of contacting all class members, which is what he did in this case. Once a class member has been notified of a class action lawsuit, each person can choose whether to be in the class or not. Some states require class members to "opt in"; others allow members to "opt out." Michigan is an "opt out" state and so unless the members contacted write back requesting *not* to be part of the lawsuit, they automatically become plaintiffs. (In "opt in" states, people contacted must take affirmative action to get into the lawsuits. Defendants prefer "opt in" jurisdictions since the size of a class is usually smaller.)

Plaintiffs' motion to certify the class was argued in June, 1983. The judge did not render his opinion until January, 1984. The next step is for all of the defendant rental company's customers to be contacted concerning the lawsuit. It is not expected that the case will be ripe for a trial on the merits for some time yet.

While there is always concern when a class action lawsuit is certified, the issues raised in this suit are not measurably different from the issues raised in other lawsuits against rental-purchase companies. Legal observers are optimistic that, besides having to bear the enormous expense of defending such a lawsuit, ultimately the rental company will prevail.

Rental-Purchase Bill Introduced In Michigan

A bill has been introduced in the Michigan State Legislature that is the result of over two years of negotiation between industry representatives and consumer protection advocates. The bill, entitled the "Rent To Own Lease Act," covers contract and advertising disclosures and provides substantive limits on the relationship between rental dealers and their customers.

The bill defines a "rent to own consumer lease" as follows:

a terminable contract in the form of a bailment or lease for the use of personal property by an individual, primarily for personal, family, or household purposes for (a period) not

to exceed 4 months, whether or not the lessee has an option to purchase or otherwise become the owner of the property.

The definition as written covers all TV and appliance rental-purchase agreements and might cover additional rental agreements as well. Since the definition covers short-term rentals with *and* without purchase options, the act may well pull in all kinds of short-term rentals—for party goods, hospital equipment, tools, machinery, and the like.

If a transaction is covered under the act, a lessor must make certain disclosures in contracts and in advertising. The bill calls for 10 contractual disclosures, four more than the federal proposal. Additional requirements include disclosure of any insurance "obtained in connection with the lease." Dealers who offer any leased property insurance to customers are disclosing that fact already. The addition of this disclosure should cause no difficulty to dealers.

The bill also requires disclosure of the existence of any early buy-out option and the price or formula for calculating the option price. The current Federal Consumer Leasing Act has a similar disclosure required of vehicle lessors and others who use long-term leases. Curiously, however, the proposed amendments to the act offered by the Federal Reserve Board and introduced by Senators Hawkins and Garn and Congressman Barnard have taken out this disclosure from the long-term leases. The commentary to the proposed federal changes suggests only that the number of required disclosures is being reduced to avoid confusion and information overload.

Rental dealers have long been criticized for failing to disclose the total cost of obtaining ownership through a rental-purchase agreement. This criticism was made even though dealers regularly disclosed the amount of each payment and the number of payments necessary to acquire ownership so that customers merely had to do the multiplication to determine the cost of the transaction. Apparently, consumer advocates are of the opinion that many customers lack the sophistication to do the math. Based on this attitude, it is appropriate to question whether the disclosure of potentially complicated early buy-out formulas will satisfy these same people. The alternative, under the Michigan bill, is to provide an early buy-out schedule showing different buy-out prices at different times during the term of the agreement. If there is a risk of information overload, it would seem that 18 different prices, or worse, 78 different prices would qualify. While it is certainly possible for rental dealers to disclose these prices or formulas up front, there is considerable question whether such disclosures really provide meaningful information to consumers.

The other additional disclosures in the Michigan bill concern maintenance responsibilities and a statement of how the lessor or lessee may terminate the lease. Most dealers provide this information in their rental agreements already.

The advertising disclosures relate to price advertising. Under the Michigan bill, lessors cannot advertise prices or terms unless the products are regularly and customarily available at the advertised prices and terms. This section appears to be nothing more than an anti-fraud provision and likely repeats protections already available in the Michigan Deceptive Trade Practices Act. The bill also requires a dealer to disclose the total of payments if the advertisement references a periodic payment. This is similar to the federal advertising disclosure proposal and should pose no hardship on dealers in Michigan.

The bill goes on to catalogue a series of forbidden contractual provisions. For the most part, these were pulled from the state Retail Installment Sales Act. Rental dealers cannot garnish wages, unlawfully enter

dwellings, get certain waivers from customers, obtain a customer's power of attorney, and the like. None of the proposed restrictions will affect ordinary collection operations of dealers.

Interestingly, the bill contains no reference to cure periods, restricted definitions of default or restrictions on late charges. These are all items that have been hotly debated during legislative committee meetings in Wisconsin and South Carolina.

Overall, the Michigan bill appears to represent a balanced approach toward regulating the industry. While not perfect from the industry's point of view, the bill does not attempt to restrict the normal business practices of rental dealers unnecessarily.

As of this writing, hearings have not yet been scheduled on the bill. Michigan dealers will be contacted concerning the bill's movement by APRO at appropriate times. Dealers desiring copies of the Michigan bill can contact the legislature in Lansing or call the APRO office.

SOUTH CAROLINA

South Carolina rental dealers organized in an attempt to pass rental-purchase legislation in that state this spring. Encouraged by several legislators, rental dealers had hoped to get a bill passed that would have regulated the business without all of the onerous provisions of the state Consumer Credit Code. Dealers met several times with Steve Hamm, Director of the South Carolina Department of Consumer Protection and his staff. Hamm indicated throughout the negotiations that he was willing to work with APRO and the rental dealers and that he was not interested in regulating the industry out of existence.

APRO attorneys Ed Winn III and Sam Choate worked through several drafts of bills that would have incorporated rental-purchase agreements into parts of the state consumer credit code while recognizing the unique features of rental-purchase as opposed to traditional credit sales. The industry's position was to propose disclosure regulation along the lines of the federal bill. In addition, the industry was willing to impose some substantive limits on contacts with consumers. The industry was not willing to have the legislature come in and rewrite the terms of rental-purchase agreements.

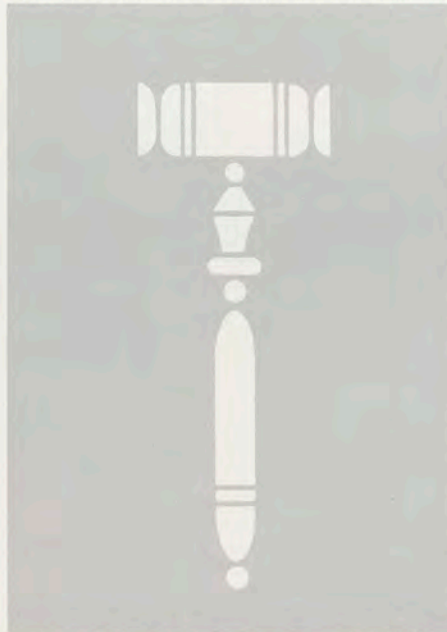
Negotiations focused on several important issues. In the first instance, the Department wanted to call rental-purchase agreements "consumer credit transactions." Certain leases and other non-sale transactions are already included in the term. Rental dealers were unwilling to accept this definition despite various protections offered elsewhere because of the dangerous connotations of having the legislature call a rental-purchase agreement a "credit transaction." Other states might pick up on the definition without making the distinctions made elsewhere in the South Carolina bill.

The issues of timing of default periods, cure periods, and court actions were also debated. These are the same issues that have been discussed in Wisconsin legislative committees and elsewhere.

During negotiations, the issue of how to regulate the rental-purchase industry was brought before the Consumer Advisory Council, a citizen oversight committee for the Department of Consumer Protection. Unfortunately, several committee members felt that nothing Mr. Hamm and his staff agreed to went far enough. Specifically, Mr. Lewis Burke, a law professor at the University of South Carolina, and Ms. Anne Johnson, a legal aid attorney, both felt that rental-purchase transactions are disguised credit sales and nothing short of credit sale regulation for the in-

dustry will serve the citizens of South Carolina. For example, Mr. Burke insisted that rental customers be given an early buy-out option after paying 60% of the purchase price of the product. Burke's proposal set limits on the terms of the buy-out and, in effect, was a form of price control. In addition, it effectively ceded to consumer the equity argument, which could have turned rental-purchase agreements into credit sales.

The insistence of Burke and Johnson to have the bill drafted their way or not at all caused negotiations to falter and finally to fail altogether. The political climate in South Carolina was such that neither side could have gotten a bill passed without the support of the other. Rental dealers, acting through their able lobbyist, Mr. Russell Munn of Columbia, got an agreement from Hamm that no one would introduce any bills affecting the industry this term. The result of such an agreement is that the business remains wholly unregulated in the state. While that means business as usual for dealers there, it also means that



the industry's "bad apples" can continue the kinds of practices that have given the business a bad name, from time to time.

It is expected that both sides will sit down to negotiate the issue again during the 1985 legislative session. In the meantime, Johnson filed a recharacterization lawsuit against a dealer in Columbia. There have been no cases decided in South Carolina concerning the legality of rental-purchase agreements. It may be that having failed to get any legislative action in the state, consumer advocates will focus their attention on the courts to seek judicial regulation of the industry.

Mr. James Burnett of Spartanburg and Mr. Bob Simons of Charleston organized the effort on behalf of South Carolina rental dealers. To date they have borne the cost, both time and money, almost single-handedly. Dealers who have been through the legislative process know the considerable expense involved. South Carolina dealers who have not yet contributed their share toward expenses incurred in that state should contact either Burnett or Simons. Those addresses are as follows:

James L. Burnett
Ace TV Rental
1091 Asheville Hwy
Spartanburg, NC
29303
(803) 582-1227

Bob Simons
All Star Rental, Inc.
4037 Rivers Avenue
North Charleston,
SC 29406
(803) 747-6043

WISCONSIN

by J. Samuel Choate, Jr.

The legal issues crucial to the rental industry in Wisconsin will be decided by the courts and not by the legislature in 1984. After several efforts, the representatives of the rental industry have been unable to reach accord on legislation with the consumer advocates in that state.

Central to the inability of these meetings to produce a compromise is a difficulty consumer advocates have freeing themselves from their view of progressive rental contracts as credit sales, and their insistence on dealing substantively with our industry in terms developed in the retail credit environment that are inappropriate and unsuited to the rental business.

Rental industry representatives have acknowledged in these meetings that consumer protection similar to that afforded credit customers is acceptable, but have stressed that those protections should be tailored to the realities of an industry quite different from retail credit. The foremost industry difference requiring modification of existing merchant remedies is the immediate need of the rental company to secure its property after it is obvious that a customer is not going to renew. In this situation, the rental company is looking exclusively to the recovery of its property as its means of limiting its loss. Rapid recovery terminates a rental company's loss. Extended recovery times in the case of many marginal customers insures the total loss of the income producing item for the rental company. By contrast, generally speaking, the last thing in the world a credit retailer is looking for is to recover used merchandise. Only after all efforts to obtain payment have failed will a retailer reluctantly turn to property recovery to mitigate his loss. There is, in fact, no use that a retailer can make of a used piece of merchandise except to sell it at a drastic discount in a non-retail environment. The twin inventory burden of the retailer to sell current models and to sell only new merchandise makes repossessed merchandise for him a bitter, if not useless, form of relief.

Until this basic issue is resolved in favor of fashioning protection suitable to the rental industry, a consensus is unlikely, and without a consensus, there can probably be no legislation in Wisconsin. Of course, the bright side of this scenario is the knowledge that no legislation antithetical to the rental industry will be passed either.

The current stand-off will make legislation impossible until 1985, at the earliest. This conceptual log jam, in the meantime, will more than likely be broken by a decision in the case of *Palacios v. Colortyme TV Rental, Inc.*, currently being pursued in the Wisconsin Appellate Courts. The issue in that case is the legal definition of a progressive rental contract: Sale or lease? While victory in that case for either party would be significant, it will not determine the issue ultimately in Wisconsin. A decision either way will prompt legislation by the losing party to correct the perceived ills of the appellate ruling. Obviously, the prevailing party will be in a superior negotiating position in that legislative battle, and for that reason, the rental industry certainly needs to prevail in this case. However, given the generally paternalistic bent of Wisconsin consumer legislation, the rental industry will still be required to participate vigorously in the legislative process, regardless of the outcome of that case.

But for now, in Wisconsin, the spotlight is on the courts and off of the legislature. APRO will monitor these proceedings, rendering whatever assistance may be required or desired, and continue to report on its progress and outcome.

WASHINGTON REPORT

by Edward L. Winn III

Senator Hawkins, sponsor of S.1152, the Federal Reserve Board's proposal to amend the Consumer Leasing Act and to regulate rental-purchase agreements, resigned the chair of the Senate Banking Subcommittee on Consumer Affairs to take a seat on the Senate Foreign Relations Committee. In her place now as chairman is Senator Slade Gorton (R. WA). While Senator Hawkins is still the sponsor of S.1152, it is not expected that she will push for the legislation as vigorously as she would have if she were still on the Banking Committee.

APRO attorney Ed Winn III met with Senator Gorton's staff to see whether they were interested in pursuing the bill. While the staff expressed some interest, Winn learned that several other items, credit card fraud, among others, were higher on the agenda and were likely to consume most of the Senator's time and attention this spring.

Also in the Senate, Senator Garn (R. UT) has been having hearings on his Omnibus Financial Services Competitive Equity Act bill (S.2181). The Garn bill is modeled after proposals from the Treasury Department. The progress of this bill is important to rental dealers because Garn also incorporated the FRB leasing proposal into his bill.

The large issue that looms over the Garn bill is the definition of banks and the powers that banks have. The current law is vague and talk is heard of "non-bank banks" as various financial institutions struggle to expand services. Most observers agree that the chances are slim for Garn to have his bill or a version of it enacted in 1984. This is partly because the issue is a complicated one and partly because it is an election year with a shorter session. Observers also agree, however, that ultimately Congress will define a bank and a savings and loan and approve limited new powers for the industries to help them increase profits. Also under discussion are whether financial institutions can pay interest on demand deposits, bank service fees, and deposit insurance reform. Another part of the bill would establish a special assessment for capitalizing the Credit Union Share Insurance Fund as well as establish tax exempt status for the credit

unions' "central bank," the Central Liquidity Facility. Other sections of the Garn bill include provisions to do the following:

regulate the way banks handle returned checks; allow savings and loans to offer commercial checking accounts; allow the FRB to pay interest on reserves; lift state usury ceilings; simplify the rules governing the formation of bank holding companies.

Garn is on record stating that he will get his bill or a version of it this year. Indeed, nothing has moved through the Senate Banking Committee, which Garn heads, since last summer, and Garn is thought to be stacking legislation that has cleared the House to use as trade-offs to get what he wants. Nonetheless, because the issues are many and complex and because there is no real crisis in the banking industry, most observers feel that Congress will take the easy way out and do nothing.

Hearings on the Garn bill continue and Garn has expressed a willingness to compromise on different portions of the bill. Negotiations between various consumer and industry bank trade groups ultimately led to the Garn-St. Germain Depository Institutions Act of 1982. Similar negotiations could remove the hurdles to legislation in 1984.

Garn's bill is based on a proposal offered by the Reagan administration last summer, the Financial Institutions Deregulation Act. This proposal which does not contain any leasing provisions has been opposed by various industry groups, including the savings and loans, insurance, real estate, and securities industries. Garn made substantial changes in an effort to get a consensus from the various industries and then made several additions, including leasing.

Garn's timetable is to conclude hearings during the spring and to have the bill out of committee and ready for a vote by the Senate by mid-summer. Even Garn admits the timetable is an ambitious one, and historically, major banking legislation has passed on the last day of the Congressional session. One factor that favors the Garn package is the unified support of the major banking industry trade groups. They have indicated that they will lobby together to give "total support (to) federal legislation that will enable banks to offer new products and services . . . to their customers."

For the moment, the rental-purchase industry must take a sideline position while major industries carry the issue forward. At the same time, the industry is

maintaining pressure in an effort to insure that, if compromise becomes necessary, the leasing provisions are not jettisoned. For example, Senator Proxmire (D. WI) has indicated that he thinks the Garn bill addresses too many issues for Congress to resolve at once. Senator Proxmire introduced his own bill, the "Depository Institutions Holding Company Act Amendments" (S.2134), which is a streamlined version of the Garn bill. The Proxmire bill does not contain any leasing provisions. Yet another roadblock to Garn's bill is Congressman St. Germain (R. RI), Chairman of House Banking. It is not clear whether St. Germain will support major bank reform legislation this year.

