

FORMERLY THE APPROACH

NOVEMBER 1984

# Progressive Rentals

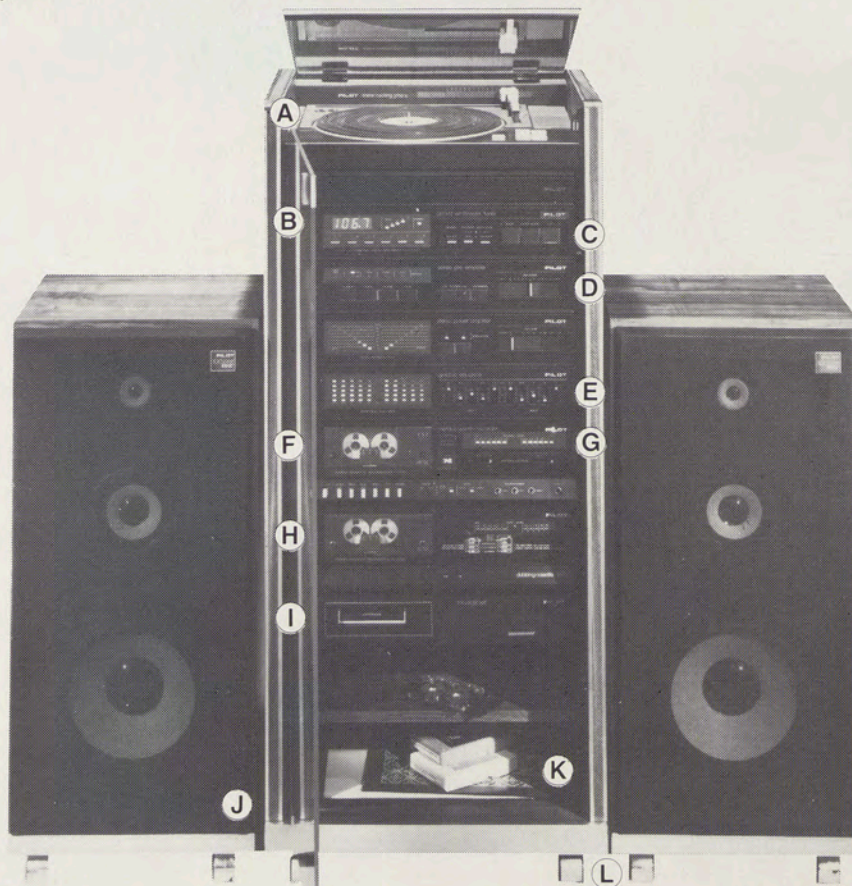
the magazine of the home entertainment, appliance, and furniture rental industry

REDIFFUSION

**British Rentals:  
TV on the  
Hire Purchase Plan**

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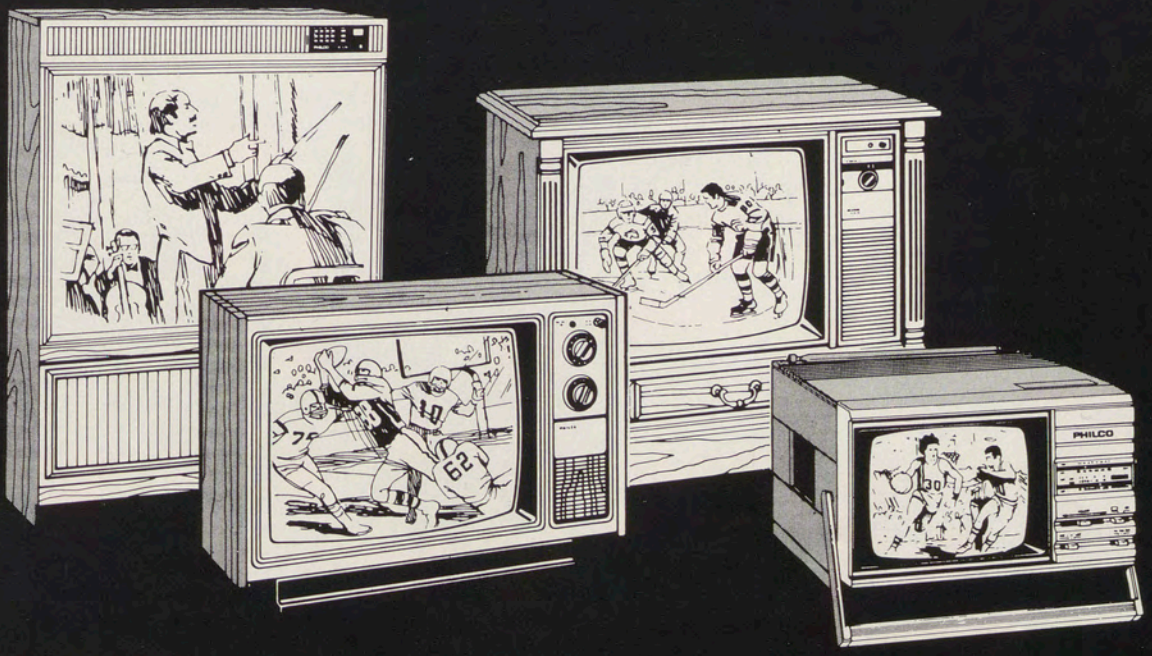
## PHILCO

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## THE EDITOR'S DESK



An industry's trade magazine is frequently looked upon as a measure of how an industry is doing, simply because it reflects many things. Growth and prosperity are two that immediately come to mind when I consider the rental-purchase industry.

It is no secret rental-purchase is prospering in this country today. APRO has played a major role in that prosperity. An annual average membership growth rate of 48 percent over the four years of APRO's existence is a quantifiable measure of the industry's success and growing importance. The fourth annual APRO convention boasted attendance figures that many older organizations only hope for. The industry's growth is further evidenced by the new magazine format featured in this month's issue of PROGRESSIVE RENTALS (formerly THE APPROACH). These are indicators of success for the rental-purchase industry. The combined and undaunted efforts of the APRO board of directors, staff, and membership have made such notable achievements possible.

Four years ago, Chuck Sims of Remco and Bud Holladay of ABC Rentals and a handful of other committed dealers set out to organize and unite a growing community of business men and women with the common goal of enhancing the image of the rental-purchase industry in the eyes of government, big business, and the public. They not only succeeded, they excelled in their endeavors to foster the development of good business practices among informed groups of business professionals representing the \$1.5 billion rental-purchase industry. They, along with other key members—Barry Gambini, Rozanne Flatt, and Glenn Davis, to name a few—have provided a common link among over 2,000 rental businesses across the country, where before there was none.

Before APRO existed, rental dealers with legitimate questions about their businesses were simply out of luck. Asking a fellow dealer (competitor) was unheard of in those days. Although some reluctance at sharing trends still exists among members of this industry, the early days of the "elite few" are gone. Today, dealers across the country are learning new and better ways to run their businesses.

The editorial staff of PROGRESSIVE RENTALS shall continue to provide features and departments which address the concerns of today's rental dealers. This month, we take a look at British rental companies in the United States, and how hire purchase and rental-purchase compare. Adding furniture and video software is being strongly considered by a number of rental dealers. On page 27, Ed Winn reviews how a dealer should approach adding furniture to a TV and appliance rental operation. On page 25, Jim Lahm, a veteran in the video software business, addresses the question of how rental dealers can cash in on the video software business.

We hope you enjoy these and other items in the debut issue of PROGRESSIVE RENTALS and that you will continue to let us know what is on your mind.

—Editor



**IT'S SMARTER THAN BUYING.**



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# Progressive Rentals

November/PROGRESSIVE RENTALS



**ON THE COVER:** The headquarters of the Rediffusion group is at Carlton House, London, England. With over 450 street shops throughout the United Kingdom, Rediffusion has become a household word for British consumers. Story on page 48.

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*The Sight and Sound of*  
**QUALITY**

**YOU CAN SEE AND HEAR.**

When you're this good, you put your warranties where your mouth is. That's why, overall, Hitachi probably has the finest warranty protection ever offered for home electronics products. Products that perform so well, you may never get a chance to see how good our warranties really are.



**19" diag. COLOR PORTABLE**

Enjoy dependability plus! Detachable remote control can be operated as part of set or removed for hand-held use. There's also Signal Tracker color control system, channel/time on screen, dual speaker system and exclusive 10/2/1 limited warranty. CT1939



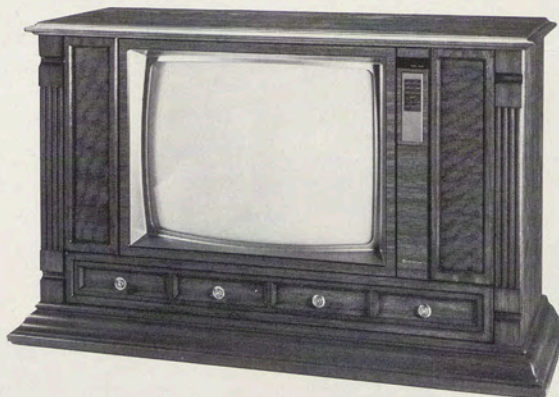
**FRONT LOAD VCR**

VHS video recorder with wireless 12-function remote has it all. Easy to operate large buttons, wood grained styling, cable ready, 14-day timer, auto rewind/shut off, speed-play effects and our longer Adjustomatic warranty. Front load design offers space-saving convenience. VT34A



**50-WATT p/CHANNEL SYSTEMATICS**

Specially matched component system will virtually sell itself. 50-watt per channel amp., digital quartz tuner, linear tracking turntable, cassette deck w/Dolby® B/C, graphic equalizer, 80-watt 12" 3-way speaker system. All stored in a cabinet with side-by-side glass doors and casters. 4500M

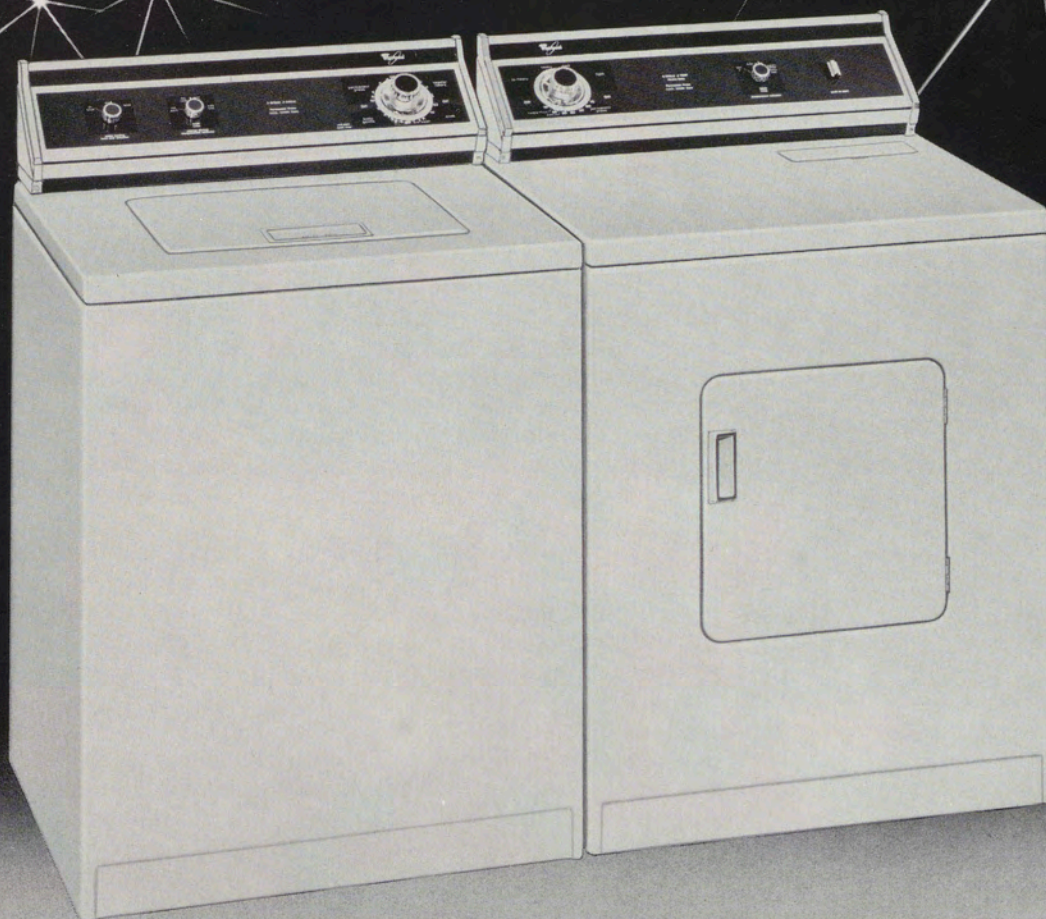


**25" diag. COLOR CONSOLE**

Detachable infrared remote control operates in its own pocket on the set, or in your hand. Also has random access electronic tuning that provides 106 channel capability with on-screen channel display plus contrast control, Signal Tracker system and Hitachi's exclusive 10/2/1 limited warranty. CT2533



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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.

