

THE APPROACH

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



White Goods

How They Are Moving
In The Rental Industry

The Legal Services Corporation

Rental-Purchase Goes Public

Refrigerator Rentals

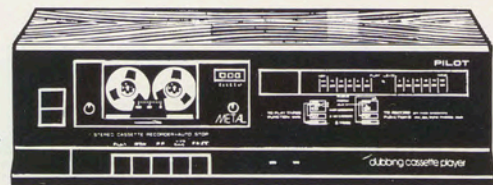
Internal Theft

The Pilot Las Vegas Hit!

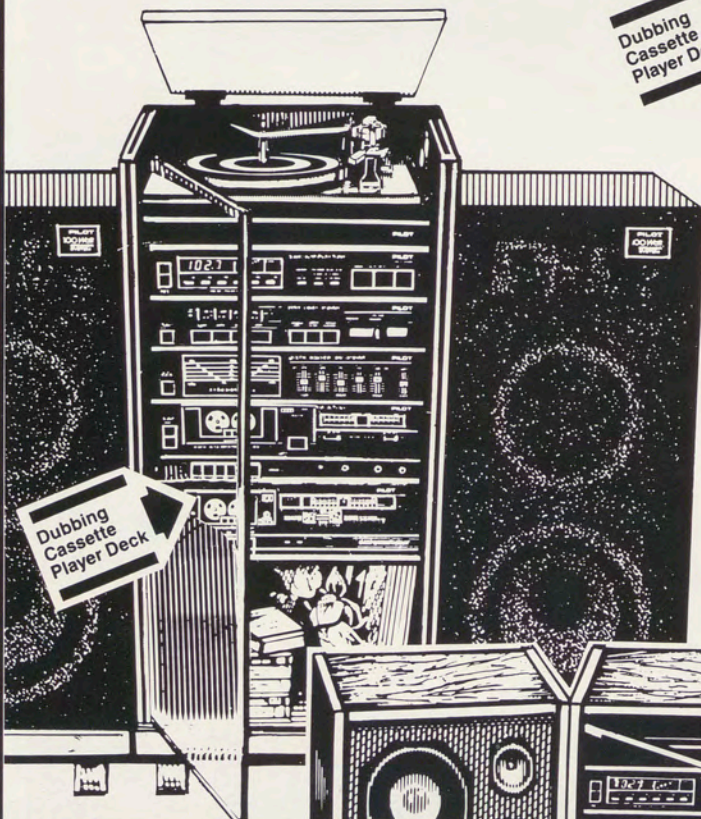
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Dubbing Cassette Player Deck



Dubbing Cassette Player Deck

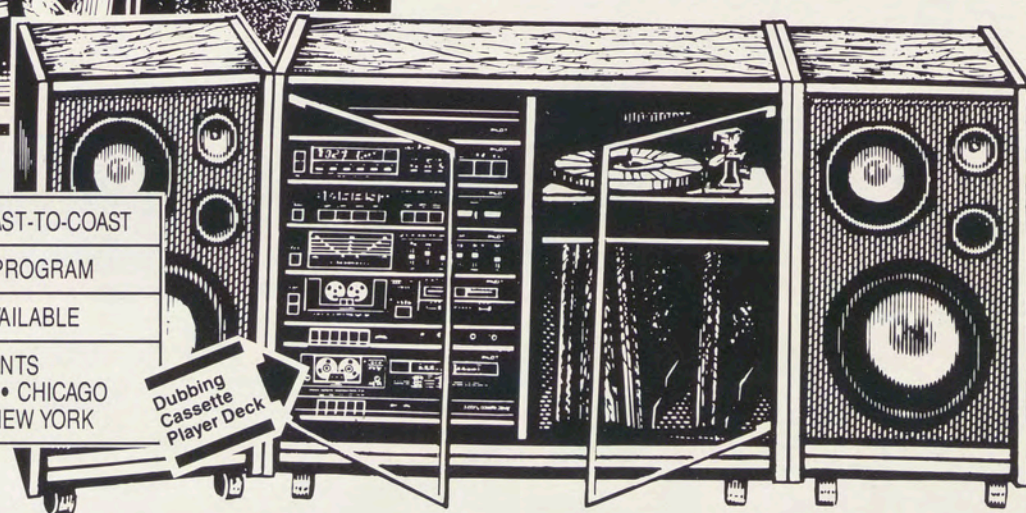
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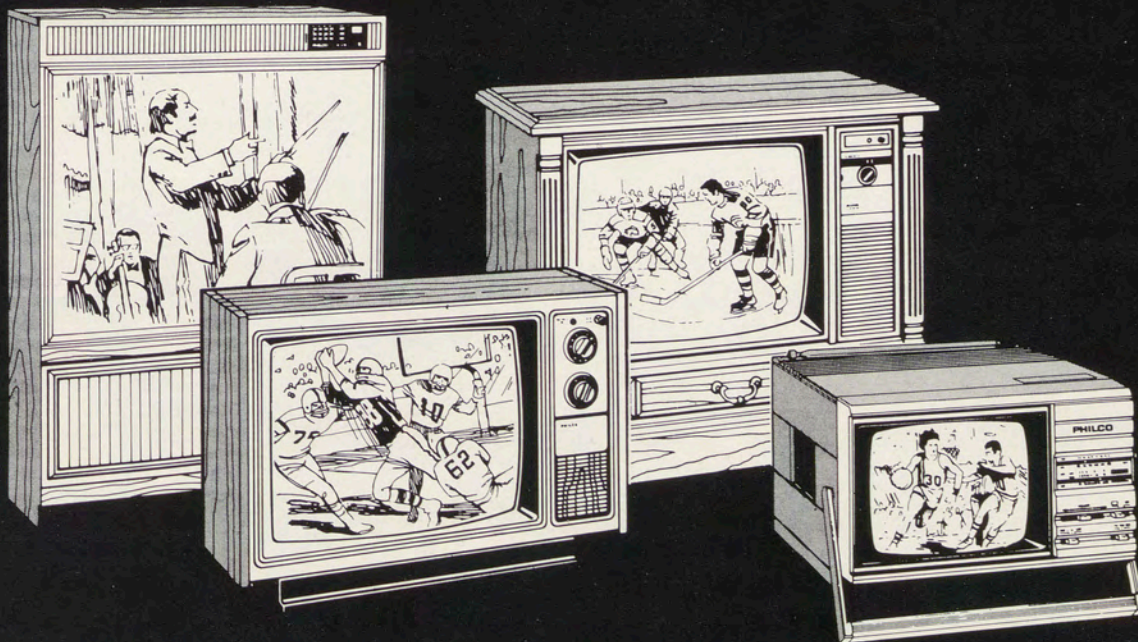
N.A.P. Consumer Electronics Corp.

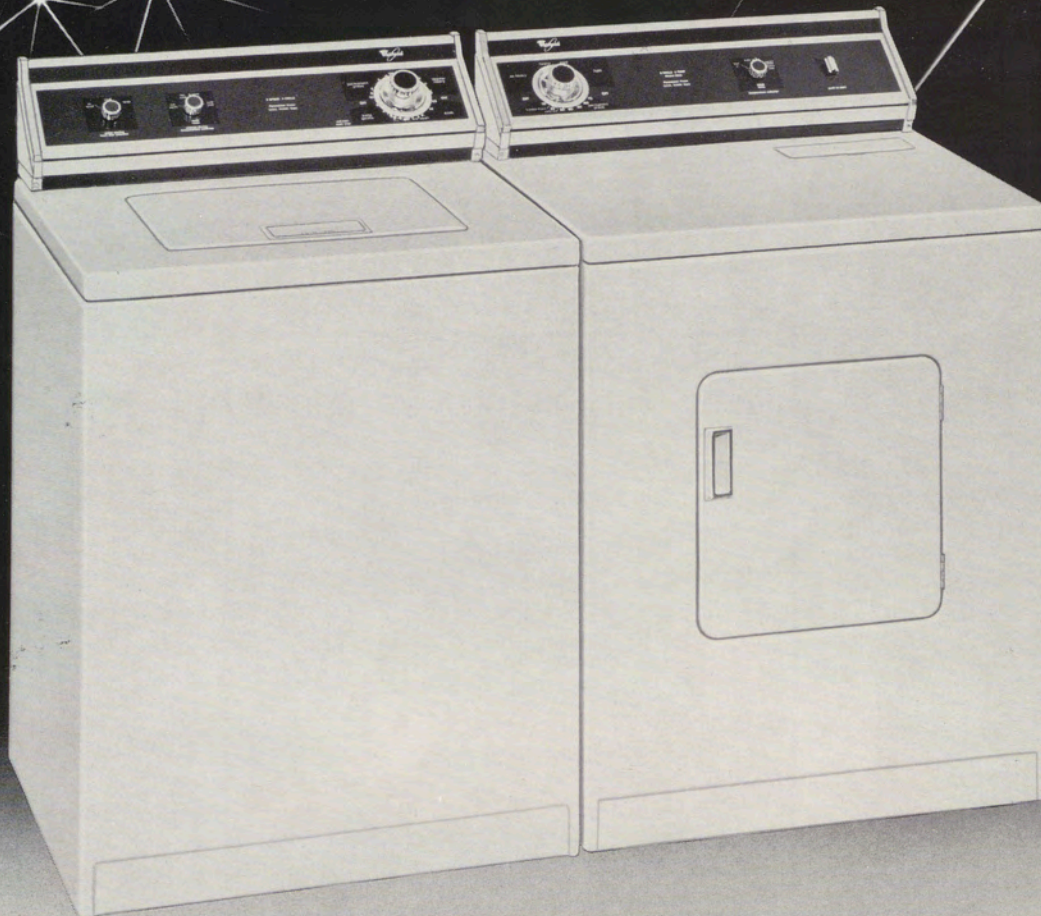
Cedar Lane, Merchants Road

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Light up your floor with Whirlpool laundry

The Whirlpool LA/E5700XM washer and dryer have the good looks and durability to make them stars in your rental lineup.

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.

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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.

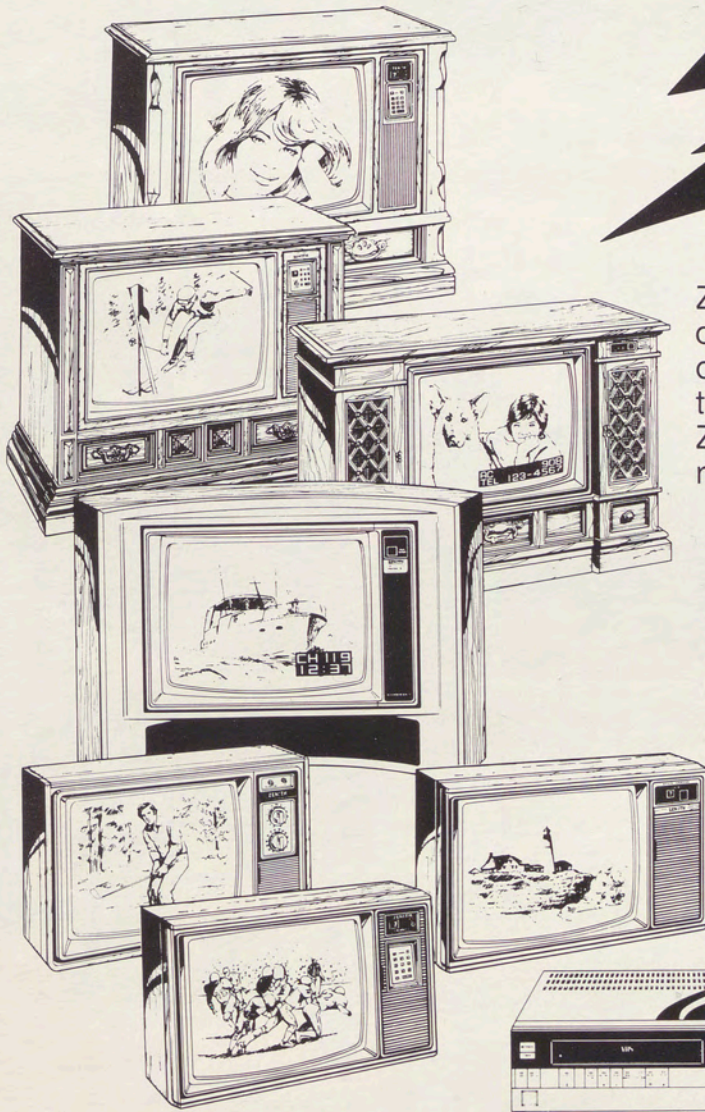
Best of all, they have great profit potential. In fact, their price has helped make them one of our best-selling laundry pairs.

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.

When You Rent... Rent the Best!



ZENITH

Zenith's dedication to quality without compromise has made Zenith the first choice of millions who want and demand the finest in television. Now this famous Zenith quality can be available to your rental customers.

For information, contact your Zenith Distributor or call Mr. Norm Smith at Zenith Radio Corporation.

Zenith Radio Corporation
1000 North Milwaukee Avenue
Glenview, Illinois 60025 (312) 391-8231

ZENITH The quality goes in before the name goes on

TEKNIKA

The Rental TV With the Benefits Money Can't Buy.

- **Fast turnaround time** from receipt of order to delivery of available merchandise.
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- **Most competitive warranty in the industry.** Two-years parts, labor and picture tube on most portables. In-home service on all 19" and 25" sets.
- **Ease of serviceability.** Easily accessible unitized chassis. And over 1200 authorized Teknika service agencies nationwide.
- **72-hour parts shipment. Plus an "800" Hot Line number.**
- **Full Line Rental Vendor.** Teknika offers a large choice of color and component televisions, in a variety of screen sizes and cabinet designs.

We both know that a down set isn't making money. That's why we build and back Teknika televisions with pride and service. And make sure they're designed with the rental features you want — hardwood cabinets and casters on most consoles and carry-handles on most portables.

Today, a variety of Teknika television sets are working for satisfied rental dealers across the country. Put Teknika to work for you. For all the facts, call your local representative listed below. Or write directly to Teknika Electronics Corporation, 1633 Broadway, New York, NY 10019. (212) 977-8640. Toll-free: (800) 223-2078. NY State: (800) 522-5257.

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EASTERN PA
Argus Sales
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NORTHERN NJ, METRO NY

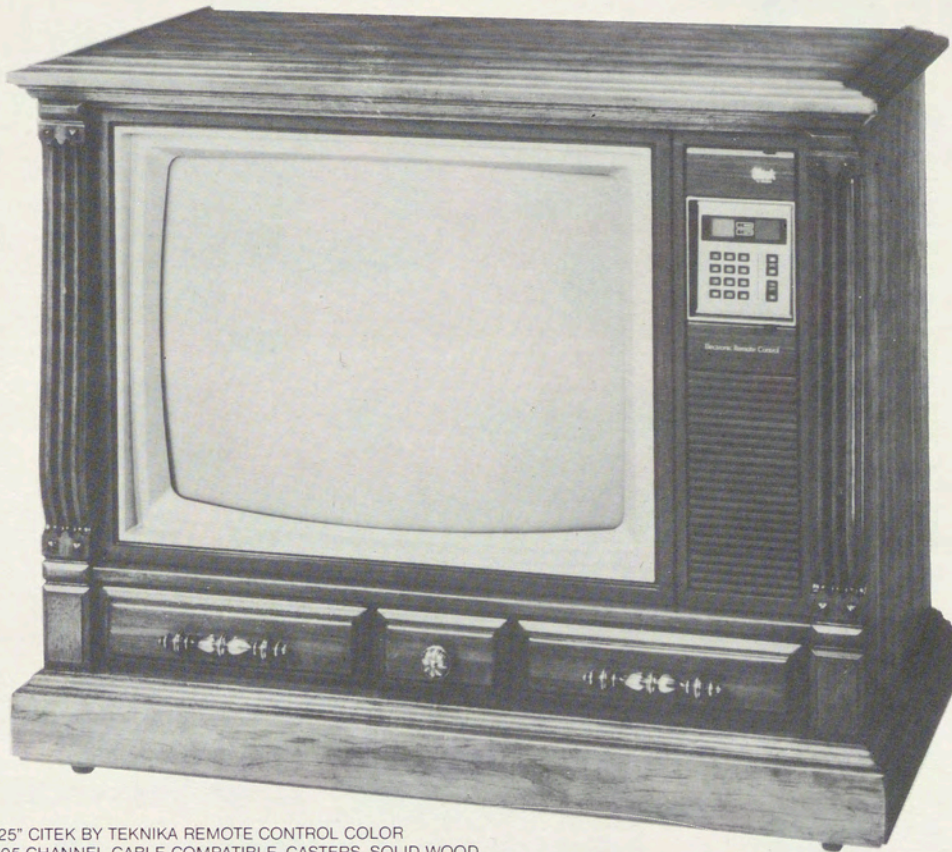
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UPSTATE NY
Colin Baird Associates
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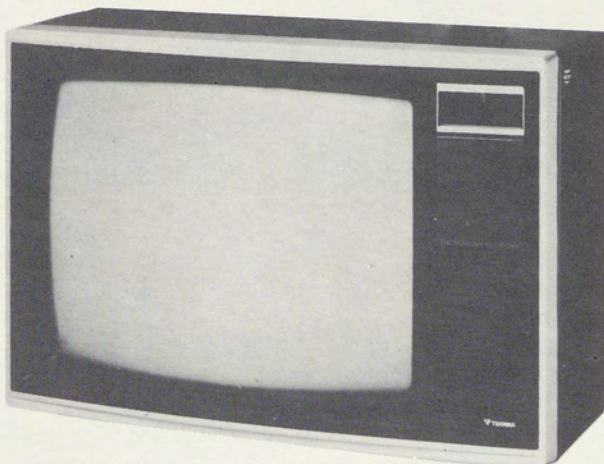
NORTHERN IL, IN (Lake, Porter
Counties), Eastern WI
Shardon Marketing
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SOUTHERN IL, IA, KS, MO, NE
Neal Spencer & Associates
(314) 991-3700

IN (Excl. Lake, Porter Cty's),
KY (Excl. Campbell, Boone Cty's)
Green-Wissler Sales Company
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(502) 589-6200
MI
J.I.F. Associates
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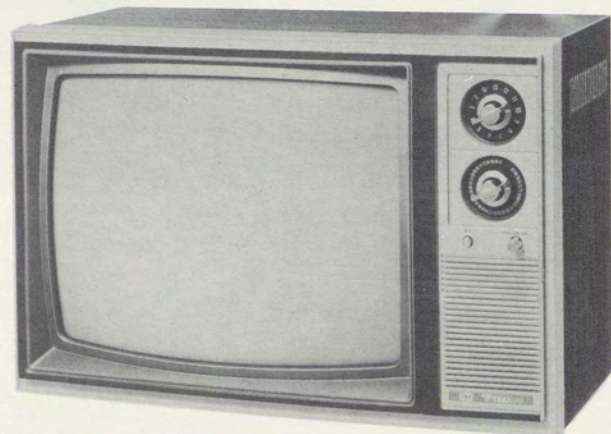
KY (Campbell, Boone Cty's), OH
Marktdynamics, Inc.
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MN, ND, SD, WESTERN WI
TL Elwood & Associates
(612) 545-5438



MODEL 7498A 25" CITEK BY TEKNIKA REMOTE CONTROL COLOR CONSOLE TV. 105-CHANNEL CABLE COMPATIBLE. CASTERS. SOLID WOOD CABINET. DIRECT ACCESS/SCAN ELECTRONIC TUNING. AUDIO OUTPUT. SPECIAL CABLE AFT. FOUR FUNCTION AUTO COLOR. WARRANTY: ONE YEAR IN-HOME PARTS, LABOR. TWO YEARS PICTURE TUBE. LIFETIME ELECTRONIC TUNER.



MODEL 3579 19" REMOTE CONTROL COLOR TV. MID-BAND CABLE COMPATIBLE. FOUR-FUNCTION AUTO-COLOR. ELECTRONIC SCAN SELECTION SYSTEM. QUARTZ TUNE. WARRANTY: TWO YEARS IN-HOME PARTS, LABOR AND PICTURE TUBE.



MODEL 3429 19" PORTABLE COLOR TV. THREE-FUNCTION AUTO COLOR. PICTURE ADJUSTMENT CONTROLS. WARRANTY: ONE YEAR IN-HOME PARTS, LABOR — TWO YEARS PICTURE TUBE.

TEKNIKA

Built With Pride,
Backed By Integrity and Service.

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WASHINGTON, D.C.
Lienau Associates
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FL
Total Marketing
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MD (Cumberland City),
WESTERN PA, WV
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AZ, WESTERN CO, EASTERN
NV (Excl. Clark Cty), UT, WY
John Axtell & Associates
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NORTHERN CA, WESTERN NV
Eric Schuman & Associates
(415) 459-8820
SOUTHERN CA, NV (Clark Cty.)
Roman Marketing
(213) 431-6551
(714) 895-6833
HI
Omega U.S. (714) 891-1064

CONTENTS

9 MESSAGE

Legal Services Attacks
Rental-Purchase

10 SEEN & HEARD

13 SMALL BUSINESS UPDATE

14 GOVERNMENT RELATIONS

Amendments Proposed to
the Fair Debt Collection
Practices Act
The Problem of Nominal
Consideration
Michigan
Georgia
Tennessee

16 WASHINGTON REPORT

17 PRODUCT FOCUS

20 FEATURE

The Legal Services
Corporation and the
Rental-Purchase Industry

27 FEATURE

Advertising White Goods

30 MANUFACTURERS' NEWS

34 FEATURE

Should I Rent White
Goods?

36 RENTAL READING



40 APRO SPECIAL REPORT

A Special Award For A
Special Friend

44 FEATURE

Rental - Purchase Goes
Public

47 FEATURE

Refrigerator Rentals



51 NUTS & BOLTS

Microwave Sales Up
AKAI Corrects Stereo
Defect
Go West, Young Person
What A Rush!
Will VCR Sales Continue
Taking You to the Bank?
What Should the Store
Manager Know
Handle Your Own Walking
Quality Counts
Kodak Is Charged Up
Full-Size Laundry In
Mini-Space
Be On Time, Or Else!
Common Time Leaks
Panasonic Seeks U.S.
Made Label
Dial "T" For Theft
Attic to-Addict
Long Live That Stove

57 FEATURE

Checklist for Successful
Advertising

59 FEATURE

How I Got Into the Rental
Business

65 ADVERTISING

Should I Hire An Ad
Agency?

66 TAXES

Highlights of the Tax
Reform Act of 1984

68 FEATURE

Internal Theft

70 CUSTOMER RELATIONS

Do Words Make A
Difference?

71 PERSONNEL

Getting the Staff Involved

73 APRO SPECIAL REPORT

The 1984 Convention

82 LEGAL

Can a rental company
deduct casualty losses
from income taxes
without reporting them
to the insurance
company?

87 REP DIRECTORY

88 CORPORATE MOVES

91 MANAGEMENT

Gaining Control of Your
Time

93 GUEST EDITORIAL

PUBLISHER / EDITOR-IN-CHIEF
ELIZABETH T. JOHNSTON

EXECUTIVE EDITOR

EDWARD L. WINN III

COPY EDITOR

JANIS FOSTER

CONTRIBUTORS

ALICE BRUTON

SAMUEL CHOATE

SAL DILEO

ALAN DOBZINSKI

ROZANNE FLATT

R. C. "BUD" HOLLADAY

ED GARDNER

KEN NAY

HARVEY ROSE

LARRY TINNEY

LINDY VAUGHAN

EDWARD L. WINN III

TONY WOOTEN

PRODUCTION

COMMUNICATION

SPECIALISTS, INC.

GRAPHIC EXPRESS

ADVERTISING SALES

ELIZABETH T. JOHNSTON

ARTHUR J. SABANOS

CIRCULATION

SUSAN HINKLEY

FINANCIAL ASSISTANT

DONNA SINGLETON

ADMINISTRATIVE ASSISTANT

SHIRLEY J. NELSON

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THE APPROACH

1866 InterFirst Tower, Austin, Texas 78701

MESSAGE

LEGAL SERVICES ATTACKS RENTAL-PURCHASE

I recently attended a consumer law conference sponsored by the Texas Legal Services Center. Two days were devoted to "Basic Consumer Law Training" and a third to "Advanced Consumer Law." From that conference I bring both good and bad news for rental dealers.

The bad news is that the rental-purchase industry was a topic during the advanced session. The good news is that only 45 minutes were devoted to the topic during the 3-day program.

A speaker from the National Consumer Law Center (NCLC) in Boston was brought in to talk about our industry. Unfortunately, the talk was full of misinformation. For example, the speaker asserted that until the major U.S. car manufacturers recently gave raises to their chief executive officers, rental company CEOs were the highest paid executives in the country. She also asserted that rental dealers charged twelve times the cash price of goods and that rental-purchase transactions carried an APR of 400%.

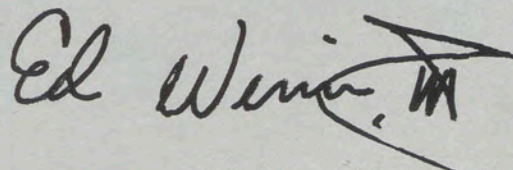
Remember, the talk was made to a roomful of legal aid lawyers where no tale of consumer abuse is too far-fetched to stoke the fires of righteous indignation.

We might once have lamented isolated cases of legal aid activism directed toward our industry. The evidence is growing, however, that a handful of legal aid lawyers have taken on our industry as their "cause." These few are bright and dedicated and are attempting to use the judicial and legislative processes to do you great harm.

Happily, most of the 5000 legal aid lawyers in this country have better things to do. They represent their clients diligently and provide an essential service in the country. There remain a few, unhappily, spearheaded and encouraged now by the National Consumer Law Center in Boston who do not understand our business and never will.

See page 20 in this issue of THE APPROACH for an article that focuses on the Legal Services Corporation and the trials and tribulations that have plagued it since its birth. We worked hard to reach an understanding with those people. We were willing to make compromises; we did make compromises. It is with some regret that I report our efforts to get together with legal aid lawyers have failed — perhaps irretrievably.

The handful of anti-rental-purchase zealots have launched an offensive. Details are in the legal aid article. Time will dictate the impact of this offensive on all of us. In the meantime, my message to the industry is the same. Continue doing business as it ought to be done. Treat your customers with the courtesy and respect they deserve. If we take away their clients, we may not stop legal aid lawyers from criticizing us, but we can make their cries of unfairness hollow and shrill.



EDWARD L. WINN III
APRO Executive Director/General Counsel

Seen & Heard

Curtis Mathes Appreciation

Editor's Note: The following letter was written by Bill Black of Curtis Mathes to other Curtis Mathes franchisees. APRO truly appreciates Mr. Black's support.

DEAR FRANCHISEE:

I recently attended a 2-day seminar put on by APRO, "Organizing Personnel for Results," held in Hilton Head, SC. Several other Curtis Mathes franchisees participated, including Terry Webb, Jim Jordan, Harry Smoak, and Dick Wolford. The meeting was excellent, but training seminars are only a small part of the great job that APRO is doing to help you. Now you don't have to join APRO to benefit from their efforts. You could sit back and let them work toward passing friendly state and federal legislation that will protect you and your business. You could watch from the sidelines as they help other rental companies that have been hit by huge lawsuits. You could ignore the valuable knowledge and information that APRO is passing on to its members at seminars all over the country, through the help of some of our very experienced comrades.

But APRO needs your support, and you need APRO. If all you did was read the magazine that's included with your membership, your annual fees would come back to you tenfold. So read the enclosed brochure and send a check to APRO today. And plan to attend their National Convention in July, right after our meeting in Orlando.

BILL BLACK
Curtis Mathes
Showtime TV Sales
Flint, MI

A Special President

TO THE APROACH:

Just a short note to say hello and comment on the nice message written by Barry Gambini, President of APRO, in the January issue of THE APROACH. It really seems that Barry has set aside personal goals to help the rent-to-own industry as a whole. APRO has my full confidence that it will help lead our industry to a positive outcome. It appears the APRO staff is really work-

ing hard for the success of rental dealers, both large and small.

RICHARD BURKE
President
The Rent Factory
Vacaville, CA

A Professional Convention

TO THE APROACH:

It was a wonderful convention! We were very impressed with the professionalism of your fine staff and your direction of the seminars and overall convention activity. We are looking forward to further planning and involvement with APRO. Being a part of your association and its future growth is exciting to all of us at our agency.

We sincerely hope you and your staff will call on us at any time for assistance in marketing and advertising information for your dealer members.

Thanks again for your friendship and cooperation.

KENNETH E. NAY
President
VITA-VISION
Cincinnati, OH

Editor's Note: Ken and Edna Nay were on hand at the APRO Convention in Las Vegas as speakers and exhibitors. Their participation was well-received and appreciated by APRO staff and members. See page 73 of this issue for Ken Nay's column on advertising.

Zenith Sends Thanks

TO THE APROACH:

Congratulations to the entire APRO staff on the excellent convention you conducted last weekend at Caesar's Palace, Las Vegas.

I enjoyed working with Ed Winn on the Legal Development Seminar and APRO can rest assured that Zenith will sponsor the Legal Seminar at next year's convention.

In addition, Zenith will take a 30 ft. display booth for next year's convention which I understand is to be in the new Wyndham Hotel Sea World in Orlando, Florida.

Zenith is not one that just wants to participate in and be active with APRO

during the convention. Our objective is to help in any way possible throughout the entire year. If and when Zenith or I can be of help to APRO, please, do me the favor of contacting me.

NORMAN SMITH
Zenith Radio Corporation
Glenview, IL

A Sharper Image

TO THE APROACH:

I wish to express my gratitude and appreciation to APRO for all that it has done for the rental industry. It has educated and professionalized members of an industry that has for many years operated without such experienced leadership, guidance, or unity.

I feel that without APRO's legal support and representation before Congress that the rental industry would no longer be in business, or at best, would be operating under guidelines and restrictions that would have forced many small rental companies to close their doors.

I wish to thank and commend such individuals at Mr. Chuck Sims and many others who freely share the knowledge and experience that they have obtained throughout the years, and to say how much I have personally benefited from the seminars which have been taught. The manner in which the seminars have been conducted has been professional, educational, and helpful.

Disappointment can only be expressed in one area toward the select few members who act in a rude, belligerent, and non-supportive manner towards APRO. It is such individuals who should politely remove themselves from membership if they can find nothing but fault.

I have no objections to the publication of this letter in THE APROACH, for I wish to let APRO know that it shall have my continued support and also that I defend APRO and challenge those who do not offer support to either unite with the rest of us or withdraw their membership.

JOSEPH CONDEELIS
Carl's TV & Appliance Rental Co.
Hollywood, FL

Continued on page 12

Here's one way we specialize...

Rental financing.



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

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

But that's what you expect from the

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

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

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

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

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

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



Borg-Warner Acceptance Corporation
subsidiary of **Borg-Warner Corporation**

call: Joe Eason
National Sales
Manager
214 960-8351

or write: Joe Eason
Borg-Warner
Acceptance Corporation
5151 Beltline Road
Suite 340
Prestonwood Tower
Dallas, Texas 75240



SEEN & HEARD

Continued from page 10

APRO Convention '85

TO THE APROACH:

Just a few comments about the recent APRO Convention. I thought the overall effect was outstanding. You and your staff are to be commended. After serving two terms on the board of another trade association, I have a close personal feeling about the magnitude of the job in putting on such a show.

A couple of suggestions: move the show to locations other than Las Vegas; set up no-smoking areas for the seminars and group sessions; and schedule the show so those who are serious show-goers can do the show and choose play-time before or afterwards.

Again, congratulations on a job well done.

FRED VIEHWEG
President
Actiontime Rentals
Austin, TX

Approach Appeal

TO THE APROACH:

Congratulations!

THE APROACH, with its new graphics, new format, and new size, is very impressive. Even the advertising content is impressive at this stage of your magazine development. I wish both the organization and your magazine continued success.

I also noticed some articles that might be of interest to the readers of Professional Electronics, NESDA's bimonthly magazine. At the moment, I specifically refer to the articles in your May 1984 Special Section: "Color TV Rentals"; "Earth Station Sales and Rentals"; and "VCR Rentals."

May we have permission to reprint these, and/or other articles that may be of interest from time to time? With appropriate credit, of course.

Best wishes for continued professional growth.

WALLACE S. HARRISON
Editor
Professional Electronics
Fort Worth, TX

Editor's Note: NESDA, the National Electronics Sales and Service Dealers Association, is one of many fine groups

servicing electronics dealers across the country. See this issue's Small Business Update for details on this organization.

Something Missing

TO THE APROACH:

In response to the three articles on furniture in the March issue of THE APROACH, I am concerned about the lack of detail on some key factors.

Having experience in rent-to-own furniture, I have found that renting by the room group is most profitable. There are fewer rental returns, inventory control is not complicated, and there is less paperwork involved. This gives store personnel more time to promote the furniture program and to handle customer service, collections, and deliveries.

Another key to profitable furniture rental is the way furniture is purchased. Consolidation is the most convenient and least complicated way. Pricing is lower than distributor pricing because you are buying factory-direct. Consolidation simply gives you one source to deal with and one shipment to supply your needs. Consolidation also eliminates having to keep up with factory furniture deliveries. Shipment is received in as little as fifteen working days. It lowers shipping costs because you have one shipment from one source as opposed to buying smaller amounts from a number of sources.

A furniture line-up should be set by the dealer and changed only to upgrade styles or keep up with trends or customer demands. Experimentation only leaves the dealer with a lot of unrentable idle inventory.

There must be consistency, quality merchandise, proper inventory control, and lack of confusion for both personnel and customers to make furniture a profitable venture. This can be achieved by consolidating purchases, sticking to a set line-up, and renting furniture by the room groups.

Furniture rental does not have to be complicated. By using the techniques I have mentioned, a rental dealer can incorporate furniture into his present operation. It can be rented the same way audio/video equipment and appliances are rented.

DAVID R. GRADICK
Director of Operations
ABC Rentals
Dallas, TX

Editor's Note: Mr. Gradick was a panelist on the recent APRO furniture panel held at the APRO convention in Las Vegas. He and other attending panelists were extremely helpful in answering many dealers' questions on furniture. APRO has scheduled two furniture seminars, entitled "Focus on Furniture," for September 18-19 in Dallas, Texas, and November 27-28 in Sarasota, Florida.

Board Member Thank You

TO THE APROACH:

Is 1985 going to be the year of the rental takeover? Did you notice the change? Did you feel the excitement? Did you sense the magic of the 1984 APRO Convention? The emergence of professionalism and growth was everywhere. All the new faces, the informative seminars, elegant displays, and the grand banquet complete with the music and tuxedos combined to make the best rental convention ever!

It makes me glad to be a part of this booming industry where the "Old Pros" show such an unselfish willingness to share with all. This can only lead to an industry more mature, respected, and ultimately more successful.

Once again, thank you all so much for the opportunity to serve on the APRO board of directors this year. I'm truly looking forward to a second term with great appreciation and renewed enthusiasm. I know it will be a time of hard work, challenge, and invaluable experience.

With all the abundant energy at the convention, it's sure to be a great year! A special invitation goes out to everyone to call or visit us this year in Albuquerque.

PATRICIA FLOWERS
President
ColorWorld
Albuquerque, NM

A Helping Hand

TO THE APROACH:

I want to confirm that I felt the APRO convention seminars were well-attended and well-received. Please don't hesitate to call on me next year, or at any time in the interim, to help prepare for the 1985 convention.

Continued on page 92

NATIONAL ELECTRONIC SALES AND SERVICE DEALERS ASSOCIATION



The National Electronic Sales and Service Dealers Association (NESDA) is an offshoot of the National Association of TV Services of America (NATESA). NATESA currently has fewer than 300 members, mostly in the Chicago area; NESDA has 1,500 members. The Technical Division of the International Society of Certified Electronic Technicians (ISCET) requires its members to pass a technical skills test. ISCET is a division of NESDA. The Chairman of ISCET sits on the Executive Committee of NESDA and the NESDA President or his appointed representative, who must be a CET, sits on the Board of Governors. The combined membership of ISCET and NESDA is about 2,500.

The association's directory, the *Professional Electronics Yearbook*, is a guide to dealers and suppliers in the service industry. The annual week-long convention, held during the first week of August, will be in Hartford, Connecticut in 1985. A one-day tradeshow is held during the convention. Other convention highlights are technical and business management seminars and meetings between manufacturers and dealers who discuss warranty payments, parts availability, and sales policies. Management and technical seminars are held throughout the year as well as during the convention.

Membership is \$72 yearly, with a \$10 application fee (\$25 for technicians).

For further information contact Clyde Nabors, Executive Director, NESDA, 2708 West Berry, Fort Worth, TX 76109.

INTERNATIONAL FRANCHISE ASSOCIATION



The 25-year-old association began in Chicago when seven franchisors (including Dairy Queen, Wimpee, and Dunkin' Donuts) joined forces in an effort to solve common problems faced by franchisors and franchisees. Now located in Washington, D.C., the IFA has grown from a small office staff and one lawyer to a staff of 21 office personnel and 5 lawyers. The IFA represents 510 franchisors, who in turn represent 135,000 franchisees, and oper-

ates on a \$2 million annual budget. IFA is an international association which lobbies in 40 states on behalf of franchisees. In addition, it holds 20 shows yearly around the world, ranging from an annual convention to management workshops and seminars. Some of IFA's publications include "Franchise World," "Franchise Insider," and "21 Questions." Membership fees start at \$1,500 and increase by \$150 for every \$1 million of gross annual franchisee sales.

For additional information concerning IFA contact Joe Simone, Director of Membership, 1025 Connecticut Avenue, Suite 707, Washington, D.C. 20036, (202) 659-0790.

NATIONAL APPLIANCE PARTS SUPPLIERS ASSOCIATION



The idea behind National Appliance Parts Suppliers Association (NAPSA) came about in 1965 when Ray Wixcey, Jule Bell, and Balas Marks decided they needed an organization to help them compete more evenly with larger manufacturers and distributors.

A meeting was held in February 1966, and attended by 28 distributors and manufacturers of appliance parts. At the charter meeting in May 1966, between 30 and 40 members gathered in Cleveland.

Today NAPSA comprises about 150 members who represent over 200 distribution outlets for appliance parts and accessories.

The annual NAPSA convention is the only industry trade show that provides rental dealers an opportunity to talk with appliance parts suppliers. Topics of interest covered at recent conventions include survival and growth in inflation-

ary times, negotiating mergers and acquisitions, and financial management.

NAPSA publications include "Results," a newsletter that provides important news about the appliance parts industry and its members, plus the results of periodic surveys on business conditions.