On the House side Congressman Barnard (D. GA) has recently introduced the FRB Consumer Leasing Act proposal (H.5423). This bill includes rental-purchase regulation virtually identical to the bill introduced by Senator Hawkins. Barnard has agreed to schedule hearings on the bill during the summer. While Barnard's support for the industry is welcomed, dealers cannot get too optimistic. At a recent meeting with the APRO Government Relations Committee in Dallas, Barnard reminded the group that during every Congressional session, 20,000 bills are introduced, of which approximately 500 ultimately become laws.

Copies of the Barnard bill are available from the APRO office.

A major stumbling block in the House may be Congressman Annunzio (D IL). He is a noted consumer advocate and has previously introduced legislation to recharacterize rental-purchase agreements as credit sales. APRO attorneys Winn and Choate have been working with Annunzio staff members to see what the Congressman wanted. Winn and Choate report what may be a softening of Annunzio's previous hard line stance against the industry. Some of Annunzio's staff believe that some regulation is better than no regulation at all. Ordinarily, Annunzio might be expected to take his cue from consumer groups, but they seem split on the issue with no clear distinction offered by consumer groups. Annunzio may be willing to accept the FRB proposal.

Despite the roadblocks, Garn will be working hard through the summer to get a version of his bill through the Senate. With the Barnard bill introduced in the House, the industry has a vehicle ready to move in the event Garn is successful. If such occurs, the predicted timing will be late fall.

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Q: "Do 'damage waiver fees' constitute insurance so that I would have to register or otherwise qualify myself or my store managers as insurance agents?"

A: The question posed is a difficult one to answer since insurance is a matter regulated by each state. Each state has its own insurance code and, typically, a commission or board which oversees and regulates the business of insurance in the state. The definition of insurance will vary from state to state. Therefore, no clear answer can be given to the question that would be sufficient in all circumstances. Rather, recourse must be had to each state insurance code to determine whether a given damage waiver fee would constitute insurance in that state.

Unfortunately, the term "insurance" is not clearly defined in the insurance codes of many states. The matter has often been litigated and often recourse must be had to court opinions in order to find out what the term means. In Texas, for example, the business of insurance is defined as "the making of or proposing to make, as an insurer, an insurance contract (V.A.T.S. Insurance Code Sec. 1.14.1[1])." Not a very helpful definition. The code does go on, however, "the making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety."

The cases generally refer to certain key factors in a contract that cause it to be insurance: an insurable interest, a risk of loss, assumption of risk by an insurer, a general scheme to distribute loss among larger groups of persons bearing similar risks, and payment of a

premium for assumption of the risk.

Vehicle lessors in many states have the practice of charging the lessee a small fee for the purchase of a collision damage waiver from the lessor. This practice is analogous to the damage waiver clauses many TV and appliance rental dealers use. Vehicle lessors have gone to the state attorney generals or insurance commissioners to request opinions concerning the legality of the practice, and occasionally these officials have responded. Of course, the only certain answer to the question can be obtained from a judge in court. This process can be expensive and time consuming.

Before dealers consider using damage waiver fees of any kind, they should consult with local attorneys. Attorneys can request opinions from state insurance officials without disclosing the client. In some states, insurance boards will not render advisory opinions. If a board rules adversely, a dealer could seek a declaratory judgment in court. At the very least, a dealer should have in his files an opinion from a local attorney advising him as to the legality of the practice. The last thing a rental dealer wants is to tangle with a state insurance board.

Editor's note: LEGAL is a regularly featured question-answer column written by APRO Executive Director and General Counsel Edward L. Winn, III for rental dealers with legal questions. Please address questions to Edward L. Winn, III, APRO, 1866 InterFirst Tower, Austin, TX 78701.

GAIN CONTROL WITH SAF-WRITE FORMS

RENTAL AGREEMENTS
Form No. 1813107

RENTAL TRANSFER DOCUMENT
Form No. RTD-3B

POSTING-COLLECTION CARD
Form L-TV2MCR

PAYMENT
Form No. CR-CH

YOUR STORE NAME & LOCATIONS
Form No. CR-CH

FIELD RECEIPTS
Form No. CR-CH

INVENTORY RECORDS
Form No. CR-CH

DAILY RECAP SHEETS
Form No. J-CMC-LONG

LONG DAILY RECAP SHEETS
Form No. J-CMC-LONG

NO CHECKS

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*Blinder Holes Punched

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*Custom Imprint With Your Store Name

*Numbered

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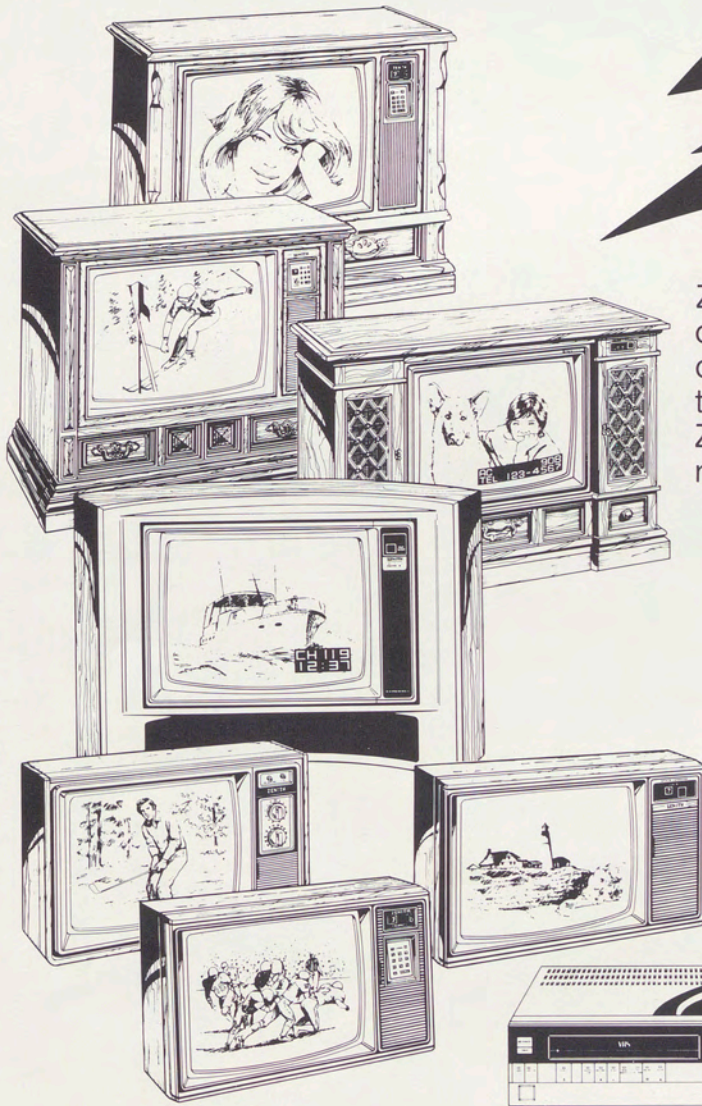
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Sears' All-in-one



Sears has introduced a TV set featuring a built-in audio-cassette recorder and a microwave oven. The set is designed to allow VCR hook-up through audio and video input/output jacks. Sears claims the unit consolidates the user's needs and cuts down on unsightly wires. However, they have yet to figure out a method to make the oven cable-ready.

TV Hang Ups

According to a comprehensive study conducted by the Electronic Industry Association of Japan, wall-hung TV sets will form a large piece of the video pie by 1990. They claim Americans will be spending more than \$36 billion a year on consumer electronics—including TV sets—that didn't exist in 1980.

Mitsubishi has already publicly shown its computer-controlled, back-lit, transmissive, liquid-crystal display, flat-screen, color TV panel called Crystal Color. Crystal Color was designed as a video program, message, data, or art display for hotels, travel terminals, shopping malls or other public areas. Although this unit costs \$100,000 (including computer), the company will use Crystal Color's concept to develop an affordable home version.

British Rental Goes American

A British firm, Rediffusion, will soon be leasing color TVs, VCRs, color video cameras, and large-screen projection TV sets to Americans. Charges will range from \$18.95 to \$29.95 a month. Officers of the firm are confident that results from five test sites in the Boston area will show a demand equal to that in Britain, where more than half of all televisions and 65% of VCRs are leased.

The president of Rediffusion explains that leasing offers the consumer two major advantages over purchasing on credit: service or replacement can usually be obtained within a day, and equipment can be substituted to keep abreast of technological advances without financial penalty. The company proposes to keep monthly payments low and to issue credit



cards to enable customers to charge software and short-term hardware rentals.

Another British company, Visionhire, offers products to consumers through American dealers. For a flat monthly fee, brand-name video equipment is supplied to the video dealer. Service is provided free, along with advertising kits. Unlike RentaBeta or PortaVideo, Visionhire gives the ability to record off the air.

Video Owners Survey

Newsweek recently conducted a nationwide survey to profile VCR and videodisc owners. The results indicate the following:

Recent VCR buyers have a lower income than long-term owners and are less likely to be college graduates;

of the respondents, 30% owned portables and 69% owned standard recorders; videodisc penetration nationwide is 2%, compared to 10% for VCRs; 11% of VCR owners have cameras; 59% of the videodisc-player owners also have VCRs.



Next Best Thing

Environmental Fragrances, Inc., has produced the Aroma Disc Player, which has an electronic "scratch-'n'-sniff" device. The company is working on an encoded disc which will complement prerecorded

videotapes that have been similarly encoded. A subaudible carrier will cue the Aroma Disc, allowing the right smells to accompany a particular movie.

Cable Companies Scramble

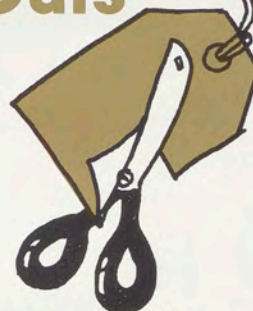
Cable companies and program suppliers are lobbying for legislation against home satellite television. However, if a major portion of the population decides to receive satellite TV into their homes, its opponents cannot stop the industry.

The major arguments against satellite TV are that it will put the cable companies out of business and that program creators won't get paid for their efforts. Program suppliers are talking about scrambling signals. A closer look at these arguments shows

they are not sufficient to daunt the already dynamic home satellite industry. Cable companies are primarily entrenched in markets that do not lend themselves to home satellite installations. Current speculation is that the cable industry is slowing down and is near saturation. Program creators can be paid for their work with a general surcharge on equipment purchases, or fees on descrambling devices, or advertising subsidies. While program suppliers try to hamper reception with scramblers, low-cost decoder technology is now available.

However, programmers are beginning to realize the potential market for home satellite television and are negotiating with the Society for Private and Commercial Earthstations (SPACE). The industry exists and it is rapidly becoming a force with which to be reckoned.

TVRO Price Cuts

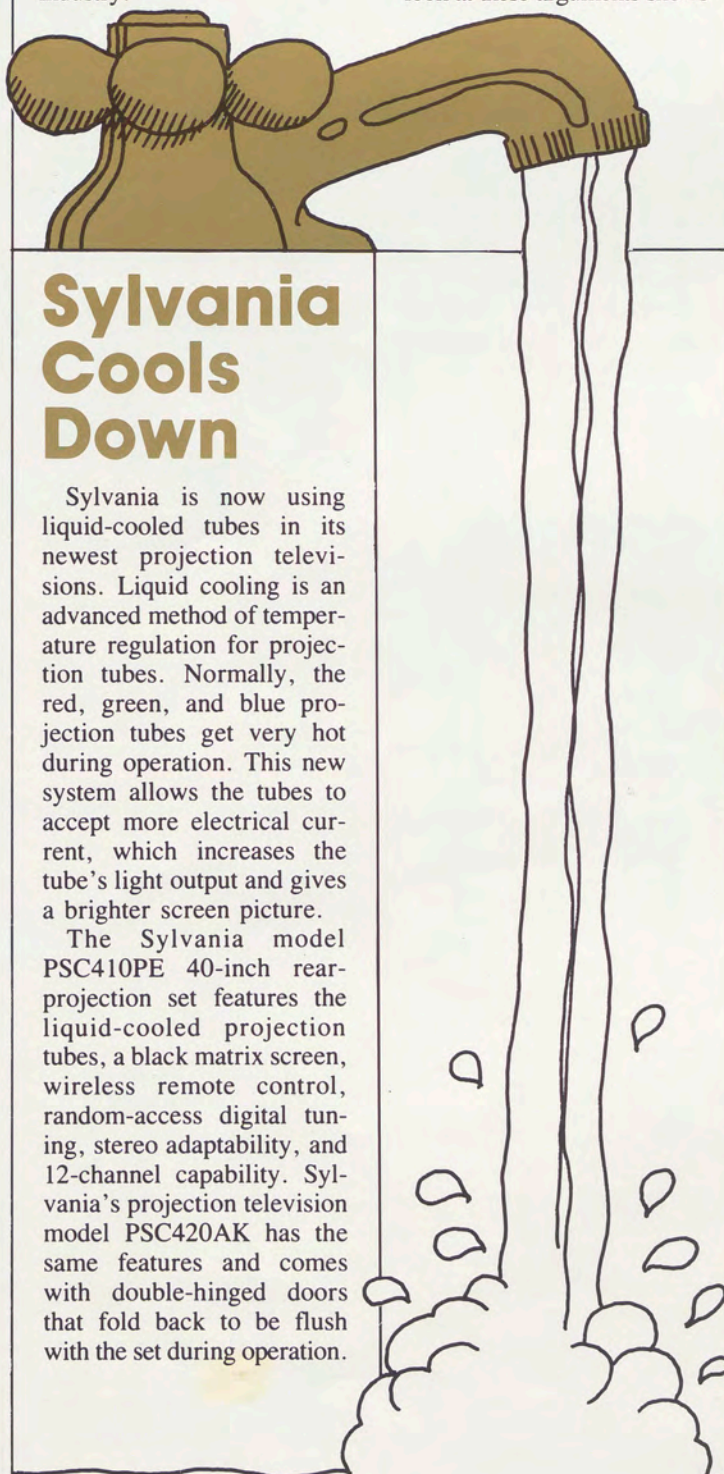


Technological advances in the efficient production of electronics for TVRO have allowed manufacturers to substantially reduce their prices. These less expensive systems are suited for boresight locations. The boresight of a satellite's transmission is that area where the signal is directed. Signal strength is stronger at the boresight area. Locations farther from the center require a greater area (a larger dish) to receive transmissions. To enhance reception in a non-boresight area, use a 100° or 80° LNA.

Dealers who want an overview of earth station technology can purchase "Satellite TV Basics." While the videocassette is neither educational nor a "how-to" tape, it does give a basic understanding of the technology and what a user can expect from a TVRO site.

Electronics Furniture Keeps Up

Furniture manufacturers are responding to increased sales of VCRs, color televisions, and personal computers with stylish, high-end accessories. Major emphasis is being placed on computer lines. Because consumers are buying higher-quality hardware,



Sylvania Cools Down

Sylvania is now using liquid-cooled tubes in its newest projection televisions. Liquid cooling is an advanced method of temperature regulation for projection tubes. Normally, the red, green, and blue projection tubes get very hot during operation. This new system allows the tubes to accept more electrical current, which increases the tube's light output and gives a brighter screen picture.

The Sylvania model PSC410PE 40-inch rear-projection set features the liquid-cooled projection tubes, a black matrix screen, wireless remote control, random-access digital tuning, stereo adaptability, and 12-channel capability. Sylvania's projection television model PSC420AK has the same features and comes with double-hinged doors that fold back to be flush with the set during operation.

Konica Lightweight

Konica now offers a lightweight video camera—only 1.6 pounds. The CV-301 camera features a 1/2-inch S-M Cosvicon pick-up tube which virtually eliminates streaking (or ghosts) in playback. It requires a minimum luminance of 35 lux and features a unidirectional electrical condenser microphone, f/1.5 manual 3:1 zoom lens with 10-30mm focal length, and a through-the-lens optical viewfinder with LEDs to indicate low light and power warnings. A light balance control matches four separate colors. Additionally, the camera is compatible with all VHS VCRs.

Should Your Company Organize A Consumer Advisory Panel?