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

up to your customers' use and abuse.

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

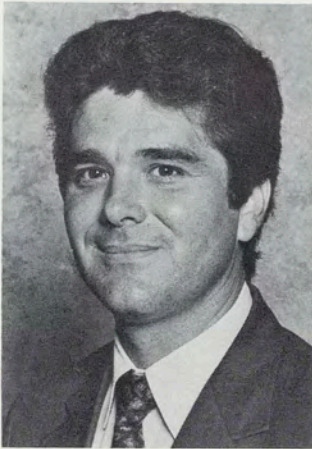
Best of all, they have great profit potential. In fact, their price has helped make them one of our best-selling laundry pairs.

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



Making your world a little easier.

# THE FUTURE OF THE RENTAL-PURCHASE INDUSTRY



Dealers whose futures depend on the health and viability of the rental-purchase industry often must wonder what the future holds. The issue gets brought into sharp focus in election years as candidates predict the most calamitous of futures for everyone unless, of course, they get elected to solve all of the problems. Underneath all the political rhetoric, there are a few facts that can be massaged to give some notion of the rental-purchase industry's future.

**FACT:** The legal issues that surround the industry will be resolved. As matters stand, there is progress being made at the federal level that would regulate the business, with a few important modifications, in its present form. A worst case legislative scenario would have the federal government doing nothing and the states stepping in, piecemeal, to compel "balloon payment" purchases and meaningless, even confusing, disclosures. Nothing in any legislative arena can be enacted to put the rental-purchase business "out of business." The business could be made more difficult to run, and more expensive. It would be extremely difficult to make the industry less profitable. When and if that occurs, rental dealers will do it to each other and to themselves.

**FACT:** Electronics retailers have done it and continue to do it to themselves. There was once a day when the TV retail business was a profitable one. It may still be for a selected few. The National Appliance Retail Dealers of America (NARDA) statistics over the past few years show an average pre-tax profit of 2 percent of revenues. Most retailers, when they boast at all, point to large revenues. Few are pointing to the bottom line.

At least one cause for their misfortunes has been ruinous price competition. They have cut margins so close in order to advertise the lowest prices that they cannot make any money. And they have not figured out how to escape from the vicious downward spiral they have created. Once the merchandising and advertising focus of an entire industry is on price, it is apparently difficult — and perhaps impossible — to change that focus.

**FACT:** The rental-purchase industry has not gone the way of retail, yet — and should never have to. In fact, if the rental-purchase industry has the patience, self-discipline, and business savvy to pull it off, it can capture a far larger piece of the consumer electronics market than most imagine. There are already rental-purchase companies who market to every family with an income of \$35,000 and less. That's 96 percent of the consumer population in America.

**FACT:** A family with an income of \$35,000 will take home roughly \$24,000 — \$2,000 per month. The current formula for extending consumer credit is that, besides housing financing, debt service cannot exceed 25 percent of the take-home pay. After a car payment and a few charge card payments, many families have used up all of their available credit. Rental-purchase is a natural and attractive means for those families to acquire the goods and services they want but do not yet have access to.

**FACT:** Barring extreme pro-consumer changes in the bankruptcy laws or a long term, say 10 year, reduction in interest rates, creditor lending formulas will not change dramatically. The multi-billion dollar a year advertising industry is not likely to allow the consuming public's desire for goods and services to wither. Therefore, Americans will continue to want more than they can pay cash for or charge.

**PREDICTION:** The rental-purchase industry is on the threshold of even greater growth than has been seen during the past three years. There is a voracious consumer appetite for the goods and services that the rental-purchase industry provides. The industry need only focus on the very real services and conveniences that it offers to capture a dominant slice of the American retail pie.

A handwritten signature in black ink that reads "Ed Winn III".

EDWARD L. WINN III  
APRO Executive Director/General Counsel

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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**

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National Sales  
Manager  
214 960-8351

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



The rental industry is booming. Keeping up with an industry that shows no sign of slowing down has proved to be quite a challenge for the editors of THE APPROACH. In keeping with the continued growth and improvement of the rental industry THE APPROACH has taken on a new name and a new cover design.

PROGRESSIVE RENTALS. It says exactly what we are, what you are. As the voice of a \$1.5 billion industry, it is imperative that our message be a clear one, our image a credible one. Individuals from all walks of life are vitally concerned and interested in the course the industry takes.

The editorial staff of PROGRESSIVE RENTALS will continue the commitment to report news about your business in a timely fashion — legislative updates, tax advice, personnel management techniques, collections procedures, merchandising methods — it's all here in PROGRESSIVE RENTALS.

We have a new name, but we're still your old friend.

FORMERLY THE APPROACH

# Progressive Rentals

NOVEMBER 1984

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

Vol. 4, No. 5

# THE APPROACH

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

September 1984

# 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.

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### 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.

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### Return Rate of Less Than 1%

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

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### 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.

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### 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.



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

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# MANUFACTURERS' NEWS

## Multi-Channel Television Sound (MTS)

Last October, Mitsubishi unveiled their first VCR with multi-channel television sound reception (MTS) and broadcast stereo signal. For about \$950, Model HS-400UR is also a VHS Hi-Fi deck. Other companies with their version of MTS decks on the drawing boards, to be released in early 1985, include such notables as Akai, Fisher, GE, Jensen, JVC, NEC, Panasonic, Quasar, RCA, Sanyo, and Toshiba. The manufacturers say there is no hurry in production since few TV networks have announced intentions to broadcast in stereo. According to manufacturers' estimates, costs will rise about \$100 on VCRs with MTS capability. Almost all manufacturers, with the exception of Zenith and JVC, doubt the possibility of introduction of decks with multiplex (MPX) jacks for use with separate decoders on a large scale. Zenith Model VR4000 is the only deck with multiple jacks available this year.

## TRIB Group and High Touch to Reach Agreement

TRIB Group and High Touch have entered final negotiations of a plan to provide computer automation to the current as well as future membership of TRIB Group. The plan calls for High Touch to install its currently available integrated in-store and home office system across the membership. In addition, High Touch will create a computer system at TRIB Group's corporate office to assist in group purchasing.

N.D. "Mac" McCullar of TRIB Group and Dr. Ted Cary of High Touch agree that the objective is the same at each of the three levels — to achieve the benefits of automation. "Well-conceived, appropriate computer automation which is properly installed and maintained should not cost anything," according to Cary. "If automation costs you anything, it's a bad investment. In addition, the membership can use automation to standardize and control basic business functions at both the store and home office level. The objective has always been to have computers do what they do best and people do what they do best. The ultimate benefit is the production of quality information measured by its timeliness, accuracy, and presentation. The rent-to-own industry deals with a large volume of business transactions from which information must be extracted. Typically, information gathering has been very labor intensive and suffers from a lack of quality. This industry is a textbook example of informational needs."

The TRIB Group automation will be a showpiece of current technology. An in-store computer can communicate with other stores (e.g., transfer inventory) and communicate nightly with the home office computer. In addition, each home office computer will communicate purchasing information to the corporate computer and, in turn, will receive information from the corporate computer.

## GranTree Corporation

The opening of the 32nd GranTree retail store increased the Portland, Oregon-based retailer's coverage of the market in San Antonio, Texas. The new store joins two other retail stores and two other rental showrooms operated by GranTree in San Antonio.

According to Walker Treece, chairman and president of GranTree, the company's expansion objectives include opening facilities in new geographical areas and backfilling existing retail markets, thus maximizing productivity and reducing per-store cost of television advertising.

The current expansion plan, implemented in the 1983 fiscal year has resulted in the company opening 21 new rental showrooms and four retail stores.

Presently the company has 35 retail stores and 76 rental showrooms in eight western and southwestern states and two Canadian provinces.

Earnings for the first three quarters in 1984 ending August 2 were up \$574,000 from the same period in 1983 when earnings were \$342,000. Revenues increased 11.2 percent to \$60.1 million from 1983 revenues of \$54 million.

## Whirlpool

A free brochure titled "Nice Things to Know About Refrigerator Defrost Systems" is available from Whirlpool Corporation's Appliance Information Service. For a copy, send a business-size, self-addressed stamped envelope to Appliance Information Service, Whirlpool Corporation, Administrative Center, Benton Harbor, MI 49022.

### **Whirlpool Acceptance Corporation**

**Whirlpool Acceptance Corporation announced recently they will be offering a retail promotion during the upcoming peak holiday season, November 1 through December 15.** The promotion will give the consumer 90 days deferred payment and 90 days no interest on the purchase of any Whirlpool product.

Charles E. Sessa, president and chief executive officer of Whirlpool Acceptance Corporation, said, "By delaying payments without interest for three months, we can assist the consumer in obtaining quality Whirlpool products during a key holiday season. This program will cover the complete line of Whirlpool products, and in an effort to further strengthen our dealers, this promotion will be made available free of charge for all our dealers, except those in Arkansas."

Customers using the 45-day program must qualify for credit and buy through a dealer who uses Whirlpool Acceptance inventory financing. Due to certain state regulations, consumers in Arkansas, Connecticut, South Dakota, and Montana will receive 90 days deferred payment and 60 days interest free.

### **Channel Master**

**Channel Master, a division of Avnet, Inc., a major producer of television reception equipment throughout the world,** is a leading supplier of home satellite TV earth stations.

Retail sales of home earth stations are entering an explosive growth period, according to Donald Berg, marketing vice president at Channel Master. He predicts sales of \$1.2 billion in 1984 to the so-called "backyard" user.

"Most of these systems will be bought by people who live beyond the reach of cable," says Berg. "They usually receive only a few over-the-air channels. Until now, these people were an under-served market waiting for a technological breakthrough. Well, this is it."

Three things happened this year that brought about this sales boom," he continued. "The equipment became very consumer-oriented — user-friendly, as the computer people say. Prices came down and a lot of people heard about it, especially in the non-cable areas of America."

Sales in 1983 will pass 200,000 systems (\$600 million at retail), which is two to three times more than in 1982. Berg conservatively estimates 400,000 units to be sold in 1984. Some industry people have already forecasted sales of 500,000 to 600,000 systems and are making plans to produce them.