All NAPSA members are leading wholesale distributors of appliance parts and accessories. Since its inception, NAPSA's goals have been to provide its members with professional programs and a forum for the exchange of information.

Membership fees include a one-time initiation fee of \$300, plus \$100 for the number of quarters remaining in the calendar year, plus \$25 for each branch location.

For additional information on NAPSA contact Sylvia Lurie, NAPSA, 5940 W. Tougy Avenue, Chicago, IL 60648, (312) 763-7350.

Amendments Proposed To The Fair Debt Collection Practices Act

In 1980 President Carter signed into law the Fair Debt Collections Practices Act. The federal statute regulates the behavior of debt collectors. Individuals and companies seeking to collect their own debts and attorneys who collect debts for clients are excluded from coverage. The restrictions placed on debt collectors are reasonable — for example, no physical or verbal abuse, no telephone calls at unreasonable hours — and most have no trouble complying. Even though the statute does not apply to rental dealers seeking to recover their own merchandise, APRO adopted the substantive provisions of the Act as a part of its Code of Ethics.

For some time, consumer advocates have been urging amendments to give the Act more teeth. The Federal Trade Commission in its 1984 annual report to Congress recommended that the attorney exemption be clarified. The exemption was originally created to avoid burdening attorneys who occasionally attempt to collect debts on behalf of clients. Apparently the authors of the Act did not consider attorneys who do nothing but debt collection and who, except for a law license, are indistinguishable from debt collectors. The American Collectors Association has accused some attorneys of soliciting collection work away from collection agencies on the very ground that, as attorneys, they are not constrained by the federal law. The Collection Association has complained that this exemption puts its members at a competitive disadvantage.

In January, 1984, Congressman Frank Annunzio, noted consumer advocate and chairman of the House Subcommittee on Consumer Affairs, introduced a bill, H.R. 4617, that would revoke the attorney exemption altogether. The FTC opposes the Annunzio bill and prefers to distinguish between attorney-owned firms which do nothing but collect debts and attorneys who collect debts as a part of overall legal services provided to clients. The subcommittee held hearings in February, but since that time, the bill has gone nowhere. If the bill moves forward, strong opposition can be expected from attorneys as well as the FTC.

Rental dealers should be aware that even though the federal law does not apply to them, state fair debt collection practices statutes might

The Problem Of Nominal Consideration

In the spring of 1981, the Pennsylvania legislature quietly amended the definition of "credit sale" to include rental-purchase agreements. Pennsylvania was the first state to make such a move. Rental dealers there altered their agreements to provide first for no-obligation rental periods and then for outright purchases of the rental products by consumers, in order not to be covered by the law. Reports after that time were that the new agreements were working to everyone's satisfaction and that business was good.

Lately, however, there has been a flurry of lawsuits apparently designed to test the 1981 law. A suit filed in February in Philadelphia confronts the issue directly.

There is no agreement at all among the courts.

In that case a rental dealer was using a 74-week rental agreement with a purchase option price slightly larger than a normal monthly payment. The agreement clearly stated, however, that the purchase option was for "similar property in similar condition," and was not a purchase option for the property rented. Nonetheless, the petition, filed by a Philadelphia legal aid lawyer, alleges that the transaction is a disguised credit sale under the Pennsylvania Installment Sales Act. The petition does not allege that the rental company did other than what the contract requires, that is, sell different merchandise from that actually rented to rental customers.

If the case goes to trial, the issue may ultimately revolve around the definition of "nominal consideration." It was the use of this language in the new definition of "credit sale" that caused dealers to add "balloon" option prices to their rental-purchase agreements in the first place. The statute, in summary, states that if a transaction allows a consumer to rent or lease merchandise and ultimately to own it by paying nothing or a "nominal consideration," then the transaction is a credit sale.

Historically, "nominal consideration" meant a token amount of money, \$1 or \$10. The issue became more complex when commercial lessors began structur-

ing fixed-term equipment leases with purchase options for token payments at the end. In effect, these lessors, by requiring lessees to sign up for long-term leases, were able to get back in lease payments the cost of goods, overhead expenses, imputed interest for the life of the lease, and a reasonable profit. By the end of the lease, the lessor had gotten his money, and often the leased property had little or no useful life left. Often, in these circumstances, the lessor threw in a purchase option so that he would not have to reclaim the property. On a million dollar-lease, the option price might have been \$10,000, hardly nominal by traditional standards, but often still a bargain price to the lessee.

Because of this kind of transaction, courts began looking at the notion of "nominal consideration" differently. Rather than view it in a pure sense, they viewed it in terms of the transaction of which it was a part. If a purchase-option price at the end of a lease was so low that the lessee had no reasonable economic alternative but to exercise the option, courts began calling the price nominal. On the other hand, as the purchase-option price approached the fair market value of the leased property at the end of the lease, that price, however low, was viewed as more than nominal. Because of the importance of leasing in the commercial context, this issue has been litigated literally hundreds of times. There is no agreement at all among the courts. The summary of the law above is the conclusion of a bare majority of courts, and even they disagree over how nearly a price must approach market value before it is no longer nominal.

Despite the confusion, this is an issue with which the Pennsylvania courts ultimately will have to grapple. The North Carolina legislature defined nominal consideration when it rewrote the definition of "credit sale" there. "Nominal consideration" in North Carolina is 10% or less of the original cash selling price of the leased property. This is a definition that the industry would like to see in every state, if only for the certainty it provides.

The Philadelphia case may well hinge upon whether the judge thinks the purchase-option price offered the consumer was high enough to qualify as a true sale of the merchandise. That raises the factual issue of the value of used TVs and appliances. The dealer can properly argue that the value of rented property is necessarily lower than property purchased and then resold, because it is subjected to more use.

MICHIGAN

By J. Samuel Choate, Jr.

The class action filed by the Legal Aid of West Michigan against a rental company in Grand Rapids, Michigan, has taken another step toward resolution of the key issue in that case — whether the rental contract is a sale or lease under the Michigan Retail Installment Sales Act.

At a hearing on July 27, 1984, the presiding judge extended discovery for an additional 45 days. This extension was due to the inability of the Legal Aid attorney to locate one of the named plaintiffs in the class action. Moreover, plaintiffs recently made additional items of discovery that the court had to consider. This motion was opposed by attorneys for the rental company on the grounds that Legal Aid had not diligently pursued discovery during the 90 days previously allotted.

The court has instructed the Legal Aid attorney to file a motion for summary judgment on the single issue of lease versus sale and will then give the rental company an additional 45 days to respond. Thereafter, the court has ordered that both parties appear for oral argument.

This time schedule makes it unlikely that any resolution of this issue will come within the next six months. However THE APPROACH will report on this case as developments occur.

GEORGIA

A lawsuit filed recently in the United States District Court for the Southern District of Georgia in Brunswick, Georgia, demonstrates the overly litigious nature of our society today. In that case, two innocent mistakes now constitute a great threat to the rental company involved; yet, there was no measurable damage to the customer.

While obtaining a customer number from a computer printout for the purpose of giving a receipt, an employee of the rental store used a number one line too low. The customer did not receive credit in the company's computer system for this payment and was therefore reported as delinquent. This clerical error would no doubt have righted itself within a short period of time, but before that occurred,

a representative of the rental company visited the house of the customer for the purpose of collecting the rent due or obtaining the return of the merchandise. At the customer's home, a new route man, who knew the customer's thirteen-year-old son (who was at the home alone), went into the home and retrieved the rented unit, in this case a VCR. Unbeknownst to the route man, the customer was at the store at that very time making what the customer assumed was his next rental renewal payment. Sensing the plight of the rental company in this comedy of errors, the customer quickly obtained an attorney and filed this lawsuit.

The central issue in this lawsuit is not directly a lease-sale recharacterization. Rather, the plaintiff's attorney, a mem-

The question of whether or not the rental contract constitutes a "security interest" under the UCC is a divided question at best.

ber of the private bar, has sought to have the court hold the rental contract a "security interest" under Section 1-201(37) of the Georgia Uniform Commercial Code. His intent is to thereby invoke the rights of a debtor under Article 9 of the Uniform Commercial Code to sue a secured party for conversion where secured property is wrongfully repossessed and disposed of. The next step in his scheme is to try to build this nominal damage case for the tort, or personal injury, of conversion into a large verdict for the plaintiff by virtue of the laws relating to punitive damage. He has coupled his claim for conversion with an action for trespass and alleges that these two actions in conjunction are so outrageous that the rental company's conduct should be punished by an award of punitive damages in the sum of \$200,000.

The question of whether or not the rental contract constitutes a "security interest" under the UCC is a divided question at best. Most rental dealers should be familiar with this issue, because it is the one that you are confronted with when you must go to Bankruptcy Court to retrieve your property.

Precedent in the state of Georgia in this area bodes well for the rental dealer.

Hopefully, the "security interest" issue, and thereby the customer's claim for conversion, will be disposed of fairly quickly.

The issue of trespass is quite another matter, however. It would appear from a reading of the complaint that a technical trespass has occurred. An employee of the rental company entered onto the property of another person without his invitation or consent. The consent of a minor is no consent at all.

Fortunately for the rental company involved and the industry in general, there was no injury to the minor child and no damage to any property, and the only violations of the law were technical. Inasmuch as the customer is suing for a tort, the damages, if any, will probably be minimal.

It is unfortunate that the rental company must defend this action, but whether the progressive contract is or is not a "security interest" is an important issue, one which cannot be ignored whenever confronted. Furthermore, unless vigorously defended, even the weakest personal injury case has some potential for recovery by the plaintiff.

Parties to this lawsuit are currently engaged in the process of discovery, looking to an early resolution of as many of the legal issues involved as possible.

THE APPROACH will monitor this lawsuit and report on all developments as they occur.

PENNSYLVANIA

The action initiated by the Lehigh Valley Legal Services Corporation in Allentown, Pennsylvania, continues to be mired in procedural infighting. As previously reported in THE APPROACH, the rental company had removed this case from state court, where it was filed, to the United States District Court for the Eastern District of Pennsylvania. On July 16, 1984, a motion to remove that case back to state court was filed by the Legal Aid lawyer. This motion has been opposed by the rental company and is currently awaiting a decision from the federal judge.

It is unlikely that any substantive developments in this case will occur within the next 90 days, but THE APPROACH will monitor this case carefully and report on its progress.

J. Samuel Choate, Jr. is associated with the law firm of Santarelli & Bond in Washington, D.C.

WASHINGTON REPORT

By Edward L. Winn III

Washington eyes and ears are on the November election, but Congress continues to transact business between recesses. Senator Garn's financial services deregulation proposal made it through the Senate banking committee essentially intact in late July. Of particular importance to rental dealers was the fate of Title V of that bill dealing with rental-purchase disclosures. During the committee mark-up where the full committee meets to vote on whether a bill will be sent to the floor and if so, in exactly what form, Senator Chris Dodd (D. CT) introduced a motion to delete Title V from the bill. Had the Dodd motion passed, the rental industry would have lost its chances for any federal legislation this year.

Senator Dodd argued strenuously for his motion during debate on the Garn bill. Unless federal legislation required disclosure of fair market value and an APR, Dodd insisted that "consumers

Dodd alleged that the rental industry is using rental-purchase agreements to induce sales. . . "What people need are disclosures that are equivalent to those for credit sales so they can decide which way they want to buy a TV."

would be worse off than they presently are because the federal government would be placing its seal of approval on these transactions." Dodd alleged that the rental industry is using rental-

purchase agreements to induce sales. "Under those circumstances," asserts Dodd, "what people need are disclosures that are equivalent to those for credit sales so they can decide which way they want to buy a TV." Dodd went on to add that legal aid lawyers had told him the industry was charging interest rates from 60% to 150%.

Senator Slade Gorton (R. WA), newly named Chairman of the Banking Committee's Subcommittee on Consumer Affairs, argued against Dodd. He explained that the bill came from the Federal Reserve Board after an extensive study, and balanced consumer needs against the costs of disclosure. The vote on the Dodd motion defeated it, 10 to 8; a straight party line vote. The indus-

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The debate continues about the ultimate success of the Garn bill. According to the August 13 issue of *Business Week*, Congress will do something to close the "nonbank bank" loophole, one of the items in the Garn bill. House and Senate proposals about how to do this differ substantially, however. The Senate version, which includes rental-purchase regulation, would expand bank powers allowing them to enter new fields. The House version, which has no rental-purchase regulation, closes the nonbank bank loophole, but does so without allowing banks to enter into

new activities. The Continental-Illinois Bank bailout as well as the recent troubles suffered by American Savings and Loan have upped the hopes of House supporters for their version. Led by

The effect of the Morrison bill would be to render rental-purchase agreements legally indistinguishable from retail installment sales contracts. The Morrison bill is so one-sided that it stands little chance of passage.

House Banking Committee Chairman Fernand St. Germain (D. RI), they have long maintained that financial institutions are having trouble enough handling the business they have without undertaking further risks.

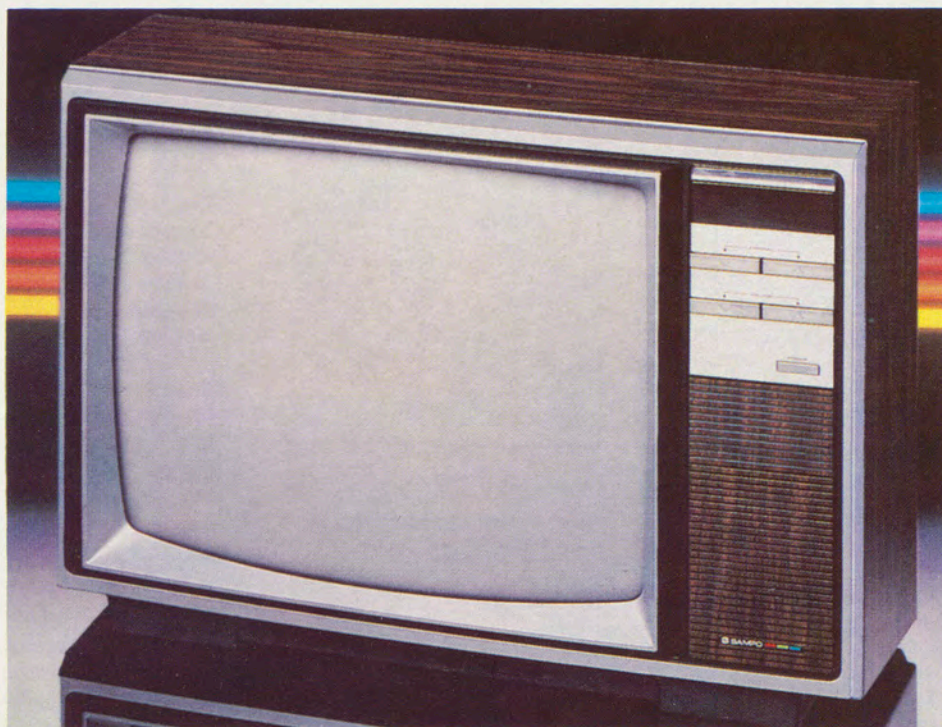
Another wrinkle is a new bill introduced by Congressman Bruce Morrison (D. CT) to regulate the rental-purchase industry. The suspicion is that when Senator Dodd lost the committee fight, he joined with Morrison, an ex-legal aid lawyer himself, and legal aid lawyers from Connecticut and the National Consumer Law Center to draft this latest effort. Earlier in the Spring a Morrison aide had told APRO representatives that Congressman Morrison wanted to introduce a bill to make a statement about the industry. The new bill does just that. Morrison's bill calls for 19 separate disclosures in all rental agreements versus 6 called for in the FRB proposal and the Garn bill. The effect of the Morrison bill would be to render rental-purchase agreements legally indistinguishable from retail installment sales contracts.

The Morrison bill is so one-sided that it stands little chance of passage. It remains to be seen whether it can serve to muddy the waters and slow down or stop movement on the FRB proposal in the House altogether. ■

PRODUCT FOCUS

Sampo Solar Portable Set

Sampo's new KA1946, a 19" remote control solar portable, is the newest addition to a complete line of portable and console television sets. This set is manufactured in Sampo's new 110,000 sq. ft. manufacturing facility in Norcross, Georgia, and features a full 16-button random access remote control unit. The KA1946 also features a full 105-channel quartz tuner with new high-tech circuitry. Sampo's commitment is to the ultimate in quality at extremely competitive pricing. For more information contact: Sampo Corporation of America, 1050 Arthur Avenue, Elk Grove Village, IL 60007, (312) 364-6900.



Cass Systems Datapoint 8220 Workstation

The Datapoint® 8220 Workstation is a general purpose interactive video terminal designed for comfortable and easy operation. Used with Datapoint's DOS or RMS™ operating systems, the 8220 is ideal for applications processing, program development, and word processing functions.

The ergonomic features of the 8220 include a large (24 line by 80 column screen with an easy to read, high contrast amber display, a 7 by 9 dot character matrix, a detached keyboard that can be positioned up to a meter from the workstation enclosure, and an optional tilt/rotate base. The processor angle and keyboard position can be adjusted by the operator for the most comfortable viewing and keying angles; in addition, display brightness can be set by the operator via the keyboard to any of 16 levels.

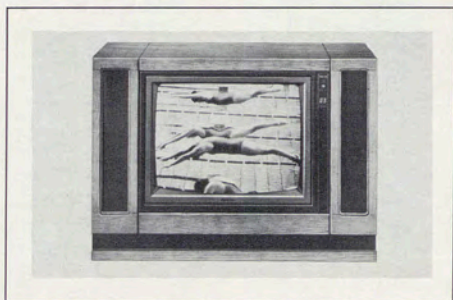
The ease of operation, full functionality, and aesthetic design of 8220 make it the most cost-effective workstation for DATASHARE® and RMS operations. For more information contact: CASS Systems, Inc., 17000 Dallas Parkway, Suite 126, Dallas, TX 75248, (214) 931-5522.



Quasar Audio Performance Series

Full stereo sound is available in Quasar's new Audio Performance series. The 26-inch diagonal Dyna-Tech receiver/monitor console and the 26-inch diagonal Dyna-Tech table model receiver were featured at the 1984 Summer Consumer Electronics Show. Television networks will begin broadcasting in stereo late this fall.

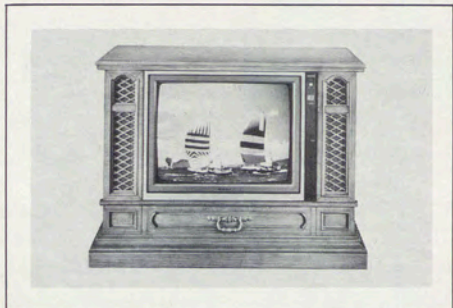
Each of the Audio Performance series of 26-inch diagonal sets features a stereo amplifier, twin high performance speaker system, bass/treble control, Ambience™ simulated stereo for those times when stereo broadcast is unavailable, audio/video input through output jacks, Compu-Search quartz tuner, 20-function remote control and 139-channel tuning with program scan. Three of the console styles available are:



Contemporary
TL9960XP, suggested retail \$1050

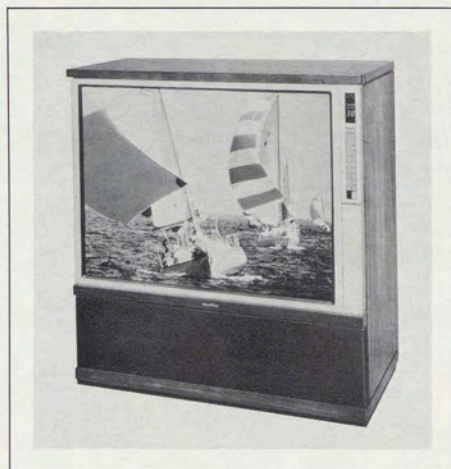


Early American
TL9965XD, suggested retail \$1050

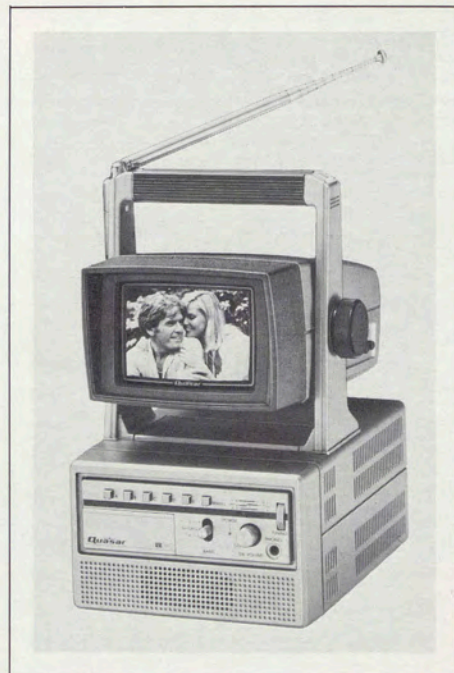


Traditional
TL9968XK, suggested retail \$1050

Quasar's new 37-inch diagonal projection television receiver/monitor series also includes stereo capabilities. Because of a significant design advance, these projection sets have a 33 percent larger viewing angle than Quasar's previous 40-inch projection sets, and have a 52 percent reduction of cabinet bulk, requiring only as much floor space as some consoles. The series includes full Dyna-Tech advances, and offers Compu-Matic quartz tuners, unified TV/VCR remote control, 139-channel tuning and two RF switches.



The PR4770XA (above) in a Contemporary cabinet has a suggested retail price of \$2995, and PR4780XP (below) in a Traditional cabinet with doors has a suggested retail price of \$3195.



Possibly the hit of the Summer CES was Quasar's 3.3-inch 91 channel color set (UP1315XQ), which because of its compact size and light weight, is designed to be an ideal portable VCR monitor. The unit offers AC/DC battery operation, car cord, earphone jack, and audio/video input and output jacks and built-in rechargeable batteries. Suggested list price is \$389.95. For more information contact: Tom Lauterback, 9401 W. Grand Avenue, Franklin Park, IL 60131, (312) 452-2407.



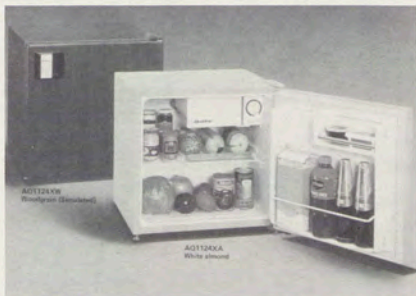
Quasar Compact Refrigerator Models

Is kitchen space a concern of your customers? "The demand for compact refrigerators is strong," according to Wally Fraser, Quasar's General Manager, Appliance Division. Quasar's move into the compact refrigerator market was introduced with an entirely new product line revealed at the Summer CES.

Referring to the success of Quasar's Lifestyle series, particularly microwaves, Fraser feels "that we carved out a solid niche in that market and we are confident that the combination of a well-designed product line, the strong Quasar brand image, strong warranty and our aggressive promotion will spell success in the compact refrigerator market also."



The six models come in almond and simulated woodgrain finishes. Models AQ1154XA and AQ1154XW are 34 inches high, designed to fit under the counter, yet offer a roomy 4.9 cu. ft. capacity. Inside is a three-shelf door, full-width freezer compartment and full-width crisper compartment.



The 2.6 cu.ft. models, AQ1134XA, at \$189.95, and AQ1134XW, at \$189.95, have three ice cube trays, separate full-width meat and defrost tray, two bottle racks and an egg rack. (above)

The remaining two 20-inch side, 1.7 cu. ft. units feature an up-front temperature dial with a wide-range cooling control and defrost setting, a slide-out shelf, separate freezer compartment, defrost/meat tray, a convenient storage rack and a door bottle rack. The models (below) are

AQ1124XA and AQ1124XW priced at \$149.95 and \$154.95 respectively. For more information contact: Tom Lauterback, 9401 W. Grand Avenue, Franklin Park, IL 60131, (312) 452-2407.

Gusdorf Compact Microwave Cart



Space-saving Model #3075 has been streamlined to handle today's sized-down, compact microwave ovens and it is slim enough to fit into tight places. In addition to freeing up valuable countertop space, it contributes to kitchen storage with two handy shelves of its own. The unit is finished in Sunrise Maple and protected against kitchen spills and stains by a Klearseal II acrylic coating. The cart's dual-wheel chrome casters make portability easy. Approximate retail: \$69.95. For more information contact: Gusdorf Corporation, 11440 Lackland Road, St. Louis, MO 63146, (324) 567-5249.

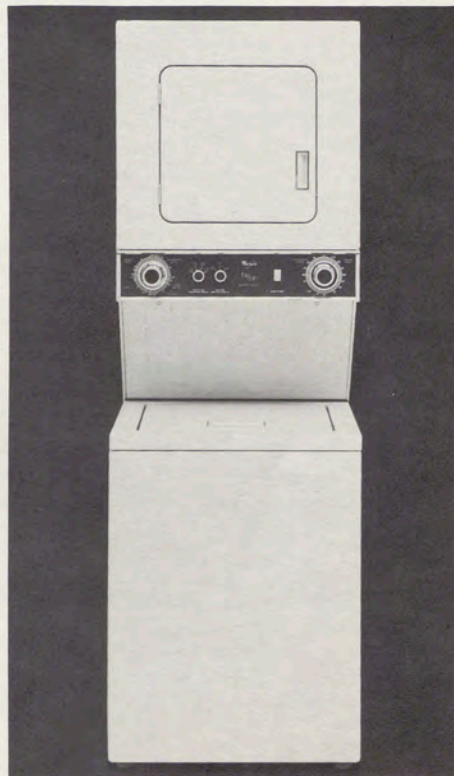
Gusdorf New P-O-P Video Tape Display



The Gusdorf cabinet, Model #2430, compact storage unit holds up to 20 VHS or Beta videotapes. This 18 3/4-inch-tall

cabinet can easily fit on a shelf, keeping contents organized and dust-free. Dealers will appreciate the handy display that can be created by lifting the top off the shipping carton. Shipped four in a carton, the top lifts off and what remains is the display. The display fits on counter tops and, with the use of bold graphics, suggest the cabinet as an ideal add-on purchase with videotapes. Suggested retail price is \$49.95. For more information contact: Gusdorf Corporation, 11440 Lackland Road, St. Louis, MO 63146, (324) 567-5249.

Whirlpool Thin Twin Dryer



Whirlpool has topped its washing machine with something of equal quality, its Whirlpool dryer. The unit, called the Thin Twin Laundry System, Model LT5000XL, features full front connections. The space efficient unit is perfect for apartment dwellers or home owners looking for maximum use of their floor plan.

The washer has four automatic cycle selections, four water temperature selections, and three water levels. In addition to the features the washer offers, the dryer is equipped with three dry cycles, push-to-start button safety, built-in lint screen, cool-down care for permanent press, and automatic door shut-off. For information contact: Whirlpool Product Information, 2000 U.S. 33 North, Benton Harbor, MI 49022, (616) 926-5000.

Continued on page 84

The Legal Services Corporation and the Rental-Purchase Industry

It is axiomatic that a nation of laws must provide access to legal institutions for all citizens. It is written into the U. S. Constitution that all citizens accused of crimes are entitled to legal representation. The issue of guaranteeing access to legal services for everyone when confronted with civil matters, however, is not as clear-cut. For over a century, efforts have been ongoing to provide civil legal assistance for those too poor to pay for it themselves. Early efforts were supported by private donations, charitable institutions, and attorneys working for free.

During the 1960s, President Johnson declared "war" on poverty. As part of this war, several programs were implemented, at both state and federal levels, to provide legal services for the poor. In 1965, the Office of Legal Services was created within the Office of Economic Opportunity. During this era, in addition to increased civil rights litigation, courts also saw an increase in lawsuits against state and local governments, attempting to compel them to operate and enhance federal poverty programs. These lawsuits



The Legal Services Corporation logo.

were frequently financed by federal funds, often amid charges that the money was being used to create political power bases of the local low-income voters.

During the Nixon years, due consideration was given to getting politics out of the delivery mechanism for providing legal services to poor people. The National Advisory Committee on the Legal Services Program, in its report to President Nixon, stated:

The integrity of the lawyer-client relationship must be preserved, free of interference by outside sources. Particularly, this means freedom from political pressure and conflicting governmental policies which detract from the lawyer's duty of absolute fidelity to his client. This can probably best be attained by establishing a structure independent of any Federal, State, or local governmental department or agency.

In 1974, upon President Nixon's recommendation, Congress established the Legal Services Corporation. The LSC was established as an independent, non-profit corporation whose purpose was to receive funds from the federal government and disburse them to legal service programs around the country.

The corporation is governed by an 11-member Board of Directors appointed by the President with the advice and consent of the Senate. No more than 6 members can be from the same political party

and none can be a government employee. The officers and employees of the corporation, currently some 300, are not considered employees of the federal government.

The corporation itself does not represent individual clients. Rather, it gives money to state and local programs (recipients) which in turn provide legal representation via their legal staffs. Each recipient is governed by a local board. The federal statute provides that at least 60% of the board consist of attorneys in the state where the services are provided. At least one-third of the board must be made up of those eligible to be clients.

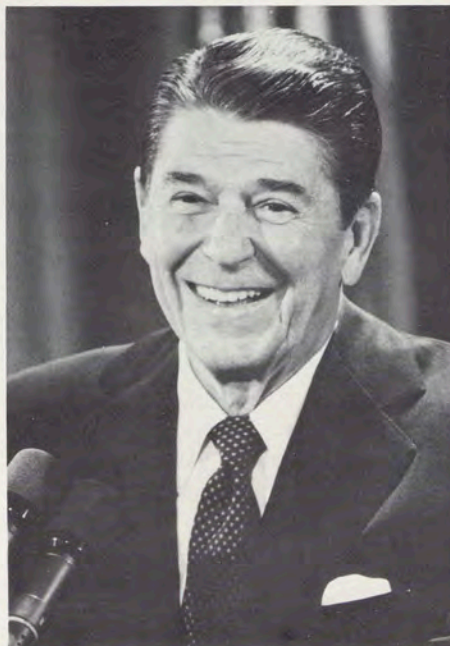
At the beginning of 1983, there were 326 legal services programs running 1,141 offices in all 50 states. These programs included 292 basic field programs, 2 migrant worker programs, 10 Native American programs, 5 state support programs, and 16 national support centers. These support centers (for example, the National Consumer Law Center in Boston) provide specialized legal assistance to eligible clients and to the programs themselves. There are currently 5,000 full-time attorneys in the United States whose salaries are paid by the LSC. In addition, there are 2,000 paralegals and 4,600 support people on the payroll.

Local programs set their own client eligibility standards, within guidelines set by the corporation. These guidelines set maximum eligibility at 125% of the poverty level as established by the Office of Management and Budget. In 1983, the maximum annual income for an eligible individual was \$6,075; for a family of four, \$12,375.

President Reagan And the Legal Services Corporation

There has never been any love lost between President Reagan and the Legal Services Corporation. His problems with the organization began when he was governor of California and faced several lawsuits by legal aid lawyers there. Reagan maintains that the government should not be paying money to sue itself or to attempt to undermine the country's system of free enterprise.

The California Rural Legal Assistance and various migrant workers' groups plagued Reagan as governor. Legal aid lawyers spent federal funds to attempt to unionize farm workers in California and elsewhere. They also filed suit to compel



There has never been any love lost between President Reagan and the Legal Services Corporation.

payment of supplemental social security benefits to alcoholics. They filed suit on behalf of 10 California farm workers challenging the state university system's program to develop labor-saving farm machinery; they alleged that such research was displacing migrant farmworkers. The list goes on.

Perhaps most egregious of California legal aid lawyers' sins during Governor Reagan's term were the blatant lobbying tactics used by several groups despite a clear statutory prohibition against lobbying. One California county program advertised for a "law reform specialist" in a national LSC publication, *Clearinghouse Review*, and, in the same publication, another group bragged about "its tradition of strong community involvement and aggressive participation in local political, social and economic battles on behalf of its client communities."

President Reagan has long recognized that the structure of the LSC is fundamentally flawed. There are insufficient controls over legal aid lawyers in the field. The independence of the organization allows them to use federal money to pursue their own notions of social better-

ment. As columnist James Kilpatrick has noted, "The corporation is heavily influenced by ideological activists. Their passions cannot be fired by the humdrum fuel of a custody case. They see their role as a remaking of society."

As soon as he became President, Reagan recommended that the LSC be disbanded. In every budget that he has sent to Congress, he has recommended that funds to the corporation be cut off. His pressure on Congress has been partially successful. In 1980 and 1981, the LSC's budget was \$321 million. In 1982 Congress slashed the budget by 25%, down to \$241 million. It is estimated that these cuts caused the LSC to lose over one-third of its staff. By a continuing resolution, the funding for the LSC has been frozen at that level through 1984.

Reagan also has the power to appoint members to the LSC Board. He has been accused of trying to have directors appointed who would sabotage the work of the corporation, but he has yet to get a full board approved by the Senate. Reagan appointees have been repeatedly turned down by the Senate Labor and Human Relations Committee. The corporation has been run by an interim board of five directors since Reagan took office. Nineteen different people have served as interim directors since 1981. This year, Reagan has sent 11 more names to the Senate; 10 were approved last May. The Senate Committee deadlocked on the 11th nominee, Michael B. Wallace, an attorney from Jackson, Mississippi. The entire list was nonetheless sent to the full Senate for a vote and action is expected this fall.

President Reagan and others who argue for the abolition of the LSC are not against legal assistance for the poor. Reagan himself prefers that the legal needs of the poor be handled through block grants to the states and increased *pro bono* efforts of the private bar. Other possible solutions to the problem include variations on the Judicare model, in which poor clients choose their own lawyers from the private bar, who, in turn, can bill the government.

A promising alternative is called IOLTA, an acronym for "interest on legal trust accounts." Attorneys often keep large amounts of their client's money in non-interest-bearing trust accounts. For example, an attorney might have several hundred thousand dollars in trust over the weekend prior to a real estate closing. Because the money is usually there only a short time, it is not feasible to try to pay interest on the money to clients. Florida is experimenting with a voluntary system

in which attorneys put trust funds into interest-bearing accounts and donate the interest to legal services for the poor. In the first two years, with 17% of Florida's lawyers participating, the program raised \$1.5 million.

While alternatives are sought, and the LSC political battles are expected to continue, no one foresees the abolition of the current system in the near future.

What Is Wrong With the LSC

The history of the federally funded program is riddled with complaints about how the corporation does business and particularly about the kinds of lawsuits brought by legal aid lawyers. There is even a National Defeat Legal Services Committee, whose director, Howard Philips, regularly lobbies against legislation to continue funding the LSC.

The chief complaint against the LSC concerns the basic structure of the system. Philips says it is "provider-oriented," rather than "consumer-oriented," and, as such, is inherently defective. According to Philips, that means it is the legal aid lawyers themselves, rather than their clients, who are economically empowered to determine priorities for emphasis and action. If the legal services are "free" to the user, the demand for those services is potentially without limit. In a free and competitive market, the limits on supplier activity are imposed by the preferences shown by consumers in the disposition of their finite resources. In a controlled market of services, suppliers like legal aid lawyers, whose incomes are fixed and assured without the need to attract specific consumers, can determine their own limits. "The practical consequence of this economic reality is that legal services programs are economically at liberty to choose their causes, their clients, and their actual cases," according to Philips.

Ordinarily, such a system would have to be made subject to government regulation. Legal aid lawyers, however, are committed to a political philosophy aimed at solving the problems of poverty itself. No governmental constraint can satisfy clients, attorneys, taxpayers, and others with an interest in a program that is sponsored by the government, all of whom have different solutions to the problems of the poor.

The fact is that legal aid lawyers, offering as they do a free service, have their choice of clients and causes. Not surprisingly, they often choose to take on cases that affect the poor as a class promoting

within them radical social, economic, and policy changes, rather than spending resources on individual cases, which necessarily have a lower overall impact. The fact is that in a free economic market, there are winners and losers. If the poor as a class are considered the losers, as they are by legal aid lawyers, then the only way to help them is to change the system that has winners and losers.

A real argument can be made that legal aid representation can and often does overlook the individual client in an effort to provoke change for, as legal aid lawyers perceive it, the overall social good. A specific rental case provides a good example. In 1982, a Kansas legal aid lawyer filed suit against a rental company on behalf of a customer in a state court there. The allegations were the usual ones — violations of state and federal disclosure and usury laws and violations of the state

■ The judge went on...in what can only be called an act of sheer kindness to state that...the customer could keep the rented TV without making any further payments.

unconscionability statute. In a summary judgment proceeding, the trial judge ruled that the rental company had violated no laws at all, either by the use of its contract or in its other dealings with the customer. The judge went on, however, in what can only be called an act of sheer kindness, to state that in view of all the circumstances the customer could keep the rented TV without making any further payments.

Despite the adverse legal ruling by the judge, the legal aid lawyer had gotten a "free" TV for his client. But that was not enough for the attorney, who chose to appeal the case, thereby ignoring the best interests of his client in favor of the larger goal of affecting the rental industry statewide. Appropriately enough, the appeals court affirmed the lower court's ruling and, in addition, ordered the plaintiff to return the TV set to the rental company, since there was no legal basis for keeping it.

According to Philips, "Whatever the issue, be it OSHA, busing, transsexual benefit claims, quotas, election laws, expunging arrest records, private schools, conscription, economic policy, and even national defense, the poverty lawyers are being subsidized at public expense to propagate their private views of what is good for the poor and what is good for the country."

The activities of legal aid lawyers are curtailed to some extent by prohibitions in the 1974 act that established the LSC. One criticism leveled at the LSC is that there is insufficient monitoring of legal activities to determine whether the lawyers are obeying the law. This is partly due to a flaw in the penalty section of the act. The only penalty available to the LSC when a recipient attorney violates the act is to defund the program that hired the attorney. There is an understandable reluctance on the part of the LSC staff to look too closely at the activities of any one lawyer for fear of having to defund an entire office. Proposed amendments to the act would provide the LSC with intermediate penalties for wrongdoing that could be applied to individuals.

Another criticism of the program has been its increasing use of class action lawsuits. A class action suit is filed not in the name of a particular individual or group, but on behalf of an entire group of people with a common interest. Conservative lawyers and legal scholars argue that the creation of the class action suit has done much to increase the incidence of judicial law-making, in their view an unconstitutional usurpation of legislative power by the judicial branch of government.

While any lawsuit focused at resolving a particular dispute between two parties can have far-reaching precedential value, a class action lawsuit is aimed at having far-reaching results. Columnist Richard Brookhiser says of class actions, "They intend to make law. They can call programs into being and command the public purse — all on the say-so of a willing judge. They have been a shaft in the quiver of the Legal Services Corporation for years."