Why should any company organize a consumer advisory panel? According to a publication of the American Association of Retired Persons and the Society of Consumer Affairs, the reasons are many:

To establish communication among a company, its customers, and consumer and public interest leaders.

To give consumers and consumer leaders a forum through which their concerns can be voiced to company management.

To find innovative solutions to specific problems or issues.

To add a new dimension to policy planning and management.

To create a dynamic for change: The company is thinking of customer relations, while consumer leaders are thinking of company accountability. That's a creative mix.

To help the company develop quality products at reasonable prices, or to advise on the need for new products.

To offset the monolithic appearance of a large company and to enhance the credibility and viability of companies, large or small.

To learn more about customer expectations and criticisms.

to better understand consumer attitudes toward public policy issues and to work out acceptable approaches to subjects of mutual concern.

To obtain information the company has no other way of learning in advance of making decisions.

APRO has on file a pamphlet put out by AARP and SOCAP entitled "Organizing A Company's Consumer Advisory Panel." While it is one thing for rental-purchase dealers to complain about bad press and unwarranted criticism, it is another to take positive steps to do something about that criticism. One positive step could be the formation of a Consumer Advisory Panel to help solve problems that a company (and, indeed, the entire industry) faces. While there are a few rabid consumer advocates who will not rest as long as American consumers can rent televisions, most consumer advocates are reasonable people who are primarily interested in seeing that consumers are as well-informed as possible about the marketplace. Our industry, like all others, has a responsibility to see that consumers have the information they need in order to shop wisely. Active participation with consumer groups can only help the image of the rental-purchase industry. For copies of the pamphlet, contact APRO headquarters.

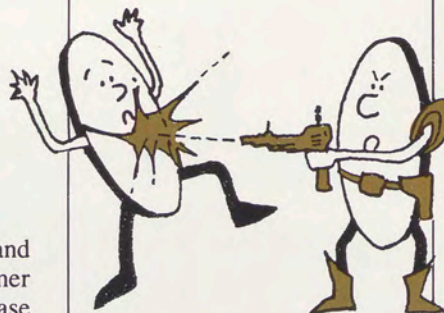


they are inclined toward higher-quality furniture.

Manufacturers such as Elite, Bush, Gusdorf, Fournier, and O'Sullivan have introduced stands and work stations especially designed for home computers—in particular, the IBM PC, the Apple, and the Commodore 64—ranging in price from \$49 to \$800.

The high end also seems to be the preferred style of new VCR furniture offerings. Elite is unveiling a video stand featuring a fully enclosed TV cabinet. The model EL-7 will list in the low \$200 range. Even though VCR accessories are gaining momentum in sales, the market has never been better for simple TV stands and carts. Of special interest is a cart with switchable panels which allow the dealer to give four or five different looks to the model, thus cutting down on inventory.

CED vs. Laser



Although CED is the dominant disc system on the market now, the future of video is laser. Laser is more technologically advanced and lasts longer than CED. The introduction of laser discs into the marketplace is being compared to the introduction of LPs. As LPs caused consumers to discard their collections of 78s, laser discs will outmode LPs and compact discs. Pioneer is the industry leader in manufacturing laser software. The company is now working on a

player for both compact discs and laser videodiscs. The player should hit the market in two to three years.

Remote Technology

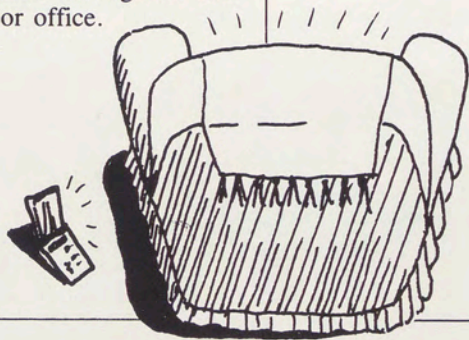


Rental dealers report that much of their TV business is now in remote. The flexibility, reliability, and sophistication of remote control systems have improved markedly, while cost has remained stable or even gone down. The most current remote systems use a single frequency of infrared light to carry digital codes to perform functions. Infrared transmission has the advantages of immunity to false triggering (which was a problem with the older, transistor models), virtually unlimited function commanding, lower power consumption, and higher reliability.

Unlike ultrasonic systems, which transmit signals like sound, causing their direction to be affected by room furnishings and walls, infrared signals act like visible light beams. They do not bend around corners or become distorted by hard surfaces, making the transmissions more directionally accurate. There is very little

home interference in the infrared range.

One other remote control system in common use is the home controller-type equipment that allows the user to turn lights and appliances on and off from a remote location. The BSR X-10 system is the predominant example. In this case the transmitter is a box plugged into the power line. When the signals are engaged, a digital message superimposes the signal on the power line voltage, rather than transmitting through the air. The signal is then distributed throughout the house or office.



Component Video Plus

The video industry is jumping on the component bandwagon. Video components offer versatility and quality, benefits which are readily seen in videotape, videodisc, and computers. The new tuners, receivers, and monitors have more inputs and outputs. There are also separate

switchers designed to incorporate more equipment into a given system.

The new video monitors (or picture display units) have better horizontal resolution, tinted faceplates, comb filters, and other advanced features that are specifically designed to improve the reproduction quality of in-home video sources. Some monitors correct color information mixing, which causes distortion in videogame and computer displays.

Most tuner units are cable-ready, with wireless remote and automatic timers. Speakers are designed with magnetic shields, allowing them to be placed next to monitors without disrupting performance.

The problem with component TV systems for rental dealers is the high price for the systems. As component TV begins to penetrate the

market and more manufacturers offer systems, dealers can expect to see prices drop into the range that rental-purchase customers will find affordable.

Beta vs. VHS

According to Zenith, Toshiba, and Sony, Beta VCR is on the upswing. The VHS VCR is the next major model to be offered by Zenith in both home and portable units. Toshiba will offer VHS recorders in Europe, but only Beta VCRs in the United States and Japan. Three times as many people bought Toshiba Beta recorders in 1983 as in 1982. Sony is expecting strong response to the introduction of its super stereo sound VCR and one-piece camcorders.

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MANUFACTURERS' NEWS

Furniture Rental Systems (FRS)

FRS Simplifies Furniture Rental Buying . . . A group of Dallas businessmen long successful in appliance rental have developed a unique approach to supplying the burgeoning furniture rental industry. FRS (Furniture Rental Systems) plans to catalog, ship and invoice complete room groups of furniture, thus eliminating warehousing and back order problems for the small to medium-sized rental dealer. Each group is packaged and priced as one inventory unit complete with serial numbers for inventory control. FRS says the total package price can run as much as forty percent less than the rental dealer might pay to buy and warehouse the same goods piece by piece from local distributors.

"We found most furniture distributors do not really understand the rental business; they grew up selling to retailers," said Bud Holladay, one of the principals in FRS and Vice President of ABC Rentals, Inc., a thirteen-store chain headquartered in Dallas. "We've been in the rental business for fifteen years. We know that problems with warehousing, shipping, back orders and inventory control can hurt the experienced rental dealer and put a new one out of business. FRS solves that by providing quality goods packaged with marketing, advertising and operations assistance at no added cost to the dealer. The rent-to-own industry, traditionally associated with color televisions and home appliances, is moving by leaps and bounds toward furniture. While at the same time, traditional rent-to-rent furniture companies are emphasizing rental ownership options. FRS can be an efficient source for either business."

FRS currently serves Arkansas, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, and Texas, with headquarters at 13500 Midway Road, Dallas. Phone (214) 788-0884.

Pilot Audio Systems

Pilot Audio Systems Introduces Two New audio vertical rack systems for 1984. One of them, of particular interest to rental dealers is Catalog No. TJ2065/36-15. It features synthesized tuning, digital read out, 6 AM/6 FM pre-set stations, 10-band graphic equalizer with spectrum analyzer, soft-touch cassette player/recorder with metal tap capability, linear tracking automatic player with magnetic-cartridge, 8 track stereo player and 36" hi-fidelity concert speakers on large roll around casters. The system's suggested retail price is \$1,299.00. Contact Pilot at 1-800-527-6422.

Whirlpool

Whirlpool Announces Intent To Acquire Litton Division—Whirlpool Corporation announced early in April that it has signed a letter of intent to acquire the microwave cooking products division of Litton Industries, Inc. The transaction is subject to the negotiation and completion of a definitive purchase agreement, approval by the Board of Directors of the two companies, and to governmental and certain other approvals involving major acquisitions.

Summer CES

Consumer Electronics Industry Gears Up For Summer CES—Over 800,000 net square feet of space has already been allocated to some 1,300 exhibitors for the 1984 International Summer Consumer Electronics Show, to be held in Chicago from Sunday, June 3 through Wednesday, June 6. This compares with 1,275 exhibitors occupying 735,000 net square feet at last summer's CES. All available space at McCormick Place, McCormick Inn, the Conrad Hilton Hotel and McCormick West will be utilized when an estimated 85,000 industry representatives gather in Chicago.

RCA

July '84 will see the introduction of RCA's 26-inch flat color picture tube. This new picture-tube will have a larger screen viewing area and a 110% deflection angle. The flatter, squarer screen can be put in cabinet designs. The new picture-tube design is based on the COTY-29 system (COTY-29 stands for "combined optimum tube and yoke in a 29-millimeter neck"). RCA expects to follow this development next year with a premium 27-inch color tube that provides a wider viewing angle due to its flatter design.

Teknika

Why, in this day of outstanding technology, would anyone want a cheap (\$89.95) black-and-white television? Well, a number of commercial and industrial companies need several sets for their operations. In addition, a lot of businesses use them as gifts or promotional items. Whatever the reason, there is a market

for small inexpensive sets. And Teknika has responded with its generic television set—a 12-inch black-and-white model with channel and volume controls and not much else. Like other generic products, the set comes in a white cardboard box with two black stripes and no brand name.

Singer

Singer is offering an improvement in electronics furniture with its audio-video cabinet, Model E357-842. This unit may be of interest to rental dealers. The audio-video cabinet has a built-in antenna and can be connected to most stereo audio receivers. Other features of the cabinet are oak veneer, a drop lid, glass doors to cover audio components, space for tape storage, and additional space for video pieces. It will retail at \$400.

General Electric

General Electric's latest video development is the Model 4000K projection television set. It is a 40-inch, rear-projection design featuring a high-resolution comb filter to improve picture clarity. The four-speaker system can produce stereo sound from VCRs and disc players when plugged into an audio-input jack. The set has a 134-channel capacity. Projection TVs have been moving well in several larger rental markets.

Whirlpool

Whirlpool has three new compact microwave ovens ready to hit the market. The Model MW-3000XM has a 15-minute timer and 500-watt cooking power. The Model MW-3200 XM features a 25-minute timer, variable cooking power control, an end-of-cycle bell, and 500-watt cooking power. By far the most elite model is the MW-3500XM, which has electronic touch control, timing up to 99 minutes, two cook cycles, a temperature probe, 10-level cooking power, and a clock.

Total Information Systems

Total Information Systems, Inc., of Phoenix, Arizona has announced the release of its Rental Control System (RCS). "RCS is a fully-integrated system designed and programmed to respond to the peculiar information requirements of single and multi-line rental dealers," says Jerry Washburn, general manager of the firm.

RCS incorporates features that virtually eliminate reprogramming and program maintenance costs after installation. These features include user report generators in all data files, and separate file definition (specification) fields that allow users to readily reconfigure the system.

"RCS is not just another bookkeeping system, but rather a complete information system incorporating inventory control, specific identity (serial numbered) inventory control, revenue analysis, rental control, prospect management, integrated word processing, accounts receivable, accounts payable, and general ledger," according to Washburn.

During its development, RCS was installed and field-tested in a number of different and unrelated enterprises in the United States and Canada. RCS runs on single and multi-user TeleVideo computer systems. Complete systems (hardware and software) start at \$10,000.

Whirlpool

The Whirlpool Corporation recently was awarded first place in the Public Education category of the "Awards For Achievements in Product Safety" program coordinated by the National Safety Council and sponsored by the National Association of Professional Insurance Agents.

The purpose of this annual awards program, the Council says, is to recognize organizations that attempt to contribute significantly to the safety of products, to product safety education, and to programs for product safety management.

Whirlpool received the award for its public education program promoting the safe use of major home appliances and respect for the fuels that power them. Whirlpool's program was chosen from among entries submitted by organizations throughout the United States. Entrants were asked to complete official applications for the awards and to respond to questions about their programs. Judging was conducted by an impartial panel of product safety experts and consumer professionals selected by the National Safety Council.

Political Action Committees And The Political Process

The Federal Election Campaign Act (FECA) prohibits corporations, including incorporated trade associations, from making campaign contributions to political candidates. In other words, only individuals can make campaign contributions. The same law does allow both individuals and groups to establish political action committees (PACs), which can make contributions to candidates for political office under certain guidelines. A PAC is not a device for avoiding the prohibition against corporate contributions, but a vehicle which corporations may help to establish to solicit non-corporate contributions.

In 1974, when the permissible activities of PACs began to be defined by law, there were 608 PACs. By 1976, there were 1,146. By July of 1982, 3,149 PACs were registered, including 613 association PACs, 1,415 corporate PACs, and 644 "non-connected" PACs—that is, those organized for political purposes only and not affiliated with any other group.

The FECA, in addition to excluding corporate contributions, limits contributions to political candidates from in-

dividuals. An individual may legally contribute no more than \$1,000 to any one candidate in any one election (primary and general elections count as two elections), and the total of all political contributions by any individual may not exceed \$25,000 in a calendar year. A political action committee, on the other hand, may spend up to \$5,000 per candidate per election, and there is no limit on the total amount of a PAC's political expenditures in a calendar year.

APRO has established a political action committee and registered it with the Federal Election Committee. For the moment, however, "RENTPAC" remains unfunded. APRO members should note that the Legal Defense and Information Fund has no relation whatever with APRO's political action committee. The funds collected for the Legal Defense and Information Fund are *not* being used to support any political candidates, nor, by law, could they be. Rather, the funds collected for the Legal Defense and Information Fund are used for lobbying and legal expenses in an effort to secure passage of favorable legislation at the federal level. Political action committee

funds, on the other hand, are typically used to support candidates in reelection bids. The Federal Election Commission reports that PACs contributed \$83.6 million to 1982 congressional primary and general election campaigns, a 51.4% increase over the \$55.2 million contributed to 1980 congressional campaigns.

PACs raised \$199.5 million during 1981-82, a marked increase over the \$137 million raised during the 1979-80 election cycle, which included a presidential election. Total PAC spending also increased, from \$131.1 million to \$190.2 million. The 1981-82 total for PAC spending included \$4 million contributed to federal candidates to retire debts from previous campaigns or to defray expenses of future races, and \$6 million contributed to political parties. The first chart below lists the political action committees which made the most contributions to federal candidates during the 1981-82 election cycle. The second chart shows contribution limits for individuals and for political action committees.

The FEC's statistics show that 1982
continued page 40

CHART 1 TOP 10 PAC CONTRIBUTORS TO ALL FEDERAL CANDIDATES*

	Amount Contributed 1/81 - 12/82
Political Action Committee**	
Realtor Political Action Committee (National Association of Realtors)	\$2,115,135
American Medical Association PAC (AMA)	1,737,090
UAW Voluntary Community Action Program (United Auto Workers)	1,628,347
Machinists Non-Partisan Political League (International Association of Machinists and Aerospace Workers)	1,445,459
National Education Association PAC (NEA)	1,183,215
Build Political Action Committee (National Association of Home Builders)	1,006,628
Committee for Thorough Agricultural Political Education (Associated Milk Producers, Inc.)	962,450
BANKPAC (American Bankers Association)	947,460
Automobile and Truck Dealers Election Action Committee (Automobile Dealers Association)	917,295
AFL-CIO COPE Political Contributions Committee (AFL-CIO)	906,425

*Contribution figures do not include totals for independent expenditures made for or against candidates.