As for the DBS (direct broadcast satellite) pay-TV home service scheduled to begin sometime in 1984, Berg feels that it will help the backyard industry. "One of our big selling problems is that not enough people who need our dishes know dishes exist. The heavy promotion of DBS will stimulate consumers to ask questions. And when they do, they'll find home earth stations with 80 channels retailing at \$2,000 to \$3,000. Compared to DBS at \$30 to \$40 per month with 5 channels, that will be an excellent value for retail customers."

### **CES**

**The electronics industry's mood of optimism about 1985 is reflected in some 1,200 applications received to date,** totalling some 750,000 net square feet of exhibit space, for the 1985 International Winter Consumer Electronics Show.

These applications represent the total spectrum of consumer electronics firms, including audio, video, computer, telephone, and electronic accessories manufacturers and importers. Final figures are expected to show that 1,400 companies will utilize 800,000 net square feet of exhibit space, up 50,000 feet from the 1984 Winter Show.

To be held in Las Vegas from Saturday, January 5, through Tuesday, January 8, the 1985 Winter CES is expected to attract some 90,000 people, fully half of them retailers. Included in this figure are an estimated 8,000 visitors from some 70 countries overseas, as well as more than 2,000 accredited print and broadcast journalists, making the Winter CES a total consumer electronics marketplace.

The Winter Show, like its Summer counterpart in Chicago, is sponsored, produced and managed by the Electronic Industries Association's Consumer Electronics Group (EIA/CEG), the Washington, DC.-based association whose members include the major manufacturers of audio and video hardware, blank tape, and home computers. The Winter and Summer Consumer Electronics Shows now rank as the largest annually-held trade shows in the United States, and are among the largest trade shows in the world.

For more information on the 1985 Winter Consumer Electronics Show, contact Dennis S. Corcoran, Vice-President, CES, 2001 Eye Street, N.W., Washington, D.C. 20006, (202) 457-8700.

# GOVERNMENT RELATIONS

## Model Law for Personal Property Leasing

BY EDWARD L. WINN III

The National Conference of Commissioners on Uniform State Laws has continued its work on a model Personal Property Leasing Act (see THE APPROACH, March, 1984). The committee came out with a revised draft for its summer 1984 meeting. The draft defines a consumer lease as "a lease of goods that a lessor regularly engaged in the business of leasing or selling makes to a person, except an organization, who takes under the lease primarily for personal, family, or household purpose, if the amount payable under the lease, excluding payments for options to renew or buy, does not exceed \$25,000."

By the terms of the draft's definition, most current rental-purchase agreements would qualify as consumer leases.

Of particular importance to rental dealers is the committee's treatment of "leases intended as security." In the committee's comments to the definition of consumer lease, the drafters recognize that "it is essential that the act state that a lease is neither a sale nor a security interest." Courts continue to confuse these different transactions because of ambiguities in the Uniform Commercial Code's definition of security interest.

The committee has attempted to end the confusion by suggesting a revised definition of security interest to be incorporated into the U.C.C.

This latest draft of a new security interest definition is interesting because it recognizes the problems posed by rental-purchase agreements and suggests solutions sufficiently specific to be workable in the marketplace.

### Proposed Amendment of UCC § 1-201(37)

The draft definition of security interest insofar as leases are concerned is as follows:

(37) "Security interest" means an interest in personal property or fixtures which secures payment or performance of an obligation. The retention or reservation of title by a seller of goods notwithstanding shipment or delivery to the buyer (§ 2-401) is limited in effect to a reservation of a "security interest." The term also includes any interest of a buyer of accounts or chattel paper which is subject to Article 9. The special property interest of a buyer of goods on identification of those goods to a contract for sale under § 2-401 is not a "security interest," but a buyer may also acquire a "security interest" by complying with Article 9. Unless a consignment is intended as security, reservation of title thereunder is not a "security interest," but a consignment in any event is subject to the provisions on consignment sales (§ 2-326).

Whether a transaction creates a lease or security interest is determined by the facts of each case, however, a transaction creates a security interest if the consideration the lessee is to pay the lessor for the right to possession and use of the goods is an obligation for the term of the transaction not subject to termination by the lessee, and

(a) the original term of the lease is equal to or greater than the remaining economic life of the goods,

(b) the lessee is bound to become the owner of the goods or is bound to renew the lease for the balance of the economic life of the goods or

(c) the lessee has the option of becoming the owner of the goods or has the option of renewing the lease for the balance of the economic life of the goods upon compliance with the lease agreement for no additional consideration or nominal additional consideration.

A transaction does not create a security interest merely because it provides that the present value of the consideration the lessee is obligated to pay the lessor for the right to possession and use of the goods is substantially equal to or is greater than the fair market value of the goods when the lease is entered into, or that the lessee has an option to buy the goods or to renew the lease.

For the purposes of this subsection (37):

(x) Additional consideration is nominal if it is less than: (i) 10 percent of the fair market value of the goods at the time the lease agreement was entered into; (ii) the lessee's reasonably predictable cost of performing under the lease agreement if the option is not exercised; or (iii) \_\_\_\_\_ percent of the reasonably predictable fair market value of the goods or renewal option at the time the option is to be performed if exercised;

(y) "Reasonably predictable" is to be determined with refer-

ence to the facts and circumstances at the time the transaction is entered into; and (z) "Present value" means the amount as of the date certain of one or more sums payable in the future, discounted to the date certain. The discount is determined according to the interest rate specified by the parties as the discount rate if the rate is not manifestly unreasonable; otherwise the discount is determined according to a commercially reasonable rate that takes into account the facts of each case.

This latest draft of a new security interest definition is interesting because it recognizes the problems posed by rental-purchase agreements and suggests solutions sufficiently specific to be workable in the marketplace.

### Reporter's Comment

The first paragraph of this definition is taken from the 1978 Official Text of UCC § 1-201(37).

The second paragraph is taken from § 1(2) of the Uniform Conditional Sales Act, modified to reflect current leasing practice.

The first element of the third paragraph is new and states that a full payout lease does not *per se* create a security interest. The second element of the third paragraph restates and expands UCC § 1-201(37) to make clear that the option can be to buy or renew.

The fourth paragraph of the definition provides rules of construction.

It was possible to prove for various other permutations and combinations with respect to options to purchase and renew.

By the terms of the draft's definition, most current rental-purchase agreements would qualify as consumer leases.

For example, this section could have provided for facts in *In re Marhoefer Packing Co.*, 674 F.2d 1139 (7th Cir. 1982). This was not done because it would unnecessarily complicate the statute.

The drafting committee is considering whether a safe-harbor provision can be developed for inclusion within this section.

As rental dealers in North Carolina have discovered, a definition of nominal consideration stated as a percentage of cash price has proven a concrete and workable definition for the industry in that state. Whether pegging the percentage at 10, as is the case in North Carolina, is too high or too low is open to debate.

Rental dealers who wish to comment on the latest definition of security interest proposed by the Commission should direct those comments to the APRO office.

### Georgia Bankruptcy Judge Rules for Rental Purchase

BY JIMMY WALKER

Recently, during a pause between bankruptcy hearings, a lawyer friend of mine made what I consider to be a very revealing observation. He noted that the biggest money cases are not in the Federal District Court or in the State Court but in the bankruptcy courts. I thought about that observation and found it to be quite true. We try cases for days and weeks before judges and juries over claims of several thousand dollars when a bankruptcy court can dispose of many thousands of dollars in claims in a matter of minutes. This is not to say that the bankruptcy courts are acting improperly or irresponsibly. It is, instead, to note that these courts tend to become focal points for disputes over property rights as a part of the bigger picture of financial distress.

The bankruptcy courts must decide property rights with respect to debtors and creditors with the significance of those decisions imposing substantial, even staggering monetary consequences on the litigants.

More to the point, the issue of whether a creditor has a right in property of the debtor either as a consequence of retained ownership, such as in our lease transactions, or by virtue of a security interest established in an installment sale contract can represent a matter of substantial monetary significance. This happens because the loss of this preferred status to a creditor means that his claim will very likely go unpaid in the course of the bankruptcy administration. Nonpayment of claims is the most likely result of any bankruptcy case.

In the nonbankruptcy repossession case, it is typical for the customer to permit the dealer to repossess the property by judicial means without opposition from the customer. In this environment, almost any claim will stand if it does not face opposition.

In the bankruptcy court, the situation is quite different. Every claim is examined by a trustee. Almost every debtor in bankruptcy has an attorney because it usually takes an attorney to file a bankruptcy case in the first place. In that forum we have a lot to lose. Also, in that forum, we will always be under careful scrutiny.

Aside from the more basic questions of whether the customer signed the contract or whether we have in fact delivered the TV to the customer, there is usually considered the question of recharacterization as a possibility for avoiding our claim in the debtors property.

Any store will have a percentage of its customers filing bankruptcy. With lawyer advertising, this trend is expected to increase rather than decrease with the coming of better economic times. A lot of property finds its way into this perilous situation. We must fight. We have a lot to lose. We can win.

On June 23, 1983, the Homeway Rental Company of Augusta, Georgia rented a nine-foot freezer to a customer. The customer paid fifteen weekly payments before filing a Chapter 13 petition in the Bankruptcy Court for the Southern District of Georgia.

The customer, in his plan, proposed that the payments between the time the

*continued on page 57*

# WASHINGTON REPORT

BY EDWARD L. WINN III

*Editor's note: As this issue of PROGRESSIVE RENTALS goes to press, the House as yet has not taken any action on Senator Garn's Financial Services Deregulation Act. There is still some chance that a lame duck session of Congress will convene after the elections to take care of some last minute business. In addition to the Garn bill, there is an important alien bill and some civil rights legislation that has demanded substantial attention to date. Bills not passed before Congress finally adjourns simply die and must be reintroduced into the next Congress which convenes in January. APRO has already begun lining up supporters in both Houses in the event the issue must be continued into the spring of 1985.*

*As reported in the last issue of THE APPROACH, the Senate Banking Committee debated a motion to delete Title V, the leasing/rental-purchase section, from Senator Garn's Financial Service Competitive Equity Act. Reprinted here is the Committee report on Title V. The bill was subsequently passed by the full Senate by a vote of 89 to 5.*

## **Title V Consumer Lease and Lease-Purchase Agreement Act**

Title V of the bill creates a new Title X to the Consumer Credit Protection Act for the regulation of longer term leases, and short term leases containing an option to purchase, or "lease-purchase agreements." The provisions of this title are substantially similar to those submitted in draft legislation and recommended to Congress by the Federal Reserve Board in 1983. In July of 1983, the Subcommittee on Consumer Affairs held a hearing on the Board's proposal and received testimony from Nancy Teeters, Member of the Board of Governors of the Federal Reserve System; representatives from the National Consumer Law Center and Legal Services of Greater Miami; representatives from the Association of Progressive Rental Organizations; the Furniture Rental Association of America; the American

Rental Association; and representatives from the American Bankers Association and the Consumer Bankers Association.