The LSC maintains that fewer than 2% of the suits filed by its people are class action suits. Such a figure, however, does not accurately reflect the resources devoted to those lawsuits. The president of the LSC, Donald Bogard, said in 1983, "I also question the time lawyers spend on some class actions. The suits of this kind that our grantees are currently handling have used over 500,000 attorney hours. Routine cases take 4 to 5 hours, so

our grantees could have disposed of over 100,000 cases if they had not pursued the class actions."

The current continuing resolution to provide funding allows Legal Services Corporation lawyers to file class action suits only "in accordance with policies or regulations adopted by the board of directors of the corporation." This move will cut down on the number of suits filed, since prior to this resolution such suits could be authorized by local offices.

There are several House recommendations to outlaw the filing of class action lawsuits altogether, or at least to place strict limits on the ability of legal aid lawyers to file class action suits against the government.

Another area of contention concerns attorneys' fees. Legal aid lawyers are not supposed to accept "fee generating cases."

...\$257,000 worth of attorney's fees was spent on a frivolous lawsuit, pursued with great vigor by legal aid lawyers for two years because of the lure of big fees at the end.

Cases that have the prospect of attorneys' fees would ordinarily attract members of the private bar and leave legal aid lawyers free for other matters. Reports are, however, that legal aid lawyers regularly take such cases. James Sweeney, county attorney for Orange County, New York, reports the results of a class action lawsuit filed on behalf of state prisoners alleging violations of their civil rights by prison officials. Civil rights statutes make provisions for attorneys' fees. This lawsuit sought \$340,000 in damages plus other relief, including attorneys' fees. The jury found no civil rights violations but did award the plaintiffs \$6,500 for simple negligence by the defendant. Sweeney estimates that \$257,000 worth of attorneys' time was spent on a frivolous lawsuit, pursued with great vigor by legal aid lawyers for two years because of the lure of big fees at the end.

Current proposals do nothing about this problem because the solution is

already on the books, although not enforced. Current proposals do even things up a bit by making the LSC liable for the attorneys' fees of defendants when the court finds that the plaintiff does not have a reasonable basis in law or in fact for bringing the suit. This proposal, if passed, might curb frivolous lawsuits of the type described by Sweeney.

Another complaint concerns the use of federal funds, through legal aid representation, in abortion cases. The Legal Services Corporation Act of 1974, as amended, states:

No funds made available by the corporation...may be used...to provide legal assistance with respect to any proceeding which seeks to procure a nontherapeutic abortion.

Nonetheless from 1981 to 1983, a legal aid lawyer in Ohio represented a woman seeking to abort her six and one-half month pregnancy against the wishes of the father; in Massachusetts, legal aid lawyers challenged a state statute limiting the use of state funds for abortions necessary to prevent the death of the mother; and a legal aid group in Chicago got an injunction against enforcement of an Illinois statute preventing state medical payments for abortions other than those performed to save the life of the mother.

Another hot topic concerning the LSC is the legal representation of illegal aliens. Legal aid lawyers have been adept at legal maneuverings to prevent deportation, and attempts to curb such representation have been largely unsuccessful.

These and other complaints against the LSC have caused Senator Jesse Helms to argue:

Rather than limiting their activity to providing assistance with the personal and individual legal problems of the poor, employees of the legal services program, paid by the taxpayers of this country, have assumed the role of conspicuous, federally financed advocates of political and social causes...They have used taxpayers' money for lobbying efforts, organizing special interest and pressure groups, and have engaged in class action suits, not on behalf of the poor, but to promote alleged social reformism. That is where the bitterness and hostility toward this program comes from....

The demands of special interest groups, regarding quotas in em-

ployment and education, abortion, marijuana legislation, homosexual demands, and unrestrained pornography may be protected under the First Amendment, but they have no right being lobbied and promoted by taxpayer-funded lawyers, who in so doing, ignore the legal problems of the poor they are paid to represent....

Subsidized lawyers, with a federally assured income, are free to spend their time on appeals of test cases to promote the national goals of special-interest groups, rather than on effective representation of poor clients.

The Eye of the Storm: The LSC and Lobbying

The Legal Services Corporation Act of 1974 and subsequent amendments, in addition to creating and funding the LSC, also put certain restrictions on the activities of recipients. Congress was particularly concerned to keep the LSC removed from the political arena and mandated in the statute that

no funds made available to a recipient by the Corporation shall be used, directly or indirectly, to support activities intended to influence the issuance, amendment, or revocation of any executive or administrative order or regulation of a federal, state or local agency, or to influence the passage or defeat of any legislation by the Congress of the United States or by any state or local legislative body.

The statute goes on to provide for exceptions when members of a legislative body specifically request input from legal aid lawyers concerning specific legislation.

Despite the clear statutory language against such activity, legal aid lawyers have been lobbying and lobbying hard since the inception of the LSC. Their attitude, statutory constraints notwithstanding, is that they ought to be able to do for their clients what other lawyers can do for their clients, including interacting with the legislative process. The president of the LSC, Donald Bogard, admits, "There has been evidence gathered by Senate investigations and the General Accounting Office that the corporation has been incredibly political."

Soon after the 1980 elections, Congressman James Sensenbrenner (D. WI) uncovered a political strategy written down in memos by Alan Houseman, Director of the Legal Services Corporation's Research Institute. The strategy was to lobby the Reagan administration and Congress to extend the life of the LSC, due to expire that year. The situation was termed "a struggle for our own survival" and a political plan of action was developed at the national, state, and local levels. According to the Houseman memos,

Far more is at stake than the survival of Legal Services....As we proceed in our fight, we must take all steps necessary to assure the continuation of other social benefit and entitlement programs....

man Sensenbrenner testified, "What is most disturbing to me is that the Gilman opinion was virtually ignored by the LSC staff. The arrogance of certain LSC staff to the provisions of Section 607(a) and the Gilman opinion demonstrates that these individuals feel they are above the law."

At the state level, in 1981, the LSC gave funds to the Legal Services of Eastern Missouri/Coalition for Sensible and Humane Solutions to conduct four workshops entitled "Lobbying the Missouri Legislature." Congressman Grassley, (D. IA) testified that he had evidence of lobbying activities in his state, but that he had been repeatedly unable to get the local legal aid office to return his telephone calls.

Congressman Trent Lott (D. MS) testified about a publication put out by the Southeast Mississippi Legal Services Cor-

Industry lobbying efforts in both states were ultimately successful, but the spectre of legal aid lobbying continues to haunt rental dealers and justifiably raises their ire.

One, we will be increasing our Washington lobbying efforts of the corporation and our organizations.

Two, we are developing an affirmative legislative strategy to deal with the difficult situations we face in the next session of Congress with regard to both appropriations and reauthorization. . .

In the course of his investigations, Congressman Sensenbrenner uncovered what he called a sophisticated and extensive grassroots lobbying organization coordinated by the Office of Governmental Relations in the LSC's Washington office. The Comptroller General of the United States had earlier issued an opinion in response to a request by Congressman Benjamin Gilman to the effect that the LSC statute prohibited the corporation from spending money for grassroots publicity and propaganda activities. Appearing before a Senate subcommittee considering the LSC's budget, Congress-

poration. The newsletter, which was distributed to workers in the area, actively promoted unionism with articles entitled "In Union There Is Strength" and "Right to Work - For Less."

The rental industry has suffered from its share of lobbying efforts directed against it by legal aid lawyers, particularly in Connecticut and North Carolina. In both states, legal aid offices drafted bills that would recharacterize rental agreements as credit sales and found legislators to sponsor them. Industry lobbying efforts in both states were ultimately successful, but the spectre of legal aid lobbying continues to haunt rental dealers and justifiably raises their ire.

Rental dealers take little comfort in knowing that they are not alone. Congressman Grassley noted:

An appropriations committee investigation in 1979 concluded that lobbying, advocacy, and social activism have become the self-appointed duties of many of the

Legal Aid Lawyers Lobby Against Rental-Purchase

Lobbying activities by legal aid lawyers have struck close to home in the rental industry. During the 1983 spring session of the Connecticut legislature, Representative Berman introduced "An Act Requiring Certain Disclosures in Consumer Leasing Agreements and Advertisements." Soon after introducing the bill, Representative Berman wrote a letter to a New Haven attorney in which she stated that she had introduced the bill "on behalf of New Haven Legal Assistance." The bill would have effectively recharacterized rental-purchase agreements and many other leases as credit sales under the state retail installment sales act.

During public hearings on the bill, a New Haven legal aid lawyer, Joanne Faulkner, testified in favor of the bill, referring to it repeatedly as "her bill." Before the legislative committee, Faulkner offered an amendment to the bill on her own initiative to clear up certain matters. Following the oral testimony, the legal aid lawyer continued to press the attack with letters to various committee members condemning the industry and urging support of the bill. Fortunately, Connecticut rental dealers were able to organize quickly and, through their own lobbying efforts, were able to get the bill killed in committee by a narrow vote.

APRO representatives had previously met with Donald Bogard, president of the LSC, concerning unwarranted attacks on the industry by a handful of legal aid lawyers around the country. Bogard's rueful response was that while he was sympathetic to the industry's charges, there was really nothing he could do. Nonetheless, after the Connecticut incident, APRO filed a formal complaint against the New Haven lawyer alleging that she had engaged in illegal lobbying. The association detailed its charges in a letter dated March 14, 1983.

In September 1983 APRO was informed that the LSC was investigating the complaint. Since that date, nothing further has been heard from the LSC. To date, Faulkner continues to do her business as usual.

participating lawyers. As the report itself states: "There are strong proponents of legal services being a movement toward social justice, believing they should not only vigorously pursue impact cases and administration and legislative advocacy in the interest of poor persons, but should attack poverty itself."

The members of Congress should have profound misgivings about legal aid services that use the poor to impose through the courts some fanciful textbook view of social justice.

Legal Services Corporation attorneys have demonstrated their arrogance time and time again, since the corporation's establishment. Local projects have been administered without regard to community needs and values. Congressional prohibitions against lobbying and the representation of illegal aliens have been completely ignored.

The LSC Takes On the Rental-Purchase Industry

Rental dealers have long been aware that most lawsuits against the industry have been brought by legal aid lawyers. Rental dealers have also been aware of the lobbying efforts conducted against the industry by legal aid lawyers in Connecticut, North Carolina, and a few other states.

While legal aid lawyers are unusually successful in most of their litigation efforts, winning from 80 to 85 percent of their cases, they have not been nearly as successful against the rental industry. Of the roughly 40 lawsuits filed against rental dealers that have gone to trial, the industry has won all but 4. The case law has been overwhelmingly against the recharacterization of rental agreements as credit sales. Yet the lawsuits persist. One reason may be the industry's willingness to settle "nuisance" lawsuits. Bob Hobbes, Director of the National Consumer Law Center, told Texas Legal Services lawyers that if they didn't get a free TV and \$200 in a rental-purchase lawsuit, it was because they had not asked. It is certainly true that as a business decision, weighing costs and benefits, it is often cheaper to settle than to go to the expense

of defending a lawsuit, even successfully. Legal aid lawyers, feeding as they do at the public trough, are not constrained by such considerations.

Until recently, the industry might have supposed that legal aid attacks were isolated, arising only when clients came to the office with a specific complaint about a specific company. Recently, however, the spate of class action lawsuits instigated by legal aid lawyers in different parts of the country indicates a concerted, organized effort to attack the rental-purchase industry in court. Indeed, a legislative aide to Senator Dodd (D. CT) told APRO representatives that at a national meeting of legal aid lawyers held last February to discuss rental-purchase, the consensus was to cease negotiations for compromise federal legislation and to

sions") are devoted to a discussion of the legal issues raised by consumers' transactions with a relatively new, burgeoning industry — the rent to own appliance industry. These issues cut across most consumer subjects — usury, deception, debt collection, etc. Additional rent to own articles will appear in the March/April "Consumer Bankruptcy" issue.

Indeed, three of the six editions of the *NCLC Reports* for March/April 1984, focused on the rental industry, outlining legal attack strategies. Moreover, in the January/February "Federal Credit Laws" issue, the lead article was a scathing attack on the Maine Supreme Court's unanimous opinion in favor of Hawkes TV. The

Of the roughly 40 lawsuits filed against rental dealers that have gone to trial, the industry has won all but 4. The case law has been overwhelmingly against the recharacterization of rental agreements as credit sales. Yet the law suits persist.

initiate a litigation strategy against the industry.

Further evidence of this newly directed concerted effort comes from the National Consumer Law Center, headquartered in Boston. The Center has published a series of manuals on consumer law, and also publishes *NCLC Reports*, a newsletter sent free to all legal aid offices 36 times a year. The newsletter has six different editions, each published bimonthly: "Consumer Bankruptcy," "Debt Collection and Repossessions," "Deceptive Practices," "Federal Credit Laws," "Warranties and Odometers," and "Consumer Usury." These publications report on recent cases and other legal developments and generally give advice on how to manage lawsuits in the areas outlined. What follows is a quote from the March/April 1984 edition of *NCLC Reports*:

Two of the six March/April *NCLC Reports* issues ("Consumer Usury" and "Debt Collection and Reposes-

author is a Maine attorney who is still pursuing private claims against Hawkes TV.

Maine is one of ten states to have adopted a version of the Uniform Consumer Credit Code (UCCC). The Maine article offers suggestions to legal aid lawyers in other UCCC states as to how they might argue around the Maine decision when attacking rental-purchase transactions. The article closes by labeling the decision in the Hawkes case "absurd." The author predicted that the Maine legislature would shortly correct the error by amending the law. He was correct in his prediction.

Articles in *NCLC Reports* have suggested that legal aid lawyers refer to state deceptive trade practices statutes when pursuing claims against rental companies. Careful rental dealers are doing business well within the confines of these state statutes, and such advice should not give legal aid lawyers any new ammunition.

Continued on page 37



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Advertising White Goods

How to get those large appliances out the door

It could be time for rental dealers to sit down with their local newspaper rep or TV ad salesperson and have a little talk about advertising white goods. Chances are that they are going about it all wrong, either at the dealer's insistence, or just in their own well-intended, but misguided way. For instance, if the ads are promoting white goods by running a long "laundry list" of each and every model and brand the store carries, the mark is missed. This article will attempt to help dealers sharpen that aim, so that their white goods advertising doesn't go flying past the potential customer's head, leaving them still searching for just the right rental store. The focus will not be on which advertising media is best to use (TV, radio, or print) but on what messages those vehicles should communicate, and in what order. Some specific suggestions will be offered up for use.

On the average, white goods account for 20 to 25 percent of a rental dealer's BOR. At first glance, it would seem more viable to invest advertising dollars promoting the other 75 to 80 percent of the inventory. In fact, advertising reps who work with the rental industry do not suggest isolating and promoting one section of a store. They feel that a general overall promotion that mentions all types of products available is best. However, rental appliance trends suggest that the percentage of white goods will continue to grow. Add to that the fact that white goods have a much higher keep-rate and go to term more often, and there is good motivation for advertising white goods specifically.

White goods are, of course, washers, dryers, refrigerators, freezers, ranges, and microwaves. With the exception, perhaps, of microwaves, all of these items are necessities, not luxury items like VCRs, TVs and stereos. The average American family no longer washes its clothes down at the river and hangs them on the line to dry, and cooking over an open fire (except for backyard barbequeing) went out of practice at the turn of the century. The modern home *needs* modern appliances.

Two-income families simply don't have the time to spend hours every week at a laundromat. If they have bought or inherited a dilapidated old washer and dryer and the "darn things" break down, getting them repaired can be a real ordeal, not to mention the strain on the pocketbook. Dashing into the kitchen at 7:35 in the morning to grab a cup of coffee for the road and losing one's footing in water from the washing machine's nocturnal breakdown is no way to start the day.

The above scenarios are intended to illustrate what should be, first and foremost, the most important element to communicate in white goods advertising for a rental store. The message is that the potential rental customer *needs* your quality white goods and the convenience of free service and repair.

This is precisely the concept that Remco promoted in a highly successful and sophisticated television ad a few years ago. The TV spot features a mother and her small son at a laundromat. They lose their place in line for a dryer when an impatient man sneaks his laundry into the dryer while the woman is bending down

to pick up her load. The sad, exasperated looks the woman and her son exchange after the incident gets the message across — the two of them have better things to do than waste time in a laundromat. They *need* a washer and dryer to enhance the quality of their lives, to give them more time for each other, and in essence, to make them happier.

Need is the concept to communicate first in an ad. This could be done by using a headline such as "You Need It, So Rent It!" Ken Nay, president of Ken Nay Advertising in Cincinnati, advises rental dealers to remember that 90% of all ad readers read only the headline. Be sure that the headline is short and strong and gets the message of need across. Use a very bold typeface, and reinforce the headline with a visual image (art or photos) tucked closely underneath or beside the headline. These elements of an ad need to be in a tight unit so that the idea of need and product is communicated in a few seconds, as it is on a billboard.

Radio ads can use sound effects to accomplish this concept. An announcer can read the headline, followed immediately by the sound of a washing machine running and a child's voice asking his mother when his baseball uniform will be clean. Or the sound of a refrigerator door being opened and a man's voice asking where the butter is.

If the ad runs on television, be sure to show the headline in type as the announcer is saying it. Recall is doubled when material is heard as well as read, and

Continued on page 29

THE CASS RENT-TO-OWN SYSTEM

The Complete System. The CASS Rent-to-Own System combines highly reliable Datapoint® hardware plus the proven CASS software you need to run a more efficient organization.

Our software provides reports on inventory control, rental agreements, store status, trust management, and more. And we also offer a full financial and accounting module — general ledger, payroll, and accounts payable.

The Corporate System. If you have more than one store, our corporate system will keep you informed with up to date information. Here's how it works.

The main processor is located in your corporate office. Each store has a terminal (CRT) that handles all daily transactions. At the end of each business day, the terminals transmit all their data to the processor via telephone. This means corporate has all the information it needs to make important business decisions before the next day begins. No more waiting for the mail or for employees to make manual calculations. It's that simple.

The Easy to Use System. The last thing you need is a complicated system, so we made it easy. Messages in conversational English guide you along as data is entered. No prior computer experience or knowledge is necessary.

The Easily Serviced System. We chose Datapoint equipment because we know that down time costs you money. With service available coast to coast, you can be assured of response within hours. And, it's on sight service — you don't have to take the computer to a service center as you would a small business computer.

And we can service the software simply by using a telephone to dial into your system from our corporate office.

The Expandable System. You'll never outgrow our system. Datapoint's expandable hardware allows you to add new terminals for each new location or additional storage capacity to the processor. This saves you time and money.

The CASS System. High quality hardware, advanced software, and unbeatable service make us the smart choice for the rent-to-own business person. We've installed our system all across the country. Major chains such as Champion TV & Appliance, Inc., RTO Corp. of Oregon, Advantage Rentals, Inc., and VAL-U Electronic have chosen CASS. Why don't you? For more information, call or write:

CASS Systems, Inc.

17000 Dallas Parkway, Suite 126
Dallas, Texas 75248 (214) 931-5522
2827 S. Ridgewood Ave., Suite C
S. Daytona, FL 32019 (904) 756-4874

Datapoint is a trademark of Datapoint Corporation

**WE'RE
THE
EXPERTS AT
MULTI-STORE
CONTROL**

ADVERTISING WHITE GOODS

Continued from page 27

people who are hearing-impaired get the message as well.

To return to the Remco ad, we see the next important concept that should be communicated in white goods ads. The commercial shows the woman and child entering a Remco store and walking out, just a few seconds later, along with a deliveryman who is carting a washing machine. The idea of *convenience* is promoted. As Ken Nay says, "Rental convenience is the greatest selling point that a rental dealer has. That is what people in all walks of life are looking for." Advertising needs to inform customers that they can get the appliances they want installed in their home that very day. If time or space allows, let the customer know that this is done at no extra charge.

Rental ads should communicate that the customer can return the product at any time and for any reason. In other words, there is no obligation either to continue renting or to buy, nor is there a penalty for returning the product.

Once an ad has successfully presented the key ideas of need, convenience, and no obligation, other less important but supportive messages can be incorporated. At the end of the Remco commercial, we see the mother and child happily dropping quarters into a piggy bank near their installed washer and dryer. The implied message is that they are now saving their money for more important things. Dave Kinter, Remco's senior vice president of operations, says, "We came up with the deal about getting it now with confidence, viewing Remco as a place where you could do that and still keep your savings account." Of course, in reality, the woman may only be breaking even on her laundromat savings, but the real idea is that her savings account wasn't wiped out by a large down payment. Rental dealers should make this a part of any ad — there is no down payment involved. The potential rental customer now knows the whole story about renting; his or her fears have been laid to rest.

Of course, the dealer's name is important. In radio and TV ads, the listener or viewer is locked in for at least 15 to 30 seconds, so there is time to mention the company name several times. In print, however, communication must occur within seconds. Traditionally, the business logo (the company's symbol or its name in distinctive type) is found at the bottom of print ads, and readers look for it there. Be sure the logo is large enough to read, and keep the address and phone information close to it. These elements should always exist as a very tight unit. Don't make readers hunt for your address and phone number — they might lose interest.



A scene from the Remco commercial shows the villain sneaking his laundry into the dryer. The Dallas advertising firm of Tennebring-Rose Associates, Inc. produced the TV spots for Remco.

There are some points to remember about a business name. If it is very short, like Colortyme, Remco, or Mrs. T's, it is possible to use it in the headline: "At Remco You Can Get It Now." It doesn't hurt to include it so long as the name isn't a two-breath reader like, for example, Alex McNair's Central Texas Appliance. If the name is short and is included in the headline of a printed ad, have it set in the same type and size as the rest of the ad, not as it appears on business stationery and signs. Leave the logo for the bottom position. It will only detract from the headline's readability.

Too many rental dealers (and retailers, for that matter) waste valuable advertising time and space by listing or showing every single brand, size, and model they carry. This is a very minor point to the customer reading an ad and should be treated as such. It just goes without saying that a rental operation carries name-brand products, not black-market goods, so don't waste a lot of space or time with brands.

A printed ad should have brand names listed in very small type, perhaps across the very bottom of the ad. A radio ad could have the announcer say at some point, "We carry major brands." The only time dealers should mention a brand name is when they are advertising a particularly good special, for instance, if they have obtained a good price break on 50 refrigerators from Whirlpool and decide to offer one week's free rent for new cus-

tomers. When the ad is this specialized, it's a good idea to change the format from what is usually run so that it will stand out as something really different. Dispense with the above rules and make the headline read, "One Week Free Rent on Whirlpool Refrigerator." Emphasize and promote that one idea in order to get new customers in the door. Put a time limit on the offer to encourage the customer to act immediately. As Chip Emerson of Medial Dimensions in Knoxville states, "What motivates people to buy is fear and greed."

These are some good general ideas to incorporate in white goods advertising. They are not intended to be all-inclusive. Indeed, it is almost impossible to provide all-inclusive information about advertising. Marketing research can be done and certain guidelines can be followed, but in the end even the experts admit that much of effective advertising is a mystical mixture of luck and skill. The mood of the American public can take unfathomable swings toward and against certain products or services. It can be very difficult to predict these changes and even harder to keep up with them. The best thing a rental dealer can do when advertising is to seek out the advice of experts in the advertising field. Do-it-yourself advertising can have disastrous results, just like do-it-yourself plumbing. It's like one successful advertisement tauntingly reminds the viewers: "Sooner or later, you are gonna have to come to us." ■

MANUFACTURERS' NEWS

Toshiba

Toshiba, in its continuing effort to pick up a greater share of the U.S. market, has introduced several new appliance products. A new microwave, at a suggested retail price of \$329, is expected to gain volume sales where cost is a major consideration. Entering the U.S. refrigerator market next summer are two compact models featuring Toshiba's direct cooling system. In addition, two vacuum cleaner models with a turbo head motor for power cleaning action have been introduced, each with a suggested retail price of \$149.

Quasar

Quasar is celebrating its 10th anniversary and is expanding its existing product line. New products featured at the 1984 Summer Consumer Electronics Show include televisions with stereo sound reproduction (TV networks begin stereo broadcasting in late fall '84); a selection of VHS hi-fi video recorders; a teletext decoder (allows user to remotely access pages, indexes, closed captions, news, and much more); and redesigned microwaves with across-the-board price reductions.

Sharp

Sharp gets free-zone clearance and is able to import parts duty-free, pay duty of 5% only on the foreign content value of TVs, pay 4% for microwave ovens it ships from plants in Japan to locations in the U.S., and pay no duty on exports. The clearance applies to Sharp's Memphis color TV and microwave oven assembly plant.

Sharp is the third Japanese color TV producer to get free-zone designation for their U.S.-based assembly plant.

Zenith

Zenith has expanded its television cube series to include six models. The smallest cube is a 25" color console measuring 26" wide. Being introduced now are 13" and 19" bilingual table models that previewed last May and are expected to sell for between \$299 and \$399.

3M

If 3M carries out its decision not to exhibit at this year's WCES, it will end a string of appearances dating back to the first show, held in New York City in 1967. There were 110 exhibitors at that show; there are now fewer than 12 who have attended all 31 CES events.

The decision to stay out of the show was based upon logistical difficulties caused by attending more than one show yearly. And attending one show instead of two will make it easier to make long-term plans.

Fraenkel Wholesale Furniture

Fraenkel has six new sofa-sleepers available in a wide price range, with a choice of style and fabric selection. The sofa-sleepers retail from \$298 to \$598 in Contemporary, Early American, Traditional, and Transitional styles. Fabric selections include antrons, nylons, and herculons in florals, plaids, and stripes.

Perhaps the strongest selling feature is the availability of innerspring mattresses. For a small price increase, the consumer will be assured a good night's sleep on a 252-coil mattress. This feature has been so well received that it will be spotlighted in Fraenkel's fall '84 circulars.

Whirlpool

Whirlpool Corporation's 1984 sales performance "has continued to soar upward through the second quarter of 1984," reports Chairperson Jack D. Sparks. The company's consolidated net sales for the sec-

ond quarter of 1984, ending June 30th, were \$868,175,000. This is a 29.2% increase over the figure of \$672,008,000 for the corresponding period of 1983.

Sparks attributes the company's strong sales performance in the second quarter of 1984 to increased unit shipments over the same period in 1983. Microwaves and room air conditioners were responsible for the increased shipments this year. Last year's figures were down partly because of a work stoppage at the manufacturing facilities.

"One out of every five major appliances sold this year will be a microwave oven — and two out of every three sold will feature microcomputer touch controls," predicts Ron Whitford, merchandising manager at Whirlpool. The company introduced new microwave ovens at its business meeting.

Standard features on all full-size countertop models are 1.3 cu.ft. oven capacity, solar bronze styling, tempered glass window, automatic oven light, end-of-cycle signal, defrost setting or cycle with defrost guide, balanced wave cooking system with 700 watts, and a full color cookbook.

Chapman Chemical Company

An announcement made by Barbara Murray, marketing manager for Consumer Products, eased concern about the ability of WOODguard, a wood preservative manufactured by Chapman Chemical Company, to meet EPA, FDA, and USDA specifications.

Concern was aroused by recent news stories charging that products used to treat wood have been shown to cause cancer, genetic changes, and birth defects in laboratory animals. Jeff Kempster, head of the review branch in EPA's Office of Pesticides, said, "We've taken a hard look at all the exposure situations and we want to approach the highest risk situations with the strongest action and on down to assure safety to the public."

As of July 10, 1984, the U.S. Environmental Protection Agency has imposed restrictions on three pesticides: creosote, pentachlorophenol, and inorganic arsenicals. The EPA's action restricts the sale and use of these preservatives and requires the wood treatment industry to participate in a consumer awareness program to inform users of pressure-treated wood or treated wood products.

More than 1 billion pounds of wood preservatives are used each year to protect lumber from bacteria, algae, and fungi. About 10% of that total is sold in retail stores to consumers who paint the preservative on wood themselves, and Kempster said it is this type of use that most concerns the EPA. Often consumers inhale excessive amounts of the chemical, fail to wear protective clothing, or mix incorrect proportions. The remaining 90% is used professionally to treat wood. It is common practice for rental professionals to treat furniture products before renting to ensure longer wear.

EPA officials said that without these restrictions, the risk to public health from using these pesticides would outweigh the benefits.

Turner Business Systems

Turner Business Systems, Inc., a West Palm Beach, Florida computer software development and marketing company recently announced a major breakthrough in rent-to-own computer assisted management systems. It is called Rainbow Rent-To-Own.

Don Cyphers, president of Turner Business Systems, said the software, in development over the last fourteen months is one of the most advanced inventory and collections management systems that the rent-to-own industry has ever seen. Cyphers explained that the rent-to-own business, which is inventory and labor intensive, has for years been in need of a comprehensive system which can keep up with literally thousands of individual inventory items and customers. In the past, the average rent-to-own business, which has several hundred accounts, all paying on weekly rental contracts, was not able to adequately handle the volumns of paperwork that a manual system generates. This, Cyphers said, caused considerable problems in keeping up with late fees, knowing just where every inventory item is when it is needed and how much return on investment the company is receiving from its rentals.

Now, according to Cyphers, most all the paperwork is eliminated from the rent-to-own/lease-to-own business.

Vehicle Leasing

What Does It All Mean?

The purpose of this article is to explain what leasing motor vehicles means in layman's language, since many times an encounter with a leasing company representative presents a problem in semantic understanding. I will, therefore, provide you with an explanation of both types of leases currently available, as well as the "buzz words" used in the leasing industry.

There are basically only two types of leases available for motor vehicles: "Open-end" and "Closed-end." These two types of leases have been marketed with a variety of names: the "Open-end" has been called "Finance;" the "Closed-end" has been called "Walk-Away," "Net," "Operating," and "True." Whatever the name, the leases are different in structure and in the way they affect the lessee (you).

The most frequently used terms and their common meanings are:

Capitalized cost: The cost to the lessor of the equipment to be leased, including freight, options, special packages and dealer charges. Taxes, license and title fees, inspections, and other state and local fees are not normally included, but may be capitalized by special arrangement; the capitalized cost is usually not revealed for closed-end leases.

Residual value: The unamortized balance of the capitalized cost remaining at the end of the scheduled lease term as determined by the rate of depreciation; the residual value is usually not revealed for closed-end leases.

Depreciation: the percentage used to reduce the capitalized cost on a monthly average to arrive at the residual value; the "depreciation factor" is the same, expressed as a percentage of the capitalized cost. The depreciation is usually not revealed for closed-end leases.

Fair market value: The actual wholesale value of a motor vehicle, established

by bid or average values from wholesale source materials.

A **closed-end lease** is a lease in the purest and truest sense of the word: the lessee is quoted a monthly payment amount, and has no option to purchase at any time during the lease and only at fair market value at lease termination, with the vehicle normally returning to the lessor in the same condition as delivered, less "normal wear and tear," which is usually specifically defined; and there is normally a limitation placed on the total number of miles allowed during the lease term. The lessee is liable for excess mileage as well as excess wear and tear, and has to pay for excessive reconditioning and/or any mechanical or body damage other than minor nicks and dents. There are usually no early terminations, no extensions, and no modifications to the contract, vehicle, or equipment without extra charges.

Why, then, with all this rigidity, does anyone ever lease on a closed-end basis? The main reason is that this type of lease is usually treated as an operating lease for tax purposes, and does not have to appear on a balance sheet or financial statement as an asset. It is also used by companies with very strict vehicle maintenance and replacement requirements. This is also the most prevalent type of lease offered by automobile dealers, as it provides them with a source of used cars for their lots and is most employed for consumer and small local company leasing.

An **open-end lease** is the most popular type utilized in fleet leasing today, as it offers a great deal more flexibility to the fleet user. A company can use the buying-power of a leasing company to obtain vehicles at very good capitalized cost prices, usually \$50 to \$100 over manufac-

turers' invoice cost. The payment streams are preset based on a residual value that is mutually agreed upon between the lessor and lessee: the amount of the residual is the determinant of the actual lease cost after the vehicle has been sold.

An open-end lease offers the lessee the following options at lease termination: (1) The lessee may extend the lease at a new (lower) payment, using the residual value as the new capitalized cost; (2) The lessee may sell the vehicle to any third party for any price the lessee can obtain, or the lessee may turn the vehicle over to the lessor, who will sell it on the lessee's behalf. In either case, any monies received above the residual are retained by the lessee or returned to the lessee, less costs of sale, by the lessor; if there is a loss from the residual, the lessee is responsible for the loss; (3) The lessee may purchase the vehicle from the lessor for the amount of the residual; or (4) The lessee may continue at the original payment and depreciation until the lessee decides to follow one of the other options.

The main drawback to the open-end lease is that the lessee is liable for potential losses as a result of market fluctuations. Vehicle condition is also a determinant on the gain or loss from the residual, but the lessor can assist the lessee with the determination of the proper depreciation to use to keep safe residuals.

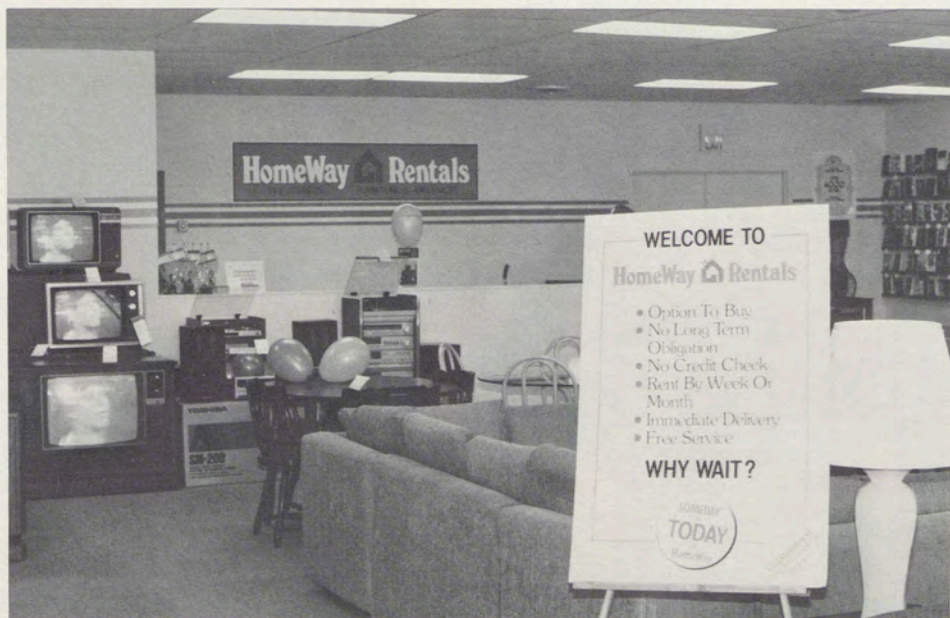
What program you should use (or if you should lease at all) can best be determined by talking to a knowledgeable leasing representative as well as your accountant. How a leasing company can help you save money with your fleet will be discussed in our next installment. ■

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

STORE DESIGN



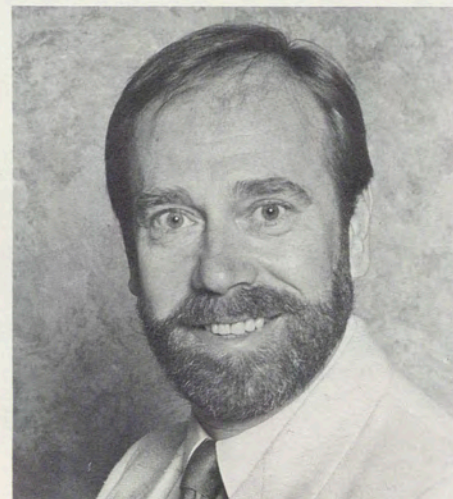
An exterior view of HomeWay Rentals shows attractive signage.



As customers enter the store, a poster displays the HomeWay rental terms.

HomeWay Rentals

Bill Kaspar, Owner



Bill Kaspar, owner of Georgia-based HomeWay Rentals reports to THE APPROACH: "Make Someday Today at HomeWay" is our motto. Our appeal is that we provide quality electronics, appliances and furniture to our customers with immediate delivery and service. Our position in the marketplace is to offer a full product line to a broad segment of the potential rent-to-own market.

HomeWay is two and a half years old. We opened four locations in our first year and six more in our second year. So far this year, we have opened 13 of our targeted 17 new locations for 1984.

Although we are new in the Atlanta and Birmingham markets, HomeWay is striving to be the rent-to-own innovators in both of these markets, with stress on being the "good guys."

HomeWay has a modern and clean look to our rent-to-own stores. Consistent advertising and signage adds to our professional appearance. ■

Should I Rent White Goods?

One dealer explains how he got started with white goods and why he stays with them.

When I first began in the rental business some seven years ago, it seemed that many dealers thought of this as predominately a televisions-only business. Renting other kinds of products was considered risky and not very feasible. That is how I looked at adding white goods to my operation; I was very skeptical.

Making The Decision

I was at least two years into my television rental business before I started entertaining the thought of adding white goods, and the idea really began to make sense to me after I attended the first APRO convention four years ago. I talked to a lot of dealers who were getting into white goods, and the numbers seemed to be adding up positively for them. So I came back home and really began researching the idea. I talked to a lot of manufacturers to find out the best price, the best availability, how to ship, what products were most durable, what terms to look for from suppliers, and I made my decisions based on that information and what I had learned from other rental dealers.

I went into most areas of white goods immediately — mainly washers, dryers, refrigerators and freezers. I updated my television and print ads to include white goods and sent out a mailer to all present customers to advertise the fact that



"At first, the response from my employees to adding white goods was negative. They were not keen on the idea of moving all those heavy appliances."

we had started renting appliances. I induced them further by following up the flyer with a phone call and offered an extra incentive if they rented. It took

a while for the idea to catch on. People had associated us with just televisions for a long time, so we had to be patient.

In the meantime, I had a staff to educate. At first, the response from my employees to adding white goods was negative. They were not keen on the idea of moving all those heavy appliances. Most people are naturally resistant to change, and I tried to proceed with more patience and understanding. To overcome their skepticism, I pointed out the fact that increased revenues was going to mean additional opportunities for them in terms of career advancement, and that got them motivated. I also had the manufacturers' reps come in and give us classes on product knowledge, how to install and remove appliances, and how to service them. I also set up with a local service dealer to handle our repairs.