**The connected organization (i.e., sponsor) of a separate segregated fund is indicated in parentheses.

CHART 2

CONTRIBUTION LIMITS

Contributions from	To Candidate or His/Her Authorized Committee	To National Party Committee ¹ Per Calendar Year	To Any Other Committee Per Calendar Year	Total Contributions Per Calendar Year
Individual	\$1,000 Per Election ¹	\$20,000	\$5,000	25,000
Multicandidate Committee ²	\$5,000 Per Election	\$15,000	\$5,000	No Limit
Party Committee	\$1,000 or \$5,000 ³ Per Election	No Limit	\$5,000	No Limit
Republican or Democratic Senatorial Campaign Committee ⁴ , or the National Party Committee, or a Combination of Both	\$17,500 to Senate candidate per calendar year in which candidate seeks election	Not Applicable	Not Applicable	Not Applicable
Any Other Committee or Group ⁵	\$1,000 Per Election	\$20,000	\$5,000	No Limit

¹ For purposes of this limit, each of the following is considered a national party committee: a party's national committee, the Senate Campaign committees and the National Congressional committees, provided they are not authorized by any candidate.

² Calendar year extends from January 1 through December 31. Individual contributions made or earmarked to influence a specific election of a clearly identified candidate are counted as if made during the year in which the election is held.

³ Each of the following elections is considered a separate election: primary election, general election, runoff election, special election, and party caucus or convention which has authority to select the nominee.

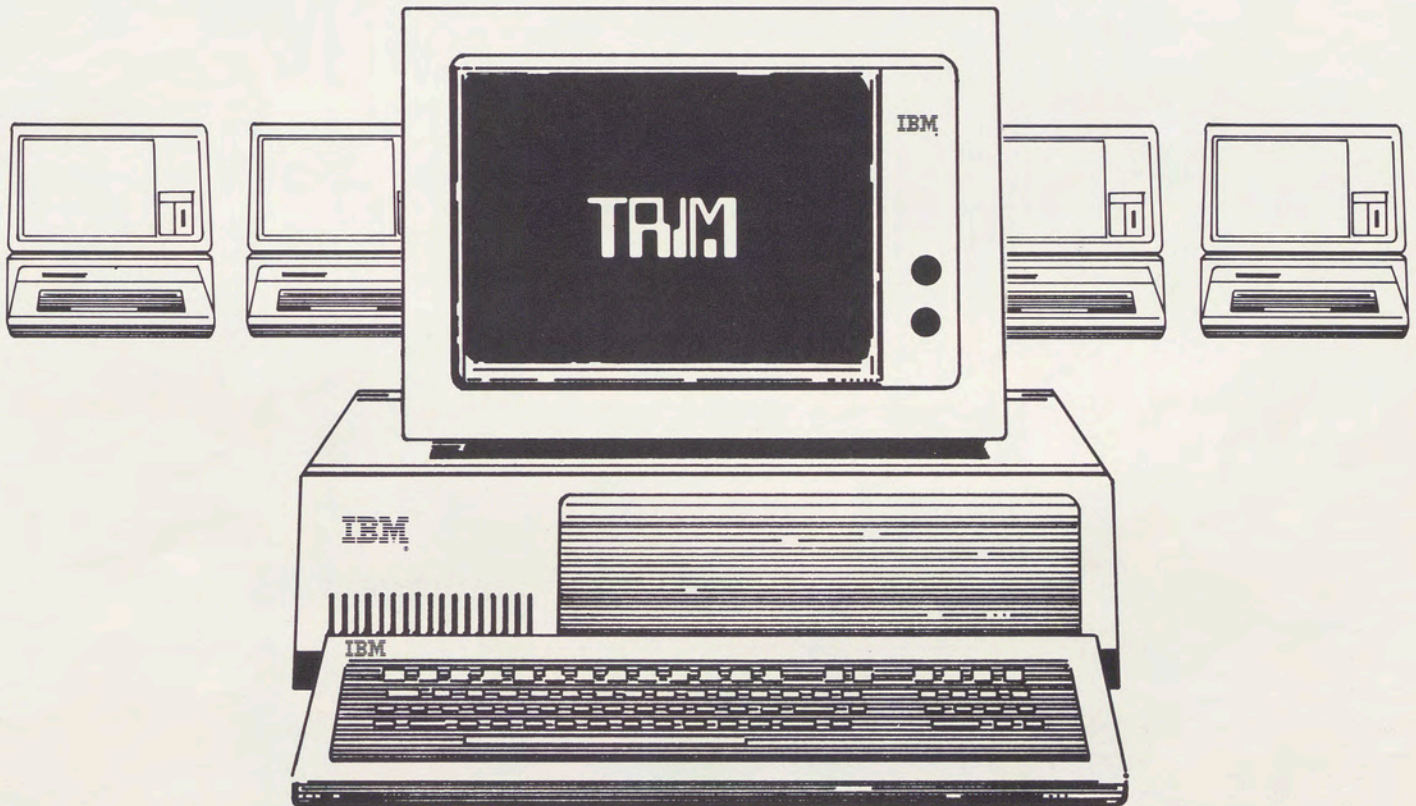
⁴ A multicandidate committee is any committee with more than 50 contributors which has been registered for at least six months and, with the exception of State party committees, has made contributions to five or more Federal candidates. An SSF may qualify as a multicandidate committee.

⁵ Limit depends on whether or not party committee is a multicandidate committee.

⁶ Republican and Democratic Senatorial Campaign committees are subject to all other limits applicable to a multicandidate committee.

⁷ Other Committee may include an SSF not qualified as a multicandidate committee; group includes an organization, partnership or group of persons.

Why settle for just any computer system when you can have TRIM?



TRIM, The Rental Industry Manager, is the most complete and hard-working computer system you can buy. Designed exclusively for the needs of the rental industry, TRIM can efficiently manage every aspect of your business from deliveries, agreements and customer files to inventory, expenses, receipts and accounting. Here are just a few of the TRIM advantages:

Easy to Use Menus, function keys and help key provide on-the-spot assistance. Exclusive color CRT and windowing display make it easy to read more data at once.

Fast and Accurate TRIM provides automatic daily reports, error-free agreements, inventory records and point-of-sale data collection as well as the convenience of one-entry updates for all related records.

Highly Flexible Customer-specified parameter tables allow the system to be tailored to your

requirements. Data may be searched by any number of variables. And TRIM adapts to single- or multiple-store operation.

Fully Integrated Effective communication between home office and individual stores means you have fast, accurate information for management decisions.

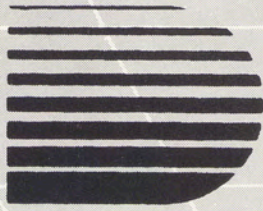
Advanced Technology TRIM is based on the highly reliable IBM PC-XT and uses fixed, hard disk storage. Its dual printer operation provides flexibility, control and backup.

TRIM is a product of First National Computer Centers, a computer company with the most extensive experience in the rent-to-own industry. In fact, we use the TRIM system in our own computer rental operations. To learn how we can put TRIM to work for you, quickly and economically, contact **Mike Sheriff** at the address and phone number below.



**First National
Computer Corporation**

4843 Keller Springs Road Dallas, Texas 75248 (214) 380-8700

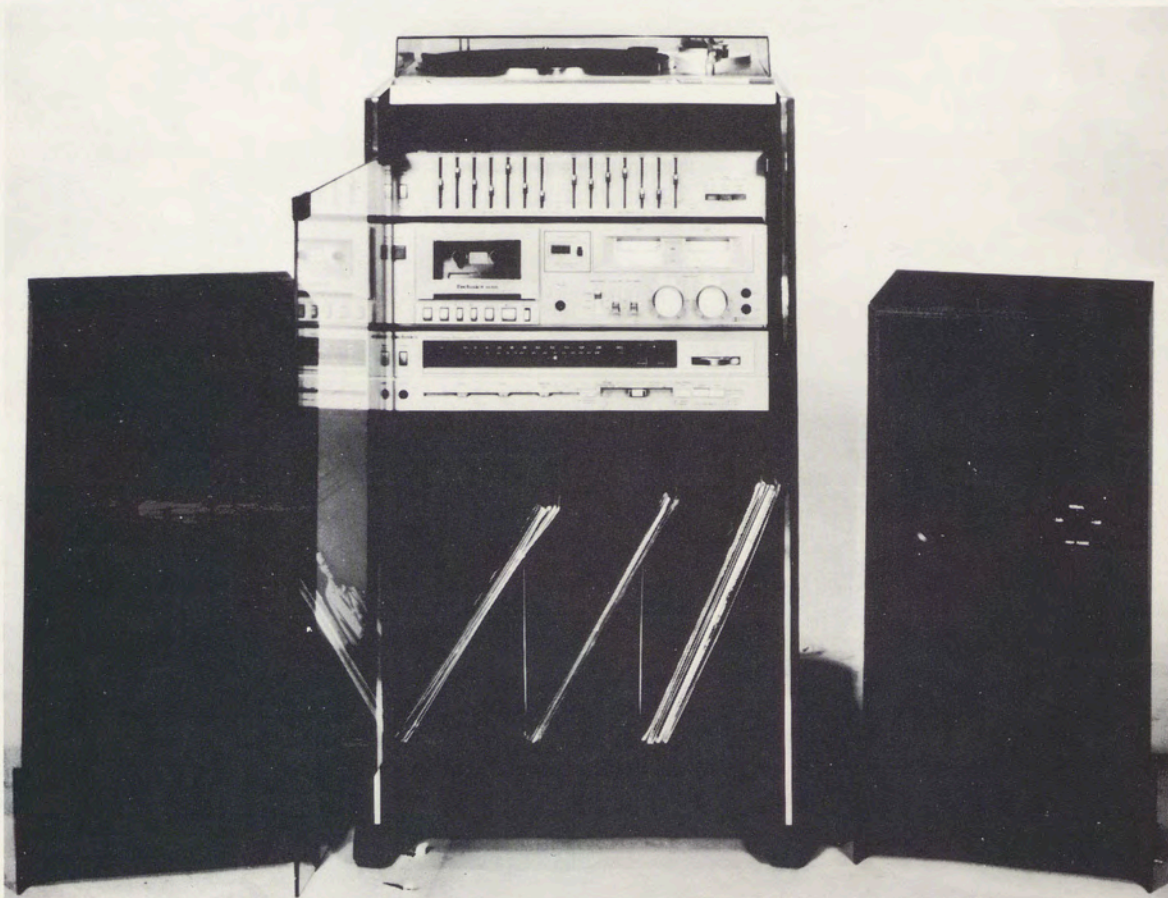


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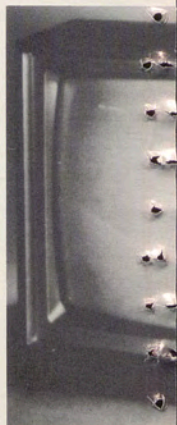
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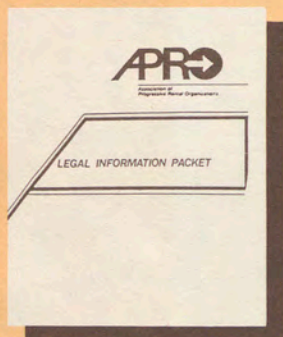
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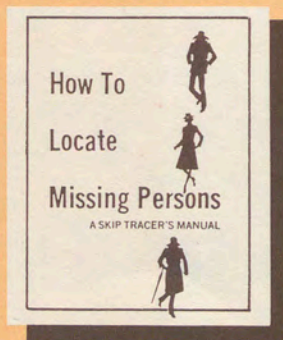


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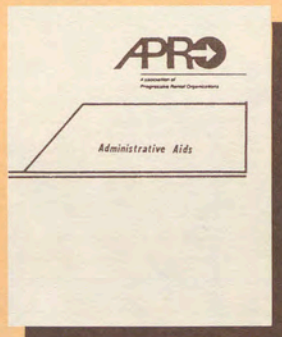
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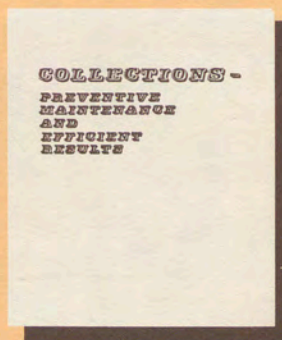
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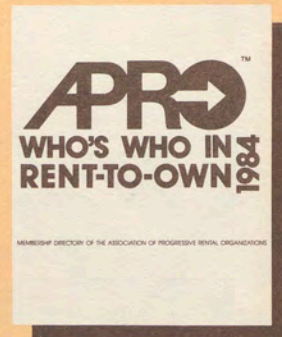


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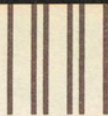


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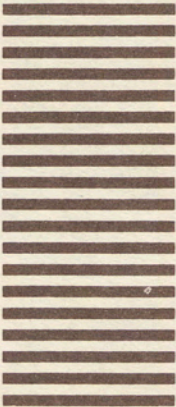
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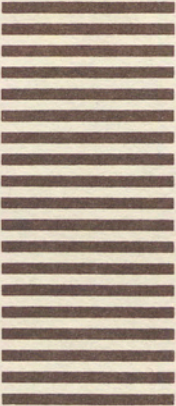
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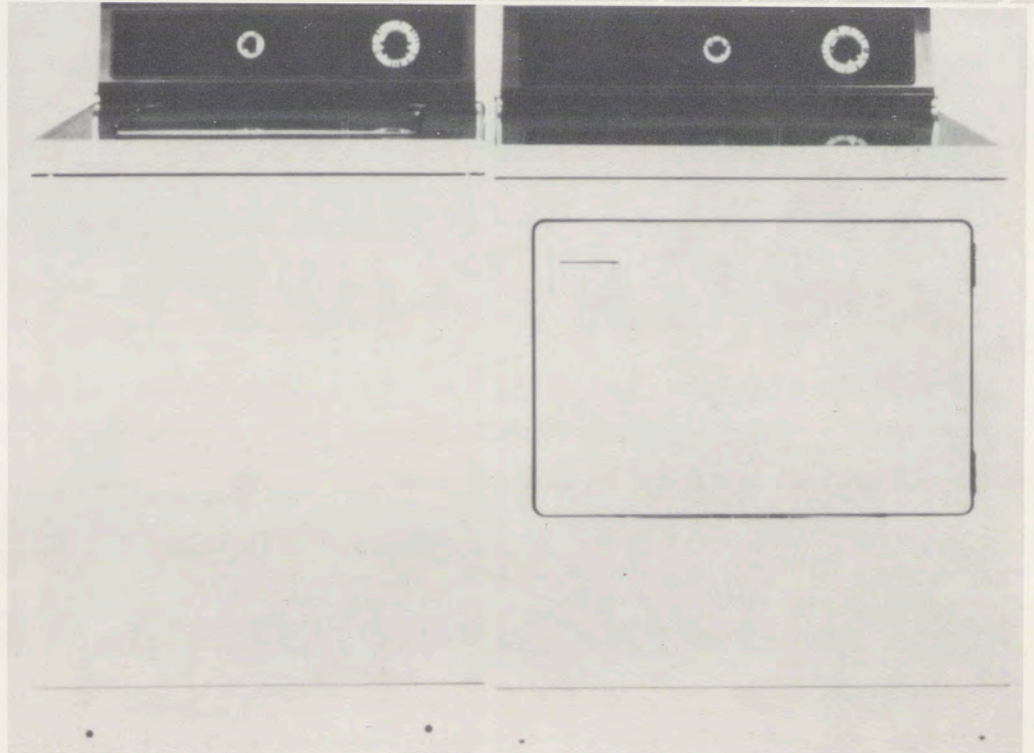


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RENTALAUGHS

The following was reprinted with permission from ABC Rentals, Dallas, Texas

What They Mean When They Say

When they say:

1. Do you rent TVs?
2. I'm just looking around.
3. Doesn't it get a better picture?
4. How much does it cost?
5. He was inconsiderate.
6. My set's out.
7. I can't get Channel 8.
8. Somebody stole the TV.
9. You can pick it up now.
10. I couldn't find you.
11. It has to be a new one.
12. Does it have bass?
13. Do you rent Sonys?
14. I had car trouble.
15. I had doctor bills.
16. Don't send anybody out.
17. I told my wife to pay it.

They really mean:

1. Would you rent one to me?
2. Help me find the one I want.
3. I wonder how it'll work in my house?
4. What's my first payment?
5. He told me to pay on time.
6. The baby pulled the plug.
7. The baby ate the knob.
8. I hope you don't find out who.
9. I won't have the payment after all.
10. Mainly because I didn't look.
11. Don't give me the one with chunks missing.
12. Can I create a sonic boom?
13. Mine was repossessed last week.
14. I made the car payment with my money.
15. I had car trouble.
16. I told my wife I paid it.
17. Send somebody out.

Oh, sure. . .