The title simplifies the current Consumer Leasing Act, which covers leases longer than four months, for personal property used primarily for personal, family, or household purposes. The concepts and principles used in the 1980 simplification of the Truth-In-Lending Act were applied to simplify the leasing rules. Both the number and complexity of the disclosure requirements in current law have been reduced to emphasize information which is the most essential and helpful to consumers. Like credit disclosures under the Truth-In-Lending Act, leasing disclosures would have to be placed in a "federal box" and segregated from other contractual terms to highlight the disclosures for the consumer. This title also changes the statute of limitations, which is now one year from the end of the lease term for all violations, to one year from the consummation of the lease for disclosure violations, and one year from the end of the lease term for substantive end-of-term liability violations. Current law requires the lessor to always pay consumers' attorneys' fees in all suits to collect more than the maximum allowed in an open-end lease. This title provides that the lessor must pay for consumers' attorneys' fees only when the lessor's action is unsuccessful. This title, for the first time, would subject lease extensions to limitations on the "balloon payment" consumers may be required to pay at the end of an open-end lease term.

Finally, the statute has been rewritten in short, concise sentences, or "plain English," to eliminate redundancy and unnecessary legalese. The Committee agrees with, and underscores, the Board's observation that the "plain English" effort presents some risk, of course, that editorial changes may be seen to imply a change in meaning where none was intended. However, the Board concluded "that the benefits from improved readability outweigh any potential misunderstanding."

A lease-purchase agreement is defined as an agreement for the use of personal property, for personal, family, or household purposes, which is for less than four months duration, is automatically renewable with each

payment, and permits the consumer to become the owner of the property. Covered transactions typically include furniture, appliance, and television rentals. The original language of the Federal Reserve Board proposal was amended to include any type of ownership feature associated with lease-purchase agreements, including completion of a specified number of scheduled payments, and/or payment of a percentage or specific amount to acquire ownership of the leased property.

The Federal Reserve Board proposed inclusion of lease-purchase agreements because of public concern over the number of consumers entering such agreements without adequate cost disclosures. Consumer representative testifying before the Consumer Affairs Subcommittee contended that lease-purchase advertising is often directed at low-income consumers and emphasizes "ownership" of appliances, without disclosing the amount required and other conditions to own. These representatives listed examples of consumers who were not told the total of payments needed to own in a lease purchase agreement, were not told they did not own the property under the agreement, and were not told whether the property was new or used. Consequently, the witness of the National Consumer Law Center testified that:

The NCLC feels that many of the problems concerning appliance rentals could be alleviated by requiring that certain minimum disclosures be made by the appliance dealer. (Title V) provides a good starting point in addressing the problems associated with appliance rentals.

*continued on page 57*

# LEGAL

**Q:** Are there any laws requiring me to tell customers why I will not rent them a TV?

**A:** Probably not. However, there are laws that prevent you from making that decision based on certain criteria. Various federal Civil Rights statutes prevent you from discriminating against customers on the basis of race, color, religion, or national origin.

There is another federal statute, the Equal Credit Opportunity Act, which adds three categories to those listed above: age, sex, and being on a public assistance program. Grantors of credit cannot discriminate when making credit decisions based on any of these criteria.

The Equal Credit Opportunity Act probably does not apply to most rental-purchase companies despite the fact that a recent court case held the statute applicable to a vehicle lessor. In 1983, the U.S. Ninth Circuit Court of Appeals ruled that the Equal Credit Opportunity Act applied to transactions covered by the Consumer Leasing Act. The Consumer Leasing Act covers leases with a minimum lease period in excess of 4 months. If there are rental-purchase dealers who have a minimum lease term of this length, they should refer their local attorneys to the *Brothers v. First Leasing* case for advice. Since most rental-purchase agreements have a minimum rental term of one week or one month, the *Brothers* case should not apply to them.

Even though no statute as currently interpreted, would require rental-purchase dealers to give reasons for turning down a rental applicant, dealers may still be required to "prove the negative," i.e. that they did not turn down a customer for some prohibited reason. Because of this threat, dealers may wish to voluntarily divulge the reasons for turning down an application. This is particularly true if the reason is due to an incomplete item on the application that could be completed by the customer.

Creditors who must provide this information pursuant to the Equal Credit Opportunity Act can look to Regulation B for guidance. The regulation has a checklist for credit denials which must be provided applicants within a prescribed time. The checklist reads as follows:

## STATEMENT OF CREDIT DENIAL, TERMINATION, OR CHANGE

DATE \_\_\_\_\_

Applicant's Name: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

Description of Account, Transaction, or Requested Credit: \_\_\_\_\_

Description of Adverse Action Taken: \_\_\_\_\_

### PRINCIPAL REASON(S) FOR ADVERSE ACTION CONCERNING CREDIT

- Credit application incomplete  
 Insufficient credit references

- Unable to verify credit references  
 Temporary or irregular employment  
 Unable to verify employment  
 Length of employment  
 Insufficient income  
 Excessive obligations  
 Unable to verify income  
 Inadequate collateral  
 Too short a period of residence  
 Temporary residence  
 Unable to verify residence  
 No credit file  
 Insufficient credit file  
 Delinquent credit obligations  
 Garnishment, attachment, foreclosure, repossession, or suit  
 Bankruptcy  
 We do not grant credit to any applicant on the terms and conditions you request.  
 Other, specify: \_\_\_\_\_

### DISCLOSURE OF USE OF INFORMATION OBTAINED FROM AN OUTSIDE SOURCE

- Disclosure inapplicable  
 Information obtained in a report from a consumer reporting agency  
Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

Telephone number: \_\_\_\_\_

- Information obtained from an outside source other than a consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request within 60 days of receipt of this notice, for disclosure of the nature of the adverse information.

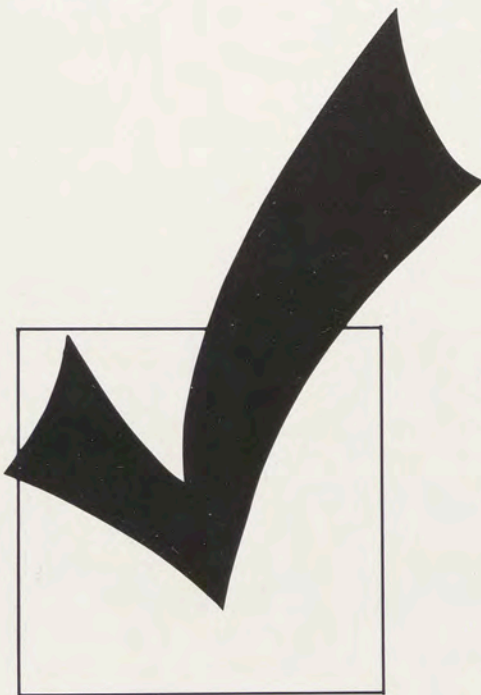
Creditor's name: \_\_\_\_\_

Creditor's address: \_\_\_\_\_

Creditor's telephone number: \_\_\_\_\_

Rental dealers may wish to provide some modification of this checklist to applicants who do not qualify for rental. Dealers should note that many of the permissible reasons for denying credit are the same reasons that rental applications are denied. As long as dealers are not discriminating against rental customers on the basis of race, color, religion, or national origin; there is no reason not to tell applicants why they cannot rent a TV. As is most often the case, honesty is still the best policy.

*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.*



# CHECKLIST FOR SUCCESSFUL ADVERTISING

Simple guidelines for more effective advertising.

Achieving results with advertising is on the minds of many rental dealers today. Effective advertising means a successful business and increased profits. What follows is the second in a series of checklists for successful advertising provided by Checklist Publishing of Texas, Inc.

- Don't borrow the advertising concepts of other companies unless you know that such concepts in fact are producing large numbers of customers and sales. Many ads have poor results but the companies placing the non-performing ads do not know that the ads lack effectiveness because of their failure to have a means of analyzing their ads' relative contributions to actual sales made.
- Recheck the arithmetic of your advertising bills thoroughly to uncover clerical billing errors. You will need to have the printed rate card of the particular advertising media and copies of your advertising purchase orders to check for errors. Do not hesitate to have the advertising media explain the bill in detail if the billing is not understandable to you.
- Install bulletin boards with changeable letters for communicating promotions to your in-store customers.
- Develop a trademark logo which is an eye-appealing rendition of your business name.
- Obtain federal trademark protection from the United States Patent Office for your firm's trademark logo and state trademark *and* trade name protection in all states where you actively engage in business.
- Develop a sincere, unique, customer-oriented slogan to be used in all of your ads.
- Develop attractive letterhead stationery, envelopes, and business cards which have your trademark logo advertising slogan clearly imprinted.
- Develop a standardized, attractive color scheme for use on your stationery, billboards, signs, company vehicles, etc.
- Develop a service-oriented philosophy on your part and the part of your entire staff. A sincere "how can we help you" problem-solving attitude is important to differentiate your business in customer-appeal from your competitors.
- Because your ads represent your company, make sure that people's perceptions of the ads (and therefore your company) are the perceptions you desire to create.
- When you discover advertising ideas that work well, stick with them as long as the ideas continue to produce good results. Don't change just to change.
- Are you allocating enough money to your advertising budget? A new company or a new product requires expenditures which may be many times the revenue initially produced in the first few months or year of the business.
- Are you fully utilizing point-of-sale signs, displays, and promotions in store?
- In Yellow Page ads, stress what product lines and products your company sells and services plus your number of years in business, locations, and hours.
- Use demonstrations of your products or services in your place of business.
- How do your products' benefits and use compare to: a) your advertising points; b) your competitors' products; and c) your competitors' advertised points?
- What new steps can you take to increase the product knowledge and sales ability of your salespeople and/or dealers?
- What new products or services do your customers need or want? What deficiencies do your present products have in the minds of the consumers? What do you plan to do about it?
- What is done to follow up systematically on all possible sales leads and inquiries which come to your company in person, by phone, by referral, and by mail?
- How can videotape, audiotape, and slides be used to better market your products?
- Do your salespeople have a marketing manual to assist them in knowing how best to market your company's products or services?
- What can be done to make more effective window displays and in-store displays of products or services?
- What can be done to make more effective counter or cash register area displays of products or services?
- Do your sales representatives have photocopies of letters from satisfied customers of your company to show to prospects?

*continued on page 21*

# 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**

### NATIONAL ELECTRONICS DISTRIBUTORS ASSOCIATION

The National Electronic Distributors Association (NEDA) is a group of wholesale distributors of electronic parts, components, and consumer products. They were originally known as the National Radio Parts Distributors Association when formed in 1937. Their membership stands now at 506 with membership requiring that applicants be contractually authorized stocking distributors. The dues structure is based on total annual corporate sales volume, to include a company's separate branches. Membership fees range from \$300 to \$1,400 yearly.



NEDA offers a variety of publications and services including videotape training programs. They conduct research programs and offer specialized education. In addition, NEDA provides members with a monthly newsletter, *Electronic Merchandising*, an annual membership roster and an annual trade show. For more information, contact T. J. Mack, Executive Vice-President, NEDA, 1420 Renaissance Dr., #211, Park Ridge, IL 60068, (312) 298-9747.

### VIDEO SOFTWARE DEALERS ASSOCIATION

The Video Software Dealers Association (VSDA) is a non-profit trade organization representing retailers of pre-recorded video products. VSDA was founded in January 1982, in response to the expressed needs of video software retailers. VSDA's regular membership consists of retailers and distributors of pre-recorded video software. Associate members are manufacturers and suppliers of products and other services to the video industry.

VSDA is a national association which plans and develops programs designed to promote the profitable growth of the video software business. VSDA speaks with one strong voice on behalf of all software dealers. VSDA provides the forum for retailers, distributors, and manufacturers to discuss common problems and help to solve them.

VSDA's regular membership determines the policies for all VSDA programs. The VSDA Board, nominated and elected by the regular membership, meets regularly to give input and direction to the Association. The VSDA Board is comprised of leading software dealers from all over the country who maintain grass roots contacts with retailers in their regions to help keep VSDA responsive to their needs.