We then began suggesting white goods to our customers who were about to pay out their current rental units. Here, good salesmanship comes into play because you are trying to convince the customers that since they are used to making a payment every week or month on a television set, now that the set is paid off, it will be painless to apply that same weekly or monthly payment on a washer/dryer set or a refrigerator. It worked, and many of these customers have continued with us for several years.

Continued on Page 63

How Do You Spell Relief?

H.H. SCOTT

Audio Systems Without the Headaches.

S

The Best Rental Warranties

Transferable Parts AND Labor coverage for 5 years on all loudspeakers; for 3 years on all receivers, amplifiers and tuners; and for 1 year on all turntables, cassette decks and compact disc players.

C

Return Rate of Less Than 1%

Our 3-tier testing procedure maximizes product quality and assures you of the highest standards of reliability.

O

Systems for Your Market Needs

Using any combination of components and loudspeakers from our entire line, we can design a system specifically for your needs.

T

Open Replacement Policy

Because the Scott components offered to you are exactly the same as the ones we sell separately, there's no need to purchase an entire system just to replace one component.

T

Personal Attention

We're the only quality, audio manufacturer to make a commitment to the Rental Industry. That's why you can count on the kind of attention you deserve — all with the personal touch you rarely receive from other suppliers.



For relief from your audio headaches, contact our Sales Department at (617) 933-8800.

SCOTT ★
THE HI-FI PROFESSIONALS

H. H. Scott, Inc., 20 Commerce Way, Woburn, MA 01888, U.S.A.
Telephone 617-933-8800 TELEX: 94-9302

RENTAL READING

Rental dealers who want to enrich their knowledge of various aspects of the business world might browse through this recommended reading list.

36

**SMALL
BUSINESS
MISTAKES -
AND HOW TO
AVOID THEM**

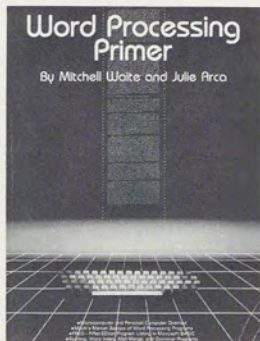
by Mark Stevens

*36 Small Business Mistakes
And How to Avoid Them*

by Mark Stevens

Parker Publishing Company, 1978
\$4.95

This helpful book includes chapters on how to use and plan for credit, how to find a money-making location, how to fight off the threat of runaway inventories, and how to win out over the competition with a little "show biz." This pocketbook edition is handy for stop-and-start reading.



Word Processing Primer

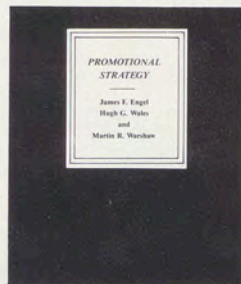
by Mitchell Waite and Julie Arca

McGraw-Hill, 1982

\$14.95

These two experts have focused on the inexpensive microcomputer-based text-editing products to give a complete rundown on the way to generate, correct, and manage all kinds of typewritten documents electronically. They begin with an overview of the word-processing field, detailing potential applications and suggesting ways to get started. Selection of a word-processing system is

discussed, with descriptions of the seven most important features to look for. The book includes a mini-catalog of available products with a comparison of capabilities, features, limitations, and prices.



Promotional Strategy

by James F. Engel, Hugh G. Wales, and Martin R. Warshaw

Richard D. Irwin, Inc., fourth printing, May, 1976

\$30.00

This is a basic textbook dealing with various communication methods in the field of advertising. It builds on a base of consumer psychology and treats advertising, reseller stimulation, personal selling and other communication tools as part of an overall promotional mix. The book deals with these areas from the perspective of both the producer and the consumer. True textbook style, worth reading and keeping on hand for reference.



*Reality-Centered People
Management — Key to
Improved Productivity*

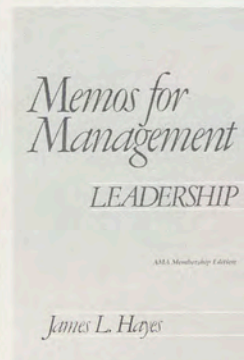
by Erwin S. Stanton

AMACON, 1982

\$14.95

The author, president of E. S. Stanton and Associates, Inc., Human Resources Consultants, draws on his

13 years of experience as a personnel executive in industry to give a penetrating look at the decline of employee productivity in America and an analysis of what can be done about it. This book examines the realities of today's work force and the changing role management must play in coping with it. In addition, the author describes an effective and result-oriented system for managers to use in directing their employees. This book is easy to read and practical as well. To order write the AMA, 135 W. 50th, New York, NY 10020.



*Memos for Management —
LEADERSHIP*

by James L. Hayes

AMACON, 1983

\$14.95

This collection of short articles addresses aspects of successful leadership in sections dealing with people, character, careers, ethics, and leaders as social beings. The articles reflect the humanistic philosophy of a man who has devoted his life to the betterment of management. His philosophy is firmly grounded in the realities of the working world and his writing style is eminently readable. Mr. Hayes is currently serving as chairman of the Board of American Management Associations. In addition, he serves as director or trustee of numerous major American corporations and institutions.

Editor's Note: Please send information on any recommended reading to THE APPROACH, 1866 InterFirst Tower, Austin, TX 78701.

The Legal Services Corporation and the Rental-Purchase Industry

Continued from page 25

The NCLC goes on, however, to make preposterous claims against the industry and to suggest bizarre and untried legal solutions. It remains to be seen whether distribution of these reports will increase the number of lawsuits filed against rental companies. In theory, no legal aid lawyer can take any action against a rental company unless a disgruntled customer first finds his or her way to a legal aid office. It would be unethical in all states for legal aid lawyers to solicit rental customers for lawsuits. The ethical prohibition should extend to preventing legal aid lawyers from inquiring about rental transactions of people who are clients on other matters.

The NCLC argues that the central issue for most rental customers is "the exorbitant pricing structure." *NCLC Reports* stated that rental customers can pay up to 12 times what a cash customer would pay for the same appliance. Such arguments lead naturally to suggestions of price control, and one legal aid lawyer has asserted that no retailer should ever be able to mark up an item more than 30 percent of the wholesale cost.

A second serious problem with rental companies, according to the NCLC, is collection tactics. It is true that there have been isolated instances of harassment and even violence during repossession attempts. In every documented case, however, any wrongdoing was the result of an over-zealous employee, and not of any company policy. In any case, when rental companies, or any other companies, use overly aggressive repossession tactics,

they usually end up paying dearly for the abuse.

The NCLC also alleges that some companies are guilty of "switch-out" tactics. "A representative of the company will tell the customer that the appliance is being picked up for repairs or maintenance when in fact it is being repossessed." If there are companies engaging in this tactic, it is fraud, and the companies will be liable, often for two to three times the value of the merchandise plus attorneys' fees.

NCLC Reports has catalogued several "substantiated customer problems" with rental companies: delivery of defective merchandise, failure to promptly repair defects, delivery of used merchandise when new merchandise was expected, failing to make clear to the customer how the purchase option works, threatening and initiating criminal prosecution procedures to collect arrearages, placing risk of theft on the customer. After explaining the nature of the business and the alleged problems, the articles go through state and federal laws and outline legal arguments that can be made against rental companies.

State Deceptive Trade Practices Statutes

Every state has enacted strict consumer protection statutes replacing and enlarging upon old common law notions of fraud. These statutes have been used successfully against a variety of businesses. The laws have teeth and it simply does not pay for a business to flout them. Most of these statutes have "laundry lists" of violations for which a business can be held liable, virtually without defense. As

applied to the rental industry, the NCLC recommends that legal aid lawyers look for the following:

- Misrepresenting of prices as bargains.
- Advertising low prices and switching the customer to a higher-priced item in the store.
- Misrepresentation in advertising concerning credit checks, low payments, etc.
- "Lowballing" — adding extra charges (for delivery, etc.) after a deal has been struck.
- Misrepresenting used appliances as new.
- Misrepresenting the likelihood of obtaining ownership through rental (compare with claims by vocational schools and business opportunities).
- Misrepresenting routemen as law enforcement officials.

Dealers should be aware that many of these statutes are written not to protect the "reasonable" customer, but the credulous or even foolish customer. This standard makes the legal aid lawyer's task easier when proving that the client was deceived by the company.

The obvious solution to avoiding deceptive trade problems is to shoot straight with the customer. This includes a careful explanation of *all* the terms of a rental-purchase contract, and perhaps even the differences between rental-purchase and traditional retail financing. Because the concept of rental-purchase is still relatively new in some parts of the country, customers can still argue that they were "confused" and did not fully understand what they were getting into. This attitude is the first step toward a deceptive trade practices claim, and can only be avoided by patient and well-trained staff taking the time to make sure every customer understands fully what rental-purchase is all about.

■ The NCLC goes on. . .to make preposterous claims against the industry and to suggest bizarre and untried legal solutions.

Usury

The NCLC argues that legal aid lawyers can still make usury arguments despite the clear weight of legal authority to the contrary. An article in "Consumer Usury" mentions four recent court cases, two holding that rental-purchase agreements are not subject to state usury laws and two holding that they are. The difference, conveniently ignored in the article, is that the two courts holding in favor of the industry were state supreme courts (Maine and Maryland) and the two courts holding against the industry were lower trial courts (Tennessee and Wisconsin). Incidentally, the Wisconsin case is on appeal and has already been contradicted by another state trial court. The Tennessee case, decided on peculiar facts, has been settled.

Warranty Problems In RTO Transactions

To date, there has been no reported litigation involving breach of warranty by rental companies. *NCLC Reports* nonetheless raises the issue as a possible source for litigation against the industry. The Uniform Commercial Code Article 2 (state law) and the Magnuson-Moss Warranty Act (federal law) regulate warranties, both express and implied. Implied warranties arise by operation of law due to the nature of the transaction. Implied warranties in sales transactions are that a product sold is "merchantable," that is, of average quality and sometimes "fit for the use intended." Express warranties concerning a product's durability,

they may be liable for breach of warranty if rental property breaks down and is not fixed within a reasonable time.

Damages for breach of warranty may include an amount of money equaling the difference between the value of the contract as warranted and the value as received, or cancellation of the contract.

Warranty problems have not been troublesome for the industry, and, the NCLC's suggestions notwithstanding, they are not likely to start causing problems in the near future.

The "Security Interest" Issue

The NCLC argues that UCC Article 9 applies to rental-purchase transactions because of the security interest involved. This is still an open legal question, as explained more fully in the Government Relations report on Pennsylvania in this issue of *THE APPROACH*.

The NCLC argument is that rental-purchase agreements are not what they purport to be. The NCLC assumes, with no evidence whatsoever, that rental-purchase rates are "far in excess of the appliance's fair market rental." The difference, it is argued, is equity, and therefore customers cannot really terminate rental agreements without suffering the same negative economic consequences as if they defaulted on a retail installment sales contract. To make such an argument, of course, is merely to say there is no difference between breaching a contract and not breaching a contract. Such a proposition is not true now in the law and never will be.

■ The NCLC refers to one company that hangs a sign on all of its rental items saying, "This set is guaranteed." That kind of language is so vague as to be dangerous.

Federal Truth-In-Lending

The NCLC does not break any new ground in its discussion of the federal Truth-In-Lending Act's applicability to rental-purchase transactions, other than to lament the Federal Reserve Board's position on the issue. Effective October 1, 1982, the regulatory definition of "credit sale" was rewritten to exclude specifically leases that are "terminable without penalty at any time by the consumer."

The NCLC offers a lame argument that if a customer cancels late during the rental term, there really is a penalty due to the loss of "equity." This argument has never been raised in court and even the NCLC admits that the argument would have to be developed "with care."

dependability, or other characteristics depend upon what the company tells the customer about the product.

In making representations concerning their products, dealers should be careful and they should be specific. The NCLC refers to one company that hangs a sign on all of its rental items saying, "This set is guaranteed." That kind of language is so vague as to be dangerous.

Some companies offer whatever warranty the manufacturer extends. Others offer their own company warranties. Because of certain requirements in the Magnuson-Moss Warranty Act concerning written warranties, rental companies should consult with their attorneys before offering any written company warranties. The wording of any such guarantees has to be provided in a specified format.

Since most companies advertise service as part of the overall rental package,

The 3-Day Cooling Off Rule

The NCLC does raise an issue that rental dealers need to pay attention to in an article entitled "Practice Tip: RTO Often Violates 3-Day Cooling Off Period Rule." The Federal Trade Commission has a rule, and many states have similar statutes, governing door-to-door sales. Fearing high-pressure tactics from door-to-door salesmen, the FTC and state legislators provide that such transactions must be accompanied by written notice of the buyer's unilateral right to cancel the entire transaction any time within the first three days. Leases are covered by the FTC rule as well as by most state statutes. The FTC rule specifies a \$25 minimum in order to exclude milkmen, and similar delivery people. A Minnesota trial court

Look For Our New Look.

In our next issue, a new look and a new name. Because we want your magazine to be as progressive as your business.

ruled in 1979 that the rule did not apply to weekly rental of an appliance because the weekly rate was less than \$25. The NCLC suggests that legal aid lawyers argue that the appropriate figure is the total transaction cost, always greater than the minimum \$25.

A few rental companies may actually be doing door-to-door solicitation of customers. If so, they must comply with the written notice requirement. A few companies have elected to do so anyway, even though they make no door-to-door solicitations.

The NCLC argues that the rule applies even when the customer calls the store to order a product, but signs the written contract in the home. There are no cases on point. Rental dealers can probably argue successfully that the deal is consummated on the telephone, since all essential elements are agreed to on the phone prior to delivery — product, price, etc. Nonetheless, because state laws on the subject vary, because the issue has not been litigated, and because the NCLC suggests it may be a weapon to use against the industry, rental dealers are advised to consult with local attorneys to determine whether the three-day rule might apply to the way they do business. Aside from the considerable paperwork involved, dealers who are complying with the disclosure

requirement report no adverse impact on sales.

Debt Collection

The NCLC reports that the rental industry generates a disproportionate number of consumer complaints about abusive collection and repossession tactics. To the extent that this claim is true and not merely the result of disgruntled rental customers, who neither want to pay rent nor return their products, rental companies may be vulnerable to serious attack. Most dealers respond that stories of such tactics are from the “old days” and that today’s rental company employees are carefully schooled in the acceptable methods of collection. The industry certainly does not condone abusive collection practices. In that regard, the industry is in accord with the NCLC, although it is open to question whether the NCLC would join with the industry in condemning dishonest customers who connive to retain merchandise without paying rent. In any case, the penalties for abusive collection practices are severe. Even without invoking any legal penalties, rental companies who abuse their customers will not long survive in the increasingly competitive rental-purchase marketplace.

Conclusion

By virtue of its announced policy of harassing the rental purchase industry, the LSC has made another enemy. This is unfortunate, because much, perhaps most, of what legal aid lawyers do in this country is sound and worthwhile legal work. This country must have some form of publicly supported legal assistance program for poor people. It is unfortunate that the controls over the LSC are so lax as to allow some of its radical lawyers to launch an unwarranted attack on a new and popular industry. Legal aid lawyers, of course, never see or hear from the hundreds of thousands of satisfied rental customers. They see only the few who for various reasons are unhappy with some company’s rental program. They have gotten a distorted view of what this industry does and its position in the marketplace. Until this view can be corrected, the legal aid establishment will continue to promote a negative image of the rental-purchase industry. ■

The Legal System
Bites Back

See page 90.

A Special Award To A Special Friend



Barry Gambini

"You can't repay time and dedication and loyalty. But you can recognize it and applaud it." So spoke R. C. "Bud" Holladay as he presented President Barry Gambini with APRO's Award of Excellence. Applause rose in tribute from APRO members gathered at the Sunday evening gala dinner-dance during the Las Vegas convention in July.

"Four years ago," Holladay said, "the rental industry needed a friend. We had few. We had our detractors, our critics. Those who'd condemn what they wouldn't understand. Even among ourselves, we argued. Because — being rental dealers — we each think we are right.

"The past few years, we've found a friend. I want to describe this friend, and what he's meant. He's a very special friend to you and me. Because he believes in us. This friend has traveled from coast to coast, speaking our voice in the offices of Congress, talking to rental dealers with problems, offering solutions and a helping hand. He's been a negotiator in our interest...a diplomat for our cause...an ambassador to others. Our friend didn't ask for reimbursement, or special favors, or payment. He didn't even have an expense account. Just a big heart, and inside that heart a strong belief that your business, and you, should be able to survive scrutiny and thrive in the free market. Because our friend believes in you and me, he believes your business should stand and be recognized for what it is —

the most innovative development in retailing since the Great Depression. That's the kind of friend we have.

"And," Holladay continued, "it wasn't always an easy sell. We had our factions, our disagreements. But through it all, our friend pulled us together with his professionalism, his pride, and his integrity. And most of all, to those who know him well, his humor.

The steps that led Gambini, now chairman of the board and CEO of Rent-To-

Own, Inc., as well as APRO president, to that moment of recognition and accolade from the industry began almost haphazardly.

Back in 1968, when he was in the retail business supplying washers and dryers to a number of laundromats, he accepted 20 used turquoise, coin-operated washers in trade for some Maytags he had sold.

Ancient in design — with glass tops — they were nevertheless in good working order. They were sent to the service department to be cleaned while Gambini pondered their fate. They were too outdated to be used further in a laundromat, and the coin boxes hindered their resale appeal. He was hard-pressed to find them a good home.

The idea that he finally hit upon was really more humanitarian in its approach than profit-oriented. Gambini decided to rent the washers out cheaply to migrant farm workers who were trying to eke out a living in the San Joaquin Valley.

"We figured," he explains, "that if there was anyone who really needed those washers, it was the farm workers in their camps. So we put an ad in the paper advertising an extremely low weekly rate, and they were rented immediately. The farmers leased them for their camps and many even put them in their homes, coin-boxes and all. That's how I got started in the rental industry," Gambini chuckles, "with 20 turquoise-colored washing machines."

Of course, he has since gone on to become one of the important moving forces in the rental industry. Currently, he controls RTO, Inc., which owns 33 rental stores throughout California, and is presently in the process of franchising on a national basis.

Gambini has been APRO's president since 1982 and was recently re-elected to his third term in office. During his presidency, he has been actively involved in pursuing the passage of federal law relating to the regulation of the rental industry. Also, he has traveled extensively throughout the country as a lecturer on the APRO seminar circuit.

This very special friend to APRO is regarded just as highly by the people who work for him and with him at Rent-To-Own, Inc.

Mike Shapiro, director of marketing, added, "His great business mind and his big heart make him the complete entrepreneur."

Kathy Webster, his executive secretary, expressed it this way: "Barry is one of the nicest people I have had the opportunity to work for. Even with a very busy schedule, he always has time for his employees. His genuine concern and interest in others make him a very special kind of person."

"I go back with Barry to the late 60s when he first began," Joe Cotter, chief financial officer, said. "I have had the privilege of watching him take a concept and turn it into one of the major rental companies in the industry. My compliments to a true entrepreneur."

And from Noel Wright, RTO president, "Gambini, exorbitantly inexorable."

A profile of Barry Gambini would be incomplete without mention of his compassionate interest in children. He is active in the Child Welfare League of America, and a board member of the California State Foster Parent Association and the Federal Child Abuse Council. He and his wife Susan have been foster parents to a number of children. Gambini is also an active member and supporter of Big Brothers/Big Sisters of America.

APRO's "special friend" — special indeed. ■

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Appliance Rental Trends

Whether you call them "white goods" or "almond goods," they're good to carry.



Rental dealers who are thinking about adding white goods to their product lines should be interested in what one dealer, who added them a year and a half ago, has to say: "It's the most profitable thing I've ever done."

The increasing popularity of white goods in the rental industry is not really so surprising. Of course, TVs and stereos have dominated the market for years and still command an impressive 70% of units for rent in the typical rental store. Indeed, the rental industry has been built on the American consumer's "need" to have these items in their homes. What that product base has done over the last few years, however, is make rent-to-own a household word, thereby opening the public's collective mind to the concept of renting other kinds of products — like white goods. In effect, brown goods have paved the way for greater acceptance of renting white goods. Rental dealers who offer white goods are reaping the benefits of this growing trend, and white goods manufacturers are looking at their rental customers with great interest and respect.

A visit to the local laundromat offers one clue to the increase in consumer interest in white goods. The cost of doing a family's weekly laundry is nearing the average cost of renting a washer/dryer.

The figures vary somewhat from dealer to dealer, but white goods constitute 20% to 25% of an average store's BOR. This

is not enough to convince a rental dealer to rush out and add white goods, but it becomes a much more significant figure when the keep rate of white goods is considered.

Across the board, white goods stay out on rent much longer than brown goods or furniture, and they go to term more often. This is an important fact. Many dealers have shied away from white goods because of the problems with wear and tear. Dents and scratches on white goods are more noticeable and often more difficult to repair, and most customers don't want large "trashed out" looking items displayed in their homes. The high keep and term rates, however, greatly minimize wear and tear. Also, delivery of these bulky products is tricky, and most dealers don't relish the thought of picking up a refrigerator every day, especially if it is on the third floor of an apartment complex. Again, however, the keep and term rates make for fewer pick-ups.



With more families looking at rental as a means of acquiring home appliances, the level of "shopper sophistication" has risen. Customers are demanding higher quality than before and are willing and able to pay for it. Dave Kretz, Vice-President of Home Laundry Sales at Speed Queen, says, "The rental customer is becoming much more educated about appliances. They realize that there is a good chance that they'll wind up

owning the product, so they want a higher quality than they did before."

This trend is illustrated by the success of full-size microwave ovens over the compact sizes. Rental customers are far more educated on the use of microwaves than they were several years ago. They now demand the full-size models with features that will allow them more cooking capabilities and culinary creativity.



Conventional ranges are moving slightly faster in the rental industry than they did a few years ago. Tom Kitchens, Manager of Rental Sales at Whirlpool, notes that ranges constituted only about two percent of his company's distribution to rental dealers a few years ago and now they are at four percent. He says that electric ranges outsell gas by about two to one and claims that this is due to buyer demand, not to dealers, who certainly have more headaches installing gas ranges. Kitchens says that the same ratio holds true for electric dryers.

As American homes become smaller, Whirlpool has reduced, in proportion, the size of their full-size washers and dryers, from 29 inches to 24 inches wide. Kitchens noted, however, that these smaller full-size models are still moving better in the rental industry than the compacts; about 80% of his sales to dealers are full-size models.

Kitchens also states that the majority of the white goods his company sells to the



Speed Queen offers many point-of-purchase displays designed specifically for rental dealers.



rental industry are in the mid-range of features and prices. "People want a few features nowadays. So what seems to move the best in washers and dryers are the 3- to 4-cycle types with multi-speeds." He does not see the more advanced solid-state appliances making it in the rental industry until the cost comes down and consumer awareness increases.

White goods appear to rent at a pretty steady rate, with only a slight rise in washers and dryers in the summertime when increased usage results in more breakdowns. Some dealers also report a slight increase during the Christmas holidays.

As far as color is concerned, all indications are that we may soon be referring to appliances as "almond goods." Nationwide, the almond color is as popular as white. Some stores still carry white exclusively, but those who do offer almond as well are finding the two colors running a

neck-and-neck race, with almond beginning to edge out in front.

Betty Coolidge of Mrs. T's in Connecticut stocks white only, and explains, "Most homes in the New England area have basements that are used as laundry rooms. So folks don't care a lot about fancy colors. White suits them just fine."

On the other hand, Bill Kaspar of HomeWay Rentals in Georgia cites that he rents six almond colored appliances to one white. On the average, however, white and almond seem to be even in popularity.

Understandably, the increase of white goods rentals has stimulated a lot of interest by the manufacturers of those products. They are beginning to respond to the needs of the rental industry in very positive ways. Dave Kretz of Speed Queen describes some of the changes his company has made to accommodate his rental customers: "We've developed the optional

19-month warranty, and dealers are very happy with that. We also market a caster kit for washers and dryers that makes installation much easier." At the specific request of rental dealers, Kretz explains, "We have also developed a kit that allows conversion of dryers from 220 volts to 110, and narrowed the width on both our washer and dryer."

The trend in white goods rental indicates that customers are becoming much smarter shoppers who want more for their money than before. As the rental customer base spreads to include more levels of income, the demand will be for a higher quality product. Already, the demand for low-end products is evaporating. Rental dealers would do well to stock up in the mid-range of appliances and possibly start adding a few high-end products to keep up with new and more sophisticated rental customers. ■

Rental-Purchase Goes Public

Last November, Rent-A-Center became the first chain of rental stores to offer stock to the public. Here is the story of that monumental event.

The decision to "take a company public" is a major development in the business life of any company. While there have been a handful of companies which have actually reversed the mechanism and "gone private", most market observers agree that "going public is forever." It has a profound impact on the way a company is run. It often means sudden wealth for the owners, and in the best of circumstances is a lucrative investment for new stock purchasers.

Companies' decisions to go public run in cycles. The number of companies going public in 1979 alone, for example, exceeded the total of new offerings from the years 1976, 1977, and 1978 combined. In November, 1983, Rent-A-Center, Inc. based in Wichita, Kansas began trading its stock over the counter, the first rental-purchase company to do so. The initial offering of 1,425,000 shares of common stock was priced at \$14.50 and sold out within a matter of days. The offering was underwritten by Kidder, Peabody and Company. The stock hit the market just at the tail end of a bull market, and in early 1984, with interest rates on the rise, the market weakened considerably. Rent-A-Center stock, like most others, fell in price — to as low as \$10 a share. The market has rebounded during the past few weeks, and Rent-A-Center stock has enjoyed the rebound. Research analyst Herb Buchbinder at Kidder Peabody said that the over-the-counter market really collapsed just after the Rent-A-Center offering. Despite the initial stumble, Buchbinder believes that Rent-A-Center stock should be selling for \$25 a share in a couple of years.

Of the stock offered, 625,000 shares were offered by the company and 800,000 shares were offered by owners. After expenses and underwriting commissions, the sale netted about \$7.5 million for the company and over \$10.7 million for the company owners, Frank Barton, Tom Devlin, Tony Heatherly, and Gene Heg-

gestad. The initial offering sold about 20 percent of the company to the public. Another 13.4 percent of the company's stock was exchanged for stock in a number of limited partnerships in which Rent-A-Center had been the general partner. After the offering, the company owners still control about 68 percent of the stock.

Rent-A-Center is one of the success stories of the rental-purchase industry. By being the first rental company to go public, Rent-A-Center has enhanced its image within the industry and the image of the industry in the eyes of investors across the country. It has added a sizable influx of capital into the company to allow for expansion plans and further development. It has allowed company owners to "cash in" on their efforts while retaining significant control over the future of the enterprise.

This article will examine the process of taking a company public, using Rent-A-Center as the example. In addition it will look at some of the changes that have resulted within the organization as a result of becoming a publicly held company.

Going Public: Pros and Cons

A quick look at the numbers of the Rent-A-Center public offering might indicate to company owners that it is always a good idea and a profitable one to take a company public. Like all major business decisions, however, there are advantages and disadvantages to be considered. Over twenty percent of chief executives interviewed in the early 70s said they were disenchanted with the results of going public.

Listed as one of the chief advantages of going public is that new funds are obtained from the offering. These funds can be used to develop, expand, retire indebtedness, or diversify. Rent-A-Center plans to use its money to open 25 to 30 new stores during the next fiscal year which began August 1, 1984. In addition,

Gene Heggestad, Executive Vice President and Chief Operating Officer, reported in August that, for the moment, the company was completely debt-free. Such a statement is rare for a rental-purchase company. A public offering increases a company's net worth. Rent-A-Center's balance sheet improved by adding \$7.5 million in equity and reducing debt by an equal amount. The company's debt/equity ratio changed from 1 to 1.49 to 1 to .35. Such numbers will often improve a company's ability to borrow. It can improve relations with lending institutions and, if the stock continues to perform well in the market, the company can go back to the market with additional stock to raise funds.

Rent-A-Center was using a revolving bank credit line of \$18 million paying prime or less plus a modest commitment fee on the unused portion of the line. Long term debt for the company accounted for 22 percent of total capitalization. When the initial offering was completed, Rent-A-Center retired \$7.5 million worth of debt. The company estimates averaging \$3 million of debt in fiscal '84 and from \$5 million to \$7 million for fiscal '85 to allow for expansion. Shortly after the offering, the company reduced its credit line from \$18 million to \$10 million to reduce commitment fees. Bob Taylor, Chief Financial Officer of Rent-A-Center, reports that the public offering has not really changed Rent-A-Center's relations with its bank and added that they have been on very good terms for a long time.

One way for companies to expand is through acquisitions. A publicly traded company can buy companies with stock instead of cash. Under certain circumstances, these transactions can be conducted as tax-free exchanges to sellers. Rent-A-Center is actively pursuing acquisitions via stock trades but reports none have closed so far. The stock will likely

have to show some stability before rental-purchase company owners will take it instead of money. In addition, the recent sale of Remco, as well as Rent-A-Center's successful public offering, has raised the asking price for most rental-purchase stores. In each market Rent-A-Center has to balance the price of an acquisition against the costs of opening a new store.

Another attraction of having publicly traded stock is that a company may be able to attract top level personnel with offers of stock or stock options as incentives. Employees can thereby receive some income at capital gains rates. Rent-A-Center has instituted a stock option plan available to company personnel beginning at the store manager level. Heggstad believes that the public offering will be a powerful recruiting tool for the company. "Stock options with a public company are attractive to new employees. Along with the stock options is greater name recognition. We issue a quarterly report that shows we are growing and making money. Overall, it gives employees a greater sense of security."

Most analysts agree that there is a psychological sense of financial success and achievement associated with taking a company public. Owners often feel that they have "hit the big time." Associated with this sense of success is the fact that owners obtain a high degree of liquidity for their own investment. Before the Rent-A-Center owners went public, they had a prosperous and valuable company, but there was no way to know for sure the value of their enterprise. Nor was there any way to cash in on what they had built other than to sell out completely. The public offering allowed all four owners to "cash in" immediately on a portion of their investment and, if the stock performs well, they can look forward to cashing in on more in the future. However, by law, controlling shareholders have certain restrictions on how much and how often they may sell their stock. The law was designed to prevent "bail-outs" by owners. Barton, Devlin, Heggstad, and Heatherly all reported that they have no present intention to sell any of their stock in the foreseeable future.

There is, finally, a certain real prestige with going public. A company is suddenly completely out in the open and completely above-board in its dealings. This often helps a company gain quicker and better recognition in the marketplace and can improve relations with vendors and customers. People from both groups may become shareholders and thereby have an interest in doing even more business with the company. While the Rent-A-Center offering is perhaps too new to attract those kinds of purchasers, vendors and

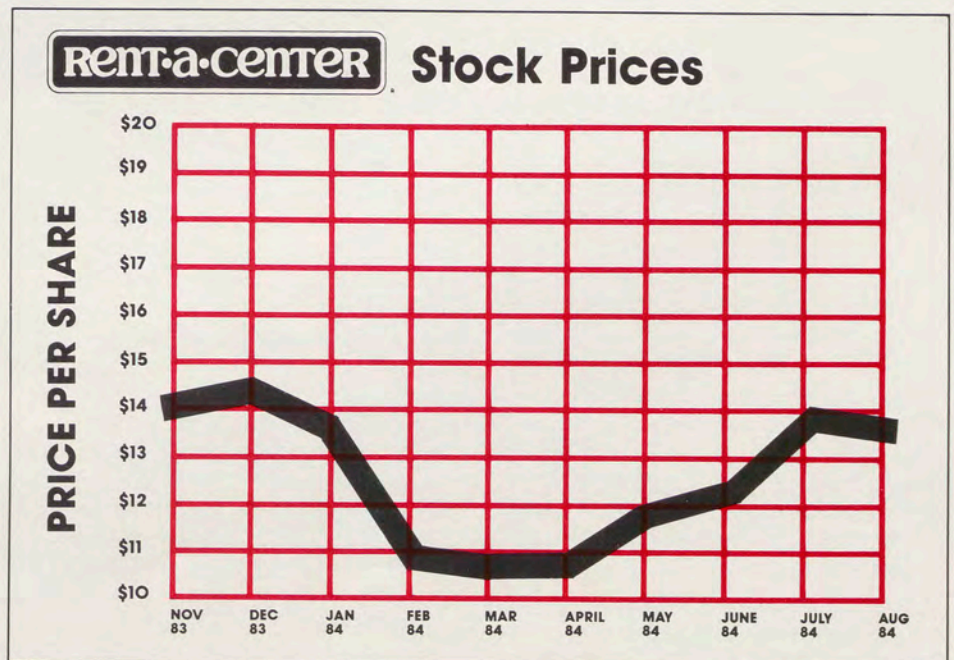
even Rent-A-Center bankers have purchased a few shares. Heggstad reports that 40 percent of the Rent-A-Center stock sold in the offering is held by institutional investors. One firm owns 250,000 shares. Institutional investors tend to have a longer term outlook on stock purchases, and help keep the market stable in addition to adding prestige to the stock.

The pecuniary and psychological benefits of going public are substantial. However, the costs, primarily in the area of corporate control, cannot be ignored. In the first instance, once the public owns a portion of the company, the company's affairs must be made public. In some cases owners might prefer that some corporate information not be disclosed — salaries, transactions with management, balance sheet details, etc. Common fears are that disclosure of sales and profits figures to the competition may put the company at a disadvantage. Indeed, competitors who study the Rent-A-Center prospectus can learn a great deal about how the company does business. For example, anyone interested can learn that the typical Rent-A-Center showroom without furniture has about 2,000 square feet. A new Rent-A-Center store requires about \$300,000 worth of financing during the first year. The pre-tax loss for that year will be about \$100,000. It takes from 6 to 9 months for a store to become profitable. Two to three years out, an average store will have 1000 BOR, 60 to 80 units in inventory and rental revenues of approximately \$750,000. The salaries of several Rent-A-Center officers even found their way into a publication of the National Consumer Law Center as evidence of alleged bloated profits in the industry.

Consumer advocate Jane Bryant Quinn discussed aspects of the Rent-A-Center prospectus in an article for *Newsweek*. Indeed, Rent-A-Center had to disclose the details of all pending litigation, allowing Quinn to assert that "the company faces lawsuits in two states (Tennessee and Connecticut) that challenge the very basis of its existence." Omitted by Quinn but fully disclosed in the prospectus is the fact that owners Barton and Devlin have personally indemnified the Company against any losses from the Connecticut lawsuit in excess of \$500,000 and up to \$2 million. Disclosures made after the prospectus was issued explain that the Tennessee lawsuit has been fully settled with no loss to the company.

Rent-A-Center management is quick to point out that going public has cost the company some decision-making flexibility. Heggstad, as chief operating officer, feels the change most acutely. "We are not as quick to respond to changes in the marketplace as we used to be. We have to take extra steps and keep our stockholders in mind." Bob Taylor, chief financial officer, agrees. "There has definitely been a loss of freedom as far as 'running the company' is concerned. It takes more time now to do anything. We used to do three year plans for the company. Now we have to take the time to do five year plans. The stock market expects and rewards consistent growth. We can't grow fast and then slow down. We can't take out big profits one year and grow fast the next," says Taylor.

Rent-A-Center must also consider more factors during the decision-making process. Rent-A-Center management has had to learn what things stock market





Tom Devlin
President



Frank Barton
Chairman



Tony Heatherly
Vice-President
of Franchising

analysts look at, price/earnings ratios, for example. According to Tony Heatherly, Vice President of Franchising, "We definitely have to pay attention to the market reactions to our business decisions. We are not a glamour stock, like the high tech industries, and earnings are what will help our stock." He went on to note that the limited partners own more stock now than they did when it was first offered. "Wall Street people like to see that," said Heatherly. "It shows great confidence in the company." Heggstad noted that all of a sudden the company had to think about selling the business not only to rental customers, but to investors as well. It is not at all unusual for investors and analysts to visit a store, act like a customer and see what happens. To survive that kind of scrutiny, a company must take pains to see that the operation is run "by the book" from top to bottom. Such scrutiny may be good for a company ultimately but, notes Bob Taylor, "you must want to be a disciplined company to go public."

Not only does going public slow down the decision-making process and affect management flexibility, it has a direct impact on the decisions that are made. There are practical, if not legal limits on items like salaries, fringe benefits, dealings with relatives and the like. Tom Devlin reports that since Rent-A-Center went public he rides coach on airlines and parks in the long-term lot at the airport. The company used to lease its corporate office site from Devlin and Barton. As a direct result of the decision to go public, they sold the property to the company at its appraised value. Management elected to divest the company of several oil and gas leases in order to focus the company's attention on the rental business. The company also sold off stock in a company operating health club facilities in Wichita.

A publicly held company wants a certain image for its investors. That image may differ slightly or significantly from the image held by the company's owners. The Rent-A-Center public image, as portrayed by Kidder Peabody, is as a company already in a position of leadership in its field, poised for dramatic and aggressive growth. Many of the manage-

ment decisions before and after the public offering reflect the company's efforts to enhance this image.

Changes in the Rent-A-Center marketing program reflect the new requirements of being a public company. For a long time, the company used a local Wichita ad agency. "It was almost like having an in-house agency," according to Sam Moyers, vice president of marketing. The public offering and the new growth for the company has changed the entire focus of the advertising campaign. "In the past we tried to rent TVs with our ads. Now we're going to focus on rental generally as a viable alternative. The quality of ads is important, too. In addition to customers, investors and analysts are now looking at our ads," says Moyers.

Another disadvantage to going public is administrative cost, both in time and money. Devlin reported that it cost the company over \$1 million to go public. Accounting and legal fees invariably increased materially. Annual expenses include the preparation and distribution of annual reports and proxy materials. There are also reports to the Securities and Exchange Commission which must be filed. Printing costs alone were \$300,000. Taylor estimates it will cost from \$10,000 to \$20,000 to publish an annual report.

None of these figures reflect the time spent by company personnel. Both before and after the public offering, company officials must take time off from running the company to make presentations to brokerage houses and institutional investors. Rent-A-Center management made trips to New York, London and elsewhere to sell the concept of the rental-purchase industry, particularly Rent-A-Center, as a sound investment. Time away from the business by those at the top hurt. Sam Moyers admits, "We weren't really aggressive because we were in flux. We missed some opportunities." Part of the problem may have been the change in advertising agencies. Part of the reason was also due to the diversion of energy and resources from the business of renting TVs to the business of going public.

While the initial public offering has been successfully concluded, it will not

be business as usual for Rent-A-Center executives. They must continue to spend a portion of their time developing shareholder relations and generally keeping the company visible to the investing public.