. . .well, maybe.



Editor's Note: RENTALAUGHS will appear regularly in future issues and will feature jokes, gags, and humorous anecdotes pertaining to the rental business. Five dollars paid for each submission published. Send humor to: APROACH, 1866 Inter-First Tower, Austin, TX 78701.

COMING

It's Convention Time Again! And have we got a show for you! Every year APRO strives to outdo its past performances and this year is no exception. The July issue of THE APROACH is packed with the details of the upcoming bonanza in Las Vegas. A complete guide to making the most of your time at this year's show will be featured, complete with show schedules, area entertainment information, and a sneak preview of exhibits.

Building A Powerful Ad Campaign. It means knowing your market inside and out and understanding the types of media available. Learn how to create a recognizable image that will work for you.

Rental Customer Relations. THE APROACH examines the major problems in dealing with uncooperative customers and suggests ways to solve and even prevent them.

WINN TALKS TO FURNITURE RENTAL DEALERS

The Furniture Rental Association of America (FRAA) held its annual convention March 6-10 in Clearwater Beach, Florida. A featured speaker was Ed Winn III, Executive Director and General Counsel of APRO, whose talk was entitled, "Rent-to-Own: The Other Side." FRAA Executive Director Jim Bannister suggested the topic.

Winn began by saying that he wasn't sure what rent-to-own was the other side of in the eyes of furniture rental dealers. It might be the other side of the street, if furniture rental dealers viewed TV and appliance rental dealers as competitors; the other side of the tracks, if furniture rental dealers thought of TV and appliance dealers as concentrating their efforts on low-income customers; the other side of the coin, if furniture rental dealers thought that TV and appliance rental dealers were the bad guys causing a lot of trouble in the marketplace while furniture rental dealers were innocent and put-upon. Winn concluded that the most likely characterization is that the two industries are on different sides of the same bed. He pointed out that furniture rental agreements and TV and appliance rental agreements are legally indistinguishable, and that the legal aid lawyers, consumer advocates, and other social engineers who want to regulate the TV and appliance rental industry are going to regulate the furniture rental industry as well.

Winn discussed the extraordinary growth in both industries, due in part to the overall growth of the service sector in the American economy. He gave many examples of the shift from consumers' desire to *own* things to a desire to *use* things. He noted that while the furniture rental industry is interested in the activities of the TV and appliance rental industry, so are all major automobile manufacturers, most major banks who finance leasing operations, airplane manufacturers (who often lease airplanes to airlines), and, in general, a major segment of the United States economy. Winn asserted that the move to regulate leasing will not stop with the TV and appliance industry. If a way is found to control rental-purchase prices, the next step will be to control leasing prices across the board. One of the reasons that the TV and appliance rental industry has come under such criticism is that it happens to be a

hot consumer topic with sociological overtones. Critics of the industry can criticize high prices and at the same time criticize overall consumer buying habits and television to boot.

Winn learned that several of the furniture rental dealers had been very upset by the most recent Jane Bryant Quinn article on the rental-purchase industry. Winn asked his audience if they could imagine how the TV and appliance rental industry felt, since it was the industry being criticized.



APRO Executive Director, Ed Winn III addresses furniture rental dealers at FRAA Convention in Clearwater Beach, Florida.

Winn suggested that it's a little too simple for furniture rental dealers to characterize all TV and appliance rental dealers as "bad apples," intent on taking advantage of their customers. While there are certainly some TV and appliance rental dealers who cause embarrassment to the industry, he said, there are certainly furniture rental dealers who embarrass the furniture industry. Winn said he could only apologize for those TV and appliance rental dealers who help to perpetuate the negative image of the rental industry. He did point out that through the trade association and the overall maturation of the industry, the number of "bad apples" is diminishing and the industry, overall, is committed to cleaning up its image. Winn suggested that

those TV and appliance rental dealers who think that muscle is the way to operate a rental store are on the way out, being replaced by professional managers who understand that they are in a retail business much like any other and that ultimately, the customer is always right.

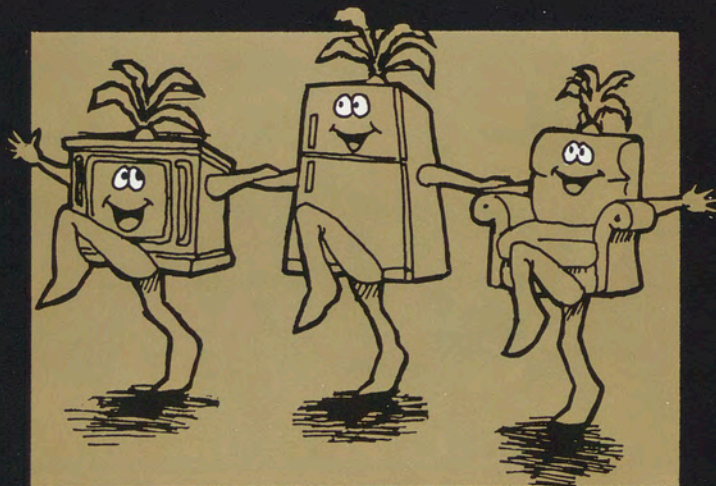
Winn noted that the furniture rental industry has been around a good deal longer than the TV and appliance rental industry and that, as with all new industries, there are growing pains. He said that such growing pains will have an end and that the TV and appliance rental industry is here to stay. Winn pointed out that many of the APRO members are looking hard at furniture and at other products to add to their lines.

Arguing that furniture rental dealers and TV and appliance rental dealers have far more in common than differences, Winn invited the furniture rental dealers to take a longer look at the TV and appliance rental industry and to make the effort to understand it better. He suggested that TV and appliance rental dealers could probably learn a lot from furniture rental dealers and that the effort ought to be made on both sides to bring the industries closer together. The true enemies of both industries are those who do not believe in the free enterprise system.

In discussions with several furniture rental dealers after his presentation, Winn got the impression that the furniture rental dealers felt that they had, over the years, spent a great deal of time and money cleaning up and enhancing the image of rental in the eyes of the American consumer. Now, due to circumstances largely beyond their control, they were seeing considerable bad press, which, while aimed directly at the TV and appliance rental industry, tends to reflect poorly on everyone in rental. It was mainly a sense of frustration at this development that had upset furniture rental dealers.

A few furniture rental dealers maintained that the industries are strictly separate and will always remain so. The dealers in this category had difficulty explaining precisely what the differences were, other than to state that they did not care for TV and appliance rental business. Most of the audience agreed after Winn's talk that the two industries need to work more closely together.

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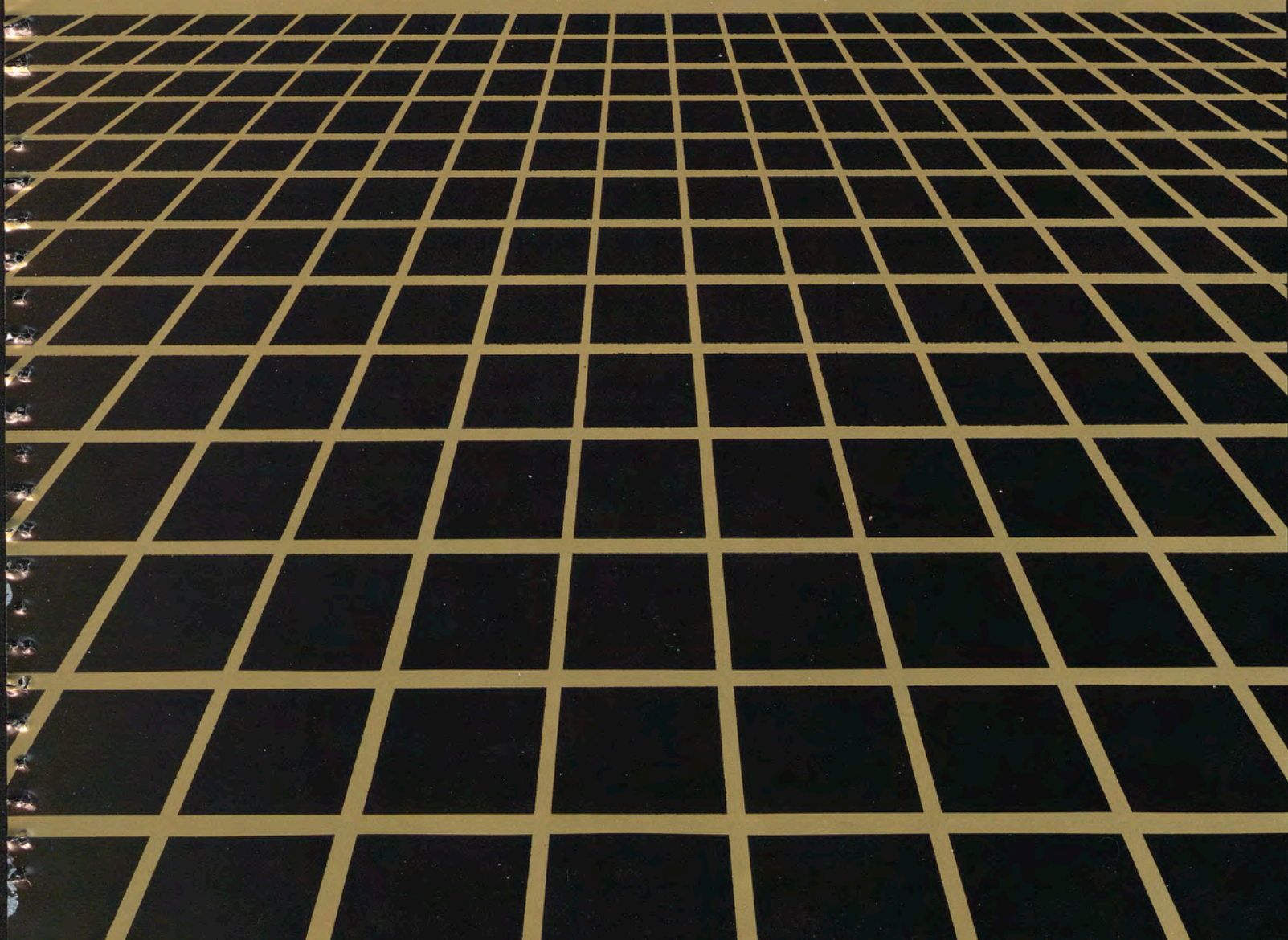
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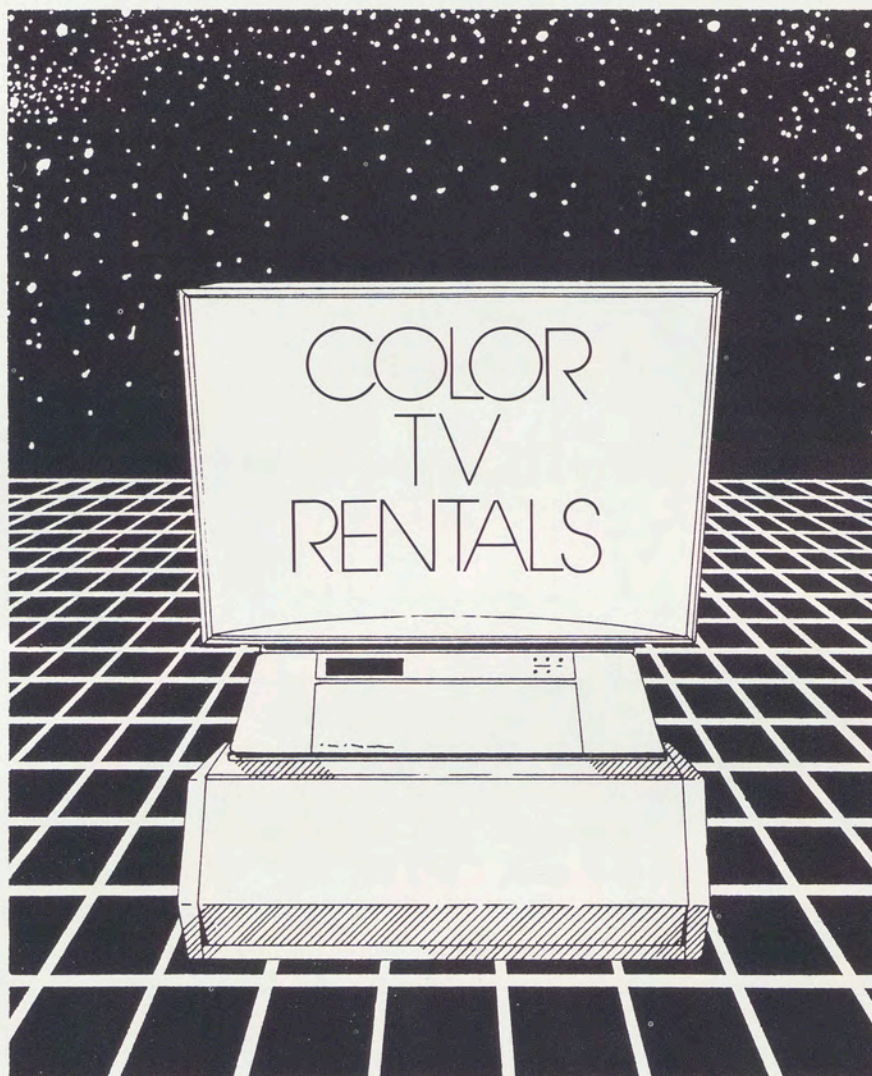
Color TV Rentals
The Big Picture

Projection TV Rentals

Earth Station
Sales and Rentals

VCR Rentals
Has Popularity Provided Success?





by Marlene Winsier

THE BIG PICTURE.

1984 sales of color televisions are projected to reach 14 million units—a 22% increase over the record year of 1982. One industry official maintains that color TV sales reflect a growing consumer interest in home entertainment. Not only is the viewer watching more programs on cable and satellite, but he is also becoming increasingly interactive with his set by using it as a monitor for his home computer or videogame. And this trend is expected not only to continue, but to accelerate.

A look at sales figures for 1983 for color television and related components

will show how strong the market is. Color television sales were 1,378,380 units, a 30.9% increase. Projection televisions were up 11.4%, with 16,288 units sold. Home VCR sales were 434,070 units, an amazing 86.6% increase. And color video camera sales were up 72%, with 40,694 units sold. But how do sales affect and relate to the rental industry?

This year should be even more profitable for rental dealers than for mass merchandise retailers, since they'll be able to offer better service, a greater variety of components, and more product knowledge to the consumer. If interest

rates continue to rise in '84, rental dealers will be waiting for new customers affected by the government's credit tightening policies. Also, dealers can watch for the lowering of video component prices, increasing consumer awareness of the video industry, to give them an even larger piece of the TV and consumer electronics market.

Another advantage that can be exploited by rental dealers is that they can establish themselves in the market to be viewed as specialists, as opposed to mass merchandisers. This will have a marked effect on consumers as electronic tech-

nology continues to advance at a rapid rate.

Rental dealers may offer more personalized attention and a variety of accessories, including lights, batteries, carrying cases, cables, VCRs, video cameras, etc. Dealers may also emphasize high tech features, ease of operation, and scope of recording capabilities, while discounters too often will primarily be concerned with low-ball pricing. Because the consumer is more "tuned" into the video industry, he will seek someone whose expertise can guide him toward the total video set-up. Knowledge of the product and individualized attention to consumers can help a rental dealer maximize a consumer's rental acquisitions.

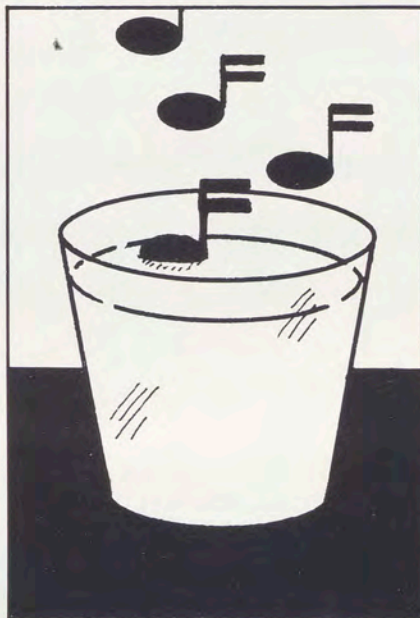
According to Bud Holladay, there is a symbiotic relationship between color television sales and other video components. For instance, his stores rent to a high number of computer enthusiasts looking for a second television or monitor. Other components, equipment, and services are being offered to generate increased demand for color television sets.