VSDA member services include the following:

**VSDA Annual Convention** — VSDA stages an annual convention where software dealers address the broad range of continuously evolving issues and retailers have the opportunity to meet with other video dealers from all over the country.

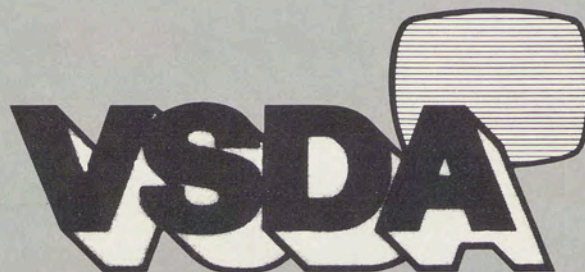
**Government Relations** — VSDA's legal counsel, headquartered in Washington, D.C., represents the unique and best interest of video software dealers in the vast areas of legislation and litigation.

**Industry Research and Statistics** — VSDA is working closely with A.C. Nielson Co. to produce an ongoing statistical survey on a national scale to accurately track activity within the retail store. Information on sales, rentals, title charts, consumer preferences, etc., is made available to members on a regular basis.

**VSDA Reports** — A monthly newsletter is issued and includes updates on industry events; articles dealing with merchandising, store security, principles of good retailing, and financial management; the MPAA listing of arrests and convictions for video piracy; and an up-to-date listing of "point of purchase" materials available from manufacturers, as well as studio advertising of current and future releases.

In addition, VSDA provides members with a BankCard Program, Store Bag Program, discounts on trade publications, an anti-piracy hotline, and regional activities.

For more information, contact Mickey Granberg, Executive Vice-President, at (609) 424-7117.



continued from page 18

- Do you have up-to-date price lists and product information available for all personnel having selling contact with customers?
- What have you done to train your sales representatives to upsell quantity, quality, and related products?
- Do your salespeople's cars and vehicles promote your company name, trademark, products sold, etc.? Have you placed company bumper stickers on these vehicles?
- What have you done to develop "bird dogs" to refer people to your business in exchange for modest, results-oriented compensation?
- What can you do to bring the attention of your company's products or services to the attention of students of various types?
- Are you getting well-thought-out advice from your ad agencies, commercial artists, graphics design companies, etc.? You need their recommendations.
- Have a specific advertising plan in writing.

- Set specific goals for your advertising plan and measure sales results carefully to determine the degree of your success in goal attainment.
- Is your company and its products or services advertised in all possible industry directories, trade association directories, chamber of commerce directories, yellow pages, etc.?

Have a specific advertising plan in writing.

- When you send invoices or account statements to your customers, enclose advertising literature as to new or improved products or services, upcoming price changes, changes in hours or locations, etc.
- Do you illustrate your products or services actually being used by people?

- Contribute your company's products or services to charity auctions and other fund-raisers.
- Do you reprint favorable media articles about your company or its products for distribution to both present and potential customers? (Secure written approval of media.)
- Are you using posters at your store locations and throughout the community?
- Try to link all of your company's products under one trade name/trademark to build a family of product recognition.
- Place advertisements in product packaging or in bags in which you place customer purchases. ■

*Editor's note: The information in this article was provided by CHECKLIST PUBLISHING OF TEXAS, INC. For a free catalog of published and upcoming checklists, please write: Checklist Publishing of Texas, Inc., Suite 279, 8760-A Research Blvd., Austin, TX 78758.*

THE

# VIDEO MOVIE MANUAL

## The Practical Guide To Starting and Profitably Operating a VIDEO CENTER

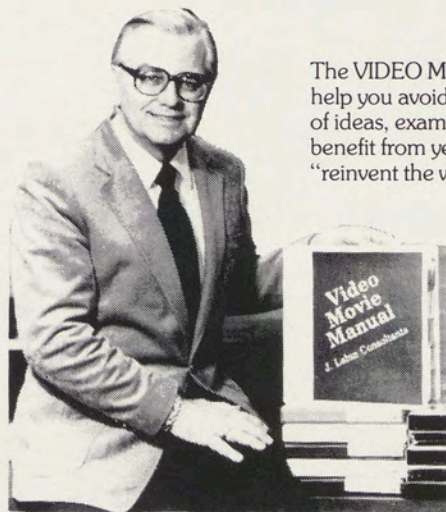
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The VIDEO MOVIE MANUAL can save you time, money and help you avoid mistakes. Because it is filled with hundreds of ideas, examples, facts and samples, you can effectively benefit from years of experience. There is no need to "reinvent the wheel".

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# Survive or Fail in the New Information Age

The good news is that the independent rental operator can survive. The bad news is that, without information, failure is inevitable.

Changes are coming so fast that standing still really means going backward. Those of us who are pioneers with many arrows in our backs know from experience that change and increasing competition is always coming.

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

ware and software to do the different jobs required.

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

Dealers who have computerized their stores can keep track daily of all inventory, both rented and idle pieces. They can record customer payments and track cash flows much quicker than with a manual system. They can file and print tax, employee social security records, and quarterly reports in no time. They can keep records of accounts — active, inactive, and past-due — deliver messages between different locations, do financial planning and forecasting, and a variety of other functions. Finally, a computer

can store all of a company's records and documents more easily, safely, and permanently than a manual system. Computer disks with back-up systems remove the danger of lost customer files.

## Information Need Grows

What happened to cause information to be so important?

In a nutshell, an Agricultural Age lasting 10,000 years until 1900 brought us a 50-year Industrial Age lasting until 1950 with the help of the reciprocating engine. About the time we opened our first rental store, the experts say that a new Information Age came upon us unannounced. Because people tend to react with the experience of a previous age as a guide, most of our reactions to date are understandable. Each new age creates changes in the form of opportunities and problems.

The changes are easier to identify by comparing similar activities over time. For example, in 1890, 46 percent of the work load was agriculturally related

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...a computer can store all of a company's records and documents more easily, safely, and permanently than a manual system.

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### The Future in Review

The Naisbitt group that wrote *Megatrends* lists three giveaways for failure: 1) "The economy is coming back;" 2) "Change is not going to affect me;" 3) "Faster, better, more efficient —." The prognosis is bad for this kind of previous age thinking.

The Naisbitt group lists the requirements as a result of megatrends as: a) the need for vision; b) making uncertainty our friend; c) change comes faster because the cost of information comes down; d) now is the time for opportunity; and e) Washington, D.C. is not going to fix it, because government is five years behind.

---

A computer can tell him exactly how many VCRs he rented each December for the past three years, the percentage of growth each year, and based upon certain assumptions exactly how many he should buy for the following December.

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Alvin Toffler in *Future Shock* and other books, who said that use was more important than ownership, also says that commuting is high cost, computing and telecommuting are low cost. These are two powerful economic curves that will intersect.

The popular book, *In Search of Excellence*, says that the best-run companies find out people's needs and serve them. On a scale of one to five, 60 of our own employees rated our companies with a four on the qualities that make the best companies successful.

The June 1, 1983, *Boardroom Report* says that "operations that don't change in 20 years are guaranteed to be unprofitable. After five years there's an 80 percent probability that there's a better way to do something. Even one year is worth examining."

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### Gaining Control

The main reason many rental operations are looking seriously at computers is because they want an accurate control on cash flows and inventory. Using a computer to track the hundreds of thousands of dollars' worth of equipment and furniture can save time and money.

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

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

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Dealers need to realize that even though computerization is designed to streamline an operation's function, it takes time to incorporate a computer system.

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and only 4 percent was information related. Today this is reversed. Agriculture is below 4 percent and information is around 46 percent.

In 1950, 65 percent of all work was industrial. In 1982, 20 percent was industrial work. What the work horses did for 10,000 years and the engine did for another 50 years is now done with computer chips and accompanying software systems.

In 1950 information was 17 percent of work nationally. In 1982 information was 62 percent of work and climbing.

The August 1983 issue of *Rental Age* stated that 50 percent of economic activity involves knowledge or fact processing, 30 percent involves physical handling, and 20 percent involves directing activities.

In 1982, *Time* magazine named a computer as "Man of the Year." The message was clear. Automated information processing meant getting ahead for some, and keeping up for others.

Today the number of different types and brands of computer hardware and software on the market is dizzying. It may be years before the computer industry shakes out to a manageable number of products and competitors. A system purchased today may be rendered technologically obsolete tomorrow. Nonetheless, rental dealers can shop for and purchase systems that will help their business now. If a dealer finds a system that works in his operation and allows room for growth, it really doesn't matter that a future product might do the same job more effectively. TVs with manual tuners receive transmissions satisfactorily, even though the technology of electronic tuning is more effective.

Accounting packages have gotten very sophisticated in recent years. Most dealers who have computerized their operations have added the accounting function. All accounting packages will perform standard accounting functions. They will keep track of accounts payable and receivable. They will report when the last bill was paid, when the next bill is due, and some will check the system for double billing before ordering payment. Some will type the checks for signature. They will determine inventory levels and print out fixed asset depreciation schedules. They will keep employee records, including sick days, time off, and vacation schedules. They will print out profit and loss statements and balances. Some can be used to perform financial projections, although there are programs specially designed for that sort of work. These programs can quickly answer the question, "If I increase my BOR by 5 units per week on average for the next 18 months, and raise the price of my units an average of \$1 in six months for the next 6 months, what will my cash flow be over the next year and a half?"

### Survive with Information

It is a foregone conclusion that independent rental operators as a large group cannot survive without information for decisions in the new Information Age. One potential customer for our software said in a very honest, revealingly typical way: "I'm afraid to buy a computer system and afraid not to."

The Information Age requires information for the survival of most activities above extremely simple tasks. The rental business has become more complicated and the customers more expectant of such service standards. Work without information is worth \$5-\$10 per hour, but is worth \$50-\$100 per hour if accompanied by information.

How much time do you have to start thinking of an information system strategy for your rental operation?

Dealers need to realize that even though computerization is designed to streamline an operation's function, it takes time to incorporate a computer system. Dealers cannot expect changes in productivity overnight.

Staff must be retrained and files must be entered into the computer.

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

*Editor's note: Bob Elmen is president of Elmen Rent All in Sioux Falls, SD.*

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# ADDING VIDEO SOFTWARE

## TURNING VIDEO INTO PROFITS

It is no secret that video is booming. Several years ago when a customer entered our store, we first had to explain what a video cassette recorder was and what it could do before we even started talking about its features. That has all changed. The term VCR is now a household word. Many newspapers have video columns that carry lists of the best-selling and best-renting tapes, and stores to provide these tapes are popping up on nearly every corner. Is it too late to get in on this boom? What, if any, part in it should the TV and appliance rental dealer play? And, if he decides to participate, how does he go about it and how can he expect to benefit? We cannot answer all these questions in this article, but we will give you some facts that will help you decide.

No attempt will be made here to give advice on the merits and mechanics of renting video cassette recorders. Rather, this article will provide information on various industry factors and how related products and services may impact on the profitability of the TV and appliance rental business. The object of this article is to familiarize the rental dealer with this new market, help the dealer decide how to deal

with it, and guide the dealer to ask the necessary questions.

First of all, the boom is far from over. Today, fifteen percent of all homes with TVs have VCRs. By the end of the decade this figure is expected to be anywhere from 40 percent to 60 percent, so there is still a long way to go (See Fig. 1). More importantly, these are national average figures. They do not take income into account. Actual storefront surveys made in upper and

upper-middle income areas show that these penetrations are presently at about 50 percent. This means that VCR penetration in middle-income homes is presently much lower and thus the potential for growth in this area is much higher. This skewing of penetration is typical with products of this type. As prices drop, middle-income families begin to find VCRs within their reach.