Another disadvantage mentioned about a public offering is the fact that company owners are often in high tax brackets and do not want the company paying dividends which get taxed twice. Underwriters and investors, on the other hand, may desire a healthy dividend to make the stock more attractive. Rent-A-Center was able to announce a no dividend policy "for the foreseeable future" with no apparent adverse results because of its demonstrated high return on equity. It remains to be seen whether the stock will be able to hold its own in 3 to 5 years if the policy does not change.

A disadvantage frequently listed as a part of going public is the dilution or even loss of control of the company by the owners. The percentage of a company offered to the public is a matter of negotiation between the owners who want to retain sufficient stock to control the company and the underwriters who want to sell a sufficiently large number of shares to create an active market for them. Analysts suggest that a minimum for 200,000 to 300,000 shares in the \$10 to \$20 price range need to be sold to achieve broad national distribution, to maintain an active aftermarket, and avoid erratic price movement. There has been no real loss of control in Rent-A-Center and, in fact, the board of directors remains the same for the publicly-owned Rent-A-Center.

The Process Of Going Public

Heggstad reports that Rent-A-Center began planning to go public five years ago. The company, like all companies, had to do its share of corporate "cleaning up" to get ready for the public offering. It took attorneys and accountants two months to make certain all of the corporate books and accounts were complete and up to date including the books of all subsidiaries.

Prior to the public offering, the financial arrangements of the Rent-A-Center network were complicated. In addition to the company, Rent-A-Center of America, with its 15 stores, there were 30 limited partnerships with a total of 34 separate limited partners operating 51 stores. The company had also licensed the use of the name, Rent-A-Center, to several other companies owning stores. In addition,

Continued on page 85

Refrigerator Rentals

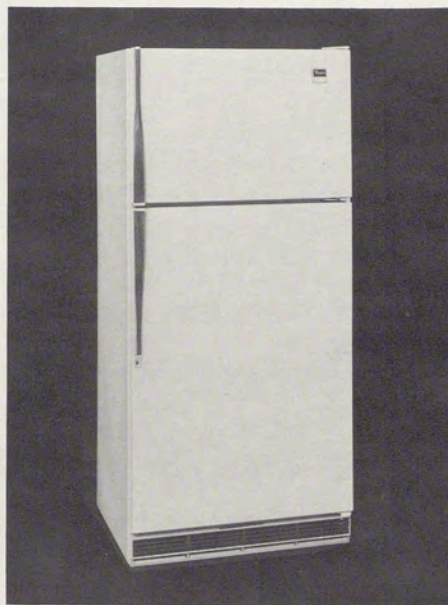
The Cold Facts

Refrigerators may be big, bulky, and bothersome to deliver, but they are being rented out in greater numbers than in the past, making refrigerator rentals a valuable profit-making center for rent-to-own dealers.

Refrigerators constitute only about 5 percent of a rental dealer's BOR, but as big-ticket items, they can generate more profit per unit. In fact, refrigerators not only stay out on rent longer than any other rental item, but they go to term more often, thus increasing a rental store's cash flow volume.

The typical customer who rents refrigerators usually has a higher income than the one who rents TVs and stereos and is a more reliable paying account. Renters of refrigerators are usually family-oriented and are either renting or buying a home and are unable to stretch their credit further. This is the customer profile to gear marketing efforts towards.

The 17 cubic foot models appear to be the best movers. Surprisingly, however, there are more of the 18 cubic foot models being rented than the compact models. Compact refrigerators, in fact, are quickly declining in popularity as rental items. They only enjoy a large share of the market in college towns and towns located near military installations. Mac McCullar, president of TRIB, a rental buying group, says that in the Georgia area where his stores are located, the 19 cubic foot Kelvinator is his best moving refrigerator. "It costs about \$11 more per



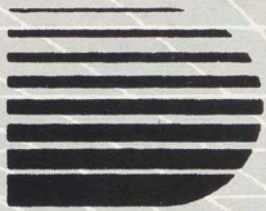
Refrigerators not only stay out on rent longer than any other item, but they go to term more often, thus increasing a rental store's cash flow volume.

month, but these days customers do not seem to be that concerned about cost. They want the fancier features now, not just the cheapest model."

This customer preference for upgraded products seems to be the most noticeable trend in refrigerator rentals. Pat Gaines, Director of Sales at Admiral, elaborates on the growth in his company's refrigerator sales to the rental industry and on the upgrading trend, "I see the dealers becoming much more sophisticated in their buying methods. The trend is towards greater refrigerator sales and upgrading of product. As the industry evolves, I see the potential for more side-by-side refrigerator sales." Tom Kitchens, Manager of Rental Sales at Whirlpool, cites that side-by-sides already account for 10 to 12 percent of his company's sales to the rental industry, but he feels that these figures will remain stable. Both men, in fact, feel the upgrading trend is stabilizing at this point and that they will not see many orders being placed for solid-state, ice and ice water in the door models anytime in the near future.

It is difficult to pinpoint which brand of refrigerator is most popular in the rental industry because no in-depth survey has been done to date. While Frigidaire is considered by some as one of the highest quality refrigerators available, it is not the brand most often ordered in the rent-to-own industry. Whirlpool, GE, and Admiral are more popular brands. Mac McCullar feels that brand

Continued on page 50



DYNAMIC

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Dynamic is a full line Rental Supplier. One call does it all, we distribute console and portable T.V., name brand stereo from 10 to 100 plus watts, washers and dryers both full size and mini, electric and gas ranges, small and large chest freezers, microwave ovens, furniture and a new and improved line of speakers featuring the WHOMPER. If you rent it — we have it.

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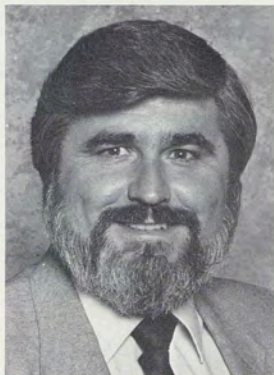
DYNAMIC

**"EXCLUSIVELY DEDICATED TO THE COMPLETE
NEEDS OF THE RENTAL DEALER"**

REFRIGERATOR RENTALS

Continued from page 47

identification is not as important in rental as retail, "Rental dealers choose a brand of refrigerator based on price, quality, and availability, with availability probably being the prime consideration." McCullar also states that some dealers stock a certain brand simply to offer a different refrigerator than their competition. He predicts that as competition becomes tougher, pricing will become the primary consideration in brand selection.



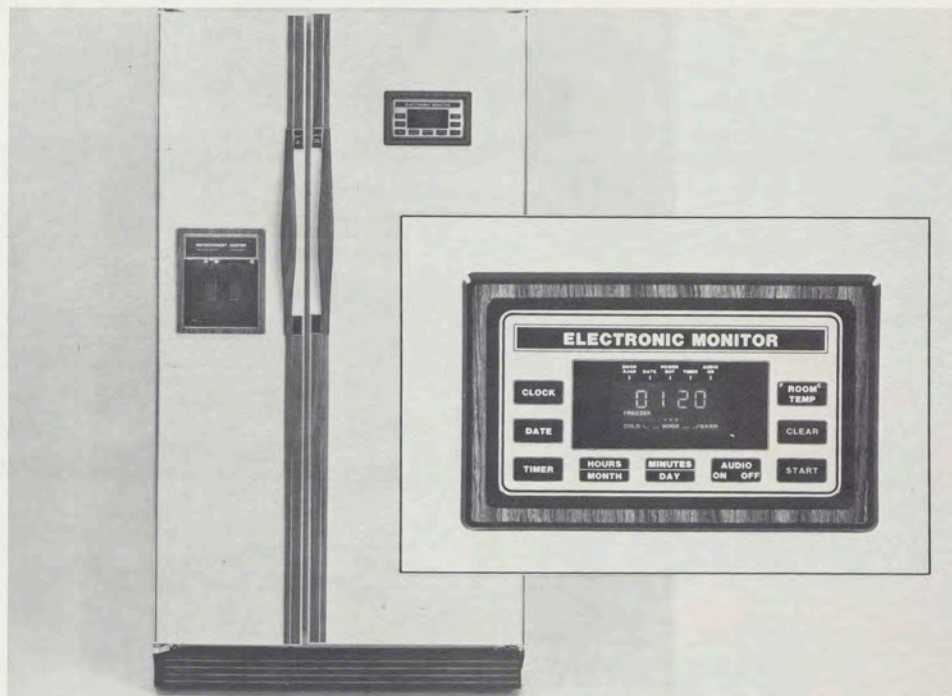
Mac
McCullar
President
The Rental
Buying Group

Regionally, refrigerator sales in the industry do not differ much, except that larger refrigerators and, in particular, freezers rent slightly better in agricultural areas of the country. In California, where customer sophistication is probably higher than in any other part of the country, the high-end refrigerators are renting well. Nancy Wills of Mrs. T's in San Bernardino reports renting a few of Admiral's fancy A-La-Mode models that make ice cream in the freezer.

California is also the only area where new colors, like Whirlpool's platinum and toast, are moving. Tom Kitchens, Manager of Rental Sales at Whirlpool, states that this is only a tiny percentage of his sales, "White and almond are still the leading colors." Indeed, this is the case across the nation in refrigerator rentals; white and almond are the most requested colors.

Refrigerators move slower than washers and dryers in most rental operations, and it is recommended that dealers order once a week, depending on that week's flow. Mac McCullar recommends that a rental store wanting to add a refrigerator line should start out with one each of the 14 or 15 cubic foot size, one each of the 16 or 17 cubic foot size, and one of the 18 cubic foot size, with no back-up inventory. "As those three units are rented out," says Mac, "you should order six more as back-up and floor models. Thereafter, reorder as the flow demands."

Delivery and pick-up of refrigerators



Admiral offers some deluxe features on its A la Mode™ series. Available is a solid-state display and audio panel (top) which monitors the appliance's inside temperatures and features a digital clock and calendar, a room temperature thermometer, and a beeper that signals when the door is ajar. Dessert lovers may go for the automatic ice cream maker feature (bottom).



is a specialized process (see *Should I Rent White Goods?*, page 34). It is a good idea to see that at least one delivery person per store is thoroughly experienced in the process, because refrigerators can do considerable damage to the interior of customer's homes if not handled properly. The units themselves can sustain a lot of dents and scratches if handled improperly. Most manufacturers and distributors are glad to conduct classes to educate employees on proper delivery, as well as installation.

Servicing of refrigerators must be done on an extremely timely basis. A customer reporting a broken unit needs immediate

response to protect valuable food. It is even recommended that a replacement unit be delivered, or at least available on the truck, when the repairperson goes out to check the broken unit. If food spoilage does occur, check the unit's warranty. Some manufacturers have provisions for this problem written in their warranties.

Cleaning of a picked-up refrigerator should be done immediately upon its return to the rental store. It should also be plugged in immediately to guard against germ and mold contamination. Lighter fluid is recommended as an effective cleaner for the exterior, followed with a coat of wax wash.

NUTS & BOLTS

NEWS • VIEWS • PEOPLE • PRODUCTS • IDEAS

Microwave Sales Up

Microwave oven sales to dealers rose 68.3% in June, according to a report by AHAM. Second quarter sales, up 55.5%, show sales at \$2.06 million. The microwave oven, once a luxury item, has become a staple in many American homes and is becoming a mass-market appliance. Sales of microwaves are booming and prices are coming down. Manufacturers have already shipped close to four million units to retailers during the first two quarters of 1984. This is a 75% increase over the same time last year. Manufacturers predict sales of more than 7 million units this year, compared with a record 6.1 million units last year. Industry experts predict the boom will continue through 1985, by which time one half of American households will have microwaves. Sales have long been strong in the West, but are just now making inroads into the Northeast.

Rental-purchase dealers report mixed reactions to microwave units as rental items. Many express concern about how to market the item. Dealers are well advised to spend some time thinking about microwave ovens, since movement in rental-purchase appliances frequently tracks what is happening in retail.

Akai Corrects Defect

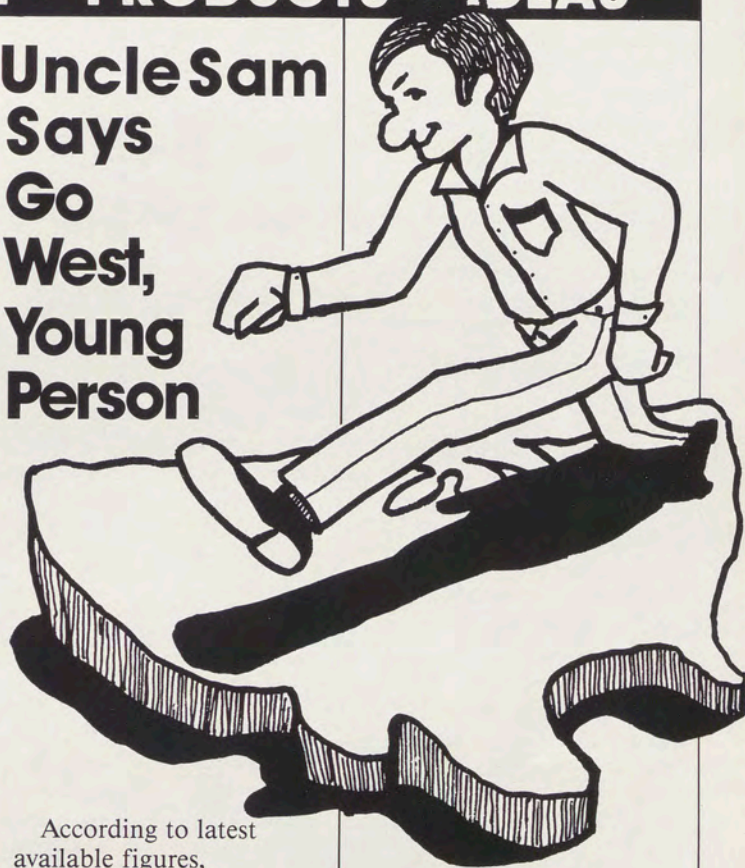
Akai American AA-R22 stereo-receiver may have a defect that could cause early failure of the operating controls, company officials have admitted.

According to a company spokesman, high temperatures around the receiver can cause the adhesive on a plastic part in the control assembly to loosen, resulting in misalignment of the band selector button. As a result, the control may switch randomly between the AM and FM bands or may not respond at all. Akai advises owners to avoid the problem by not operating the unit in a place where high temperatures can occur, such as on top of other heat-producing audio equipment.

Receivers that do develop the problem are being repaired under warranty by Akai authorized service agencies. Also, the company is extending the warranties on repaired units. In addition, Akai has redesigned the control panel of model AA-R22 receivers to prevent this problem in future units.

Originally, the problem was revealed by *Consumer Reports* magazine, which received numerous complaints about the model after listing the product as a "best buy" in a June 1983 article.

Uncle Sam Says Go West, Young Person



According to latest available figures, California tops the nation in electronics industry personnel with 538,000 employees in June 1983. New York, in second place, had 219,000 employees; third was Massachusetts with 189,000; and the expected electronics center of the future, Texas had 131,000 employed in electronics-related positions. Further down the list are North Carolina, presently a recognized electronics center, and Connecticut.

Unemployment in the electronics industry was 5.5% in June, almost half that of a year earlier. Numerically, almost 2.25 million workers were working and earning an average of \$8.89 per hour.

What A Rush!

Nearly one-fourth of American homes bought a new color 1984 TV set. Direct-view color, projection, VCR and color video cameras all set new model-year sales records. Sales of the 1984 model made history as having the 12 biggest sales months, including 11 consecutive months in which at least one million sets per month were sold. Incidentally, 10% of all televisions sold in the United States are sold to the rental industry. Industry experts predict that market share to increase to as much as 50% in the next 8 to 10 years.

Quality Counts

Do American consumers really value quality in the products they buy or rent? A recent, exhaustive study conducted by Whirlpool Corporation entitled "America's Search for Quality" answers that question. The results provide a detailed profile of the consumers of the 1980s and offer far-reaching implications for those who serve them.

There is a widespread assumption that the American consumer is surrounded by junk, is harassed by misrepresentations in advertising and by salespeople, and generally cannot find quality in goods and services. The Whirlpool report shatters many of these perceptions.

Satisfaction with Goods

Eight of 10 Americans surveyed say they are satisfied with manufactured goods. A third of those say they are very satisfied, while half say they are somewhat satisfied. Only 10% say they are barely satisfied and five percent say they are unsatisfied. This high level of satisfaction is given credence by the finding that nearly four out of five say they have become more demanding about quality than they were a few years ago.

More Demanding Consumers

The study reports that younger, more educated Americans are particularly likely to say that they are more demanding as consumers.

Quality Improvement

Many of those interviewed (48%) believe that the quality of goods in the United States has improved in recent years. Furthermore, there is an almost unanimous conviction (92%) that if Americans are willing to shop around, they can get their money's worth.

Getting Your Money's Worth

Surprisingly, the youngest adult Americans, 18 to 24 years of age, are the most likely group to agree strongly that shopping around can give them their money's worth. Also, the more educated the consumer, the stronger this belief.

The Most Important Indicator of Quality

When asked to cite the one characteristic that is the most important indicator of quality, Americans are much more likely to mention workmanship than any other characteristic (44%); 16% say materials are the more important quality indicator, 14% say it's whether a product is made in America, and 14% say safety. Only 7% say that a guarantee or warranty is the most important indicator of quality.

Service Satisfaction

Since service means maintenance or repair and is associated with problems or the prevention of problems, it would be reasonable to assume that Americans would have a negative attitude toward services. Yet the report shows that 82% are satisfied with the services available to them.

Services Ranking

The survey measured Americans' opinions about changes in the quality of services they use that are related to the necessities of life. Of interest to the rental industry is the fact that a third say that home electronics equipment services have improved in recent years, with only 18 percent saying that they have deteriorated.

The Salesperson

Americans are overwhelmingly concerned that a salesperson be courteous. Knowledge about various products is of secondary importance, and physical aspects of the salesperson, such as age, sex, and ethnic background are of importance to a very few.

Servicing Products

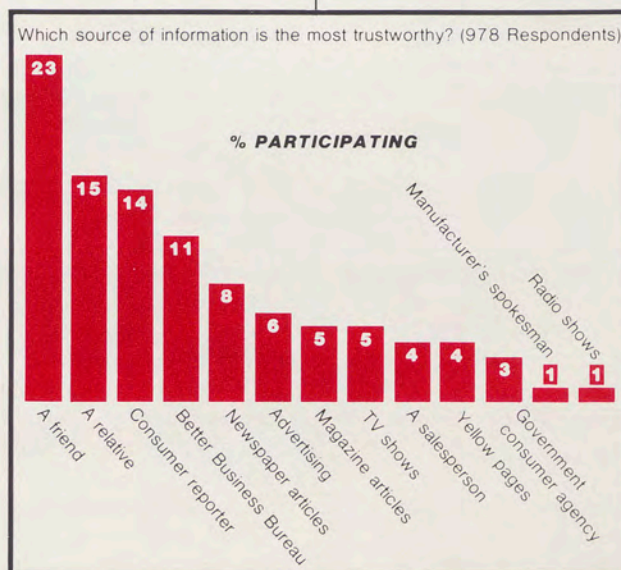
The Whirlpool Report finds clear evidence that Americans do not prefer to belong to a "disposable society." On the contrary, they prefer to repair rather than replace a defective product, and they prefer to buy from manufacturers that provide consumer post-purchase services. A large

majority of those surveyed believe that you can get defective products fixed if you take the trouble to find the right repairperson, and they also feel that manufacturers are generally willing to replace or repair defective products. Seven out of ten consumers say they always or usually consider repairing a defective product before they consider replacing it.

Word-of-Mouth Is The Best Advertiser

Americans are most likely to say that their friends and relatives are important sources of information about services and manufactured goods. The source of information cited third most frequently is the Yellow Pages, 77 percent rate the Yellow Pages as very or somewhat important.

Copies of "The Whirlpool Report on Consumers in the 80s: America's Search for Quality" are available at a nominal charge upon request. Write Whirlpool Corporation, 2000 U.S. 33 North, Benton Harbor, Michigan 49022.



Will VCR Sales Continue Taking You To The Bank?

Many agree, VCR sales are worth an extra trip to the bank, but there are signs that you should not count your cash before your VCRs are sold. This advice is due to the decline in VCR prices, according to *Television Digest*. Based on information from January through May, VCR prices dropped \$39 from last year's price of \$336, due to the value of the yen at export. Imports from Japan are already dropping due in part to the decline of the yen's value and in part to reductions at factories.

Total sales of VCRs sold to American retail and rental dealers passed the 12 million mark since marketing of the units began in 1975. That comes to a million units in the distribution chain and 11 million now installed in homes.

Three top VCR manufacturers, and one major rental company, when questioned about the service record for VCRs, all agreed on several aspects: (1) For being a relatively complex new product, the record is excellent. (2) The early problems that owners encounter are likely to be mechanical in nature and VCRs are still above color TV set reliability. (3) Consumer misuse causes

many problems due to poor quality tape and head-cleaning cassettes.

Comparing portable with home decks, it was found that portables require more service, due to their being moved around.

What Should The Store Manager Know?

There are some basic questions every owner or supervisor should be asking rental store managers in the normal course of business. These have to do with the critical areas of store operations and the all-important numbers rental store managers are paid to deal with and control. A store manager is probably on top of the business if he or she can provide the correct answer to these questions on a daily basis:

1. Where is every piece of inventory assigned to the store?
2. Can the inventory be tracked by serial number, customer contract number, and rental location?
3. What is the current month's delivery and pickup total to date? How does that compare with the previous month's totals?
4. What is the maximum collectible rental income for the current month (the total the store would receive if every customer on the books paid exactly what they were supposed to)?
5. How much of the collectible income will the store actually deposit this month?

6. Where is the balance going?

7. How many accounts listed as "skip" or "stolen" should be written off (charged off) this month and next month?

8. What is the remaining value left on charged off pieces?

9. What is the current average beginning past due count (separated by number of days past due) and the current daily ending past due count for each route in the store?

10. How many customers will make their final payments for ownership this month and next month?

11. How much of the month's rental income is being collected at the customer's doorstep?

12. Why is income being collected at the door?

13. What products not carried by the store are most-often asked about by the customers?

14. What percent of all rental orders are delivered on a weekly basis?

15. When was each store vehicle last serviced and what was done?

16. What is the total overhead, including inventory cost, for this store each month?

If a store manager knows the answers to

these questions, odds are he has a clean and efficient operation. Nothing can ever get out of control. No bad surprises can tear up a month because everybody knows what's going on. The difference is in acting to generate acceptable results or simply reacting to the flow of business.

Handle Your Own Walking

Robert Caldarone, vice president of Tinsley Yellow Pages Service in Miami, Florida, says small business owners should design their own Yellow Page ads, rather than let the telephone company sales office design them.

Sometimes Yellow Page salesmen make a point of selling "big" ads, but then just throw together a poorly-designed ad that fails to impress potential customers, Caldarone says. He adds that small firms would do well to check the ads of larger firms for ideas, or farm ad work out to ad agencies.





Kodak Is Charged Up

Kodak is expected to accept Robert "Eveready" Conrad's challenge to "Knock It Off." Kodak is looking to cut into the 95% share of the market held by Eveready and Duracell with the introduction of an alkaline battery late this year or early next year. Japan's Matsushita, one of the world's largest battery makers, is a possible supplier to Kodak. Batteries will be one of many products in Kodak's already existing nonphoto product line. To show its interest in the \$900 million alkaline battery market, Kodak will invest \$20 million in advertising for the new product.

Full-Size Laundry in Mini Space

A space-saving stacked full-size washer and dryer combination is being readied for marketing by Maytag late this year.

The product consists of a top-loading washer

below and a front-loading dryer on top. The units will share a microprocessor control panel with touch pads, located between the units. The laundry pair is designed to fit into about five square feet of floor space, about half the area the two units would occupy if they were conventionally installed.

Maytag hopes to offer the advantages of large units for smaller homes, townhouses, condominiums, and apartments.

Servicing of the unit is aided by a self-diagnostic system in the control panel, which checks out display lights and some mechanical functions of both the washer and dryer. All service can be performed from the front of the units.

Be On Time, Or Else!

Threats may not be the best method of handling employee tardiness, say the experts. While threats or actual disciplinary actions might resolve the problem of costly employee lateness, these approaches can damage the morale of an otherwise good worker. This might be avoided by using a counseling approach which is less likely to cause resentment in the employee.

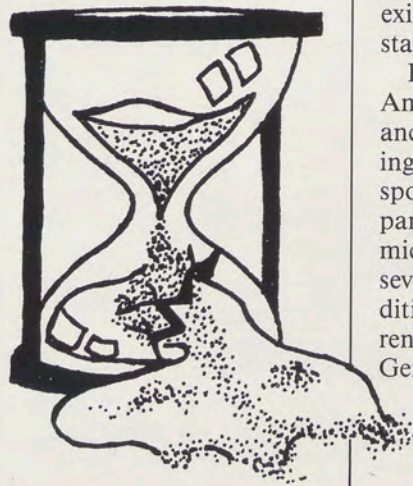
Each chronic offender should be confronted privately. Repeat the time that the employee is expected to be on the job and use such phrases as "I expect," not "Management expects." Show examples of how the employee's lateness holds up co-worker's activities.

Ask the employee to explain why it is difficult to get to work on time and offer any assistance and advice you can. Repeat the process if violations continue. Finally, before taking disciplinary action, find out if the worker has taken action to solve the problem.

Common Time Leaks

Time is truly the most precious of resources. Here's a list of common culprits that can rob even the wariest of time managers.

1. Starting a job before really thinking it all the way through to its conclusion.
2. Spending too much time keeping unnecessary records.
3. Not anticipating potential crises.
4. Making unnecessary visits or phone calls.
5. Socializing for long periods between duties.
6. Not building effective barrier against interruptions.
7. Not delegating enough.
8. Doing things that are not actually part of your job description.



9. Not planning regularly with your boss.
10. Doing personal work before starting business work.

Panasonic Seeks U.S.-Made Label

Panasonic is planning to introduce its first American-made line of full-size washers and dryers next year, if it can reach a private-label agreement with a domestic manufacturer.

An American source is being sought because Panasonic's Japanese parent, Matsushita, does not manufacture full-size laundry equipment, and retooling for sales in the United States only would be too costly. Reportedly, several major appliance producers have been approached to private-label the Panasonic line.

According to industry observers, Panasonic seeks to market three washer models, with capacities exceeding 14 pounds, and two equally large dryer models in late 1985. These products would be offered with the existing line of compact stacked laundry pairs.

Panasonic's interest in American-made appliances is not new, according to a company spokesman. The company's over-the-range microwave ovens and seven of its room air conditioner models are currently being made by General Electric.

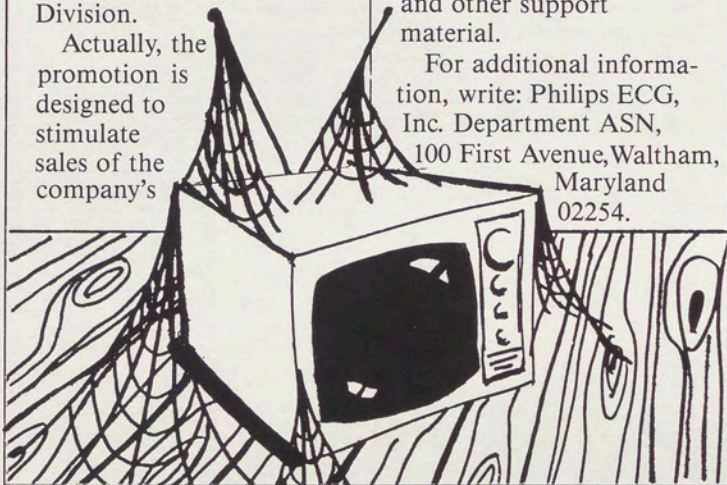
Attic To Addict

An "Attic to Addict" promotional program aimed at encouraging the repair of old TV sets for use as video-game and home-computer terminals is being offered by the Philips ECG Distributor and Special Markets Division.

Actually, the promotion is designed to stimulate sales of the company's

Sylvania brand receiving tubes, ECG replacement semiconductors and television picture tubes. Participating Philips ECG distributors and TV service dealers are being supplied with packaged promotional materials, including point-of-purchase displays, ad mats, handout sheets, localized press releases, and other support material.

For additional information, write: Philips ECG, Inc. Department ASN, 100 First Avenue, Waltham, Maryland 02254.



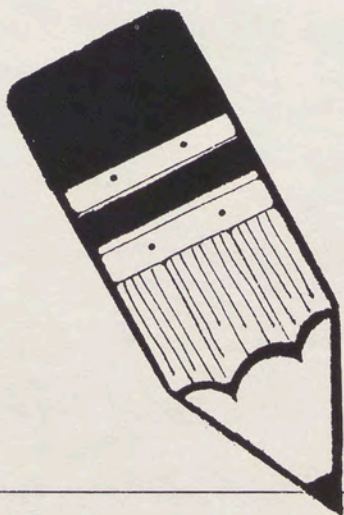
Long Live That Stove

A recent survey conducted by *Appliance* magazine found the following average life expectancies for appliances large and small:

APPLIANCE	YEARS
Freezers	
Electric ranges	15
Dehumidifiers	
Gas dryers	14
Electric dryers	
Refrigerators	13
Microwave ovens	
Washing machines	12
Electric knives	
Waffle irons	10
Sandwich grills	
Broilers	
Ice-cream makers	
Steam irons	9
Food mixers	
Electric toothbrushes	
Automatic coffeemakers	3

Write? Right!

We are very interested in what you have to say about the rental industry. If you would like to have an article published in **THE APPROACH**, please contact Elizabeth Johnston, or send it in for us to review (typewritten, double-spaced, please).

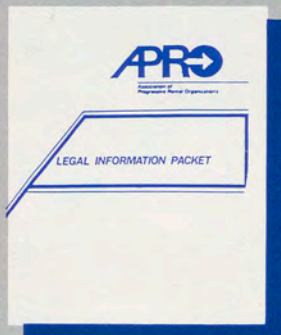


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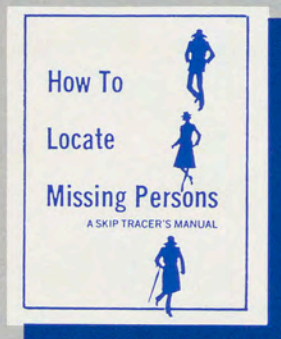


\$75

A comprehensive guide which addresses such topics as:

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

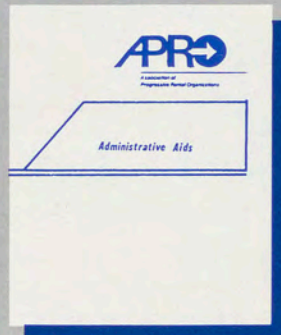
How To Locate Missing Persons—A Skip-Tracer's Manual



Helpful advice for easing the industry's biggest headache . . . skips and stolens.

Single copy price.....\$15
10-20 copies.....\$12 ea.
25 or more copies.....\$10 ea.

APRO Administrative Aids Packet



\$75

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

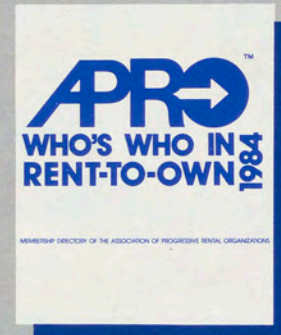
- Rental Application Forms
- Rental Agreement Forms
- Employment Forms
- Inventory Control Forms
- Skip-Trace Forms
- Vehicle Report Forms

Collections—Preventive Maintenance & Efficient Results



Outlines steps to eliminating collections as a problem source and creating an environment where prevention is easy and profitable.
Single copy price.....\$15
10-20 copies.....\$12 ea.
25 or more copies.....\$10 ea.

WHO'S WHO In Rent-To-Own '84



The annual membership directory of the Association of Progressive Rental Organizations (APRO) is issued every spring and offers the following indexes of dealers and suppliers in the rental industry:

- Dealers Alphabetically By Owner
 - Dealers Geographically By State
 - Suppliers Alphabetically By Company
 - Suppliers By Product Category
- APRO members receive a directory at time of acceptance.
APRO Member.....\$15 per add'l copy
Non-member.....\$35 each

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Checklist For Successful Advertising

Some helpful do's and don'ts

People are so heavily bombarded by advertising in all media that, consciously or unconsciously, they ignore almost all advertising which confronts them. What is noticed is often not believed because of the advertising profession's practice of exaggerating the often insignificant or non-existent differences among various competitors' products and services. No matter how truly valuable a product or service may be to the buying public, and no matter how much it is advertised, the public will not buy unless the advertising makes an impression, a positive impression, in their minds. There is far more competition than most businesspeople who advertise realize. For instance, if a person's business is TV rentals, he or she probably doesn't realize that the competition includes not only other TV rental stores, but also alternative entertainment suppliers such as movie theatres, bars,

night spots, restaurants, travel, amusement parks, bowling alleys, and roller rinks.

A businessperson's first step toward successful advertising is to determine, via market research, the potential customer's perceptions of products and services being offered and of the positive and negative attributes of the business in question. Then the positive must be accentuated and the negative de-emphasized.

What follows is the first in a series of checklist guides for successful advertising. This issue's checklist focuses on print advertising guidelines.

■ Small ads with large headlines and attractive typesetting often produce more sales than larger print ads, per advertising dollar invested.

■ Have professional graphics-design companies or typesetting companies (rather than magazines or newspapers) prepare the typesetting, artwork, and layout of your print ads.

■ Request that your ads be run in the top half of the page — a placement which will increase ad readership significantly. Most media will honor (but not guarantee) your request. In newspaper jargon, you ask for ad placement "above the fold."

■ Experiment aggressively with low-cost classified ads — try different classification categories, different days, different headlines, different selling propositions, etc.

■ Consider direct-mail advertising on a regular basis, both to current customers and to good prospects for your firm's products or services.

■ Subscribe to *Direct Marketing*

magazine. This exceptional publication offers a wealth of ideas. Write to 224 Seventh Street, Garden City, NY 11530. Phone (516) 746-6700.

■ A proven method of successful advertising is to have coupons and information about your company and your products distributed either by geographically close businesses or by non-competing businesses located throughout your community. For example, at one 20-store strip shopping center in Austin, Texas, the merchants collectively distribute a monthly flyer of money-saving coupons from all 20 stores to all their customers, a low-cost way to advertise and a good way to get to people who live and shop in the neighborhood of the businesses.

■ Printed flyers on colored paper, widely distributed house-to-house, help build business and product awareness. Join together with several other businesses to lower printing and distribution costs. **WARNING:** Do not place such literature into U.S. mail boxes!

■ If you are aiming at a youth-oriented market, consider advertising in high school, college, and junior college

newspapers, one of the few printed media actually read carefully by young people.

■ Consider bumper stickers, advertising pens and pencils, and other forms of low-cost gift merchandise imprinted with the name, location, and phone number of your business.

■ Specialized magazines and other specialty publications should be considered as possible ways of positioning your product or service in the minds of potential customers.

■ Use "bounce-back" coupons to encourage repeat business. Give out money-saving coupons to each and every customer who visits your business. Put expiration dates on coupons to encourage quick use.

■ Ask your customers to recommend you to people they know who might be prospects for your products or services. Design an introduction to your company for people your customers know.

■ Design a brochure (for example, on 8 1/2" x 11" paper printed on both sides and folded into standard brochure size) explaining your company's unique benefits to customers, company history, products and services, testimonials, etc.

These brochures should be offered at your business and at trade shows, by direct mail, and so on.

■ In ads you design, try to stress a limited number of products and product benefits so that you can do each product justice in terms of graphics, ad copy, etc.

■ Alternatively, if you are going to promote a large number of products simultaneously, use a catalog format or an ad full of coupons (with each coupon illustrating the product or service associated with that particular coupon).

■ Are you fully utilizing point-of-sale signs, displays, and in-store promotions?

■ Is your company and its products and services advertised in all possible industry directories, trade association directories, Chamber of Commerce directories, Yellow Pages, etc.?

■ When you send invoices or account statements to your customers, enclose advertising literature about new or improved products or services, upcoming price changes, changes in hours or locations, etc.

■ Do you reprint favorable media articles about your company or its products for distribution to both current and potential customers? (Secure written approval of media.)

■ Are you using posters at your store locations and throughout the community?

■ Place advertisements in product packaging or in bags in which you place customer purchases.

■ If you use a postage meter, get an advertising slug from a postage meter company which will print your firm's slogan or other advertising message on envelopes next to the postage imprint.

■ Reprint your best print ads for distribution at your sales counters, by salespersons, direct mail, etc.

■ Use a series of postcards to prospects to build awareness of your company's products and service. Each postcard should convey a different idea or angle.

■ Make an effort to obtain the names, addresses, telephone numbers of both your current customers and people making serious inquiries about your company's products or services. Obviously, such information is priceless for direct mailing promotions.

■ Consider the use of cartoons and humor as attention-getters and explainers of product attributes and uses.

Editor's note: The information in this article was provided by CHECKLIST PUBLISHING OF TEXAS, INC., Suite 279, 8760-A Research Blvd., Austin, Texas 78758.



How I Got Into The Rental Business

Flukes, airline strikes and calculated decisions.

More and more business entrepreneurs are choosing to make their living in the rental industry and are setting their sights on high profits and expansion. It is estimated that 1,000 new stores have opened nationwide in the past year, bringing the current total to more than 4,000. That increase was reflected in the attendance at this year's APRO convention in Las Vegas. It is interesting to hear how some of the veteran dealers got into this business in the first place, and to compare their stories with those of dealers who have recently entered the market.

Ernie Talley
President, Talley Investments

From all reports, Ernie Talley is the father of the rent-to-own concept in America. His rental store in Tulsa, Oklahoma was the very first. Like a lot of rental dealers, Talley began in retail. In 1962 he was the owner and operator of Mr. T's Appliances in Wichita, Kansas, where he sold TVs and stereos. He describes how the rental idea came to him:

"It didn't hit me as a bolt of lightning like a lot of people think. The idea just



"The idea just sort of grew in my mind. I wanted to be able to service the people who were being turned down by lenders.

sort of grew in my mind. I wanted to be able to service the people who were being turned down by lenders. And I also wanted to help out people who were without TVs while theirs were in the shop."