By far the hottest item is VCRs. VCR penetration is approaching 10 million TV households; projections are for 15 million by the end of 1984, and 20 million in 1985. Today's VCRs are generally more compact than their bulky predecessors and have better formatting, with VHS and Beta configurations. They come in a large assortment of styles for both portable and tabletop models. (See "VCR Rentals—Has Popularity Provided Success?" in this issue.) Several features are offered on most VCRs, such as cable-ready tuners allowing reception of 80 to over 100 channels, extended or long play, freeze frame, high-speed search, frame advance, auto rewind, and remote control.

Video cameras, like VCRs, come in many varieties. Most feature auto-focus, electronic viewfinders, brightness controls, macro focus for close-ups, and color temperature control. Since cameras are not always compatible with VCR connectors, it is best to recommend the same brand of camera as VCR. The home video camera is sophisticated in design, with tilting generators, on-board controls for the video recorder, and increased resolution. Features that were once considered unique are becoming standard fare. Despite the technological advances in video cameras, dealers across the board say that they have been slow-

moving items in rental stores. This may be due to the luxury status that video cameras occupy as opposed to other rental products viewed by customers as staples.

Another major piece of equipment positively affecting color TV sales and rentals is the personal computer. Prices have gone down dramatically, enabling



“... one user interfaced his PC with his television so that video images generated by the computer activated control signals, which in turn caused musical tunes to be played by strikers hitting glasses of water.”

more people than ever to own computers, peripherals, programs, and videogames. Commodore VIC-20 and Timex Sinclair 1000 have dropped as low as \$50. Also, many manufacturers offer attractively priced packages with enough hardware and software for useful applications. Forecasts are for much more in the way of computer software—especially in the educational and home management categories. Too, 1984 will see the debut of a joint game/videotext service for the electronic delivery of videogames.

The possibilities of the home computer seem limitless. One enterprising home computer enthusiast put his personal

computer together with his VCR to record financial statements from his TV screen onto videotape, which allowed him to keep running totals and gave him a higher data storage capacity. And in an even more unusual application, one user interfaced his PC with his television so that video images generated by the computer activated control signals, which in turn caused musical tunes to be played by strikers hitting glasses of water. While most home computer users won't have such unique needs, there is no question about the pervasive social effect of computers and their prominent presence in the average American home.

Perhaps not profoundly influencing color television marketing, but worth a look, is 3-D video. 3-D Video Corp. of California manufactures television cassettes with high registration and full color so that 3-D glasses don't need to be worn. In a recent demonstration, the company showed several old 3-D movies on a 50-inch Sony projection television set. The picture was quite acceptable from all viewing angles and from a distance of 50 feet.

Speaking of projection television, one industry marketing analyst predicts that 200,000 units will be sold in 1984. These sets have been upgraded with new features such as liquid-cooled tubes. Despite prices above the \$2000 mark, there is a high demand for projection TV. Analysts think prices will soon come down in response to demand, as happened with VCR, video disc players, and color television receivers. As prices drop, projection TV should play a larger role in the rental market.

Now that the industry has perfected stereo or multi-channel sound for television, which will likely be approved by the FCC, look for color television sales to jump. With the push towards standardization of transmission systems, sets will be offering companding systems. This will prevent the FCC's imposing rules of broadcasting, such as happened with AM stereo. A companding system is considered essential in the signal-to-noise degradation that occurs when stereo is broadcast.

Still another major piece of equipment augmenting color television sales is the video monitor. Consumers like to use monitors for home computers, VCR playback, and as second television sets. Like the VCR, monitors come in a variety of offerings. Screen size is anywhere from 13" to 25". They have access ports

“The availability of video components and a wider range of broadcasting services is affecting both the sales and rental of color television. A lot more people are intrigued by video but remain hesitant to purchase, and see rental as the better way to go. Too, fears about costly repairs or obsolescence send videophiles to the rental store.”

and are cable-ready. They are also compatible with teletext decoders.

Next is satellite television. With 300,000 systems already in place and 1984 projections for another 600,000, the TVRO segment is a viable force in the television industry. In the early days, clear, sharp pictures were a rarity. However, with the launching of more powerful satellites and technological advances in the design and operation of receivers and antennas, this is no longer a problem. Another attractive feature of TVRO is its price. It is now affordable for a lot of people and gives the kind of programming access they cannot get from cable.

Complementing TVRO is DBS (direct broadcast satellite). DBS is touted to be the best bargain in consumer video. With a 2-foot rooftop antenna and an accompanying black box for about \$750, a viewer can receive multi-channel programming from commercial communications satellites. And the monthly subscription is cheaper than that of cable. It will also offer viewers stereo sound, teletext services, foreign-language subtitles, and closed-captioned broadcasts. DBS can offer 2-way communication allowing the viewer to shop at home. And in the development stages are efforts to make DBS “addressable.” That is, operators will be able to send electronic instructions to another subscriber, or to millions of subscribers. The best part of

DBS for the television industry is that DBS has to be transmitted to a TV set. Look for DBS to have a profound, positive effect on television sales and rentals.

The equipment component picture is going to favorably affect color television. Large-screen consoles (25”) appear to be the front runners. But because of their better resolution, flat-screen, square-tubed sets are the up-and-comers, according to Bud Holladay. These will be available with 14”, 20”, and 26” screens.

As video components enhance TV sales and rentals, so do the many channel access services. Of course, it should be obvious that cable companies, with their special programming format, have boosted interest in color TVs. But there are other services generating income for the industry.

Teletext is a broadcasting service offering 24-hour news, weather, sports, financial information, and magazine and book reviews. It has all manner of newspaper data and even has graphics. Transtext will service viewers with video still-frames, videotext, games, home energy management, teleshopping, and telebanking. ABC is testing Telefirst in Chicago. It is a service for viewers who do not want to rent or buy tapes from video shops. At the close of the station’s program day (from 2 a.m. to 6 a.m.), a home viewer can tape uninterrupted movies. Then there is the closed captioning service for the benefit of hearing-

impaired viewers. More than 70,000 homes have closed caption, and the market is expected to enjoy even more growth in 1984.

The availability of video components and a wider range of broadcasting services is affecting both the sales and rental of color television. A lot more people are intrigued by video but remain hesitant to purchase, and see rental as the better way to go. Too, fears about costly repairs or obsolescence send videophiles to the rental store. Consumers who are unsure of just how much or what type of video components they need also turn to rental.

The market is there, as evidenced by the high number of locations of general video equipment rental operations. APRO estimates there are 4000-5000 stores in the U.S. currently renting televisions and the number is growing weekly. The expansion of video outlets means more kinds of plans for potential renters to choose from.

Better pricing, easier payments, more merchandise variety, better service and installation all make the rental store a better place than a retail store for the already burgeoning video-component market to go. And no matter how you look at it or package it, video ultimately comes down to a television set. Look for ’84 to be an outstanding year in color television set sales and rentals.



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Yes, I would like more information regarding your unique rental commercials. Please send me, with absolutely no obligation, your free brochure. I am interested in ___ 30 second TV commercials ___ 60 second radio commercials.

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NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

PHONE NO.: _____



PROJECTION TV RENTALS

The boom in the home movie market has increased demand for projection TVs. Even though home movies allow the viewer variety in movies and the ability to watch at any time, the smaller television screens are no match for the larger, theater-like picture screens. A large-screen projection television can bring the feeling of being in a theater to home video. Current technology features screens ranging from 40 to 78 inches (measured diagonally), and most include cable-ready tuners with capabilities of 105 to 178 channels.

A dealer's guide to projection TVs shows that all systems use three cathode-ray tubes (CRTs). Each CRT shoots a concentrated picture of one of the three primary colors through a lens assembly. These colors then converge on the screen to form an image in full, natural color. The guide shows which sets are front projection and which are rear projection. Front projection sets project the image onto the front of their screens, or in some cases, onto a wall. Rear projection sets light the screen from behind. Rear projection televisions are all one-piece units

or consoles, while front projection sets are available either as 2-piece units with a separate screen or as open-up consoles.

Viewing angles reflect the total area within which an image can be seen with full brightness and color. The large-screen television is best viewed from the center. A viewing angle of 120° means a decent image can be seen 60° either side of the center.

The dealer who knows and carries large-screen projection TVs can realize high profits from today's home video market.

Rent-To-Own Furniture Specialists With Over 50 Years Experience

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"Why pay jobber rates when we offer over \$100 million in furniture production for your quick delivery needs at factory direct prices . . ."

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CALL COLLECT TO PLACE YOUR ORDER TODAY
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EARTH STATION SALES AND RENTALS

The satellite television industry is booming. Last year, over half a million earth stations were installed, and this year's projection is for over a million. And, considering the limitations of cable, TVRO dishes should enjoy an extra push in sales and rentals.

Bill Warden of Universal TV rents earth stations. He claims that his company entered the market because of the potential profits, but more importantly, because it was obvious from the already impressive demand that the future of satellite television would be solid. Universal TV simply wanted to be on the leading edge of the rental-purchase business and seized upon an idea whose time had come.

Warden's firm uses a standard 48-month rental contract with an addendum for landlord's prior approval if the customer is a home renter. The company charges an installation fee, which is payable up front. Universal TV carries only the Channel Master system, considered the best in quality.

Warden feels the TVRO-renting client is somewhat different from the usual rental-purchase client, and his company is testing new advertising thrusts in an effort to appeal to this market. Warden says as long as technological progress continues at its current pace, there will be a continuing market for earth station rental.

At ColorWorld, Pat Flowers sells rather than rents earth stations, but she agrees that the earth station consumer market is very definitely there. Her sales are in excess of \$1 million a year. She offers models from \$1200 to \$4000. ColorWorld currently installs and services the equipment, but plans to contract out servicing since that would be more cost-effective.

Ms. Flowers offers three basic systems and recommends that the rental dealer not invest too heavily in one model, since the satellite business is changing constantly. Moreover, she claims the market is being flooded with a lot of "garbage," so dealers should check out their suppliers carefully. Too, a not-so-reputable manufacturer may go out of business, leaving the rental dealer stuck for parts and service.

Ms. Flowers's company is currently testing the rental market. She says there are three types of TVRO consumers: those who want lots of entertainment; those who want special programs; and those who feel cable doesn't offer them much service for the money.

Like Warden, Flowers feels the future of satellite television is very good. Saturation of the TVRO market looks no more likely than saturation of the television market. However, she adds that this solid future is very much dependent on the integrity of marketers and distributors.

A complete earth station consists of a receiving antenna (dish), a low-noise amplifier (LNA), a down converter, a receiver, and an antenna positioner. The antenna (dish) pulls the signal from the satellite transmitter. This signal will be weak and needs to be amplified by an LNA. LNA's are rated by degree, which indicates their noise contribution; the lower the noise, the better the LNA, with 100° K being average. The down converter reduces the frequency of received signals. The receiver selects the satellite transponder that the user wants to tune in to. With this set-up, a user can access over 80 channels, 20 of them in stereo, for all types of programming.

However, with the launching of additional satellites and the FCC's decision to allow closer orbits, earth stations will soon need better interference rejection capabilities than a lot of systems now offer.

Another profitable segment of the TVRO industry is subscribers to DBS (direct broadcast satellite). Their only requirement is a 2-foot rooftop antenna dish, making this an affordable option for a great number of people.

The satellite television industry is up and coming, and indications are that it will continue to grow. The rental store owner who offers this equipment can only benefit, if he will adjust his marketing strategy to suit the product.

VCR RENTALS

Has Popularity Provided Success?

The popularity of VCR rentals is evidenced by the great number of models available in both tabletop and portable styles. According to Bud Holladay, last year was the biggest ever for VCRs. More units were sold to dealers than in the previous four years combined. Holladay says that even though the VCR business is volatile, it is still worth the investment.

By assessing customer response at his store, Holladay noticed that the VHS format is more popular by far than Beta, although he stocks both. And he offers tape rentals to complement the VCR rental which definitely enhances business. He carries only tabletops and indicates that the model differences are mostly cosmetic. While tabletop models used to be fairly costly, they are now very affordable for the typical rental customer.

What about portables? Here is a general overview of what is being offered. This year's portable VCRs are lighter than ever, ranging from 4.4 pounds to 8.5 pounds. Most models feature stereo audio. VHS stereo offers two longitudinal sound tracks with limited frequency response. Beta hi-fi stereo offers two extended-range helical sound tracks scanned at high speed to give a true high-fidelity sound. Some other features being offered on portables are high-speed search, freeze frame, frame-by-frame advance, and automatic rewind at tape end. Several portables include four and five record/playback heads to give very stable special effects for freeze frame and frame advance.

Cable-ready tuner/timers with wireless remote controls and capabilities as high as 133 channels can go with portable VCRs. And several tuners can be programmed over a three-week period (this feature was previously found only in top-of-the-line tabletops). Furthermore, por-

tables can now be powered with nickel-cadmium batteries, which are superior to lead-acid batteries.

Rental customers are attracted to portables because they allow ease of shooting for home movies, because their tapes cost less than film, because there are no processing costs, and because portables offer instant replay and more convenient viewing on a television set.

Tabletop VCRs are now available in more than 80 different models, which makes choosing difficult but keeps prices down and quality up. They offer ease of programming and extended periods for automatic recording off the air. Some models use built-in voice synthesizers to tell the user pertinent timer information. Other common features on tabletop VCRs are freeze frame, frame advance, high-speed search, and slow motion.

Audio reproduction has been noticeably improved in most tabletops. Too, they offer one-touch recording, insert edit (which allows the addition of new video without affecting the previously recorded sound), and sound-on-sound (which permits the addition of narration or music on one stereo channel without affecting the other). The front-loading characteristic of tabletops allows them to comfortably fit into the complete home entertainment center. Most have audio jacks for direct connection to audio amplifiers and video jacks to hook into monitors.

Both portable and tabletop VCRs come in a variety of models, with many features shared by both styles. The variety of choices ensures that there's a VCR to suit the needs of every videophile. The demand for VCRs, both portable and tabletop, suggests profit possibilities for dealers.

Because the notion of video cassette recorders is relatively new to many American consumers, the product often

will not "sell itself" as will some rental products. If a dealer is to move VCRs successfully, rental store employees must be trained to demonstrate each machine's special features. Employees must be able to help customers overcome the intimidation factor of being confronted with a piece of gadgetry that must be hooked up to the back of a TV. If a rental store has recorded movies and blank tapes readily available to demonstrate the versatility of VCRs, rental dealers should have a big rental item for 1984.

"If a dealer is to move VCRs successfully, rental store employees must be trained to demonstrate each machine's special features."

CLASSIFIED

Classified rates for THE APPROACH are \$25 per column inch (minimum) for straight text. Display ads are \$35 per column inch (minimum) per issue. Closing date is the first day of the month in which the ad will appear. Send all classified advertising copy and payments to: THE APPROACH, 1866 InterFirst Tower, Austin, TX 78701. Telephone: (512) 478-6521.

BUSINESSES FOR SALE

BUSINESSES WANTED

INVENTORY/EQUIPMENT WANTED

SERVICES OFFERED

CATALOGS

MISCELLANEOUS

INVENTORY/EQUIPMENT FOR SALE

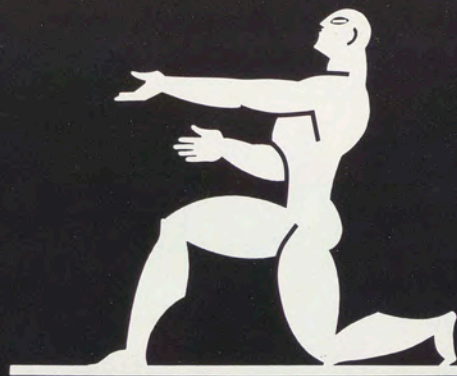
Looking to buy a store? Got a job opening? THE APPROACH offers dealers and suppliers a valuable networking tool by way of classified advertising. It's cheap, too! Your ad will reach 3,000 rental dealers and remains active for two months.

Political Action Committees and the Political Process

continued from page 24

Democratic congressional candidates received a higher percentage of contributions from PACs than previous candidates. Correspondingly, the percentage of PAC contributions given to 1982 Republican candidates decreased.

For more information concerning APRO's political action committee, "RENTPAC," contact APRO headquarters.



Enhance Your Performance

Much like a team coach, any industry supplier knows the importance of having the right players in the game.