*Classic TV Rentals in Houston, TX displays tape selection.*

## VIDEO EQUIPMENT

Although the outright sale of video equipment, particularly VCRs, is characterized by low margins, the rental-purchase segment of the business may be quite another story. As indicated, it is reasonable to assume that VCR growth will continue to be very strong for at least five more years. The same cannot necessarily be said for portable VCRs and video cameras. The introduction of 8mm systems by Kodak, Polaroid, and GE has caused a great deal of confusion in the portable/camera market which in turn has diminished the growth rate of sales of these products. Because of this confusion and the fact that these items are high-end to begin with, they are not recommended for the rental dealer.

Another product similar to the VCR, which should be considered by rental dealers, has appeared recently on the market. This is the VCP or video cassette player. These playback-only machines, which dealers can buy for under \$300, were originally intended for the overnight rental market. Thus, most of them have been sold in protective cases to video specialty stores. They are now available without cases and are being sold as home units.

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If an existing location is good for a TV and appliance rental business, adding a video tape support activity will only make it better.

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Although these devices have one of the same limitations that video disc players have — namely that they cannot record off the air or from cable — they are ideal for playing the thousands of movies and programs available on video tape. Both the availability and the number of these taped programs are much greater than those on disc. When marketing VCPs, however, it is important to make it very clear to customers that they cannot be used for making recordings.

## VIDEO TAPE RENTALS

There are two ways that rental dealers can use the rental of prerecorded tapes to increase their profits; (1) as a means of increasing VCR rental-purchase activity and (2) as a separate profit center competing directly with other video stores. These will be referred to as support activity and profit center activity, respectively. Location, floor space, capital outlay, and personnel requirements will all be different depending on the dealer's objective. And no matter which objective the dealer has in mind, it should be remembered that the tape rental business is quite different from any other business (including the VCR business). Wholesale tape prices are

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Like rental-purchase businesses, video stores draw most of their customers from a three to five mile radius.

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constantly changing (both up and down), marketing programs are changing, and there are legislative changes pending which will significantly affect the way the tape rental business operates. These are not cited as reasons for staying out of the business, as it can be very profitable. Rather, they are cautions against underestimating the business and reasons for entering it only with a full knowledge of what is involved.

## VIDEO RENTAL AS A SUPPORT ACTIVITY

As support activity a video rental operation should have a starting inventory of 200 to 300 titles, probably in only one format, either VHS or Beta. Of course, the format should match that of the VCRs which are rented and sold. Such an inventory will require an investment of from \$7,000 to \$10,000. This assumes that approximately half of these tapes would be purchased on the used market. New copies of current movie titles range in cost from \$20 to \$60 with most of them at the high end.

Assuming that floor space and counters are available, the only other out of pocket costs will be for rental forms, displays, storage shelves, signs, and promotions. These can be expected to cost from \$2,000 to \$5,000. These items deserve careful attention for they are vital to a successful operation.

Beginning a video rental support activity will require from 100 to 200 square feet of floor space which must include a minimum of 12 lineal feet of counters. When making these initial plans, keep in mind the possibility of expanding the video rental support activity into a separate profit center activity at a later date.

If an existing location is good for a TV and appliance rental business, adding a video tape support activity will only make it better. The same is not necessarily true if a dealer considers adding a video tape profit center, however. Since there would be direct competition with other video stores, the location would need to meet the same criteria that apply to successful video specialty operations. These include easy access, ample parking, good signage, high foot traffic, etc. Strip centers usually meet these requirements best.

Like rental-purchase businesses, video stores draw most of their customers from a three to five mile radius. If a five mile radius includes areas which are significantly different demographically, a dealer should not expect residents to cross demographic lines in order to get to the rental store. For this reason, the existing rental location may not be suitable for a profit center operation.

## VIDEO RENTAL AS A PROFIT CENTER

Naturally, a profit center operation requires a much larger commitment in inventory, floor space, and personnel. A starting movie inventory should have from 500 to 1000 titles and consideration should be given to carrying some titles in both Beta and VHS formats. A survey of VCR owners and competitive stores should be made to guide this decision. As for floor space, a minimum of 500 square feet will be required.

In addition, and just as important as the movie inventory and floor space, is the recognition that this profit

*continued on page 60*

# MAKING THE MOST OF FURNITURE RENTAL

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TV and appliance dealers are finding out that furniture works.

Most TV and appliance rental dealers have considered adding furniture to their inventories. Those who are renting furniture are satisfied for the most part. None, however, foresee furniture replacing brown and white goods as a mainstay of business. Reports indicate that furniture is a healthy and growing profit center for the TV and appliance dealer. Furniture rental inventories account for as little as 5 percent to as high as 25 percent of rental revenues.

It is important that dealers approach the issue of furniture rental differently from the way they approach TV and appliance rental. Furniture is manufactured, shipped, stored, displayed, marketed, delivered, picked-up, and refurbished differently from TVs and appliances. Dealers rent furniture to different customers for different prices and for different rental periods. All of these variables need to be understood and taken into account if a furniture rental program is to prosper.

Despite the differences, rental dealers can learn to use the same stores, personnel, and contracts to lease furniture without necessarily

opening separate locations, although a few dealers have chosen this route.

This article focuses on the differences between renting TVs and appliances and renting furniture. It offers suggestions on how to incorporate furniture into an existing TV and appliance rental store with minimum disruption and maximum efficiency.

## SOURCES AND DELIVERY

The first issue to confront is getting product into the store. There are 19 TV manufacturers compared to over 3,500 furniture manufacturers in the United States. RCA posted \$1.63 billion worth of TV and VCR sales in 1983. A large furniture manufacturer might have \$20 million worth of sales annually.

Rental dealers must plan furniture purchases more carefully and certainly farther in advance than brown and white goods purchases. A surprising number of furniture manufacturers have little or no warehouse space. Similar to the popular claims of some hamburger chains, many furniture manufacturers do not begin production until they have an order in

hand and they often make just enough pieces to fill the order. Unlike the hamburger business, however, the standard delivery time in the furniture industry is 13 to 16 weeks. TV and appliance rental dealers are accustomed to placing orders and receiving goods inside of five days. Even with the use of distributors, consolidators, and manufacturer reps, rental dealers will often wait a minimum of 2 to 3 weeks for a furniture delivery. Since rental dealers will normally maintain a 30-day furniture inventory, strategic ordering is necessary to avoid shortages at crucial times.

Large furniture markets are held semi-annually in High Point, North Carolina; Dallas, Texas; and San Francisco, California. Rental dealers in the furniture business do and should attend these shows to view new product lines and plan purchases for the coming season. There are a handful of manufacturers and consolidators who recognize the profit potentials afforded by volume sales to the rental-purchase industry, and who are focusing their attentions on the industry. Some suppliers have studied the mar-

ket and understand what "rentable furniture" is and what it takes to successfully manage furniture rental inventories. Dealing with manufacturers and reps who know the rental business is a definite plus when getting started.

A furniture manufacturer may produce one type of furniture — chairs, for example. If dealers want to buy direct from the factory, they will have to order from several manufacturers to have a complete inventory. Local distributors exist who purchase, stock, and sell pieces from several manufacturers. Distributors have limited inventory, but do offer fast delivery and will take smaller orders than most manufacturers. Dealers can expect to pay a 20 to 25 percent premium for the services of a local distributor over factory-direct purchases.

Furniture consolidators do what the name implies. They purchase stock from several sources and assemble packages for dealers. Typically, they work on a regional scale. They cannot deliver as quickly as a local distributor and may require a larger order, but will offer dealers a greater choice. Dealers can expect to pay a 10 to 15 percent premium for a consolidator's services over factory-direct purchases.

In the furniture industry, deliveries are made by the truckload. One truckload equals roughly 24 to 30 three- to six-piece living room suites. Some manufacturers will deliver truckload shipments only. Consolidators will deliver one-third to one-half truckload at a time. Distributors will deliver a

few pieces at a time, and may be especially useful for fill-in orders. Freight can be a significant cost in furniture buying. Be sure to make it a part of the budget.

## INVENTORY SELECTION, STORAGE, AND DISPLAY

Most rental dealers agree that a few good lines of furniture work best in a rental-purchase store. There is no need to compete with the large retail or rent-to-rent showrooms. Rental-purchase dealers report success with one or two lines in one or two fabrics. Dealers also suggest sticking to what rents. Do not change styles or fabrics just because store personnel are tired of seeing it.

A cardinal rule with many successful furniture rental dealers dictates buying good quality furniture and avoiding bottom-of-the-line furniture. Customers are not attracted to it and it does not hold up well. It is better to purchase middle lines of goods. A customer may rent a washer and dryer because he does not have one. A customer may rent a living room suite, not because he does not have anything to sit on, but rather because he wants something newer and more appealing than the outdated or worn out furniture he has. Dealers need to carry furniture that customers can rent and be proud of.

Quality furniture lasts longer, looks good longer, and stays out on rent longer than cheap furniture. Dealers who were penny-wise and pound-

foolish in buying their furniture inventories have regretted it. Buy proven oil-base fabrics, such as Herculon, Nylon, or Antron, since they can be cleaned easily. A good upholstered piece of furniture generally has an oak frame. It is better to buy sofas and chairs with loose cushions since cushions can be replaced when they become unserviceable. Cushions without buttons will cause fewer problems than cushions with buttons. However, dealers can purchase the same tool manufacturers use to attach buttons for about \$20. A button tool can bring a \$25 per button repair job in-house for the cost of the tool and a button. Night stands, dressers, and tables with easily removeable tops, for quick replacement, are also recommended.

Dealers report an inventory make-up of 60 to 70 percent living room suites, 15 to 20 percent dinettes, and 15 to 20 percent bedroom groups. This does not count specialty items that may be rented separately, bunk-beds, lounge chairs, waterbeds, and the like. The success of these items depends on the market.

Furniture is not usually manufactured with a serial number. Dealers will need to stamp their own inventory numbers on furniture or get a middle man to do it for them. Rent-to-rent furniture dealers report that they do not track their inventory piece by piece and, thus, cannot always tell with certainty whether a rented item is new or used. Rental-purchase dealers who are used to counting TVs on a daily basis should have no difficulty devising an in-house system for tracking furniture pieces.

TV and appliance rental dealers must consider warehousing needs when planning for furniture rental since furniture takes up more space than TVs. Dealers with several stores in one city may consider separate central warehousing space from which all deliveries are made. Smaller dealers with limited space may consider using temporary warehouse rental space that is available in most cities.

Veteran furniture rental dealers suggest making furniture groupings as "homey" as possible by mixing TVs and stereos in with living room groupings. Make it look like a living room. Rental customers should be encouraged to try out the furniture. If brown and white goods can be stacked in the front room and rented, furniture cannot. Dealers are advised to avoid warehousing furniture in the

*continued on page 46*



Universal TV, in Cincinnati, OH, furniture showroom.