Talley describes the difficulties he encountered in getting the idea off the ground. "I had to do a lot of talking to bankers to get them to back off from the 'floor plan' concept where they would only finance you until an item was off the showroom floor and in a person's home. The dollars were pretty small at first. I think we started out with about 50 units and a credit line of \$30,000. I had to keep going back to the bankers to show them the numbers and prove to them that the concept was working. As it succeeded, we started thinking about opening a completely separate store that was exclusively rent-to-own. Chuck Sims was working for me at that time, and I asked him if he wanted to go to Tulsa to open the first store with me.

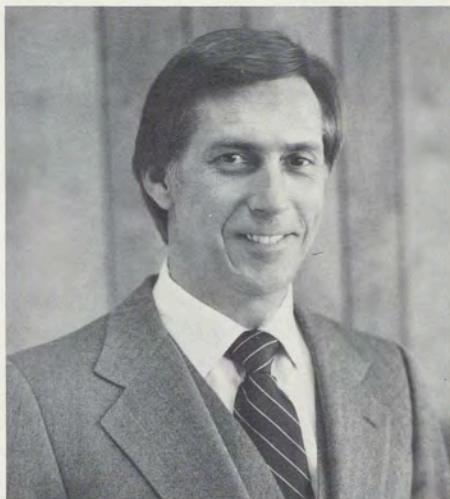
Talley admits that he didn't do much research before beginning his project. "Back then we didn't know a lot about market analysis and research. I just had

a gut feeling that the rental concept would work. I chose Tulsa because it was close to Wichita and because it was an up-and-coming city at the time. We did, and it worked.”

Chuck Sims
President, Alphanomics, Inc.

Chuck Sims says they did do one bit of research before opening that store in Tulsa: “We looked through all the phone books. There wasn’t even a category for rentals at that time, so we figured we were safe.”

Sims has continued in the rental industry since those early days. He was the founder of Remco Enterprises, presently serves as Vice-President on the Remco board of directors, and is President of Alphanomics, Inc. in Houston. He offers some advice to people who are thinking about getting into the rental industry. “Back when we started, it was mostly black-and-white TVs and stereos. You could get started with as little as \$5,000 cash, and credit line of about \$100,000 was plenty. Today, it takes anywhere from \$50,000 to \$150,000 to start up and about \$250,000 to \$500,000 in inventory financing. So the stakes are expensive and you’d better have a deep pocket.” He notes that many newcomers are not being careful enough. “I am constantly surprised at the people who open up stores without doing a careful market analysis. Along with that, I see a tremendous need to sharpen up site selection. A dealer should decide exactly who the customer is and then pick a location that is in close proximity to that customer and is in a high-traffic area. It can take years to build up a rental business and competition is much fiercer than it was when I was doing my market analysis in the Yellow Pages, so I recommend that new rental dealers do their homework first.”



Bud Holladay
President and CEO, ABC Rentals, Inc.

The President and CEO of Arlington-based ABC Rentals, Bud Holladay, also has an interesting story about how he became involved in the rental industry. Holladay was managing a restaurant in Joplin, Missouri back in 1966 when he answered an ad in the newspaper to take over a Pizza Hut franchise. The franchise was being offered by the Carney brothers who also owned ABC Appliance Company. Holladay explains the turn of events, “When they found out that I had management experience, but unfortunately, no money, they gave my application to Chuck Sims, a former employee of theirs who was then working for Mr. T’s. Sims gave me an expense account, told me to move to Atlanta, Georgia, and two weeks later I was managing the Mr. T’s there. I didn’t know anything about the business. They showed me the ropes for three or four days and then left me on

“We looked through all the phone books. There wasn’t even a category for rentals at that time, so we figured we were safe.”

my own with 450 accounts and a part-time routeman, and they told me that I would get a secretary the next week. It was really a case of sink or swim, and luckily, I’m a good swimmer.” In another strange twist of events, Holladay left Mr. T’s ten years ago to go to work for the new owner of ABC Rentals. “It’s kind of funny,” Holladay says with a laugh. “It took me eight years to finally go to work for the people I applied with in the first place.” He is now President of that company, ABC Rentals, and speaks fondly of the early days in the rental business. “I really became excited about the business when I found out how simple it is. There is really no complex system, just common sense and a lot of hard work. I went from 450 units that first month to 1,000 units six months later. I was elated about the business. How else could a young man with a high school diploma, but no technical training or skills, earn an above-average salary and run his own business?”

Holladay is still enthusiastic about the rental industry: “I love the challenge of beating yesterday.” He explains that it was a lot harder in the early days to get the right kind of information about the business. “I didn’t have people in trade associations helping me learn the business. People were pretty tight-lipped about their own methods and procedures, so everything had to be learned by experience. If I was starting out all over again today, I would start by making all systems as simple as possible. And I would surround myself with better people and delegate more. In the early days, I would work from 8:00 a.m. to 10:00 p.m.

six days a week. It was grueling work, but it was the only way to learn."

Holladay encourages people just starting out in the business to get to know their competitors. "I learned the most from my competition. By talking to them and exchanging ideas, I learned how to avoid mistakes and how to do things better. Some of my best friends were, and still are, my competitors. Professional networking may be a trendy term to use, but it is a process that is vital in this business."



Jack Callender
President, Television Management, Inc.

The stories of some of these veteran dealers get pretty intertwined at times, and paths often cross. Like Bud Holladay, Callender, now president of Television Management, Inc. in Louisiana, was managing a restaurant when Chuck Sims came to Callender's partner with an idea for making money — renting TVs. "We knew nothing about it," explains Callender, "but it was a new concept and sounded good so we financed Sims' ABC Rentals operation in Houston. When Sims left to go to work for Mr. T's, someone had to manage the rental store, so I sold my restaurant and went to work in the store. I wound up opening up another store, and then another, and pretty soon, I was general manager of ABC Rental Systems. It was all quite by accident, but I've never regretted it."

"We thought rental was a young business that had a lot of potential, and at the moment, we didn't see a lot of giants. It seemed to be a perfect niche for the small business entrepreneur."

"Some of my best friends were, and still are, my competitors. Professional networking may be a trendy term to use, but it is a process that is vital in this business."



Ron and Nancy Wills
Owners, Mrs. T's

Fear of being grounded led airline pilot Ron Wills and his wife, Nancy, both of San Bernardino, California, to take a look at rental. Nancy explains, "Things were looking bad for the airlines about four years ago. Ron and I had three kids and were worried about our future. A friend who was in TV retail and considering rentals showed us a cash flow outline on a rental operation and we started getting interested. Then we heard about the first APRO convention and decided to attend to learn more about it."

That was a good move for Nancy and Ron. They hooked up with Betty Coolidge of Mrs. T's and set up a brief partnership to get their own rental store operating in California. Ron continued flying for Western Airlines and Nancy manned the store, often alone. The business started out slowly for them, but has grown over the past four years and they opened their second store in April. Nancy advises newcomers to the rental industry to have courage. "You really have to work hard and pay a lot of attention to detail."

Fred Viehweg
Owner, Actiontime Rentals

Fred Viehweg, owner of Actiontime Rentals in Austin, entered the rental business only a year ago after spending 24 years selling pianos. Fred explains how he became involved in rent-to-own: "The company I had been working for changed hands, and I decided not to remain with them. I was at a career change point in my life and was considering real estate very seriously. A friend of mine I had contacted about real estate called me one day with an offer to become a partner in a rental operation. I'd had some experience with piano rentals, and decided to accept the offer," says Fred, whose wife, Shirley, works for the company as well. "The attraction was that we thought rental was a young business that had a lot of potential, and at the moment, we didn't see a lot of giants. It seemed to be a perfect niche for the small business entrepreneur."



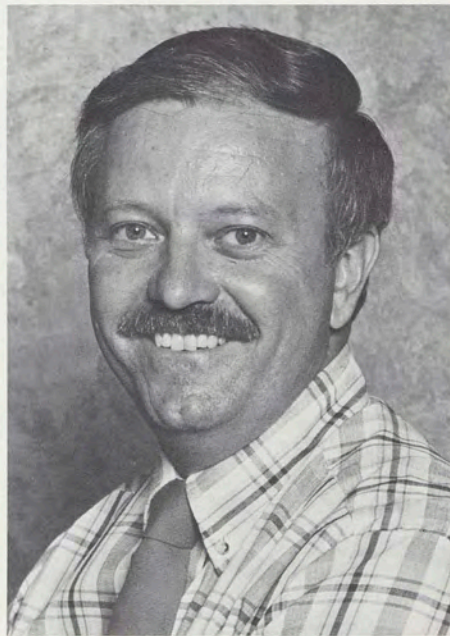
What Viehweg finds refreshing about the rental business is that the products are presold. He explains, "The major difference between music and rental is that in the music business you have to create a desire for the product. There is an enormous amount of selling necessary to get a customer to buy a piano. That's not the case in TV and appliance rentals. The customer calls or comes in with a certain

product already in mind. There is usually no selling involved at all and transactions can take place in as little as five minutes." Fred and Shirley have learned some lessons in the short time that they've been operating Actiontime, and they offer this advice to newcomers: "If we had it to do all over again, we would have computerized from day one, and would have been extremely meticulous about recordkeeping. In the beginning, we were paying so much attention to getting the goods out the door that we neglected to keep good records. We expanded very rapidly (current BOR is 1,100) and had to pay the price later by spending a lot of time just getting caught up on our records. It was a painful growth process. We lost track of some units altogether by not paying attention."



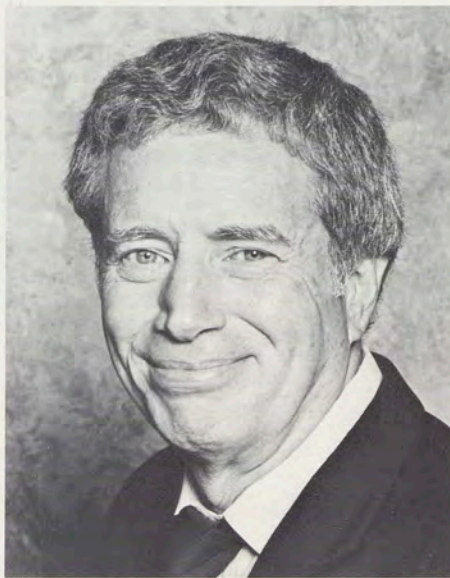
Alan Dobzinski
President, The Rental Experts, Inc.

A casual conversation with a friend at his ten-year high school reunion started Alan Dobzinski, president of The Rental Experts, thinking about the rental business. "I pursued the idea for about a year," Dobzinski says, "while I was working for Curtis Mathes, and then I went to their rental school. At that time, there was no one in the Connecticut area offering rental-purchase, so I decided to go out on my own. I quit Curtis Mathes, and my wife and I started operating a rental business out of the living room of our home. We sold her car, bought a van, and literally did everything ourselves. It took some time, and a lot of hard work, but eventually we were able to rent an office and later a store, and it just grew from there." That was eight years ago, and now Dobzinski oversees the operation of stores in Connecticut, Massachusetts, and New York.



Frank Felty
President, Tel-Star TV Rentals

Frank Felty, president of Tel-Star TV Rentals in Tennessee, eased his way into the rental industry six years ago. He had been in the electronic retail industry for many years and explains, "I was bored stiff with retail. The fun had gone out of it and the economy was getting really weak. I decided to go to the Curtis Mathes rental school to learn the business and quickly found out that rental is a lot more profitable and enjoyable than retail." Felty started out slowly, adding console TVs for rent in a separate section of his retail store. Later he added portables and white goods. "I sold my retail business in 1979. Now I wake up every day and can't wait to get to work." With thirteen stores to manage, Felty has his daily work cut out for him. He counsels people just beginning in the business to start out with everything immediately — brown goods, white goods, and furniture — and he advises them to surround themselves with good people.



Harvey Rose
President, MCE Corporation

A recent entrant into the rental industry, Harvey Rose of MCE Corporation in Florida (see this issue's Guest Editorial), sees rental as a very specialized market. That appeals to him because he has been specializing in microwave and microcomputer sales for several years in his 25 franchise stores. Harvey explains, "Computers are seasonal and subject to strange aberrations. It seemed to me, from the outside, that a healthy rental business would have a reasonably steady cash flow, and that would fit into our business plans very neatly. When we first went into computers, people asked, 'What is the logic of selling microwaves and

microcomputers?' and our answer was that the question was irrelevant. The business we're in is not the computer business, nor the microwave business; the business we're in is mass advertising and advertising sales, and both products fit into those categories. It seems to me that rental is also a specialty business. It is directed toward a specific market and requires a specialized knowledge."

Harvey is just testing the waters of the rental industry. He began by renting out some of his microwaves and microcomputers and then added TVs. One of his franchise stores has tried the rental-purchase concept and after eight months has a BOR of between 400 and 500. Rose is planning to systematically gather as much information on rental operations and procedures as possible, and present a program to all of his franchisees at their company seminar in August.

The rental industry has changed dramatically over the years. There is a great deal more information available now than there was just a few years back, making it easier for novices to enter the market with relative ease and few mistakes. The ground has been broken for them, so to speak, by the early rental dealers who learned much about the business through trial and error. Armed with knowledge and research, newcomers like Harvey Rose are taking confident strides into the rental industry. Hopefully, the innovations and new ideas they bring with them will help break more ground for those who follow. ■

SHOULD I RENT WHITE GOODS?

Continued from page 34

Positive Aspects

Before dealers can intelligently decide whether or not to rent white goods, they should first be aware of both the positives and the negatives of this new venture.

First among the positives, if handled properly, white goods will increase your BOR, which in turn will generate more revenues and, hopefully, increase your profit. I say "hopefully" because if you are not aware of how to handle the negatives, it could quickly wipe out most or even all of your profit.

Secondly, the keep rate for white goods is much greater than for other lines of rental units. This certainly cuts out extra expenses in delivery, pick-up, collections, and paperwork.

Thirdly, carrying white goods gives your customers more to choose from. They'll be more apt to come back to you for their next unit because they know you have what they want!

Negative Aspects

However, you must weigh the positives against the potential negatives. To start with, delivery is harder because you are dealing with larger and heavier items. Thus, it becomes more time-consuming and increases the chance of damage to your vans, your employees, and your customers' property. White goods must be handled properly! Experience has been my best teacher, and a sometimes costly one at that. I have had to pay out extra cash for broken handrails, scratched or dented doors, and even ripped linoleum. Or, if the unit itself gets damaged in transit, it must be either switched out or reduced in price, again, both costly alternatives.

Secondly, once delivered, hooking up certain white goods requires a very exact and careful procedure. If installation is not done properly, your employees will have to go back which is costly and time-consuming and risks losing what might ordinarily be a good, long-lasting cus-

tommer. Hooking up a washer/dryer is not like plugging in a TV — it is more involved. Again, I stress the importance of the proper training *first!*

Thirdly, I have found white goods to be less profitable than other lines, such as TV and audio. But, the volume is there, which, if handled properly, helps the bottom line. Shopping for the best price becomes ultra-important in the white goods line because the margin is so slim to begin with.

The only real trends I've seen in white goods is that refrigerator rentals increase in the hotter months, apparently as replacements for old appliances that were on their way out anyway. A rental dealer should be prepared for this and have enough merchandise on hand to meet demand.

Also, over the years, I've noticed an overall increase in demand for white goods and, most recently, a higher grade of white goods.

What Products To Carry

Personally, I've had the greatest success in renting full-size washers, full-size dryers (electric only), refrigerators, and freezers, both chest and upright. I used to rent portable washers and dryers but stopped due to the number of complaints I received. This was due mostly to the fact that it took the portable dryers longer to dry clothes than with a full-size dryer and they offered less load capacity.

I've stuck primarily with an 8-cubic foot chest freezer and 9 or 12-13 cubic foot upright freezers. We rent 14 and 16 cubic foot refrigerators and have personally not had very good luck renting ranges.

Let me stress, however, that what works or doesn't work for me may not hold true in your particular market area. I would suggest trying several different items over a reasonable period of time and closely monitor which proves to be most successful. Your BOR ought to give you some sort of immediate reaction. Don't, however, "load up" on one particular unit until it has been proven they will go out on rent and *stay out* on rent. The worst thing a rental dealer wants is a back room full of unrented merchandise.

Do's And Don'ts

1. Establish yourself with a reputable service company that can give you quick service. Otherwise, you'll have many unhappy customers.

2. Before delivering a heavy unit such as a washer or refrigerator, have your employees go by and check out the home first to see how the appliance can best be delivered and if proper hook-ups are there. It is my opinion that the time spent beforehand is well worth it. Also, be extra careful on deliveries to the second floor and above if there are no elevators. You may want to introduce a policy to rent to first floor customers only.

3. Get handmade furniture pads with straps. These can be bought from any moving supply house. The investment is well worth it.

My White Goods Business Today

After many headaches, lots of trial and error, and certainly some unnecessary costs along the way, I am indeed convinced that, overall, the white goods rental business is a good one. About 20 percent of my total BOR consists of white goods with approximately 13 percent of that total in washers, alone. The remaining seven percent is comprised of refrigeration, dryers, and a handful of other miscellaneous items.

The keep rate, along with the type of customer that seems to be renting the white goods, has been the greatest influence on my sticking with it. Of course, 20 percent of my BOR doesn't hurt matters either.

I don't think there has been one thing in particular that has made my white goods business a success. Timing and demand by the consumer for these items is basically responsible.

In summation, by all means do your own homework before entering into this or any other new business venture. Good luck and happy renting! ■

Alan Dobzinski is president of The Rental Experts and was recently reelected to the APRO Board of Directors. He oversees the operation of stores in Connecticut, Massachusetts, and New York.

Tips On Delivery And Pick-Up Of White Goods

BY ALAN DOBZINSKI

The proper handling of rental units is extremely important. If units are mishandled, external and internal damage may occur, which can result in depreciated value and increased service costs. What follows has become our company policy on how to properly deliver and pick up white goods.

WASHER DELIVERY

■ Stand washer upright and cut the sides of the shipping carton across the bottom. ■ Lift off the box. Mark the unit "property of" and place proper inventory tag. ■ Remove hardware from the washer tub.

■ Lay the unit on its side and remove the styrofoam that protects the tub. ■ Attach the front and rear legs. ■ Hook up washer drain and secure it with a screw.

■ Stand unit upright and remove red drain plug (some spillage may occur). ■ Attach hot and cold water hoses (don't forget to use washers). ■ Put large and small spring clamps on drain hose connector and attach to washer drain. ■ Attach drain hose and secure with clamp. ■ Test drain hose to be sure it is snug. ■ Attach backpack for owner's manuals. Put cover on and secure with ties in back.

■ Put washer on handtruck and load into van. ■ Pick up washer and handtruck and lay washer on its front (if washer is not laid on its front or side it may tip or roll during transport).

■ Upon arrival, the first thing to do is see where the washer must go. ■ Make sure the unit will fit and the customer has the appropriate hookup or the necessary additional hardware.

■ Also, when explaining the agreement it is very important to explain to the customer that the company assumes no liability for clothes damaged in the wash.

■ On some deliveries, the drain and water hose will have to be removed to fit through doorways.

■ After bringing the washer into the house, remove the shipping bolts and balance by adjusting the legs. ■ Install drain and water hoses (don't forget to use washers). ■ Plug the unit in and check all cycles. ■ Show the customer where booklets are located.

WASHER PICK-UPS

■ Before doing anything, make sure the water is shut off. ■ Put the washer on spin cycle to remove any excess water. Ask the customer for a bucket to catch any excess water in the hoses and drain.

■ Remove hoses. If hoses can't be removed from pipes, disconnect the hoses from the washer and leave the hoses. It is cheaper to replace hoses than pipes. ■ Re-install shipping bolts to prevent damage and go through delivery steps, beginning with installing blanket.

DRYER DELIVERY

■ Stand unit upright and cut sides of shipping carton along the bottom edge. ■ Lift off the box. ■ Remove legs from the drying compartment. ■ Mark unit "property of" and put proper inventory tag in place.

■ Lay dryer on its side and attach dryer legs.

■ Stand unit upright. ■ Remove protective cover and install dryer cord. ■ Be sure bolts are tightened to prevent arching between posts. ■ Attach backpacks for owner's manual. ■ Put dryer cover on and secure with ties. ■ Put unit on handtruck and load on van. ■ Tip handtruck and dryer on its side to prevent tipping and rolling in transit. (When doing a washer/dryer combination, there may not be room for two handtrucks and the dryer must be carried.)

■ As with the washer, check to see that there are appropriate hookups before doing paperwork. Also, explain to the customer the company is not responsible for damage to clothes.

■ Bring in unit. ■ Attach electric cord and dryer vent. If there is no vent, recommend that the customer attach a stocking to prevent lint from building behind dryer. ■ Also, dryer must be at least one foot from wall. ■ Adjust legs to balance dryer. ■ Before leaving, run

dryer through all cycles and demonstrate to customer.

DRYER PICK-UPS

■ Check to see if the unit is fully operational. ■ Empty out any clothes inside.

■ Basically, follow the directions for delivery in reverse order.

REFRIGERATOR DELIVERY

■ Stand unit upright. ■ Remove straps with tin snips or pliers. ■ Lift off top section of box. ■ Cut box down one corner from top to bottom and remove. ■ Mark and tag unit.

■ Lay refrigerator on its side and remove boards by unscrewing legs. ■ Re-attach legs.

■ Stand unit upright. ■ Put on handtruck. Be sure straps go inside door handles and the black condenser coils in the back. ■ Load unit onto van and secure with ties or blankets so it won't roll.

■ Before completing paperwork, check to see where the unit is going. If the unit will not fit, the doors will have to be removed. Also, if unit is going to a second or third floor, it is usually easier to carry the unit. ■ Re-install the hinges/doors. ■ When showing the refrigerator to the customer, point out the energy saver switch. It should be in the "on" position in the winter and the "off" position in the summer. ■ Do not plug unit in if it has been lying on its side. The freon requires six hours to settle.

■ When picking up units, be sure to tape doors and shelves. ■ If the unit is out of balance, adjust the legs downward or upward as necessary.

REFRIGERATOR PICK-UPS

■ Check to see that the unit is fully operational. ■ Be sure that all the original shelves are there.

■ Basically, follow the directions for delivery in reverse order.

■ Clean with hot water, lemon ammonia, and a toothbrush. Freshen the inside with a powerful deodorant. I recommend Ozium (available at most drug stores). ■ Use a "patch-kit" to touch-up any scratches (available at most appliance supply houses).

Should I Hire An Advertising Agency?

By Ken Nay

Determining how to spend your advertising dollars intelligently and efficiently is probably one of the major decisions you will make as a rental company owner. Advertising can account for 6% to 15% of your annual budget. Carefully consider your alternatives before you decide how to invest your future ad dollars, because the spending of those hard-earned dollars must give you a high return to be justified in your overall management plan. These alternatives could be as follows:

- 1) Prepare your own advertising; evaluate and buy your own media.
- 2) Purchase personalized syndicated advertising commercials for exclusive use in your markets; evaluate and buy the media yourself.
- 3) Hire an ad agency to handle the total market research, market strategy, creative, and media-buying functions for you.
- 4) Purchase personalized syndicated advertising commercials *and* hire an ad agency to act as a media-buying service for you.

In this issue of *THE APPROACH* we will discuss the first alternative. In succeeding issues, alternatives two, three, and four will be discussed.

If you plan to create your own advertising, consider the fact that you will be competing with all the highly talented creative people in ad agencies across the country. Why? Because your ad or commercial competes with *every* advertising idea, regardless of whether it is for a product or service. You do not compete only with the other rental stores in your market.

If you really believe you or someone on your staff has the ability to conceive unique ideas that also sell very well, then by all means, develop your own advertising campaigns. But be honest with yourself and realize that not everyone is creative, and the creative process often requires more time and people than you have to research a problem and explore it from various viewpoints. You should

not be satisfied to just crank something out.

The 100 largest national advertisers spend their money wisely. They are big, hard-nosed companies that use only the best advertising to ensure substantial earnings for their stockholders and continued strong earnings in the years ahead. Rest assured that these companies rely on professionals to capture and keep the consumer's attention. Sure, advertising is only one factor in impressive records, but it is one of the most vital ones. Respectable earnings would not have been likely if their advertising had not performed well in moving goods and services in the market.

Just as advertising is an essential phase of the overall marketing process, it is important to plan your marketing strategy with an eye to the future. One of pro football's greatest quarterbacks once said, "I never lost a football game, I just ran out of time." Playing catch-up is no easier in marketing and advertising than in pro football. So if you don't have the time or expertise for it, don't kid yourself.

Available market media is another crucial area of ad planning that can help you get results. On the other hand, if not properly planned, your choice of media could be detrimental to the entire ad effort and discourage you from continuing an excellent ad campaign.

To buy media intelligently, you must first pinpoint your target audience. Is it all adults? Is it specifically women between the ages of 25 and 34? Targeting wisely can double or triple the response generated by your ad dollars. Targeting requires experience and, once accomplished, must be applied to the most efficient media in your market. Here again, much time and patience is necessary to learn to buy media efficiently. You can do it, but can you invest the time to gain the knowledge necessary to do a good job? A young media buyer in an ad agency, for example, must be educated to media terminology such as:

ARB (Arbitron), ADI (area of dominant influence), Neilsen, CPM (cost per thousand), demographics, and psychographics. The buyer must have great proficiency with numbers, a creative media attitude, and terrific negotiating prowess.

Consider the fact that most advertising media rates (especially in broadcast media) are demand rates, based on audience sizes that fluctuate freely and frequently. Professional media buyers realize that the first rate offered to you is usually not the rate you agree to pay. For example, many station's rates are higher than they should be during certain times of the year because the audiences are not measured by the rating companies (such as Arbitron) as often as necessary to know the true audience size. In other words, you could be paying a high rate for an audience that isn't really there. If you buy your own media and don't have the "feel" of the market, you might call other retailers and see if they're paying comparable rates. The only problem is that they, too, could be paying too much.

Finally, consider that only 5% of all companies do their own media buying. Your biggest advertising trap could be the belief that you are an ad expert when you are not. Producing excellent advertising in this explosive age of communication, and exposing these ads efficiently, requires an experienced specialist or someone who is willing to spend the effort and years to become one.

The next issue of *THE APPROACH* will give you helpful information about the second alternative: professionally designed syndicated advertising materials.

Ken Nay is president of the Ken Nay Advertising Agency in Cincinnati, Ohio. Mr. Nay will be a speaker at the upcoming APRO Legal and Advertising Seminar in Newport, Rhode Island on October 24-25.

Highlights Of The Tax Reform Act Of 1984

By Edward Gardner

Editor's Note: In July of this year, Congress passed a new tax law that impacts all businesses across the nation. THE APPROACH is presenting the highlights of this law in a two-part series, the first of which follows.

As a part of a major legislative package designed to reduce the federal deficit, Congress approved a complex collection of reforms, restrictions, and revisions of the tax laws. There are hundreds of provisions affecting businesses and individuals.

The tax bill that emerged from a House-Senate conference and was approved by Congress both offers and takes away taxpayer relief. Unlike most legislation, the compromise bill developed by conferees contains provisions and language not in the tax bills originally passed by either the House or the Senate.

An overview of the new law follows.

Luxury Automobiles

There are greater restrictions on up-front tax breaks for business use of luxury passenger cars. The bill restricts tax breaks for passenger autos that cost more than \$16,000 and adds strict record-keeping rules for all business cars.

The bill limits to \$4,000 the maximum depreciation that can be claimed in the first year the car is in service. In subsequent years, the maximum depreciation will be \$6,000. The maximum depreciation deduction in the first three years of an auto's business life is \$16,000.

The maximum investment tax credit that can be claimed on any passenger car is \$1,000.

The limits on depreciation and investment credit will be indexed for inflation. If business use of a car is less than 100%, the depreciation deductions, maximum annual limits, and investment credit would be reduced proportionally. If business use falls to 50% or below, the owner may not take an investment tax credit and must use 5-year, straight-line depreciation.

The luxury-car provision applies to cars put in service, or leases entered into, after June 18, 1984. Cars bought under

a binding contract in effect on June 18, 1984 and put in service before 1985 are not restricted.

The limits on business use do not apply to an automobile leased or held for leasing by a person regularly engaged in the auto leasing business.

Compliance provisions for reporting business use of automobiles are tougher. Owners must keep a detailed mileage log and may not claim more business mileage than is shown in the log. The tax return preparer must inform the taxpayer of the compliance rules and obtain written confirmation from the taxpayer certifying that adequate records have been maintained before he can sign the return. The compliance provisions are effective for taxable years beginning after 1984.

The conference agreement is specific about what is business use of a car. Commuting to and from work is not business use, even if the owner installs a telephone and uses it to transact business while commuting.

Treasury will issue regulations to clarify the definition of business use.

Business Use of Personal Property

The bill restricts deductions for business use of personal property, such as home computers. Property must be used more than 50% for business to qualify for accelerated depreciation and investment tax credit. The new rules are effective for property placed in service after June 18, 1984.

An owner may not claim accelerated depreciation or investment tax credit on an asset used 30% in a trade or business and 30% for the production of income not in a trade or business. If the 50% test is not met, depreciation must be computed on a straight-line basis over 12 years for 5-year property such as computers. If an asset is used 70% in a trade or business and 20% for the production of income other than in a trade or business, the owner can claim investment tax credit and accelerated depreciation based on 90% business use.

There can be no depreciation deduction for an entertainment, recreation or amusement facility.

A computer kept in an employee's home qualifies for business use deductions only if it is required for the convenience of the employer and is a condition of employment. The equipment also must be necessary for the employee to do his job properly. There are strict record-keeping requirements effective for taxable years beginning after 1984.

Medical Deductions

Amounts paid for lodging away from home, if essential to care provided by a physician, are deductible medical expenses. There is a limit of \$50 per night for lodging. No deduction is allowed if the lodging is lavish or extravagant or if there is any significant element of personal pleasure, recreation or vacation involved. The provision is effective for taxable years beginning after 1983.

Stock Losses

The current ordinary loss deduction of \$50,000 per year (\$100,000 for a joint return) for losses on certain small business corporations is expanded to include preferred stock as well as common. This provision is effective upon enactment.

Mortgage Interest Payments

Individuals who, in the course of their trade or business, receive more than \$600 per year in mortgage interest payments must disclose to the Treasury the amount of the payments and provide the payer with a statement.

Author note: Edward M. Gardner, CPA, heads an accounting firm in Houston. He holds a BBA in Accounting from the University of Texas and a Master's degree in Taxation. Previously, he worked in the tax departments of two national accounting firms. Mr. Gardner has written nationally for "Taxation for Accountants" and published locally in the "Beacon" and "Houston Living Magazine." He has updated a law school textbook by Stanley and Kilcullen, and has spoken across the state of Texas.

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Internal Theft

It's a raging problem in the rental business.

Embezzlement. Maybe it hasn't happened to you yet, but it could, and the odds are that it probably will. A trusted employee, perhaps even one in upper management, turns out to be a louse and rips you off. It could be as small a theft as one VCR unit, or it could be \$4,000 worth of fake accounts.

The main reason is temptation. In a rental store there is simply a lot of expensive merchandise sitting around that is easily fenced — stereos, TVs, and VCRs in particular. If not watched carefully, some of those units can disappear out the back door, and they may never be missed. Also, a great deal of cash comes into a rental store at regular intervals, creating further temptation.

R. C. "Bud" Holladay, president of ABC Rentals and a veteran of the rental industry, has experienced numerous types of theft. "I've been stolen from by some real slick professionals and by some people who are just plain stupid," says Holladay. "One way they can steal is to come in after hours and fake payments on the posting machine. They take out the posting paper and enter payments on the customer's ledger. It takes a sharp manager to catch that trick." Sometimes dishonest employees don't issue a receipt to customers who pay with cash or money orders. Holladay explains that this kind of thievery usually occurs in the early morning or late afternoon. "This works particularly well with money orders," says Holladay. "They tell the customer that the

receipt box is locked up, but that they can use their carbon copy of the money order as a receipt. Then they just pull out the money order and cash it themselves." He explains that route people can also steal from a rental operation fairly easily. "If they go out to collect on a TV set and the customer says they want to return it, then the route person can pick up the set, take it home or sell it, and report back to the store that the customer skipped."

One way to prevent these kinds of theft is to be sure that potential employees are honest people to begin with. There are several ways to weed out "bad apples" before they ever join the staff. The first is to check references of prospective employees carefully and study their work history very closely.

Checking references is not as easy as it sounds. Privacy laws being what they are, it is often impossible to find out if a person being interviewed did actually steal. Former employers, scared of getting slapped with a lawsuit, may be hesitant to tattle on a person who stole from them, particularly if they were unable to prove the person guilty or if they did not prosecute. If the job applicant has not stolen on the job but has engaged in shady dealings outside the work environment, such as drug dealing or burglary, calling for references will not reveal this.

Since this method of checking out prospective employees is not conclusive, it is important to look very closely at an

employee's work history and habits. This is information that a former employer can supply freely, without fear of legal repercussions. Questions about neatness, tardiness, and general attitude should be asked. The job history of the applicant should be studied closely. As Bud Holladay says, "Before I started using newer methods, and someone I'd hired stole from me, inevitably I would go back to look at their application again and there would be something that just didn't click — some unexplained gap in employment, a history of moving often, an unstable home life. Something just did not mesh in the first place and that should have tipped me off."

Many employers are now using new methods to check out job applicants.

The stand-by, of course, is the polygraph test. Unfortunately, this procedure smacks of police interrogation tactics, which many employees resent, and it is also not completely reliable. For one thing, applicants who take certain muscle-relaxing drugs before a test may remain calm and be able to lie without detection. That is why Bill Kaspar, president of Homeway Rentals, has his employees retested 90 days after he hires them. "We casually mention to the employee that we will be administering the second polygraph test sometime that day, and then we make sure that they don't leave the store. They have signed a form stating that they understand that a second

test will be administered. It helps keep them honest, knowing that they will be tested again."

Polygraph tests, which range in price from \$20 to \$30 per subject, are also not reliable when a real "pro" is being tested. This is a man or woman who has mentally justified stealing and, therefore, feels no remorse. Unreliable results may also be obtained if the polygraph administrator is not highly skilled. In some states, polygraph testing is illegal. Bud Holladay's summation of this method is, "All polygraph testing does is weed out the drug addicts, wife beaters, and dead beats."

New methods replacing the polygraph include in-depth character analysis, honesty testing, and voice-stress testing.

Nicholas Filloramo of Royce's Rentals in Washington, D.C., uses the voice-testing method. The prospective employee is interviewed over the phone by a test administrator. The administrator can record the level of stress in the applicant's voice and determine if he or she is probably telling the truth.

Honesty testing consists of a written true-false test designed to determine the applicant's attitudes about honesty. Clyde Johnson, president of JCM Consulting, a Salt Lake City firm that specializes in

this type of testing, explains, "The test is composed of 116 statements about honesty that the applicant must answer with a true or a false. A sample statement is 'If employers would pay a decent salary, employees would not steal' or 'Employers expect you to steal.' The way an applicant responds to these statements gives a profile of the basic honesty level of that person."

Apparently, it is extremely hard to cheat on such a test. Johnson says, "only about 30% of the people tested pass." He says that over the years, people in American society have developed lower standards about honesty. "You wouldn't believe the number of people who say that they would not return a large sum of money they found in the street, even if the name and address of the person the money belonged to was with it."

The pre-employment test can be administered for as little as \$11 and can be evaluated by the employer or call in for an over-the-phone evaluation.

JCM Consulting also offers honesty training programs for businesses. "It is a sad fact," says Johnson, "that people are not being brought up to be honest. Somewhere along the line, honesty is not being taught. So what we are doing is going into the business and actually teaching hon-

esty. We get the employees fired up about honesty. We educate them to the merits of truthfulness and actually attempt to raise their level of integrity. This way we can catch people who are just beginning to think about lying or cheating, and hopefully, even reform those who have already done something rotten." JCM Consulting conducts in-house seminars and also offers seminars throughout the year in various locations.

If an employer wants to look even deeper into the character of a potential employee, there is another type of testing available that reveals more about an applicant's personality than whether or not she or he is a potential thief. This is called a personality profile, which is obtained after the applicant fills out a lengthy questionnaire.

Associated Personnel Technicians in Wichita, Kansas, specializes in this type of testing. The company's president, Dr. Terry Walter, has worked with the rental industry for many years. He explains what his test can reveal about a person: "After studying the answers to our questionnaire, we can establish a person's interpersonal relationship styles that deal with self-sufficiency, dominance, listening capabilities, friendliness, depression, energy level, creativity, tendency to worry, suspiciousness, motivational patterns, and overall goal-striving, as well as determining whether that person exhibits asocial tendencies." He explains that asocial tendencies are those that violate social codes, such as lying, cheating, and stealing.

Testing of this kind offers the employers more than a profile of the applicant's honesty: it can rate the person in terms of ability to lead, to follow through on policy, to take direction, and to stay motivated. This can be useful information to the employer because it indicates the specific kind of position a person should fill — managerial, clerical, etc. Dr. Walter is so confident of his test's reliability in this area that he offers predictions on gross sales and projected length of service of a prospective employee.

This kind of personality testing can cost from \$40 to \$95 per test, depending on the entry level of the applicant into the firm's hierarchy, and can be handled by mail or phone. Walter's company sets up the employer with test booklets and procedures for sending the booklets back to his firm for analysis or for phone-in results. If requested, his company can recommend and develop a particular

Keeping The Barn Locked

As the old saying goes, it's hard to steal a horse when the barn is locked up. Even the most stringent hiring procedures are no guarantee that all of a rental store's employees will be honest. With that in mind, *THE APPROACH* offers some general tips that will help keep the horse in the barn.

1) If you can afford it, computerize your operation. Computerized operations eliminate many opportunities for employee theft.

2) The store manager should always take calls from customers who want to return merchandise. This way, the account rep can't report that such a customer skipped or reported the merchandise stolen.

3) Pay attention when an employee starts receiving phone calls from creditors, begins complaining about not having enough money, or asks for raises at inopportune times.

4) Remind employees often of the internal checks and balances that are in operation to guard against theft.

5) Always have a store manager supervise the unloading of trucks. Drivers have been known to "buy off" store personnel and keep merchandise on the truck.

6) Review the store's bank deposits. If you see a change in the usual pattern, investigate.

7) If you own or manage several stores, keep graphs that indicate trends and investigate if discrepancies arise. Jim Foster of Companion's Rental also suggests that you spend one day per month in each store. He claims that talking to that store's customers will reveal a lot about how the store is being run when you are not there.

8) Control the use of keys.

9) Don't let trash collect in bins near the loading zone. That is a good place to stash merchandise until after-hours. Check these locations at random times.