If your team is in left-field or lacks the market penetration to really perform, we can help.

THE APPROACH magazine offers advertising space to the suppliers who know that rental-purchase is a market alternative that is winning in the 80s.

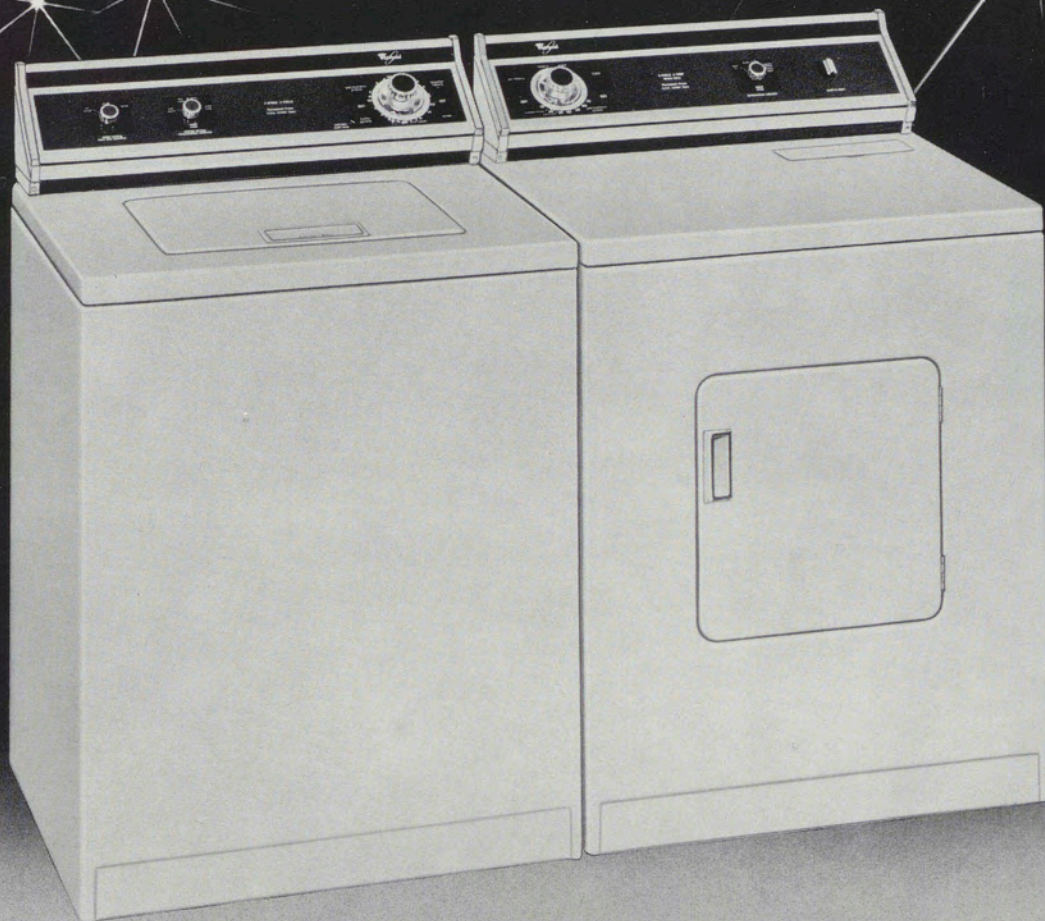
THE APPROACH magazine is read and relied upon by rental dealers from California to Connecticut. We give them the latest in:

- management techniques
- advertising methods
- effective sales presentations
- government relations
- financial planning advice
- product news
- tax tips

THE APPROACH puts your company on the field and in the hands of the buyers. Contact us... we know the score.

THE APPROACH

The magazine for the home entertainment,
home appliance and furniture rental industry
Elizabeth T. Johnston, Advertising Director
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Their convenience features are just what your customers are looking for. Five automatic cycles including permanent press.

Multiple water levels and temperature selections on the washer. Three drying temperatures plus special no-iron care for permanent press on the dryer.

They also have the durability features to help keep your overhead down. Tough exterior finishes and heavy duty mechanical components to stand

up to your customers' use and abuse.

And like all fine Whirlpool appliances, they come with a warranty and we stand behind them with our famous COOL-LINE® toll-free telephone service and our nationwide network of TECH-CARE® service centers.

Best of all, they have great profit potential. In fact, their price has helped make them one of our best-selling laundry pairs.

Put these stars to work on your floor. Call (616) 926-3254 or write Tom Kitchens, Manager Rental Sales, Whirlpool Corp., 2000 U.S. 33 North, Benton Harbor, MI 49022.



Making your world a little easier.

feature

Rental Store Burglaries



U

nderstanding the threat of burglary is the most crucial aspect of store security. Burglary—unlike robbery, which is the taking of anything of value by force or violence—is the unlawful entry into a building with intent to commit a felony or theft. The rental store owner needs to recognize his loss potential *before* deciding to invest in a security system. Unfortunately, most rental store owners feel they cannot afford a heavy-duty security system. Yet, the more one acknowledges the loss potential associated with a burglary, the more one is willing to invest in protection.

Most dealers have heard stories of trucks rammed through a store front in the middle of the night and all the inventory taken. These stories are true. A rental dealer's inventory is highly mobile and easily fenced. It only takes one or two such occurrences in a company to cause insurance premiums to soar, if the company can still get insurance.

The first factor to consider is the business's ability to recover from inventory loss. How good is the store's insurance policy? Does it require evidence of forced entry before payment can be made? How much security does the insurance company require the store to have?

The next consideration should be an assessment of the store's location, social and demographic aspects of the neighborhood, building and architectural configuration, and store operation policy. According to a California security consultant, the stores most vulnerable to attack are those located in small shopping centers or strip centers. If your store fits in this category, your security needs will probably be greater than those of a store located in a high-traffic area (both day and night), such as next to a hospital. Stores in business districts where police patrols are infrequent after 5 p.m. also require better security.

What are the social aspects of the neighborhood where your store is located? If you are in a high-crime area, you are automatically more prone to burglary. Sometimes, being in a low-income neighborhood adds to the store's vulnerability. If you rent, talk to your landlord and get information on recent burglaries. Find out if nearby businesses have experienced break-ins. Get as many details as possible about the crimes—in particular, find out how the burglar got in.

Probably the most important security consideration is building layout and architectural design. A burglar may first check out your store's floorplan. He will note where the safe is, where the store-room is, how the merchandise is arranged, the location of windows and doors, and how he can get in and out without being detected. Check the rear access—can entry be gained through an infrequently viewed alley door, for instance? Are restrooms accessible to the public or are they for employee use only? The heating and air-conditioning duct system could be a means of entry. Roofs and skylights can also be ways for a burglar to get in. Finally, check common walls—burglars often will break in through the wall of a neighboring business, especially if the space is vacant and has no alarm system.

Also consider your store's operating procedures and policies. What hours you

are open for business, who closes up shop and by what method (i.e., locking doors, activating alarms, etc.) will all be observed by the burglar. Security hardware left out in the open on the inside of the store will further show the burglar what he needs to know.

After assessing your needs, you will want to install a security system that will protect your store both inside and out. The most common and inexpensive system consists of magnetic tape applied to the inside of glass windows and doors. The tape contains contact points that are wired into an alarm circuit. If the window breaks, the tape breaks, setting off the alarm.

Many security firms believe this type of system is very dependable if installed and serviced properly. However, some say the foil tape has a lot of negative features and is not very reliable. For one thing, it tends to deteriorate when exposed to the sun. And a burglar could come in during regular business hours and, unnoticed, slice the foil with his fingernail, breaking the alarm circuit. Once the system is triggered, it must be reset by a repairman. If he can't come until the next day, the store is left unprotected for the night. Other problems can arise if the tape is of poor quality or is improperly installed. For instance, temperature changes can cause some metal tapes to expand and contract, triggering a false alarm.

An alternative to magnetic or foil tape is a glass sensing system, which is more expensive and operates somewhat like a smoke detector. The system is tuned to a specific frequency and can "hear" shattering glass. However, because of the unit's sensitivity, even keys hitting the pane can trigger the alarm. The advantage of this system is that it automatically resets after triggering.

Improved technology has produced magnetic closure systems with continuous contact surfaces for doors, sliding glass windows, vents, ducts, and skylights. Any attempt to pry open any point on the protected area will set off the alarm.

Other methods of protecting the exterior of your store include sealing off unused windows and doors with masonry or steel grating, replacing rear entrances with steel or solid wood barricaded with a heavy timber, closing up storefronts with accordion-style steel gates, and putting in a camera monitor on the perimeter of the store.

Exterior precautions will help to deter amateurs and semiprofessionals, but a determined professional burglar can penetrate even a well-protected exterior. The store should have a good alarm system inside.

Motion detectors are best for this pur-

pose. One type consist of an active beam of light or a radio signal emitted and reflected back into the transmitter to complete the circuit. However, these are easily recognizable by the burglar, who can carefully avoid breaking the beam and triggering the alarm. Passive infrared space protection models are the best of the motion detectors. The infrared unit measures ambient heat energy and uses that measurement as a basis of comparison for changing heat patterns. When the intruder enters the area, the heat generated by his body changes the heat pattern, thereby setting off the alarm. Moreover, the system cannot be disarmed without first activating the device.

There are two types of alarms. A loud in-store alarm may cause the burglar to flee empty-handed. If the alarm is silent, he may assume his presence is undetected and proceed with the theft. Meanwhile, the police are on their way.

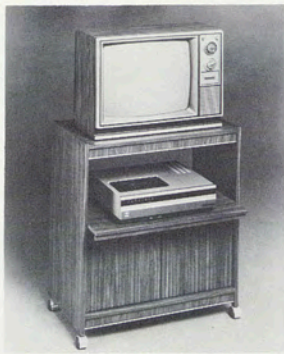
Whichever option you choose, your system must be connected into a central station. A central station is a computerized alarm installation whose sole function is to receive and display information and notify both police and the store owner. When an alarm is set off, a digital signal travels via telephone to the central station within ten seconds. A readout is then produced of the store's name and address, the owner's name, address, and telephone number, and other critical data. Be sure to conduct a thorough examination of your alarm company's facilities. The station should be fully computerized and capable of receiving hundreds of alarms simultaneously. Also, the company should be secure against criminal attack. Ask about service procedures for "down" equipment, and find out how the company handles false alarms.

False alarms are the security industry's most pressing problem. An alarm company should provide its customers with the best installation possible to greatly reduce false alarm dispatches. Most cities are fining store owners for excessive false alarms. Expert engineering and proper installation are available, but a great number of alarm companies, and in particular the smaller ones, are more concerned with selling low-cost systems. Be sure your alarm company agrees with you on who is responsible for false alarms.

Even if your rental store has a tight budget, you must measure your merchandise investment against the price of a good security system. Perhaps your money is better spent protecting your store instead of repairing damage or replacing stock after a break-in.

Marlene Winsler, is a production consultant and contributing editor to THE APPROACH.

feature



ELECTRONICS FURNITURE

Dealers who sell or rent VCRs, TVs, video games, or home computers are losing potential profits if they do not also offer furniture accessories for electronics equipment. Furniture manufacturers, in response to the high demand for video, audio, and computer stands and cabinets, have developed a wide range of high-quality electronics furniture. Electronics furniture is produced by a number of manufacturers and comes in a variety of shapes and sizes.

There are three basic types of electronics furniture—knock-down, set-up, and custom-designed. Pieces range from assemble-it-yourself stands to all-accommodating, designer-made chrome and glass wall units. Which furniture customers choose will be influenced by how much space they have; how many pieces they need to house; whether they plan to add more equipment later; whether they want to be able to move the furniture and system easily; their personal tastes (i.e., traditional or contemporary); and how much they want to spend.

Knock-down models are the lowest-priced offerings, ranging from \$30 to \$300. These build-it-yourself units are generally fiberboard with a wood core, with either vinyl laminate or a printed-on finish. Most sell for \$50 or less. Knock-down makers are now designing real wood veneers to give the furniture a look of durability. Versatility of style, light weight construction, ease of movement (pieces are often mounted on

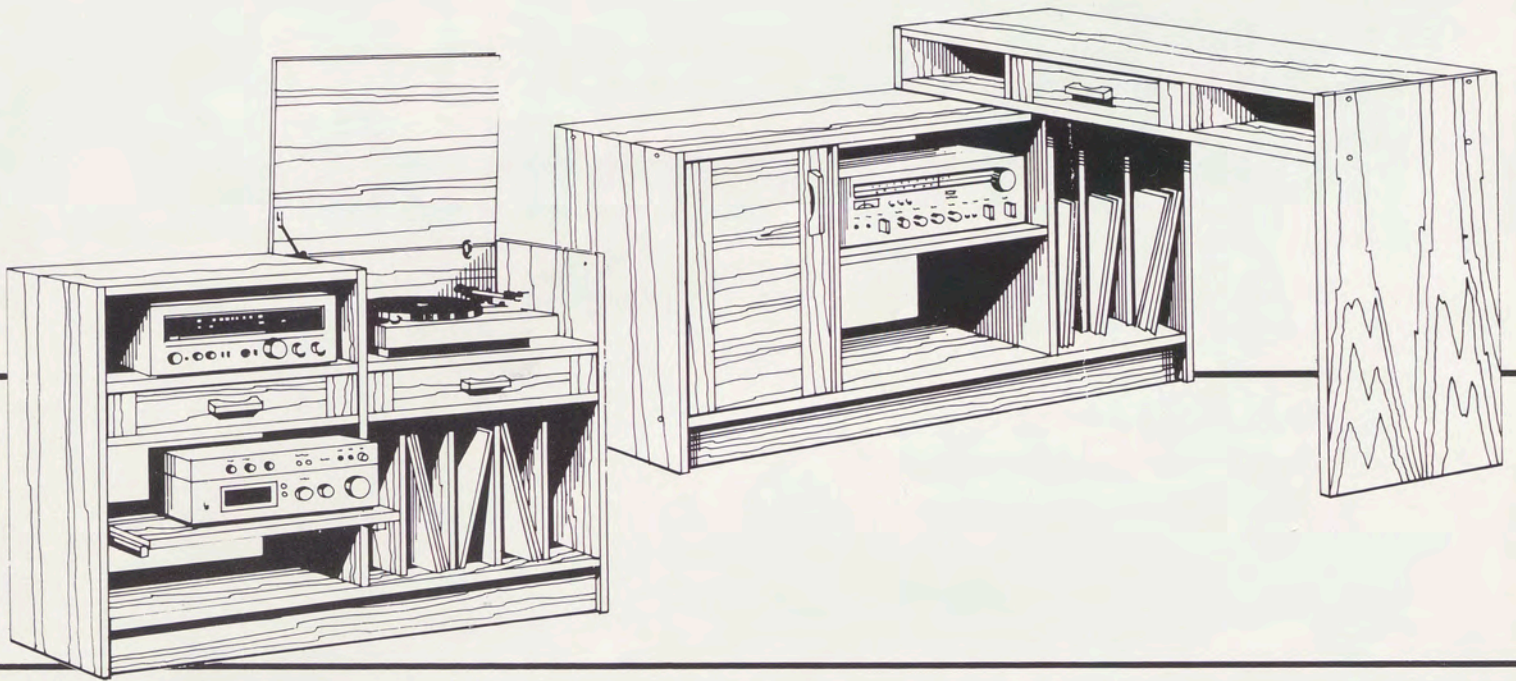
rollers), and moderate cost make knock-down furniture an attractive choice for rental-purchase customers. Moreover, knock-downs allow modularity—a buyer can assemble an entire wall unit by starting with a VCR/TV cart today and adding a video cabinet or other components later without having to relocate or discard the initial piece.

However, many consumers are frightened of home assembly and would rather buy the set-up or pre-built models. Set-up furniture is usually glued together and finished with veneers instead of laminates. Prices range from \$200 to \$1,800. Singer recently introduced its set-up line, featuring video cabinets, entertainment centers, and wall systems that incorporate an AM/FM antenna on the unit's back panel, eliminating the need for stray wires or unsightly metal rods.

The disadvantages of set-up furniture are that it generally is heavier and requires delivery, rarely has wheels, and tends to be conservative in design.