# NUTS & BOLTS

NEWS • VIEWS • PEOPLE • PRODUCTS • IDEAS

## Top 200 Electronics Retailers

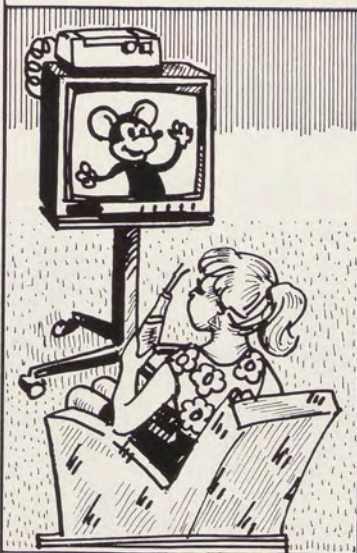
The July 16 issue of *Home Furnishings Daily* listed the top 200 electronics retailers in the country by sales volume. Topping the list was Fort Worth-based Radio Shack, listing 6,594 outlets, with a reported 1983 sales volume of \$2.1 billion. Second on the list was Sears, with 883 outlets and doing over \$1.8 billion of electronics business in 1983. As might be expected, the top ten include the country's large-scale mass merchandisers, K-Mart, Service Merchandise, Best Products, J.C. Penney, Circuit City Stores, Montgomery Ward, Wal-Mart Stores, and Toys-R-Us. The largest single store was Tops Appliance City in Edison, New Jersey, reporting \$51 million in sales. Tops ranked 50th on the list.

The listing did not include any rental-purchase companies. Remco and Rent-A-Center would have easily ranked in the top fifty and ColorTyme, with its franchise volume, would not have been far behind. Of particular interest were estimates of new store openings for 1984. While Wal-Mart expected to be opening 100-plus stores in 1984, most companies reported plans for adding zero to five new stores for 1984. Compared with the rental-purchase industry, new store projections for retailers can only be termed modest.

The last ten retailers on the list of 200 each reported volumes of between \$7 and \$8 million in 1983. It is APRO's estimation that the rental-purchase industry could easily have ranked a dozen or so companies on this list.

For copies of the *Home Furnishings Daily* listing, contact the APRO office.

## Will VCPs Crack the Rental-Purchase Market ?



Some consumer electronics manufacturers believe that the failure of the video disc was due to its lack of ability to record. Despite this opinion, several video cassette recorder manufacturers are planning to introduce video cassette players (VCPs) — tape machines that offer a playback feature only.

Video cassette recorders are boosting the consumer electronics retail business and are beginning to show significant growth in rental-purchase inventories.

National Video, a software franchise operation, has plans to carry a playback-only unit made by Funai Electric Company, to rent to software customers. Most VCR makers are wary. Neither JVC, which developed the VHS system, nor Sony, with its Beta-format players have plans to manufacture the playback-only unit. GE, on the other hand, predicts a healthy market for these lower-cost video cassette players. Reports are that GE plans to aim the product at both hardware and software rental companies. Currently, several rental companies that offer short-term rentals of VCRs have had to "jerry-rig" the machines so that borrowers don't damage them by playing with record buttons. Manufacturers predict that the lower cost of the VCPs should mean higher profit margins for rental dealers since it is unlikely that dealers will have to lower overnight rates below the current \$10 average rate. *TV Digest* has recently reported that rental outlets account for approximately 5 percent of the VCRs sold in the U.S. and that the percentage is growing rapidly.

GE sees a significant market in consumer households that already have a VCR. Funai officials feel that many VCRs are overloaded with functions and confuse people. The VCP will be a simpler machine and easier to operate.

## Creativity Pays Off

A manager who uses creativity in solving company problems contributes a great deal more than the manager who does nothing but manage a department profitably, according to an article in *Business Monitor*. In addition, a creative manager develops solutions by working closely with others during each stage of the process.

For instance, the article states that innovators seek fresh ideas and gather relevant data from others outside their departments. By listening, they come up with new solutions to long-standing problems. After the ideas have been formed into a solution, the creative manager is able to communicate clearly so that others quickly grasp new concepts and see the benefits in them.

Because their enthusiasm and confidence is high, creative managers are able to secure the support of co-workers. They are also skilled at identifying supporters and securing uncommitted funds. In return, these people are given major roles in implementing their ideas.

The creative manager doesn't stop there. He or she listens carefully to those involved in the project and provides frequent feedback and coaching. The manager also emphasizes the importance of each participant's contribution to the success of the project.

## Better Beware Friday

All you TGIF (Thank Goodness It's Friday) types might pause to consider this statistic: A survey of personnel directors and top executives conducted by Accountemps, a temporary employment firm, has found that Friday is the favorite day for firings. Thirty-eight percent of respondents chose Friday afternoon to terminate employees.

## Information, Please



Industry trade associations, such as APRO, and trade publications can be major sources of information for small business owners who need help running their businesses.

This was one finding of a survey conducted by Comprehensive Business Services of owners of businesses with annual sales of less than \$300,000. Also revealed was the fact that bad management represents a bigger problem than finding financing or the high cost of financing.

Thirty-three percent of the respondents listed bad management practices as the primary reason for

## VCRs Threaten Cable TV

Are VCRs becoming a threat to cable service? According to Senior Vice-President Robert Klingensmith of Paramount Video Distribution, cable companies can disarm this threat by providing a pay-per-view movie service or by going directly into the home video business. Paramount plans to help cable compete with video rentals, since more money can be made this way than by renting the videos. Paramount will begin this effort by releasing movies on a pay-per-view basis at the same time the movies are introduced into the home video market.

business failure. Other reasons were lack of experience, lack of dedication, and inadequate capital. Spouses accountants and bankers were cited by respondents as reliable sources for business advice. Government regulations and red tape were perceived as major hurdles in running small businesses.

Comprehensive Business Services is a franchise of Comprehensive Accounting Corp., an Illinois-based, computer-linked network of 400 independent franchises providing business clients across the nation with bookkeeping, tax services, and business consultation.



## What's Your Category?

Finally—a category for everyone!

SRI International, formerly Stanford Research Institute, has come up with eight categories based on Values and Life Styles (VALS). Where do you fit in?

1. *Belongers* are patriotic, stable, and sentimental traditionalists of any age. About 33 percent of the American population belongs to this group.

2. *Achievers* comprise about 25 percent of the American population. Achievers are prosperous, self-assured, middle-aged materialists.

3. *Emulators* are ambitious young adults, about 10 percent of the population, who are trying to break into the system.

4. The *Societally Conscious* are mission-oriented persons who go all out for causes. They make up nine percent of the population.

5. *Sustainers* are people who are having a hard time making their money stretch far enough, and are very upset about it. They represent about seven percent of the population.

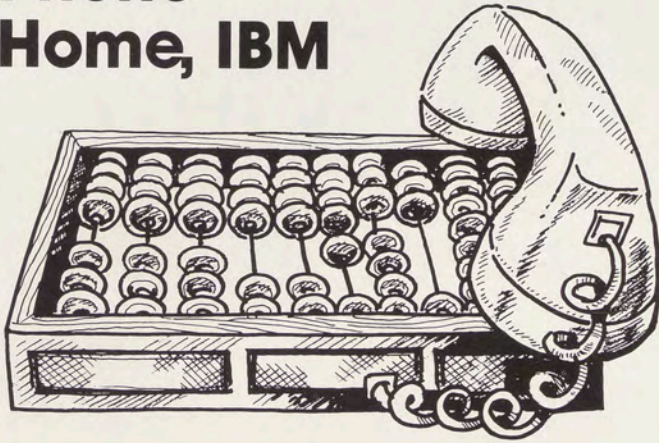
6. *Experientials* also account for about seven percent of the population. They are usually young adults who are people-oriented and directed toward inner growth.

7. The *I-Am-Me* group may include your teenager. These are impulsive and experimental, sometimes unconventional, young adults who comprise about five percent of the population.

8. *Survivors* have made it to old age, but they are tired and poor and show little optimism about their future. They account for about four percent of the population.

SRI researches these categories to help businesses and advertisers know their markets. Try categorizing your staff or family. The results may be interesting.

## Phone Home, IBM



What do you get when you combine a computer and a telephone? Answer: a "computer-phone" that handles both voice and data communications.

Despite the obvious advantages of such futuristic-sounding units, sales have been slow — only 20,000 have been sold since their introduction in late 1981. New systems, easier to use and more powerful, may change all that. Zaisan Corporation of Houston is offering the ES.3, the first stand-alone unit with one-touch dialing, an electronic "Rolo-dex" file, and the computing power of IBMs PC. The price, \$2,600, is less than the price of an IBM PC.

The early computer-phone models either required a specific brand of computer-controlled office switchboard or didn't have enough computing power for the price.

Mitel Corporation's Kontakt offers full phone and computer functions, but costs \$5,000 and requires half the space of an average desk top. Cygnet Technologies' \$1,495 Co-System requires an IBM PC or PC-compatible computer.

D. Mark Fowler, president of Zaisan, says the company "will be able to address the broadest market" due to ES.3's low price

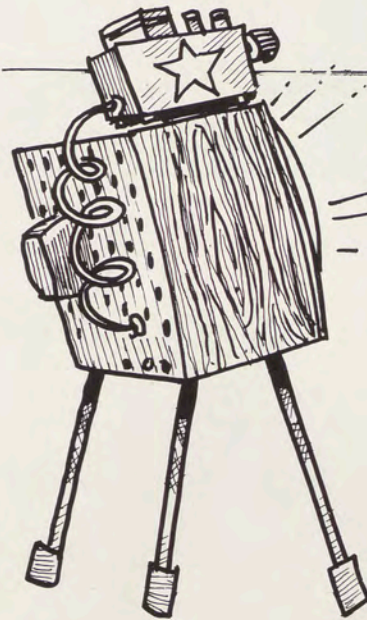
and powerful personal computer features. To achieve a \$300 million sales goal by 1988, Fowler will go after the small businesses and executives who use personal computers for data communications. Distribution agreements with ComputerLand Corporation have been inked, and Zaisan expects to supply major switchboard makers, NEC Corporation and Siemens, with private-label systems.

By early 1985, AT&T and IBM desktop computer-phones are expected to reach the market. John A. Murphy, vice-president of Advanced Office Concepts, says, "Zaisan must penetrate quickly into a multiple of distribution chains if it is to withstand the onslaught of the large companies."

Zaisan will have to reach a production rate of 100,000 in 1985 — more than four times the current market — to break-even on a cash-flow basis. Higher volume will enable Zaisan to cut costs by using powerful custom devices instead of standard semi-conductor chips.

Industry experts predict that next year the computer-phone market could see a surplus of products, followed by lower prices, lower profits, and eventually fewer manufacturers.

## Soviets See Political Promise In VCR



Domestic production of a VCR unit was begun in a small region of southern Russia this past May. Yes, the Kremlin will slowly introduce its version of video mania to the Soviet people. The VCR unit, VM-12, is produced by Elektronika, the Soviet electronics monopoly.

Video rental shops seen in Moscow, Leningrad, and Minsk will soon offer the popular film, "The White Sun of the Desert." The plot centers around the victory of the Soviet troops over counterrevolutionaries in Central Asian republics. Western observers see Moscow's underlying interest in the VCR as a potential propaganda tool.

It may be some time

before VCRs become as common in Soviet homes as they are in the United States. Production is limited to 75 per month at \$1,500 each, and there have been reports of poor workmanship.

Soviet VCR production is an attempt to curtail black market sales of Japanese units and cassettes from western countries. Presently, only 25 dramatic and comedy films and 20 cartoons are available on domestic cassettes. Due to a difference in technology, western cassettes cannot be played on the VM-12. Western-made VCRs picked up by Russians working abroad, sell for a pricey \$5,000 in Moscow's second-hand shops.