10) If a theft is discovered, notify the police immediately and then prosecute. Keep good records on all employees for several years, clearly stating theft as the reason for termination if the person was proved guilty. Be honest with other businesspeople who inquire about a former employee's record.

Continued on page 81

Do Words Make A Difference?

By Rozanne K. Flatt

When I was young, I used to laugh about the term "middle-aged," because I thought all those people they were referring to were old, maybe even ancient. Now, of course, I have discovered a marvelous word to describe my age; I'm "mature."

The words you use DO make a difference. They make a difference in whether you communicate precisely the *content* of your message. They make a difference in whether you communicate precisely the *psychological intent* of your message.

Webster defines the verb "communicate" as "to transmit information, thought, or feeling so that it is satisfactorily received or understood." I have never met a person who expressed a desire to do *unsatisfactory* work. Since the rent-to-own business is fundamentally a people-interaction business, the words you use in your daily customer interactions *do* affect your efficiency and your effectiveness, and therefore your ultimate success.

Let's examine some of the words we use in the rental business. Some communicate more accurately what we really mean. Others communicate in a way that affect how we and our customers feel, and therefore impact our customer interactions.

Do you use an AGREEMENT, or is yours a CONTRACT? Consider these reasons why AGREEMENT is the more effective term.

1. The Psychological Reason. The word "contract" certainly has a very legal sound about it. In fact, the document we use is legally a contract for the time in which it remains in effect. The trouble with the word is that many rental customers may have very negative feelings about legal technicalities. On the other hand, the word AGREEMENT has a softer psychological connotation. The essential ingredient of a contract is agreement, as in the long-used legal interpretation of contract as a "meeting of the minds." Did you know that you can have a contract without a signed document, and, conversely, that you can have a signed document and not have a

contract unless there was a "meeting of the minds" at the time of signing?

In other words, without real understanding there is no commitment, and we all know how important commitment is in the rental business. Without your customer's commitment to the rental program, your job becomes difficult, time-consuming and frustrating. I believe that if you will think of reaching an AGREEMENT with your customer, and that if you use the term AGREEMENT when you talk with your customer so that he or she is also thinking AGREEMENT, you will develop a more effective, more cooperative relationship — one in which the customer is anxious to live up to the AGREEMENT he or she has come to.

Do you use an
AGREEMENT,
or is yours a
CONTRACT?

2. The Legislative/Legal Reason. Our industry, through APRO, is waging a significant battle in the courts and in the U.S. Congress to preserve our right to continue conducting our business in the manner we have traditionally used. You have all read the articles in THE APROACH about the efforts being made in Washington to achieve a suitable definition of the rent-to-own business which will allow us to continue bringing our customers the fine products they want for their homes and families. And you have also read the accounts of the expensive legal battles individual dealers have had in the courts.

The kernel of the issue is whether our document is a retail installment contract. The term "contract" has come to be a shorthand way of referring to a retail installment sale contract. We are currently at full battle stations defending our belief that our form of agreement with the customer is NOT a retail installment contract. We are wise if we take every possible step to avoid confu-

sion and association with the form of business we are spending hundreds of thousands of dollars to dissociate ourselves from.

Since the simple word AGREEMENT is effective with the customer and also helps establish our legal position, consider making it part of your new vocabulary.

Here are some ways you might use the new term in your interactions with a customer.

You. "Mr. Jones, may I have just a few moments to explain our rental agreement? Before I leave, I want to be sure that you are satisfied that we do have a good agreement. When you sign, that says you agree to renew on or before the renewal date, or else return the unit to us. If we have to come to your house about your account because we haven't heard from you, you agree to pay the in-home collection charge. And if you decide not to renew, you agree to let us in and to turn over the unit to us."

(Later if you have a problem) *You.* "Mr. Jones, I'm sure you remember that when I delivered your unit, you agreed you'd return the unit to me if you decided for any reason not to renew."

The rent-to-own industry has definitely reached the age of maturity. It is time for all of us to assume mature responsibility for the way we conduct the business. And it is certainly important for us to use appropriate mature industry language as we do that.

In the next issue we'll cover several important terms relating to the way we manage our customers' payment records. In the meantime, if you have discovered some particularly effective way to use language to make managing the rental business easier, please write to Rozanne Flatt in care of THE APROACH. 1984 Rozanne Flatt. All rights reserved.

Rozanne Flatt is a charter member of the APRO board of directors and has been an active advisor regarding management and planning of APRO services.

Getting The Staff Involved

By Bud Holladay

Personnel management in the small or large rental company is not that different from personnel management in other enterprises. Typically, people within the rental store work more closely together and share more responsibilities than "line employees" in other businesses, but certain standards and truths still apply. We all hire from the same species.

A large segment of the APRO membership constantly wrestles with the problem of employee compensation: Should it be tied to performance? Should merit pay increases be applied across the board? How much do you pay a beginning route manager? A store manager? There is no clear-cut answer to any of these questions because labor markets differ from city to city and few companies share exactly the same performance standards and hiring criteria. Pay must be considered in relation to other components of good employee management.

First, the owner must decide what he or she wants the employee to accomplish at the job level. Then, all the factors that would allow the worker to accomplish these tasks or objectives must be set into place (equipment, training, authority, etc.). And most importantly the objectives must be clearly and firmly communicated to the employee from the beginning and reinforced thereafter. When all this is accomplished, the owner can begin thinking about what and how to pay.

If the worker's pay is to be tied to performance, certain things must be made clear. How can performance be measured so as to ensure that the pay is well-spent? Does the worker have the benefit of training that will enable him or her to realize that level of performance? And, finally, what factors to be measured are most important and have the most impact on the objective being met? If pay is tied to performance, that performance must be measurable in terms that are absolute and easily understood. Supply some hard numbers for the route manager to attain, fix some definite, measurable targets to be reached within a certain time frame, and the performance evaluation then means something.

If the employee doesn't understand the pay system or the performance evaluation, they won't serve as incentives to do a good job.

A store manager is usually evaluated by how much profit the store earns, or by how many units it grows. If the manager's pay is tied to profit, he or she must have access to all figures that impact on that profit. The manager must have a certain amount of control and a well-defined limit of authority over how the money is spent. If pay is tied to unit growth, the manager must have some modicum of control over advertising efforts, labor allocations, and inventory supplies. It is unrealistic to tie someone's pay to something over which he or she has little or no real control.

Store managers typically know little about what the owner really wants. They hear vague words and phrases like "higher profits" or "more units." Exactly how to achieve those ends — and who shall be responsible for success or failure at each step of the way — often gets lost in the shuffle of memos from the home office. It should come as no surprise to owners that managers who have no clear idea what is expected of them also have vague expectations of their own employees.

Communication up and down the line is imperative to the success of any rental operation. Owners communicate DOWN what they expect, and workers communicate UP circumstances that might affect that expectation's being realized. When either party fails to be clear and direct, both become unhappy. The employer finds new workers who will "carry out instructions" and the employee goes off to work for somebody "who knows what's going on." Sound familiar?

Store managers must be able to bring bad news to the boss without fear of being fired. If they know what's going on in the rental store, and they know clearly what's expected by the owner, they can differentiate between bad news that is nobody's fault and bad news that is a result of poor performance or oversight. The lies and excuses stop and work can begin on correcting problems.

A manager, who has a finger on the pulse of the business, will be able to act faster and more intelligently.

Sometimes owners and managers fail to realize that the employee has a stake in the business, too. After all, it is the weekly paycheck that finances the employee's life. When that paycheck's size (and even the certainty of its continuing) is tied to what the owner clearly expects from the worker — and the worker has all the training, equipment, supervision, and freedom necessary to carry out these expectations — the average employee becomes a good employee and performance goes up.

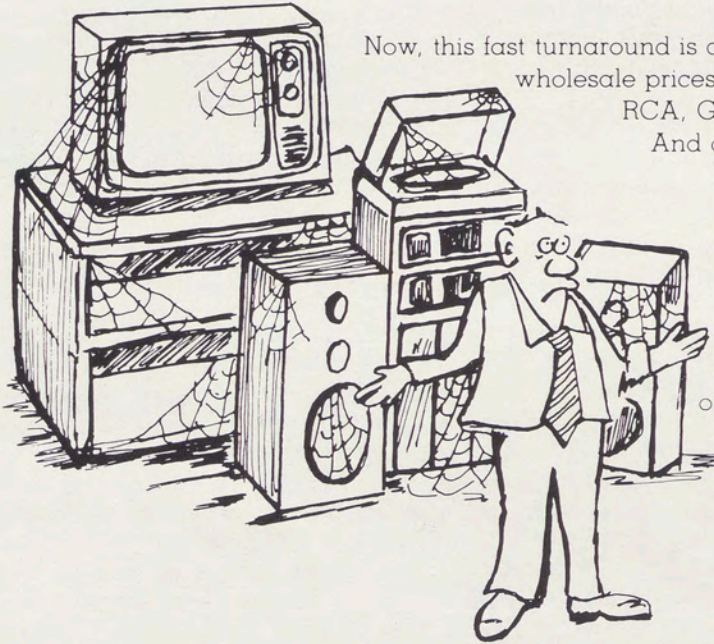
Motivation is a hot topic at most management meetings. But it's impossible to buy motivation. Motivation to excel comes from an employee's total understanding of the system, the procedures, and the performance expected, and open communication as to whether those expectations can or cannot be met. Then all the shackles are removed and the worker is free to be as good as he or she can be. That's quite different from being only as good as the other \$5-an-hour worker across the hall.

Pay and performance standards don't necessarily have to be complicated, or apply only to management. Every employee manages something, if it is only his or her time. And you are paying for that time! If your pay plan is clear and is perceived to be fair by the employees, and if it's tied to certain performance standards that are measured regularly and fairly, then chances are you have some average people doing above-average work. If you feel you're not getting the most out of your employees, take a closer look at your management practices and see if you can't discover some superstars among the employees of your company.

Bud Holladay was the charter president of APRO, is currently serving on the APRO board, and is President of ABC Rentals, Inc., Dallas, Texas.

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The 1984 Convention

A Las Vegas Review

A PRO's annual convention has become pretty serious business for rental dealers and vendors. Education and communication, not just dollars and chips, were being traded at the 1984 convention at Caesar's Palace in Las Vegas.

To be sure, some folks gambled and almost everyone caught one of Diana Ross's performances. But the slot machines, neon lights, and floor shows were only the glittering backdrop to another successful APRO Trade Show and Convention.

Attendance swelled from 860 last year to 1,100 this year, including vendors, dealers, and spouses. Seminars overflowed with attendees and the exhibit hall had a steady parade of visitors. Newcomers to APRO and first-time conventioners met and mingled with the regulars at the first evening's cocktail party. The good humor and camaraderie during this welcoming event set the tone for the rest of the convention.

Energizing was the word for the first scheduled event on Friday. The huge auditorium was filled to capacity at the morning's general meeting. The audience was rewarded by a stirring, totally engrossing talk by Don Hutson, a professional speaker whose style, charm, and humor earned him deafening applause at his talk's conclusion. He described good, solid managerial and communication techniques in a memorable manner.

The keynote address was followed by the ribbon-cutting ceremony, conducted by APRO president Barry Gambini. As the exhibit area was opened, conventioners surged through the door to visit the 157 exhibits ranging from furniture to stereo systems to computers.

Friday afternoon was punctuated by the busy shifting of feet as attendees moved from room to room for the 45-minute seminar sessions. A last-minute addition to the seminar schedule was a talk by Congressman Doug Barnard (D. Georgia), the original sponsor of House Bill 5423, who gave dealers an update on federal legislation. He spoke at two special sessions.

Seminars and their leaders included: "Consumer and Media Relations," Terry Washburn, director of consumer affairs for Remco Enterprises, Houston, Texas; "Elements of Personnel Training - Pay and Performance Standards," R. C. "Bud" Holladay, CEO for ABC Rentals, Dallas, Texas; "Buying and Selling

Rental Stores," Phil Baker of the accounting firm of Baker and Baker, Dallas, Texas; and "Computerizing Rental Stores," a panel moderated by Jack Callender of Television Management, Metairie, Louisiana and member of APRO's Board of Directors. Panelists included David M. Blevins of Showcase TV & Appliance Rentals, Huntsville, Alabama; Chuck Peters of Steele & Vaughn, Greensboro, North Carolina; Lowry Shrader of Rent It, Clarksville, Tennessee; and Fred Viehweg of Actiontime Rentals, Austin, Texas.

Other seminars: "Stress Management," Jules Steinberg, executive director of NARDA, Chicago, Illinois; "Growth and Expansion Financing Alternatives," Harry Polland, vice president of retail credit for American National Bank, Bakersfield, California; "Advertising and Marketing Rental-Purchase," Ken Nay of Ken Nay Advertising, Cincinnati, Ohio; "Rental Customers in Bankruptcy,"

Continued



The ribbon-cutting ceremony that opened the exhibit hall was officiated by APRO president, Barry Gambini, vice-president, Jack Callender, and executive director, Ed Winn.

Seminar Speakers



Jack Callender



Congressman Doug
Barnard



Terry Washburn



Phil Baker



Harry Polland



J. Samuel Choate, Jr.



Don Hutson



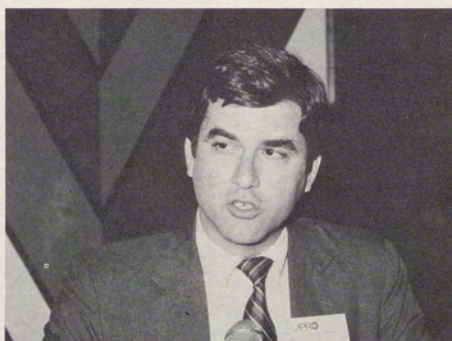
Jules Steinberg



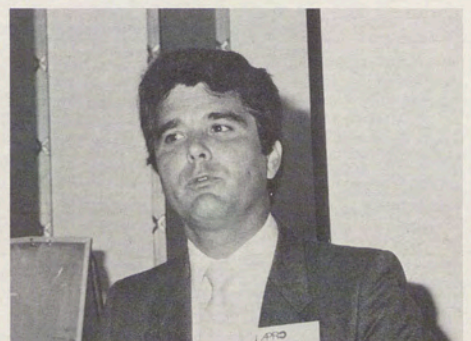
R. C. "Bud" Holladay



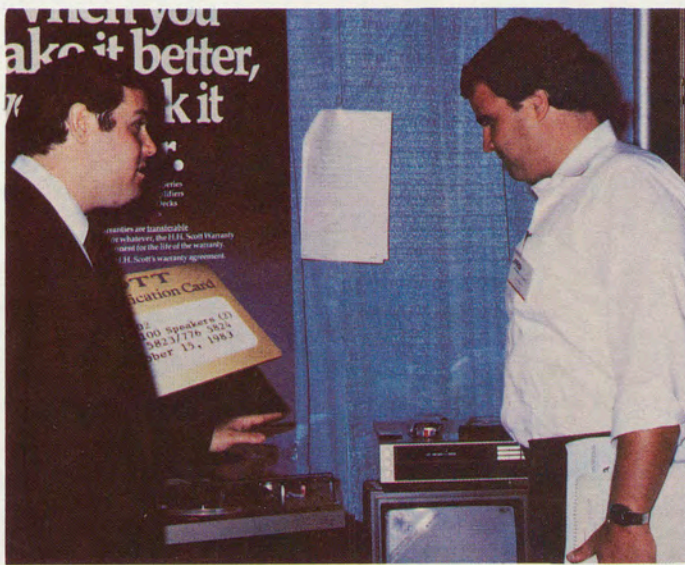
Ken Nay



Jimmy Walker



Edward L. Winn, III



The convention attracted a steady stream of visitors. Vendors and attendees exchanged ideas, made valuable contacts, and closed business deals.





Jimmy Walker of Surret, Choate and Walker, Augusta, Georgia; and "Legal Developments," Edward L. Winn, III, attorney and executive director of APRO, Austin, Texas and J. Samuel Choate, Jr., attorney for Santarelli and Bond, Washington, D.C.

Other panels: "Insuring Rentals Property," moderated by Dennis Palmquist of DLP, Inc., Austin, Texas, and member of APRO's Board of Directors. Panelists were Alan Stein of American Bankers Insurance Group, Miami, Florida; John Ihrig of John Ihrig and Associates, San Diego, California; and Jim Pangburn of Old American County Mutual Fire Insurance Company, Dallas, Texas. "Franchising Rental-Purchase," moderated by Rozanne Flatt of First National Computer Corporation, Dallas, Texas and member of APRO's Board of Directors,

with panelists Sal DiLeo of Gallery Rentals, Baton Rouge, Louisiana; Ron Happe of RT-O, Inc., Visalia, California; and J. Samuel Choate, Jr.

Some seminars were repeated Monday, and a new panel discussion was added to the schedule. "Furniture Rentals," was led by Pat Flowers of ColorWorld TV Rentals, Albuquerque, New Mexico and member of APRO's Board of Directors, with panelists Norm Newcity of Dixieland Consolidated Furniture, Woodstock, Georgia; Charlie Spradlin of Charlie Spradlin and Associates, Westfield, Indiana; Neil Lewis of Goldmont Furniture Manufacturing, Woodville, Texas; and Dave Gradick of FRS, Dallas, Texas.

Attendees were generous with their time in filling out evaluation sheets for each seminar, pointing out mechanical

flaws such as too much noise, no microphones, and no designated smoking and non-smoking areas as well as giving a fairly consistent "good" rating to speakers and content.

The single-mindedness with which attendees pursued the seminar scheduling on Friday once again affirmed the importance of this aspect of the convention.

Spouses were having their own "Color Me Beautiful" seminar, with both the afternoon sessions drawing a large attendance.

Borg-Warner sponsored the Grand Opening cocktail party Friday night with its lavish food tables and elaborate flower arrangements.

Saturday turned out to be the major day for exhibits. About 100 spouses got up early to attend the Neiman-Marcus



Convention attendees enjoyed mixing and mingling at the Grand Opening Cocktail Party in Caesar's Palace's Nero Room. Sponsored by Borg-Warner Acceptance Corporation, the party featured lavish food tables and beautiful flower arrangements.

Brunch and Fashion Show in the morning.

During the day, the beer flowed, ice cream bars dripped and flashbulbs signaled the APRO "mug shot" collecting as the staff boosted its picture file of members and exhibitors.

The whole five days of convention events were recorded by Las Vegas photographer Paul Kammet, who became a regular "APRO attendee" as he followed the schedule. His photos are printed in these pages.

A special unexpected occurrence during Saturday was the rain, which spasmodically doused folks who ventured outside Caesar's Palace. The neon lights of the "Strip" glistened with raindrops

and the streets flowed with water to the curbs as the year's total rainfall seemed to come down all at once.

Dodging the showers seemed like fun Saturday night, while adding a bit of hominess to the exhibit hall with assorted pans catching the drips, but it spelled havoc for the sports events Sunday afternoon. One event, the golf tournament, was rained out and the APRO staff came home with the unawarded trophies. Racquetball and tennis tournaments drew large numbers of players and everyone competed fiercely - they are rental dealers, after all - and seemed to have a good time. Greg Cole of Crown Rentals, Granada Hills, California was first place winner and Ed Winn, APRO's executive

director, second, in the tennis tournament. Racquetball winners were Scott Vaughn of Pearsey Enterprises, Lawndale, California and Michael Norris, also of Pearsey Enterprises, Inglewood, California.

Before the rain, however, APRO members got down to the serious business of electing new board members during the morning general meeting. No other new business was introduced.

The morning's guest speaker was David W. Bahlman, executive vice president and CEO of "Big Brothers/Big Sisters of America." His explanation of the organization and its works, ending with the dramatic recital of the fate of three orphaned youngsters whose adult lives went in vastly different directions, left his audience teary-eyed.

During the day many conventioners took advantage of the optional tours offered. Thelma Pressman conducted the "Microwave Cooking and Marketing Seminar," on Sunday afternoon; the marvelous food she created was eagerly consumed.

Sunday's activities culminated in a gala dinner and dance. Elegant in formal dresses and tuxedos, conventioners paused enroute to the ballroom to have

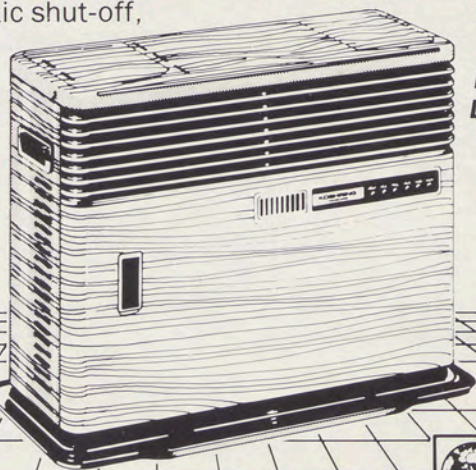


Some of APRO's new and reelected Board of Directors members posed for a photo. (L to R) Jack Callender, Barry Gambini, Dennis Palmquist, Glenn Davis, Bob White, Rozanne Flatt, Pat Flowers, Alan Dobzinski, and Haskell Dighton.

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photographs made. Inside, tables draped in white cloths and set for ten were soon filled with conventioners who had definitely caught the party mood.

During the dessert course, Bud Holladay began the presentation of special awards. Plaques were given to the '83 - '84 Board of Directors, and a Recruitment Award went to Glenn Davis, board secretary. An Award of Excellence was given to Barry Gambini, president. A special award was presented to APRO by the H. H. Scott Company. It was accepted by APRO executive director Edward L. Winn, III.

New board members, chosen for two-year terms during Sunday morning's elections, were introduced by Bud Holladay. They included Larry Tinney, owner-manager of Royal Crown Leasing in Fayetteville, North Carolina; Gary Wilburn, Sr., president of Universal TV Rentals in Cincinnati, Ohio; and Jim Graham, CEO of Remco Enterprises in Houston, Texas. Re-elected members were Dennis Palmquist, owner of Quality Rentals, Austin, Texas; Pat Flowers, owner of ColorWorld TV Rentals in Albuquerque, New Mexico; Stephen Grauel, president of Mr. Steve's in Ardmore, Oklahoma; Robert White, owner

of Crown Leasing Corporation in Texarkana, Texas; and Alan Dobzinski, president of The Rental Experts in Hamden, Connecticut.

The evening ended with dancing to the "Big Band Sound" of the Jimmy Duffy Orchestra. Before the music mellowed, though, the band got the fashionable crowd moving fast with the lively "Hokey Pokey."

Monday morning had some board members juggling their schedules between speaking assignments at the seminars and a meeting of the new board of directors. Exhibitors completed their break-downs in record time and some were present for the APRO wind-down party at mid-day.

It was an exhilarating and exhausting five days. Each person came with certain expectations. Most were met. APRO member and exhibitor Sid Stevens of Marshall-Williams probably summed it up for everyone. "Well, we paid for our trip, so I'd say it was a good convention. We made a lot of good connections and new friends." ■

Alice Bruton is the APRO Director of Meetings and Conventions and a regular contributor to THE APPROACH.

APRO Convention events were enhanced by the sponsorships by major supporters to the association. They included:

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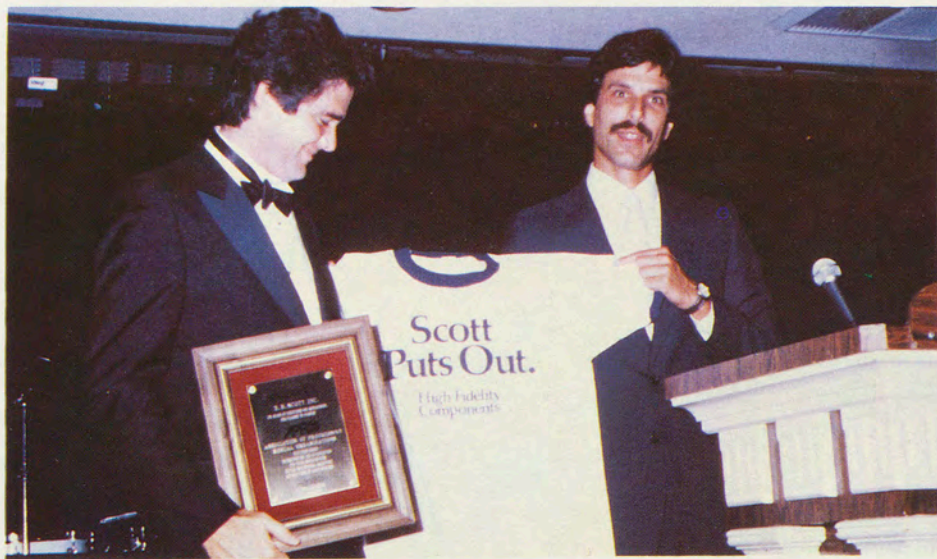


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Convention Notes

Orlando, Florida has been chosen as the site for the 1985 APRO Convention. It will be held July 18-22 at the new Wyndham Hotel Sea World.

Heading the Convention '85 committee will be Glenn Davis, APRO board secretary. Other convention leaders will be R. C. "Bud" Holladay, convention seminar chairman, assisted by Rozanne Flatt.

Pat Flowers will be in charge of the vendor relations committee.

(clockwise from bottom) R. C. "Bud" Holladay presents Glenn Davis with this year's Recruitment Award.

Sports trophies went to (l to r) Michael Shapiro Scott Vaughan and Michael Norris.

APRO Executive Director and Legal Counsel, Ed Winn, received a special award and a tee-shirt from the H.H. Scott Company to APRO.

An Award of Excellence was given to APRO President Barry Gambini (see article on page 40).

INTERNAL THEFT

Continued from page 69

employee to utilize his or her best skills and strengthen the weak ones.

If a store manager does not want to spend the time checking referrals or pay for the various kinds of pre-employment testing available, then he or she must be prepared to keep a magnifying glass on the business, because theft can be insidious. It can occur over long periods of time in small amounts, and it can also occur where it is least expected—in upper management.

Jim Foster, regional rental manager of Companion's Rental in New York and New Hampshire, describes his unpleasant discovery of a dishonest manager. "The figures didn't add up. I was doing a quarterly audit that showed some discrepancies. We suspended the guy while we investigated further. It turned out that he was falsifying ledger cards, collecting money and not turning it in. He had embezzled \$4,000 out of us before we caught him."

Apparently, preventing theft requires never-ending vigilance on the part of the owner or manager. Many dealers have worked out their own methods of avoiding theft (see *How to Avoid Internal Theft*, p. 81). Others, in addition to keeping a watchful eye, concentrate on working with employees to be sure that they are happy and satisfied. Bud Holladay has a certain amount of compassion for some people who steal. "Sometimes a person is basically honest, but just runs into financial problems that are more than he can handle. He might start acting real worried and distressed. He might start getting a lot of phone calls at the office from creditors. That is the time when a manager needs to sit down right away and find out what the problem is. Help him work out a budget and loan him some money if you can. It doesn't guarantee that he won't eventually steal from you to work out his problem, but then again it might." Holladay further suggests staying on top of personnel problems, "Because often an employee steals because he thinks he's been cheated in some way by management."

Ultimately the most effective way to avoid internal theft is to run a tight operation. Use stringent controls that employees are aware of and checks and balances that reveal discrepancies. As one rental dealer who learned the hard way says, "Don't expect — INspect!" ■

Lindy Vaughan is a contributing editor on THE APPROACH staff.

How to Avoid Internal Theft

BY LARRY TINNEY

Editor's Note: Larry Tinney is the President of Rent America, with nine stores located throughout the Carolinas. He's been in the rental business for four years and once experienced a bookkeeping theft that cost his company \$25,000. He learned to keep a watchful eye on his operation after that unfortunate incident, and offers his advice to readers of THE APPROACH. Please note that some of the following information is applicable only to rental stores that are not computerized.

CHECKWRITING THEFT

PROBLEM: If you have delegated the signing of company checks (the three-part variety) to one single individual, keep a close watch on voided checks. The person who turns in the third part with "void" written on it may have made the original check out to him or herself. If this person also reconciles the bank statement, it is an easy trick to pull the original check out of the bank statement and report to the accountant that the check has been pulled by the owner for statistical reasons.

SOLUTION: Require double signatures on checks, delegate bank statement reconciliation to an accountant (or someone other than the person(s) signing the checks), and have this person report any missing checks or discrepancies to the owner personally.

POSTING THEFT

PROBLEM: For several months, the APU for a store is lower than normal, even after accounting for the product composition of those months. This could be a tip-off that someone within the organization is monkeying around with the posting machine and faking information, especially on heavy mail or drop days.

SOLUTION: A field audit person should randomly or extensively check active and recently-turned-inactive customers' cards for payment posting on those heavy days. This should be checked against the corporate office's daily posting summary. Check the route codes to see if any fictitious codes have been used.

CHARGE-OFF THEFT

PROBLEM: Some customers' accounts are charged off with promissory notes still outstanding. Once these accounts are charged off, they can be conveniently "forgotten" by the person in charge of accounts. In other words, this person could collect payments on these accounts and not record the payments as collected.

SOLUTION: The field audit person should periodically check to see if payments have been made to any of the charged-off accounts and if they have properly posted on the customer cards, as well as on the store's daily posting summary. Then the field audit person should randomly call customers whose accounts have been charged off to check the status of the file. (This is a good reason for always reminding customers to keep their receipts). A customer's receipt can substantiate the theft.

INVENTORY THEFT

PROBLEM: The person who is responsible for reporting on daily inventory has a "golden opportunity" to steal merchandise. If there is no policy for double-checking inventory figures, thefts may never be noticed by upper management.

SOLUTION: A field audit person should personally conduct a manual count of any idle inventory, and should check to see that there is a customer file on any unit on rent. (It is common for upper management to trust employees and accept, without verifying, the inventory figures presented. Audits such as this are crucial to keeping employees honest.) Some operators may want to try a technique that Wilson Dickson, from Charlotte, North Carolina, uses. He sends his district manager out occasionally to remove inventory from a store after-hours. The following day can be quite revealing, when the home office either does or does not hear about the missing merchandise. It is very likely that if the merchandise is not reported, it is because the person in charge at the store is not honest. Either he or she does not want an investigation that might uncover some past thefts or simply does not want the cost of the missing items to be docked from paychecks.

Rental store owners should be reminded that the majority of internal thefts are committed by persons who are experiencing some economic crisis in their lives. Pay close attention to personnel problems, institute good audit procedures and, hopefully, internal theft will not mar your business track record. ■

LEGAL

Q: "Can a rental company deduct casualty losses — for example, truck wrecks or skips and stolens — from its income tax when it does not report them to the insurance company?"

A: Yes, according to a recent case from the United States Sixth Circuit Court of Appeals. Rental dealers are often confronted with the question of whether to turn loss claims in to their insurance carriers. If they turn in too many claims, the insurance company may simply cancel the policy, or at least raise the premiums. On the other hand, if dealers do not turn in claims, there has been a question whether they could claim the loss as a deduction on their companies' income tax returns. The Sixth Circuit Court may have settled the question in *Miller v. Commissioner*.

The ruling which was handed down by the full court rather than the usual panel of three was a close vote, 6 to 5, and reversed an opinion the same court had given in 1968. The *Miller* case involved an interpretation of Section 165 of the Internal Revenue Code. That section allows a deduction for "any loss sustained during the taxable year and not compensated for by insurance or otherwise." At issue was whether a voluntary decision not to file an insurance claim for a casualty loss precluded the insured from taking a casualty loss deduction.

The majority concluded that the "plain meaning" of the statute controlled. The statute says "not compensated for," which means not paid for regardless of whether it might have been, had a claim been filed. Other courts had earlier ruled that "not compensated for" meant "not covered by." The Sixth Circuit Court expressly rejected this interpretation.

Most businesses are required by law, or at least by contract, to carry insurance. However, they often cannot use their insurance because, if it is cancelled, they will either have to self-insure or cease doing business. The majority of businesses do not have the ability to self-insure, as that entails placing needed capital out of reach...The Code requires a practical interpretation that does not reach an "absurd result." The most absurd result, however, would be to put the taxpayer out of business.

Rental dealers will have to make independent business judgments about whether to turn in claims to insurance carriers. This latest opinion from the Sixth Circuit Court should give them some comfort. If they do not or cannot turn in all claims, at least they should be able to deduct the losses from their income taxes. The deduction is obviously not as good as reimbursement by the insurance company, but it is better than nothing.

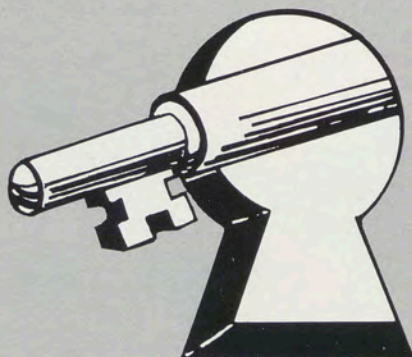
Editor's note: LEGAL is a regularly featured question-answer column written by APRO Executive Director and General Counsel Edward L. Winn III, for rental dealers with legal questions. Please address questions to Edward L. Winn, III, APRO, 1866 InterFirst Tower, Austin, TX 78701.

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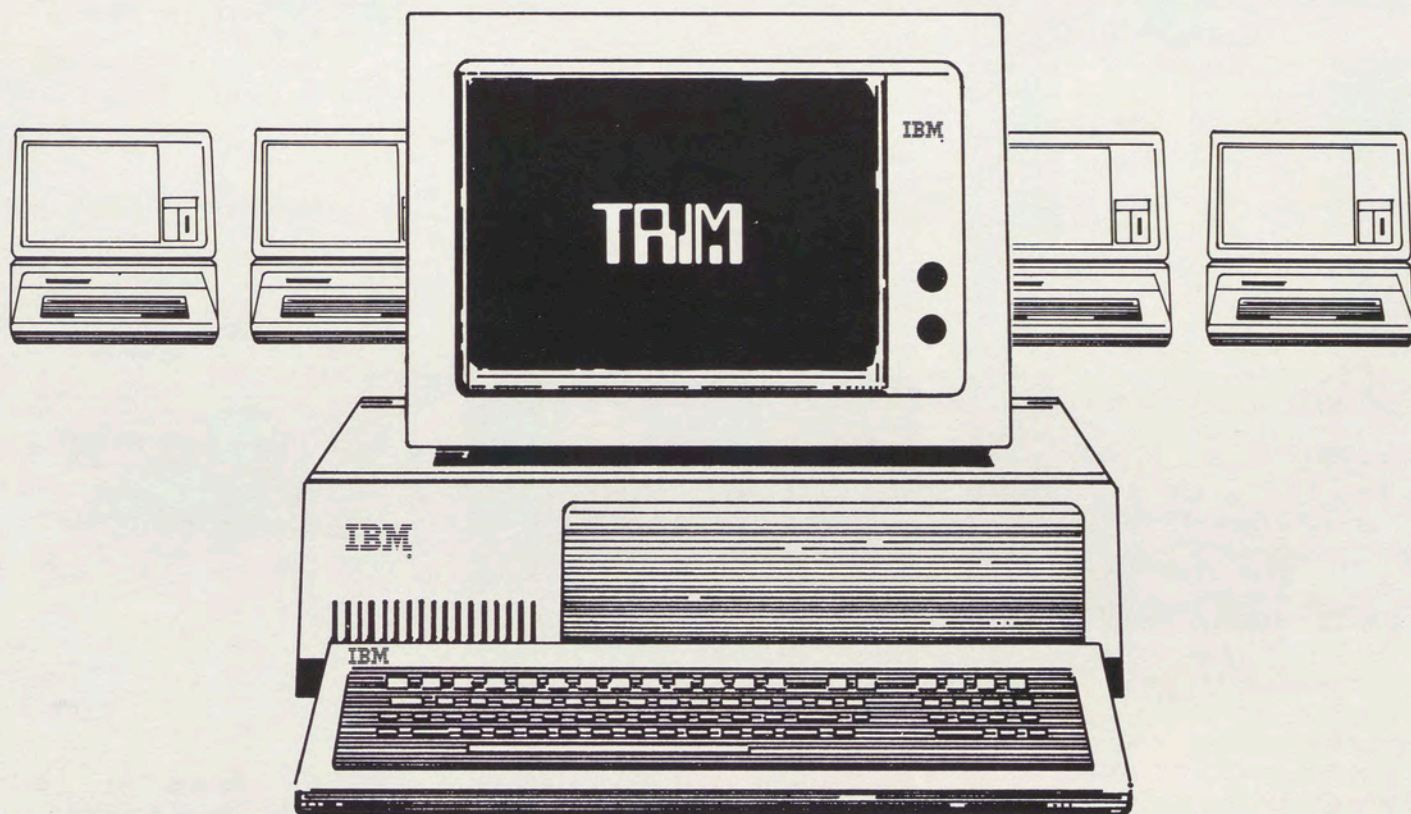
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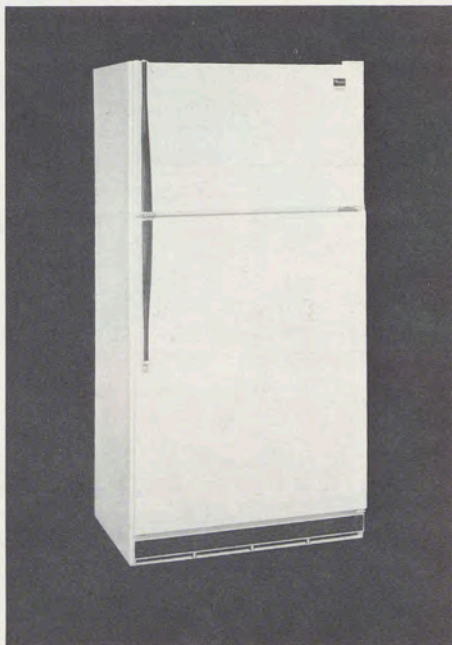
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PRODUCT FOCUS

Continued from page 19

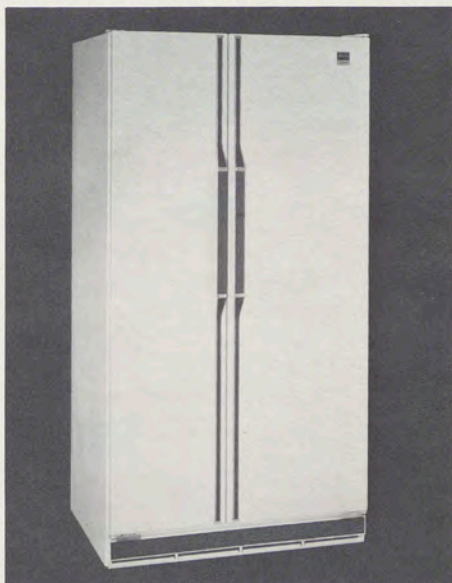
Whirlpool New Refrigerator Models

Fifteen new refrigerator models, including a totally new 24 inch and 28 inch line, plus a 19.5 cu.ft. high-efficiency model, have been introduced by Whirlpool this year.