Unlike knock-down or set-up furniture, which usually features heavy wooden styling, custom-made units offer sleekness of design and materials that complement hardware. These units range from \$500 to \$11,000 and are mostly made of glass and metal or plexiglass. Even though this type of electronics furniture tends to be expensive, its styling transcends time and has a long-lasting appeal.

With more middle-income video fans entering the market, both knock-down



and set-up manufacturers are developing acrylic and Formica storage modules featuring bold, solid colors. By forsaking vinyl and wood veneers for jazzy metallic and Formica finishes, these manufacturers will offer serious competition to the allure of the more lavish custom design.

How does the consumer choose the right electronics furniture? First, the shopper should bring a list of equipment and wall measurements. Next, he should consider if versatility or ease of movement is necessary. If a customer has a lot of low-profile hardware, such as a front-loading VCR or CED disc player, he should look for component-oriented video or audio racks, and possibly one with a large enough shelf to accommodate a TV set. If wider pieces are involved, such as a top-loading VCR, laser disc player, or bulkier TV set, then a video cabinet should be considered. Whether a customer chooses stand, cabinet, or wall unit, the piece should have storage space for cassettes and discs.

Some of the manufacturers of knock-down electronics furniture are Bush, Case, Charleswood, Constellation Furniture, Elite, Foremost, Fournier, Gerber, Gusdorf, and O'Sullivan. Set-ups are produced by Bassett, Bernhardt,

Burlington, Ethan Allen, Henredon, Singer, and Thomasville. The Design Institute of America (DIA) and Sonrise Audio Systems are designers of custom-built electronics furniture.

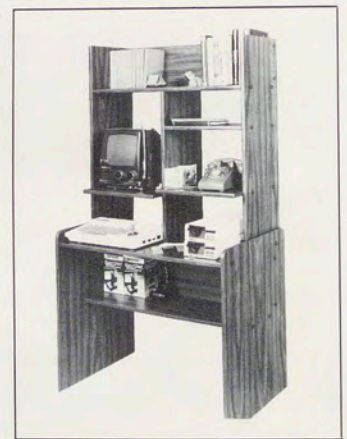
Because video and computer furniture enhances a store's display and overall appearance, it initiates sales. Many rental store owners display televisions, monitors, VCRs, and computers on the furniture accessories they are also offering for purchase. One store owner in Dallas is considering system-pricing—the store creates a video or computer system from various components, then adds electronics furniture and tags it with an overall rental price. A substantial part of the profit generated by the system sale will come from the furniture.

Since furniture sales are different from video, audio, or computer sales, some stores are finding it difficult to motivate sales personnel. Salespeople generally are not used to having furniture in the rental store and will need to adjust to the change.

A good way to increase electronics furniture sales is to stock enough different models to appeal to different tastes.

Display the furniture with the hardware and make the furniture integral to the close of the sale. A store owner who would not consider sending a VCR out the door without blank tapes will always suggest component furniture that will help the customer protect and display the equipment.

Remember, most customers will have two critical factors in mind—price and size. However, the rental dealer can offer a variety of models and styles covering a wide price range. And he can do this without stocking an inordinate amount of inventory, since most manufacturers offer a wide spectrum of set-ups with emphasis on modularity, designability, and ease of movement. With so much variety available with so few furniture pieces, with potential profits so attractive, and with component furniture's ability to augment video, audio, and computer sales and rentals, a store owner should consider branching out into electronics furniture.



15 K too much of a byte? There is an alternative!

Now available for the first time, an in store computer program designed specifically for all rental or rent-to-own businesses.

This system was designed by RTO Rents of California, to satisfy the unique needs of a rent-to-own business. This system will give you the control you need so that profits will increase, inventory won't disappear, and delinquencies won't go through the roof.

Only this system offers:

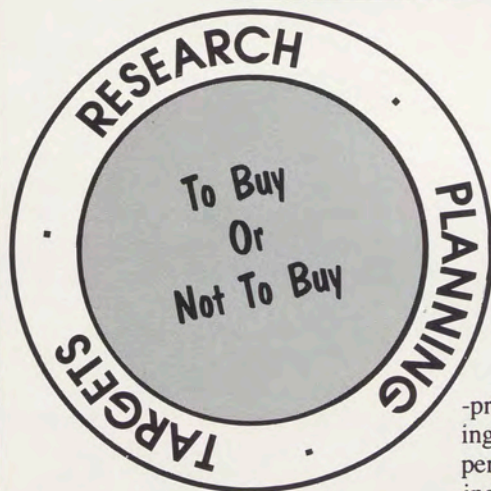
Affordability Extended Warranty
 A track record of success Complete package includes — hardware, software, hard disc or floppy disc drives, keyboard and two Okidata 80 column printers. This system is now in use in the RTO Rents stores in California.

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 **RTO**



FINANCE



FINANCE

by Tony Wooten

Once upon a time, long ago, whenever a fleet operator needed a new car or truck, the owner stopped off at his favorite dealership, ordered a new vehicle or picked out one off the lot, and made arrangements to have it delivered to his company the next day. He might have even taken an old, worn-out unit with him and negotiated a trade!

Usually there was little, if any, consideration given to fuel economy or future resale. The buyer knew what he needed to do with the new vehicle, and made his selection based on that alone. The costs of the cars and trucks weren't that high, so negotiations on pricing were generally kept to a minimum.

Today's climate has changed drastically: the owner no longer has the time or inclination to go car shopping, and the other company employees are usually engrossed in the production, sale, and distribution of TVs. The fleet function has taken a back seat to the TV business (as it should!), and is many times assigned as a clerical function in the Purchasing Department; the costs of operation and acquisition have skyrocketed; and the makes and models have proliferated to a state of mass confusion. Large chunks of capital or after-tax profit are required to buy vehicles today: using capital takes away revenue

-producing dollars and reduces borrowing capacity; and a company in a fifty percent tax bracket using retained earnings is spending double the cost of the car in pretax dollars! Either way, company ownership is an expensive proposition, even after expensing the operating costs and taking the investment tax credit and depreciation. Large chunks of very expensive money are frozen in nonrevenue-producing assets.

Leasing of motor vehicles is becoming more and more popular as a very viable and much *cheaper* alternative, even for cash-rich companies. Leasing allows a company to use capital, credit, and cash for revenue-producing enterprises, and reduces the annual cash flow requirements while still allowing for full expense deduction, plus the lowest net cost. Some forms of leasing allow the company to keep the depreciation and investment tax credit, while other forms pass back the savings in lower lease payments.

The reputable leasing companies are true automotive professionals, able to assist a company with vehicle selection even down to the tire sizes and rear axle ratios for a particular application. They keep tabs on what is happening in the industry: new products, new options, engineering advances and changes, and new applications. They are more than willing to share their knowledge with their clients to minimize costs of acquisition and operation, and keep the resale strong. That is, after all, why they are in business: to provide exactly

those services to companies who want to invest their time and money in their own business instead of in the automobile business!

So, you say, "All of this is well and good for the *big* company running thousands of cars and trucks! I only have ten in my fleet; what good will it do me?" Remember, leasing companies buy thousands of cars every year, and they have pricing considerations from dealers that even some medium-sized fleets can't touch! There are also some special incentives and rebates made available to these big purchasers that *aren't* available to consumers and small-quantity buyers.

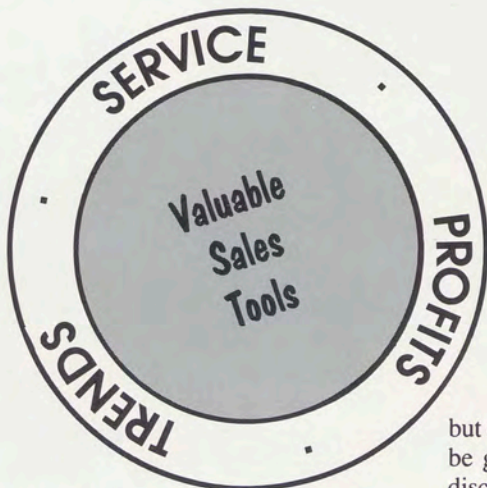
There are a lot more reasons that haven't been touched on here that are unique to certain situations; the best way for you to explore all of the features and benefits of vehicle leasing is to talk to a reputable leasing company. They will help you to analyze your particular situation, and then make some suggestions and recommendations on your best method based on your particular requirements.

Once you have a complete understanding of the important role that leasing can play for you, you will probably join the growing ranks of companies, both large and small, who have found the viable alternative to company-owned motor vehicles: leasing!

Tony Wooten is the National Marketing Director of Borg-Warner Vehicle Leasing and a contributor to THE APPROACH.

SALES

SALES



by Bud Holladay

In 1983, spot TV ad rates rose 20 percent over the previous year. The cost of both print and broadcast advertising is at an all-time high. It goes without saying that today's ad dollar must go further and work harder. It's important for dealers to know which of their advertising approaches are most effective.

Does your rental store have one person in charge of handling new orders? Or do two or three people share the responsibility? Place one person in charge of a sales desk and set up a simple system for handling—and tracking—every new order. The sales desk should have a supply of rental applications, pens, cards detailing the products available and the prices and terms, and copies of any recent ads offering specials or discounts. A daily sales sheet should be maintained, showing each new customer's name, address, type of unit wanted, date and time wanted, which ad brought the customer in, and comments. As soon as an order is written, it should be entered on this log. At any time during the day, the dealer can find out exactly what's happening with deliveries. Devising a simple code or checkmark to indicate those deliveries already on the truck, those completed, and those needing additional information will make the job even easier. Set up folders marked "MONDAY," "TUESDAY," etc. Into these go those orders written up today for delivery later in the week.

Every person who calls or comes in

but doesn't place a written order should be given a promotional brochure or a discount coupon. If you've already paid to get the shopper's attention, there's no sense in letting him go away empty-handed.

Now that you know how many callers or shoppers responded to the radio or TV commercial, how many responded to the mailer, and how many saw your ad in the newspaper, you know where to put most of your advertising dollars. Now you can start to work generating business from the pickups, paid outs, and—yes! the service calls!

As the clerks process the daily pickups, have them address a mailer to each one. Collect these in a basket and send them all out on Wednesday so they'll arrive on Friday. That's usually payday. Some dealers question the value of trying to re-rent to the person whose rental was picked up. Successful dealers know that as much as forty percent of their delivery totals comes from previous renters who just found themselves short of cash one week. (Look at it this way: they won't do without a TV set—**somebody** will rent them another one).

Go through the files of all the paid outs monthly and send every one a personalized letter inviting them to try a new appliance or product at a special low rate for the first month or the first week. It can be as low as one dollar. These people are already familiar with the program and you already know them. The risk is nil. You might even apply their last payment to a new product, thus beginning the rental cycle all over again.

The most satisfied customer generally is the one who just got his TV fixed promptly and at no charge. If you don't encourage him to refer his friends and relatives to you (for a \$5 or \$10 commission or a small gift item, perhaps), then you've lost a golden opportunity. Go through the service call slips and mail each service customer an offer for sending you referrals. Some repairmen can be encouraged to earn sales commissions by writing an order for a new or replacement TV or appliance while in the home on a service call. Try it.

How many people make payments at the counter each week? Slip a small flyer or promotional coupon in between every receipt in those counter receipt books. When the good customer makes a payment, he automatically gets a flyer or coupon. Have the cashier or clerk initial each piece and then pay that person a small sales commission for each one turned in with an order later. This can really encourage sales!

Successful mail-order businesses have known for years the value of "using the user." Most TV rental stores have file drawers full of inactive customers. Each rental application probably lists two to four references for the applicant—people just like the one who rented your set. Send those references a mailer, but address it to "Occupant." If that person has moved, chances are the new resident has about the same income level and credit rating.

The most valuable sales tool is an enthusiastic and well-trained employee. If your employees don't have VCRs or microwave ovens at home, they probably don't know much about using them. Let them take one home over the weekend. They'll try harder to rent something that they've used at home and understand. And the manufacturers of the products you sell will help you train your sales staff, at no cost to you.

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Family Owned And Operated For Rental Success. Many rental operations are run by husbands and wives or brother-sister teams. These dealers tell their stories and offer advice for those who are contemplating a family business.

Women In The Rental Business. A number of women entrepreneurs have met success in the rental business. THE APROACH profiles a few of those women in the July issue.

Rental Store Franchising. THE APROACH takes a look at rental store franchising. Who's doing it and what they have encountered along the way.

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- * What percentage of my merchandise is idle *
- * How long does a unit remain on my active list *
- * Who are my customers and where do they live *
- * What merchandise does Mrs. Doe rent *
- * How much MONEY does Mrs. Doe pay each day, week or month *
- * What has Mrs. Doe rented from me in the last three years *
- * Has Mrs. Doe committed to pay \$50.00 next Tuesday *
- * Does Mrs. Doe know anyone needing my rental service *
- * How much MONEY did each of my stores make yesterday *
- * Do my employees always collect and report all my MONEY *
- * Do my managers track rents due and keep delinquencies down *
- * Can I operate more than one store using R E N T S *

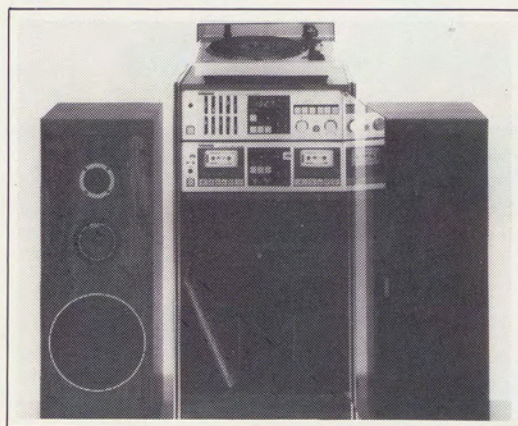
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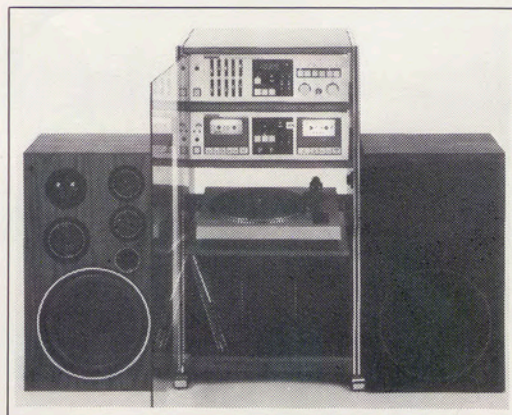
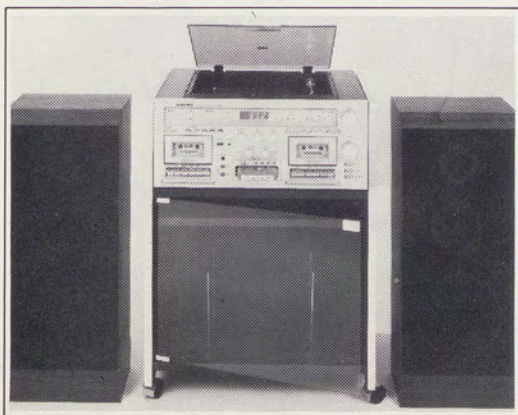


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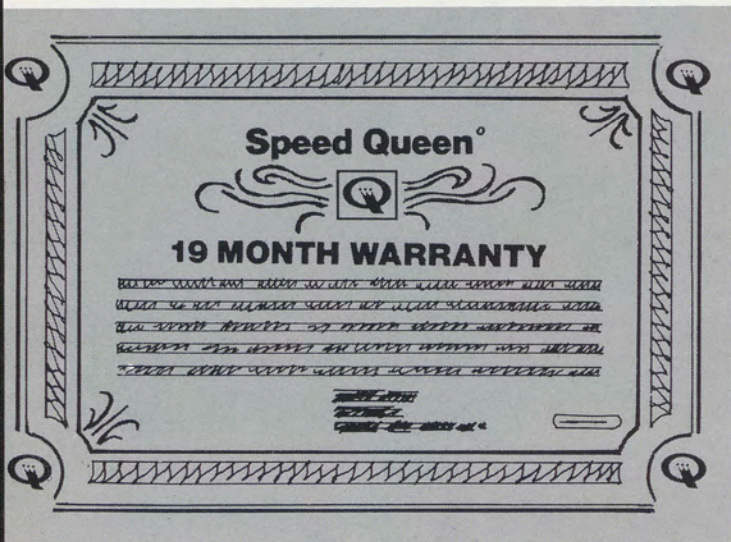
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