The new Model ET20HK is a top-freezer mount, no-frost unit. The annual energy cost of \$74 is based on the national average of 6.75 cents/kwh.

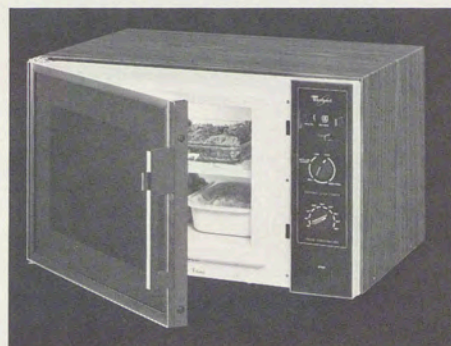
The Princess series boasts three new models: ET18CK (18 cu.ft., 31-inch cabinet) and ET16AK and ET14AK (both 16 cu.ft., 28-inch cabinet). Not pictured ET18CK and ET16AK are frost-free, otherwise all three models are similar.



The brand new custom series refrigerators combine quality and economy. Cabinet sizes range from 12 to 18 cu.ft. Models are available with no frost, cycle defrost, or manual defrost. All the new customer models feature full-width, slide-out adjustable steel shelves, egg nest, covered butter compartment, and juice can rack. All but three models offer reversible door swing.

Model ED26MK, side-by-side Whirlpool refrigerator provides 25.6 cu.ft. capacity and has provision for adding an automatic ice maker. This "no-frills" but fully featured refrigerator is ideal for families who need large capacity storage. Many models in the line will be available in the new Whirlpool platinum and toast colors as well as the traditional colors of almond, harvest and white. For more information contact: Whirlpool Product Information, 2000 U.S. 33 North, Benton Harbor, MI 49022.

Whirlpool New Microwaves



Whirlpool's standard control microwave oven, Model MW8450XP, provides 60-minute digital timer, variable cook power control, defrost setting, solid-state probe temperature control, and bi-level cooking rack. This model has a large 1.3 cu.ft. oven, solar bronze styling, a tempered glass window, automatic oven light, and a balanced-wave cooking system with 700 watts of cooking power.



Also available from Whirlpool is a new full-size countertop, top-of-the-line microcomputer, touch-control microwave oven. Model MW8750XP has a digital timer, two cooking cycles, ten level variable cook power, quick defrost cycle, pause

feature, in-use reprogramming, keep warm cycle, time-of-day clock, and a solid-state probe temperature control. This oven also includes the basic features found on full-size countertop microcomputer units. For more information: Whirlpool Product Information, 2000 U.S. 33 North, Benton Harbor, MI 49022, (616) 926-5000.

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Editor's Note: Product Focus is a regular feature of THE APROACH. If you wish to have products featured in this department, please send product information, along with photographs, to THE APROACH, 1866 InterFirst Tower, Austin, Texas 78701.



Gene Heggstad
Chief
Operating
Officer



Bob Taylor
Chief Financial
Officer

RENTAL-PURCHASE GOES PUBLIC

Continued from page 46

Mid-America Sales, Inc., a separate company owned by certain Devlin and Barton family members, sold merchandise to Rent-A-Center of America and the limited partners. Finally, Rent-A-Center of America purchased the assets of Jet Television, Inc., a chain of 21 stores, during the summer just before the public offering. All of these entities and transactions had to be coordinated and organized prior to the offering.

The mechanics of an offering are such that a company must first find an investment banking firm to serve as managing underwriter. The underwriter advises the company as to the size, price, and timing of the offering. The underwriter next forms the underwriting syndicate of brokerage firms which will market the stock to the public. The underwriter also provides after-market support. A good underwriter will often serve as a "market-maker" standing ready to buy or sell the stock for its own account. Rent-A-Center talked to several underwriters before selecting Kidder, Peabody and Company.

The next step is to prepare and file an S-1 registration statement with the Securities and Exchange Commission (SEC). Part I of the registration statement is the prospectus which will ultimately be available to prospective investors. Part II contains supplemental information, copies of attorney and accountant opinion letters, actual contracts, and other back-up material for the statements made in the prospectus.

Rent-A-Center began gathering materials for the registration statement in May of 1983 and filed it with the SEC in September. There is an ongoing obligation to update the registration as circumstances require. Rent-A-Center had to add the Jet acquisition and the Tennessee Attorney General's complaint during the process.

The prospectus serves two potentially conflicting purposes. In the first instance, it is a selling document, used by underwriters to form the underwriting syndicate and by dealers to sell the stock to the public. As such, it must portray the company in the best light possible. On the

other hand, the prospectus is a disclosure statement and must tell the whole story of the company or risk lawsuits by stockholders for material omissions. Typically, the prospectus will err on the side of caution, containing only objectively verifiable statements of historic fact. There will be little, if any, "soft information," based on opinion or subjective evaluations. The Rent-A-Center prospectus fits the mold with scarcely any "soft information."

Once the registration statement has been filed, there is a waiting period during which the SEC reviews the documents and makes its comments. During this time, there may be no attempts to sell the stock other than through the underwriters. Even publicity about the company, designed to stimulate interest in the stock, may be considered an illegal offering.

It is during this time that company officials can talk to other underwriters, analysts, and potential institutional investors about the pending public offering. Buchbinder, of Kidder Peabody, reports that there was initially a lot of skepticism expressed regarding the Rent-A-Center offering. This was due to the fact that Rent-A-Center was the first rental company in the industry to go public, and because the legal problems in the industry were blown out of proportion. He attributes the ultimate success of the issue largely to the efforts of Devlin, Barton, Taylor, Heggstad and others who went out to tell the rental industry story and detail Rent-A-Center's position in it. "They did a hell of a job selling the company," says Buchbinder.

If the company executives were able to sell the viability of their program, the company's numbers helped persuade investors that the company stock could make them money. The company had demonstrated dramatic growth over the past five years. Rental income, accounting for 90 percent of revenues, increased at a compounded annual rate of 58 percent during the years 1979 to 1983. During the same period net income increased at a compounded annual rate of 63 percent. Earnings per share, \$.57 in 1983, were up 33 percent over the previous year. These numbers have allowed analysts to

predict a 30 percent growth rate in earnings over the next five years. Management predicts the company will hit those estimates for the fiscal year just ended, and expects a good report at the first stockholders meeting in November of 1984.

Rent-A-Center growth is expected in several areas. First on the list is store expansion. The company has opened 6 stores since the public offering and has plans for 16 to 25 more during the next fiscal year — excluding any acquisitions. The company will open 40 percent of the new stores in new markets and 60 percent will saturate existing markets.

In addition, Rent-A-Center is always looking at new consumer products to rent. Furniture rental has been quite successful for the company, lately. Rent-A-Center has recently announced a franchise program. Rather than market to individual franchisees, however, the company hopes to have a few multi-store franchisees. Heggstad explains, "We are looking for people with a proven track record — who have run multiple store/multiple city operations." The company may also use the franchise program as an exit vehicle for employees. Heggstad acknowledges that the public offering may enhance franchise sales, but that was not the objective. Rent-A-Center recently announced the sale of a 30-store franchise package to Comcoa, Inc. also of Wichita. Rent-A-Center reports that the sale of a 20-store package is pending. With a 4 percent royalty fee structure, the franchise program should add modestly to company earnings immediately.

The future of Rent-A-Center looks good. As the only publicly-held company in the industry, the question inevitably arises about other rental companies following suit. Rent-A-Center would welcome such entries because it would enhance the market for rental stock overall. It is not easy, however. According to Heggstad, "Few rental companies are fully audited. Many are too highly leveraged. Few have in-house staff experienced with public offerings." Being public is not for everyone. Not everyone wants the exposure. Not everyone wants to run a company in such a disciplined fashion. For the management of Rent-A-Center, however, the move has been a good one. The mood is upbeat at Rent-A-Center's corporate headquarters, and the air of professionalism is undeniable. The officers and board are committed to the steady yet substantial growth the market seems to demand, and the company appears up to the task of delivering ever higher earnings per share. ■

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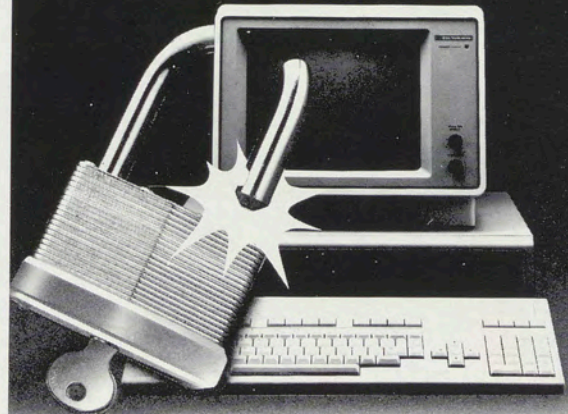
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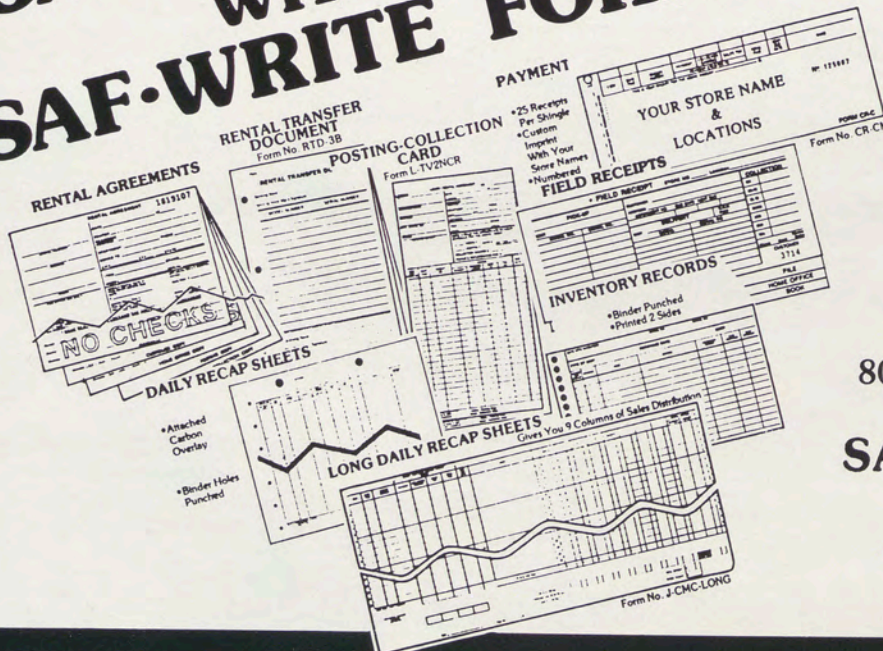


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CORPORATE MOVES

Whirlpool Acceptance Corporation

Benton Harbor, MI

Executives at Whirlpool have named three administrative personnel to director-level positions. Those involved are Gary Campbell, Director of Manufactured Housing; Keith McEllen, formerly Corporate Credit Manager, now Director of Corporate Credit; and Scott Sims, formerly Manager of General Accounting, now Director of Accounting.



Gary Campbell

Campbell, new to Whirlpool, has over 16 years experience in both the housing and manufactured housing industries. He holds a B.S. degree in Business Administration and is working toward a Master's degree. Campbell was employed with Foremost Financial Services for 11 years before coming to Whirlpool.



Keith McEllen

McEllen began working for WAC in 1974 as a credit sales representative. In 1980, he was transferred to the corporate headquarters as Manager of Retail Services, later becoming Manager of Operations.



Scott Sims

Sims replaces Phillip R. Harrison, who was promoted to Controller and transferred to Whirlpool Leasing Services, Inc. in Farmington Hills, Michigan. Prior to

his employment with WAC, Sims was a staff accountant with Edward J. Wain-scott and a staff auditor for Price Waterhouse.



Leonard F. Schweitzer

A recent promotion made Leonard F. Schweitzer Staff Vice-President, Corporate Communications. The announcement was made by Stephen E. Upton, Senior Vice-President, Corporate Communications and Consumer Affairs. Earlier this year, Schweitzer was appointed Director of Communications upon consolidation of Corporate Communications. Schweitzer has been affiliated with the appliance industry for over 30 years.

Rent-A-Center, Inc.

Wichita, KS

A recently signed agreement between Rent-A-Center and Comcoa, Inc. marks the beginning of at least 30 franchise stores the company plans to develop in Florida. Presently, Rent-A-Center controls 89 company-owned stores. The reason for the departure from past business, according to Tracy Burton, Comcoa President, is "we like multiple-unit relationships."

ColorTyme, Inc.

Athens, TX



Steve Easley

Willie R. Talley, Chairman of the Board of ColorTyme, Inc., has announced the appointment of Steve Easley as Chief Operating Officer for America's largest rent-to-own system, ColorTyme, Inc. Easley brings to ColorTyme an excellent background combined with experience as a ColorTyme franchise dealer, enabling him to direct all phases of the ColorTyme oper-

ations. The ColorTyme rental system has held the position of industry leader since the company was founded by Mr. Talley, with an astounding growth record and 386 franchised rental centers in 43 states.

Fraenkel Wholesale Furniture

Baton Rouge, LA

Fraenkel's 25th Anniversary Celebration was held recently during Spring Market in Baton Rouge. Some 400 people attended, representing 100 retailers.



Albert Fraenkel

Dealers took advantage of the chance to buy close-outs, new introductions, and other specials. Seminars, ranging from floor display to fabric protection, were also held and received great reviews from those who attended. Shortly afterward, similar events were held in Memphis and Atlanta. An estimated total of 800 people attended the three events, breaking sales records.

At the April furniture market in High Point, North Carolina, Albert Fraenkel was elected Executive Vice-President of the National Wholesale Furniture Association for the 1984-85 year.

NWFA, organized in 1929, is the nationwide association of furniture distributors, with 53 member firms. Headquarters are located in High Point, North Carolina.

NAP Consumer Electronics Corporation Special Markets Division

Knoxville, TN

Frank R. Reitter has been appointed Vice President of the special markets division of N.A.P. Consumer Electronics

Corporation, a subsidiary of American Phillips Company.



Frank Reitter

Reitter's most recent assignment has been as the division general manager of the Magnavox northeastern sales area headquartered in Boston. He reports to Donald F. Johnstone, senior vice president for NAPEC.

His new responsibilities will include commercial sales under the Magnavox brand for the lodging industry (previously known as Phillips Lodging Products), international sales, private label sales, and employee sales.

Robert W. Strickland has been named NAPEC special markets group director of Magnavox Commercial Sales, responsible for the lodging market.

Strickland, who reports to Reitter, was previously the vice president of sales for Odyssey, the NAP Consumer Electronics Corporation video game.

NAP Consumer Electronics Corporation Magnavox Division

Knoxville, TN



Stan R. Veltcamp

Stan R. Veltcamp has been named Vice-President, Audio Sales for the Magnavox divisions of NAP Consumer Electronics Corporation.

Veltcamp had previously served over 14 years within the Magnavox organization in various sales and sales management positions. His most recent position was as Director of Marketing and Sales for the traffic audio group. Veltcamp will report to Henry "Gary" Thorne, III, Magnavox Vice-President and Brand Manager.

Quasar Company

Franklin Park, IL



Wally Fraser

Wally Fraser has been appointed general manager of Quasar Company's Appliance Division. His appointment was announced by Jack Pluckhan, Quasar president. Formerly assistant general manager of the division, Fraser remains responsible for the marketing of Quasar's line of microwave and microwave/convection ovens and compact refrigerators.



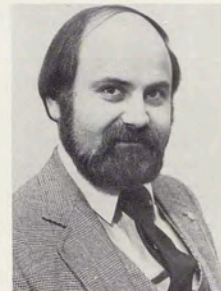
Jack Pluckhan



Michael Singer



Seth Waller



Bob Marin

Michael Singer has joined the Legal Division of Quasar's parent company, Matsushita Electric Corporation of America. Singer will report to Bob Marin, MECA Assistant General Counsel, on sales and related matters, and Seth Waller, General Counsel of MECA, on all other matters. Singer will be located at Quasar's Franklin Park headquarters and will also provide legal counsel to the two other Matsushita divisions located at that facility, Matsushita Industrial Company and Matsushita Communications Company.

Quasar Company has named Bill Schupp as Assistant General Manager-Personnel. Schupp joins Quasar from



Bill Schupp

UNR-Leavitt, with previous experience at Borg-Warner, Beatrice Foods, and U.S. Steel. Schupp will be responsible for all of the Company's personnel activities, reporting to Jack Pluckhan, President.

Leon "Bud" Thatcher has been promoted to Sales Inventory Analyst in Quasar's Eastern Zone office, located in Lydenhurst, New Jersey. He has been a salesman in the New York Metro branch since 1978.

Matsushita Electric Corporation of America

Secaucus, NJ

Keiichi Takeoka, Chief Executive Officer and President, Matsushita Electric Corporation of America (MECA), has announced the appointment of Seth Waller to the position of General Counsel and Secretary, MECA.

MECA, a subsidiary of the Matsushita Electric Industrial Co., Ltd., of Osaka, Japan, is a Delaware corporation composed of two sales divisions, Panasonic Company and Quasar Electronics Company, as well as Matsushita Industrial Company, Tennessee Fan Company, Matsushita Industrial De Baja California, S.A. and Matsushita Electronic Components Company.

In his position as General Counsel and Secretary of MECA, Waller is responsible for all legal affairs and functions of MECA, its divisions and subsidiaries in the United States, Canada and Mexico.

Waller, who most recently served as Vice President and Secretary of Panasonic as well as General Counsel and General Manager of the company's Legal Division, joined Panasonic in 1970 as General Manager of the Legal Division.

A graduate of Harvard Law School, Waller, his wife and two children currently reside in Hewlett Harbor, N.Y.

Editor's Note: Corporate Moves welcomes your organization's news concerning promotions, personnel news, and corporate changes. Send (with photos, please) to: THE APPROACH, 1866 Inter-First Tower, Austin, TX 78701. Deadline is 1st of month preceding issue date.

The Legal System Bites Back

A Los Angeles jury awarded \$2.2 million in damages to plaintiffs against a local legal aid office in March 1984. The verdict was rendered against the Los Angeles Center for Law and Justice, one of the offices funded by the Legal Services Corporation. Plaintiffs in the case had consulted with an attorney in the Los Angeles office concerning an alleged medical malpractice case against several doctors and county hospitals. The suit alleged that the legal aid law-

yer failed to tell the plaintiffs of certain crucial deadlines to be met when filing suit against public agencies in California. The legal aid lawyer involved in the controversy is now an administrative law judge for the Unemployment Insurance Appeals Board. He testified that he told plaintiffs the center did not handle medical malpractice cases and told them to go elsewhere. After a three-week-long trial, the jury found that the legal aid center had been negligent and awarded plaintiffs \$2.5 million. In reaching that amount, the jury found that County —

USC Medical Center, Harbor — UCLA Medical Center, and Martin Luther King Hospital had been negligent in treating the then-pregnant plaintiff for a twisted bowel. Jurors subsequently reduced the verdict by \$300,000 because plaintiffs waited nine months before consulting the legal aid center.

The director of the center indicated that it may appeal. He also stated that the center only carries \$250,000 in malpractice insurance. He predicted that the verdict would result in fewer legal services being available to legal aid clients.

APRO™ SPECIAL REPORT

Upcoming APRO Seminars

Focus on Furniture

When rental dealers and furniture distributors gather at the Hyatt Sarasota in Sarasota, Florida on November 27-28, it will be to "Focus on Furniture Rental" at APRO's second furniture seminar.

A speaker from the Furniture Rental Association of America will lead off the meeting at the opening session. He will speak on selected topics designed to impart basic knowledge to those seeking to enter the furniture rental business.

Additional information on the "hot" market will be disseminated through panel discussions, vendor visits, and vendor talks on assigned topics.

The registration fee for the two-day affair is \$130 for members and \$170 for non-members and includes lunch, course materials, and admittance to a mini-exhibit hall featuring furniture product displays in booth arrangement.

Rental-Purchase "Nuts and Bolts"

Rental finances, advertising needs, day-to-day procedures, and legal concerns for the rental dealer will be discussed in Newport, Rhode Island on October 24 and 25. Phil Baker, partner in the accounting firm of Baker and Baker of Dallas, Texas, will be the speaker during the first day session on accounting. He will cover such topics as accounting control, financials and balance sheets, and internal and external controls.

Ken Nay, president of Ken Nay Advertising Agency, Cincinnati, Ohio, will discuss

strategies for creating more effective advertising, dealing with ad agencies, and creating better radio and TV ads.

R. C. "Bud" Holladay, president of ABC Rentals, Inc. of Dallas, Texas, will start off the second day of the seminar and discuss running the business, managing remote locations, keeping control, and collections.

Edward L. Winn, III, APRO legal counsel and executive director, will offer legislative updates, review pertinent lawsuits and will present hints on dealing with Legal Aid lawyers, attorneys' general, and consumer advocates.

Attendees, especially those with businesses in the Northeast, should leave this seminar with a better understanding of the prevailing business climate and a better feel for how the rental-purchase business really works.

Cost for the two-day seminar will be \$300 for APRO members and \$400 for non-members and will include lunch and course materials for both days.

Nassau: Sunny Seminar Setting

Three seminar sessions will be conducted during APRO's Fall Seminar at the Cable Beach Hotel at Nassau in the Bahamas November 7-11.

Topics will include "Women in the Rental Store," "Organizing A Rental Company," and "Legal Developments." Each of the topics will be covered in a three-hour session each day, from 9 a.m. to 12 noon on November 8, 9, and 10. Rates for this seminar are \$439, based on double occupancy, \$639, based on single occupancy. These fees are for mem-

bers, and include four nights' hotel accommodations, one hour cocktail reception, Nassau city and county tour, a poolside barbeque, round trip transfers and baggage handling at the airport and hotel in Nassau, gratuities at the hotel for pool attendants, chambermaids and bellmen, the services of a professional tour director, all tips, taxes, service charges, Bahamian departure tax, and the seminar registration fee. Non-member registration will be an additional \$100 per person. Fee for the seminars *ONLY* will be \$200 per person. Transportation to Nassau is not included in any of the prices listed.

Arrangements for this seminar are being handled through Global Enterprises, P. O. Box 1907, Austin, Texas 78767, (512) 327-8210 in Texas or (800) 531-5139 outside Texas.

Immediate registration for this seminar is recommended.

APRO MEETING CALENDAR

- September 18-19
Focus on Furniture Rental Seminar
Dallas, Texas
- October 24-25
Rental-Purchase: Nuts and Bolts Seminar
Newport, Rhode Island
- November 7-11
APRO Fall Seminar
Nassau, Bahamas
- November 27-28
Focus on Furniture Rental Seminar
Sarasota, Florida

Gaining Control Of Your Time

by Sal DiLeo

Editor's Note: For additional tips on saving time, see Nuts & Bolts section of this issue for 10 common time leaks.

"A manager in store number three has quit. We've had a burglary in store #05. Who's buying our advertising now that we've let the agency go? Our collections are out of hand in store #01. How can we improve the sales in store number seven?" Etc., etc.

Does this sound familiar? This is about the time you take a long hard look at the rental business and ask yourself "What am I doing in this fast and furious business?" There never seems to be enough time to get it all done.

Let's face it folks, we're in the fast, crazy, dynamic, challenging, burn-out business known as the rent-to-own business. It's a unique industry that has managed to provide a legitimate service that can be both rewarding and profitable if it is run correctly. But you must discipline yourself and utilize your most precious resource to the maximum. That resource is *time*.

Time management has probably been one of the most sought-after seminar topics by business people today. Why? Because in any successful business the job is not done until it's finished. No one understands that more than a good rental person. You cannot, or at least should not, leave your store at night until all drivers are off the road, with merchandise loaded, route sheets routed, chases lined up, the store cleaned, bank deposit finished, and the list goes on. All of us, as good rental people, understand this well and have had many a late night in our stores tying up the loose ends.

Why is it, then, that some store owners, some multiple store operations managers, and some store managers can consistently leave their businesses at decent hours and have all the fires put out with a good performance for that day? The answer is really no big undiscovered secret. It's just good old time management at its best.

Whether you are a one store or mul-

tiple store operation, the same principles hold true. The four steps to effective time management are Planning, Training, Delegation, and Follow-up.

A primary rule for success at any business, of course, is to first know your business. It sounds elementary and it is. I mean knowing it down to the smallest detail of the smallest job. This knowing your business is ultimately important because it is essential to the key aspect of time management: *Planning*.

This first step, *Planning*, is a must for every business, be it a one-store or one-hundred store operation. Most of us incorporate planning on a month-to-month basis in our projections for budgets, unit gain, and volume. We have an idea of what we want and when we want to accomplish it as a short-term goal. However, we must see the importance of extending those plans out to twelve months or more. We need to set a goal for the large picture, understand what it's going to cost us to achieve it, and who is going to accomplish the goal. By taking the time to lay out a fairly accurate and detailed analysis for at least a twelve-month period, we can save ourselves from surprises a good portion of the time. The end result will be a blueprint with which you can plan basic day-to-day business. You will know how many people you need per store, how much your expenses will be, and what time frame they will need to accomplish their goals.

Step number two is *Training*. This seems to be a step that most of us learn the hard way. We fail to take the time *initially* to train our employees to do their jobs quickly and efficiently. We find ourselves working twice as hard trying to do two jobs and often accomplish only half as much. The end result is frustration for everyone. By taking the time to train your people initially through workshops, meetings, memos, or whatever tools you can incorporate into your business, you will increase productivity over the long term.

Step number three is *Delegation*. One of the most tossed-around terms in the rental business is "handle it." This is a poor excuse for delegation of responsibility. We delegate tasks primarily to divide the work load. However, true delegation is giving someone full responsibility to get a task accomplished. Therefore, in order for it to be effective, that person must understand exactly what is to be accomplished in detail and in what time frame. The end result will be a more evenly distributed workload and more productivity in less time. We must not overlook an important facet of delegation known as *trust*. When you give an employee a job to do, give them the room needed to accomplish the task.

Step number four is *Follow-up*. Follow-up is very basic but is often overlooked. When you set out to accomplish a goal within a certain time frame, you must follow, on a day-to-day basis, what your people are doing. Plans can be changed or adjusted if necessary if you are aware of what's going on. Follow-up prevents last-minute surprises that can keep you from realizing your goals within the desired time frame.

In summary, effective time management requires more than just taking care of your own job duties. You are managing other people's time; therefore, you need to understand how to get the most out of your people. If you use the four basic steps outlined above, the productivity in your stores should go up and frustration levels should go down. Then, hopefully, you can add your name to that list of managers mentioned earlier who can consistently leave their offices at a decent hour with a highly productive day behind them.

Sal DiLeo is president of Gallery Rentals based in Baton Rouge, Louisiana and is a regular contributor to THE APPROACH.

SEEN & HEARD

Continued from page 12

In addition, I would like you to consider my contribution of insurance related articles on a regular or periodic basis for THE APROACH magazine. The content of these articles would encompass the full range of insurance problems faced by rental dealers including life, group health, and property and casualty issues.

ALAN STEIN

Financial Executive Director
American Bankers Insurance Group
Miami Shores, FL

Editor's Note: THE APROACH welcomes contributions from industry supporters and dealers alike. If you or someone in your company would like to write for THE APROACH, please direct inquiries to: Elizabeth Johnston, THE APROACH, 1866 InterFirst Tower, Austin, TX 78701.

Taken By Surprise

TO THE APROACH:

I just returned from the seminar APRO held at Hilton Head Island last week. The legal talk Ed Winn gave was very strong, to the point, and above all, knowledgeable. It kept the interest of everyone in my group. As a matter of fact, it was so interesting that while having lunch, we (my vice-president and two general managers) talked about sitting in on the afternoon session with Bud Holladay and Barry Gambini, and then leaving at the break because we thought it would be boring compared with Winn's talk. Besides it was a beautiful day and we wanted to play golf.

Boy! Were we surprised! When Bud started talking it was silence again. Very interesting! Also, when he was through and it was time for Barry to speak, we were all so excited we didn't think of leaving.

We learned a great deal from the seminar. The only thing I regret is not tak-

ing more of my managers and other employees.

Ed, thank you, and please pass along our thanks to Bud Holladay and Barry Gambini for an excellent seminar and a job well done.

I hope you will hold future seminars on Hilton Head Island and perhaps some in the Eastern United States, such as Atlanta, Knoxville, or Charlotte.

FRANK B. FELTY

President
Tel Star Enterprises, Inc.
Bristol, TN

Deadline

Letters that appear in Seen & Heard must be received by the first of the month preceding issue date. Please mail to THE APROACH, 1866 InterFirst Tower, Austin, TX 78701



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A Newcomer's Thoughts on APRO

Editor's Note: The following editorial was written by Harvey Rose, president of MCE, Corp. in Florida. THE APPROACH welcomes the viewpoints of industry participants.



I heard about the growth of the rental business, about its profitability, and the fact that it was a low-profile business that had strong demand. I also thought it would fit into our existing franchise business.

We tried it on a small scale in a couple of stores, and then decided it was time to learn it professionally. Joe Eason, of Borg-Warner Acceptance Corporation, suggested APRO as the place for dealers already in the business to get information and learn the rental business the right way. So we called APRO, and trotted off to the Las Vegas convention to be educated.

We wanted to learn specifically: How to advertise (where, how much). How to qualify customers. How many rental accounts go to term. Profile of the rental customer (demographics). Where to put the store. What a pro forma should look like. Average BOR. Average rental rates. What products rent most, and in what percentages. And we wanted to learn what questions to ask, and which answers to listen to.

My two associates and I got lucky immediately. We met Lindy, Alice, and Elizabeth of the APRO staff, and quizzed them over coffee. They gave us names of dealers to talk to. Some worked out, some didn't, but it was a place to start, and it helped.

Off to the Newcomer's Party. Our strategy was to ask questions of everyone we met. First shot was an abysmal failure. He was so bombed he couldn't talk coherently, so we moved on (and he never even noticed). The next man we approached was a newcomer like us, wanting answers and of no help. Next was a midwestern dealer, with three stores in small towns,

who agreed it was a great business, told us to rent furniture, and stopped there. Seemed like he thought the Florida contingent wanted to move west.

At this point, we were getting frustrated, and met up with a 15-store owner from Texas. Started out well, till the questions got specific, and then we were talking to a clam.

Then we ran into Don Hinkely and Bruce Blair of G.E., old friends from another decade. They listened fraternally, and said, "Go talk to Jim Graham. That's him over there." We shook hands, thanked them, and introduced ourselves to Jim.

We had finally found someone who understood what a pro forma was, who wasn't afraid to share information, and who wanted to help. Jim suggested we meet his associate, Phil Baker, which we did, and Phil arranged for information to be sent, and for us to visit his office in Dallas for further information. Thank Godness. Now we were getting somewhere.

Then in to the keynote address, to get fired up by Don Hutson. Fired up we were. Inspired and motivated, we charged ahead to the first seminar.

"Computerizing Rental Stores" was first. Learned to open with a computer, that software dictates hardware, and to lease it to keep the vendor responsible. Of course, what I wanted to know was what computer to buy, which software worked, and what to avoid. So did everyone else at the meeting. But we were told they weren't allowed to talk about that, and the meeting went downhill from there. It was a shame, because the panel could have been truly helpful, and really wasn't. Grade it "unhelpful."

Next, into Bud Holladay's "Personnel Training — Pay and Performance." Useful, prepared, written material was helpful. Grade it "good." Then into Phil Baker's "Buying and Selling Rental Stores." Filled with useful operating information, good benchmarks for selling — precise and to the point. Grade it "Outstanding. Best of show."

"Marketing Rental Purchase" was the one we were most interested in. After all, the key is bringing them in. Everything starts with store traffic. The seminar leaders worked hard on the presentation, but it didn't touch what we wanted to know. How to advertise. In what media. What did good rental ads look like? What percentage of revenues do you spend? How do you reach your customer? What are your customers' demographics? That's what *we needed* to know, and none of that came through.

The banker should have stayed home. Instead of teaching us something about "Growth and Expansion Financing," he took 45 minutes to tell us how to be qualified enough to get a loan — and with those qualifications, we wouldn't need it.

It was at the exhibits that another breakthrough came. I met an old friend whom I knew when we both had other careers, Bob Harmon from Texas. He is now a supplier to the rental industry and shared his time and information with us. Answered all our questions and gave us answers to questions we didn't know to ask. That's true helpfulness. Outstanding person, and unselfish help. Moved our knowledge level way up.

Then we met Betty Coolidge of Mrs. T's in Connecticut, who was equally helpful. Free and open with information. Two pages of notes, and great solid "nuts and bolts" type of stuff. Bless that lady, and bless Bob, and bless Jim, Phil, and their sidekick, Dan Whitsell. From those people, we now feel we've learned some things that are absolutely necessary.

Remember, I'm new in the business, and you all know how to do it. But if I were to suggest what APRO should have for newcomers, in addition to the wonderful material already there, might I suggest: ad formats, pro formas, percentages of products rented, percentages that go to term, and referral programs that work, and seminars run by people that are briefed very carefully on what information attendees want. Hard "nuts and bolts" stuff. Useful, down to earth information. No GIGO (garbage in, garbage out).

All in all, a terrific convention. Great information, although most of it was "dig it out." We were fortunate to find extremely enlightened, helpful people. See us next year for an update on how we are doing. Love you all.

Harvey Rose
MCE, Corp.
N. Miami Beach, Florida

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- * What has Mrs. Doe rented from me in the last three years *
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- * Does Mrs. Doe know anyone needing my rental service *
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- * Do my employees always collect and report all my MONEY *
- * Do my managers track rents due and keep delinquencies down *
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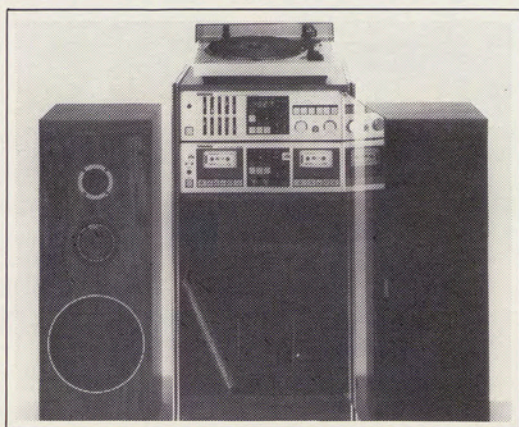
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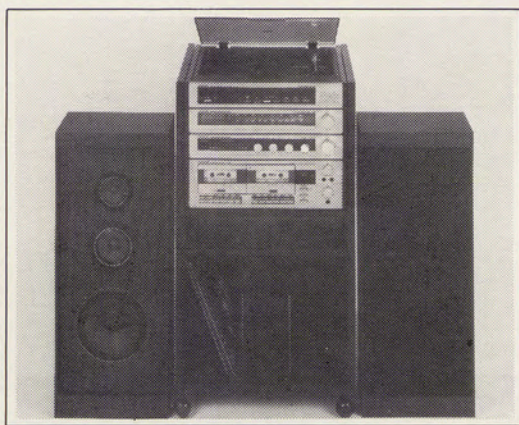
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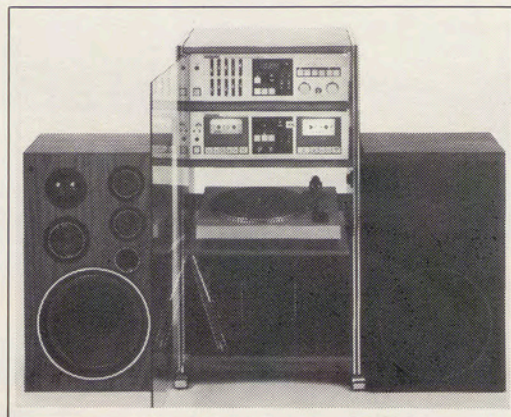
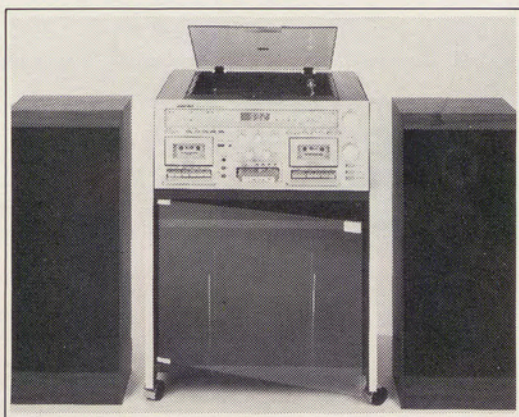
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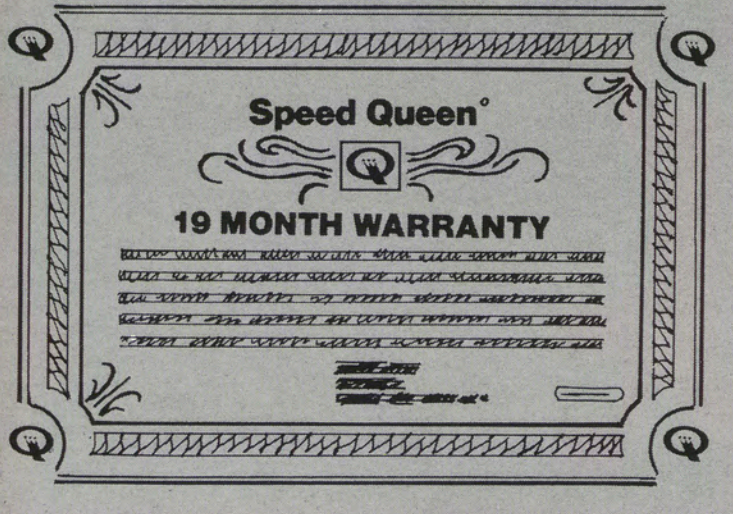
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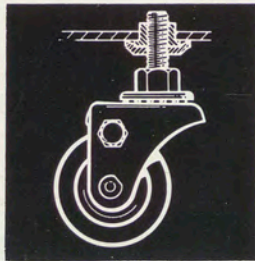
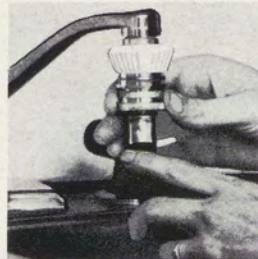
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