# VHS Hi-Fi

CBS Technology Center recently performed an analysis on the first VHS Hi-Fi videocassette recorder, RCA Model #VKT550. Initial audio performance compares with digital recording. RCA submits that the VKT550 offers dynamic range about two times that which can be achieved using conventional or linear audio recording. Dynamic range is the difference between the softest and loudest sounds that can be recorded. Other features include 10-to-1 distortion reduction, elimination of most wow-and-flutter, and frequency response virtually within the entire range of human hearing, 10 to 20,000Hz. Include electronic touch-button TV channel tuning, unattended recording, two-week advance programming of up to five events, two-direction fast picture search, still-frame viewing, automatic rewind, and counter rewind memory. The machine's flat surfaces and lack of protruding knobs and switches make storage easy.

For more information, contact RCA, 600 Sherman Drive, Indianapolis, IN, 46201, (317) 267-2445.



# Grundig TV Plans

Grundig A. G. of West Germany, Europe's second-largest assembler of color TVs, has acquired a former RCA manufacturing facility in the United States to produce Grundig-brand color TV sets. The product line will include 13-, 19-, and 25-inch color TV sets, with the top-of-the-line 25-inch model equipped with direct video input and stereo amplifiers. Grundig also markets radios and recording equipment.



Infrared Remote Control

# World's Fair Furniture Rental

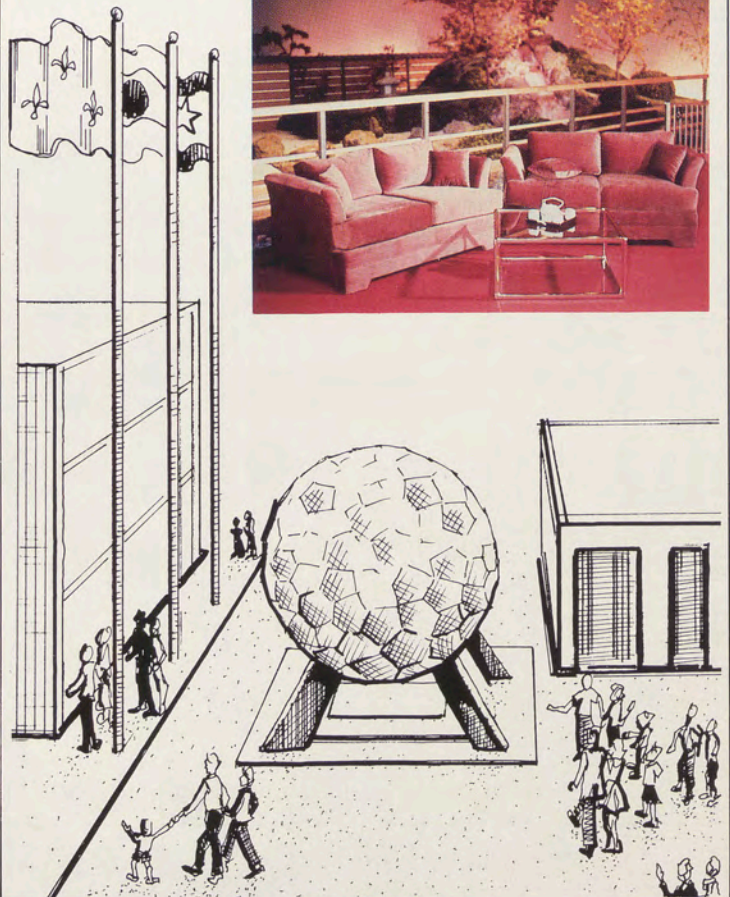
At the current World's Fair Exposition in New Orleans, a number of exhibitors have opted for rental furniture, not only for their pavilions, but also for temporary housing for support staffs, according to Peggy Delarosa of Weiner Cort Furniture Rental in Jefferson, Louisiana. The firm, which specializes in supplying interior furnishings for conventions, office relocations, etc., provided furniture for the Japanese, Korean, Conergy, and European Community Center Pavilions as well as for local apartments rented by a number of other exhibitors.

Each piece is covered in the very newest upholstery fiber on the market, fourth-

generation Anso IV nylon, with permanent built-in soil and stain resistance.

The Anso IV fibers are sturdy velvets by Microfibres, Inc., in a subtle waffle-check pattern called Rally. Designers selected the soft mauve and beige colors to provide a neutral backdrop for the dramatic exhibit materials that abound.

According to Delarosa, the durable Anso IV fabrics, which insure easy maintenance and maximum appearance retention, still look like new more than halfway through the exposition. When the fair ends in November, the Klaskop upholstery pieces will be returned to Cort for rental or resale.



# Buying Syndicated Advertising

By Ken Nay

Syndicated advertising that sizzles can mean plenty of profit for rental dealers!

Most dealers agree that "me too" advertising is next to worthless, and that professionally created syndicated commercials (generic commercials which are used in one or more markets by one or more dealers) can stretch a rental company's dollars, especially if it's a small or medium-sized company. Excellent commercials are as vital for the local advertiser as for the national one. Any sophisticated advertiser who has paid his dues and learned how critical creativity can be to a sales success will agree. Creativity is the great equalizer that allows small advertisers to compete with big ones. One easy way to obtain excellent commercials is to contract for the best syndicated ones on the market. Because they are sold in many markets (but always exclusively in each one) dealers pay just a small fraction of the high costs of production. Why should rental dealers spend advertising money on only excellent commercials? Just notice the quick negative reaction of friends, family, or business associates to hokey, cute and clever, or slice of life commercials that are really a slice of baloney.

How does the dealer know which syndicated rental commercials are excellent advertising? Here are a few guidelines: Do they communicate the information (based on reliable market research) that rental prospects want to hear? Is the creative presentation of that information unique and attention-getting? Do the ads do a great selling job? Do you like the commercials? Does your family like them? Then rental prospects will probably like them, too. Don't settle for safe, conservative advertising. Me too advertising is mediocre. In other words, no one reacts to it, positively or negatively, and no significant increase in sales results from it.

Most syndicated ads are good, creative selling messages that are planned, created, and produced by talented, professional advertising people. These people know that creativity is not easy or fast and also that the best ideas are seldom the first ones. They realize that all brilliant advertising is simple, and direct, rather than gimmicky.

Professionally produced syndicated advertising is developed from diligent market research. This research has a single but crucial purpose — to design a simple market strategy based on exactly what the customer wants to hear. For example, if you desire rental convenience more than anything else, "no obligation, return it any time" should be the basis for ad strategy. Be cautious about the type of syndicated commercials purchased, because only those that combine good strategy with creativity will produce good results. On the other hand, commercials that utilize poor strategy, even with excellent creativity, will result in poor sales.

There will be an addition of 11 million people in the 35 to 45 age group in the next ten years. If dealers want to reach this market, they should realize that customers will expect and respond only to high-quality, unique advertising. Why can't a rental dealer just use a taped commercial that features a mixture of brand name products, special premium offers, and rent-to-own attributes like "no credit check"? Because this age group has been surrounded and bombarded by the greatest amount of advertising in history. They do not believe the exaggerated claims of both product and service advertisers and, for the most part, ignore advertising completely. This huge future market holds tremendous potential for rental dealers but they will be stimulated to call only with distinctive advertising. It must stand out in a flood of advertising communication. It must present

a credible, positive image of the dealer's rental company.

The days of spending as little as possible of a company's total ad budget on TV or radio spot production costs and as much as possible on the time buy are gone forever. The advertising must sizzle, enthuse, and motivate, or a good sales return will not occur. The message must be piercing, spell-binding, and to the point. If these objectives are not met, it is likely that sales will not result, and dealers will find it difficult to increase ad budgets so they *can* keep growing. In other words, effective commercials can help gain consistent new orders to offset a high rate of pick-ups so a dealer's net BOR will continue to grow each month.

Today, people want to be treated as individuals. They are sophisticated enough to make their own decisions when they are renting or buying. It's the quality of the sales message to them that counts, not just the number of times they are told. The prospect used to rent something to keep up with others in society and did not have a personal concern with the product or service. Today's customer is a different, more value-conscious, person whose decisions are made for individual reasons. Your advertising must be believable, but its message must also be beneficial to the customer.

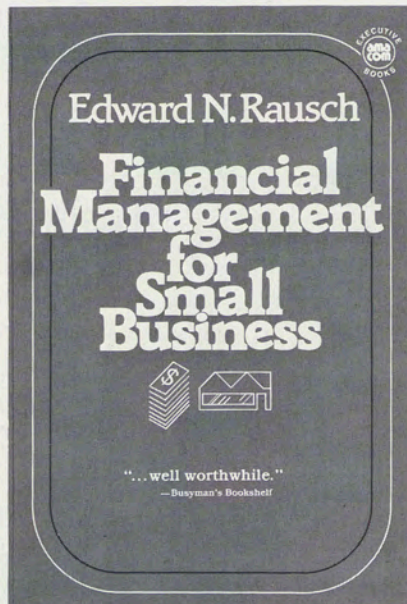
The best advertising minds in this country today say, "We're not creative enough. We're not creative enough." What they mean is, we're not *quality* enough. We don't give enough extra value in our advertising to the prospects in our markets. Customers don't just buy a dealer's rental service. They buy solutions to their problems.

The results of what one excellent commercial can do in one year can dwarf 25 years of trying to save money producing less effective commercials.

*continued on page 64*

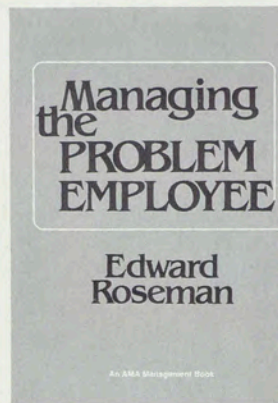
# RENTAL READING

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



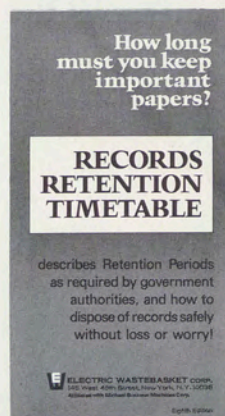
*Financial Management for Small Business*  
by Edward N. Rausch  
AMACOM, 1982  
\$7.95

This paperback is written with the small businessman in mind. The book has five sections dealing with different levels of business financial management. It begins with profit plans for start-up growth and ends with how to administer those profits. The text offers such things as how to find overlooked sources of money and how to use the Small Business Administration (SBA).



*Managing the Problem Employee*  
by Edward Rosiman  
AMACOM, 1982  
\$16.95

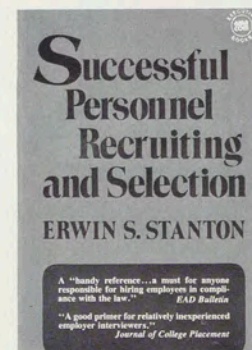
This three-part text discusses understanding problem employees, general strategies for managing problem employees, and in-depth strategies of handling specific problems. This book stresses communication as the only true way to resolve any difficulty between management and employee. This text is easy reading and is structured to handle the easiest to the most difficult of employee problems.



*"Record Retention Timetable"*  
by Electric Wastebasket Corp.  
FREE

This eight-page guide to the question "How long must you keep important papers?" is published by Electric Wastebasket Corporation. It includes a chart that names

each government authority and the time specified by law for the retention of over 170 listed office records including daily invoices, accounts receivable, and accounts payable ledgers. There are also charts pertaining to plant, property, personnel, and security records, as well as contracts. To order this free guide, write Electric Wastebasket Corp., 145 West 45th Street, New York, NY 10036.



*Successful Personnel Recruiting and Selection*  
by Edwin S. Stanton  
AMACOM, 1982  
\$8.95

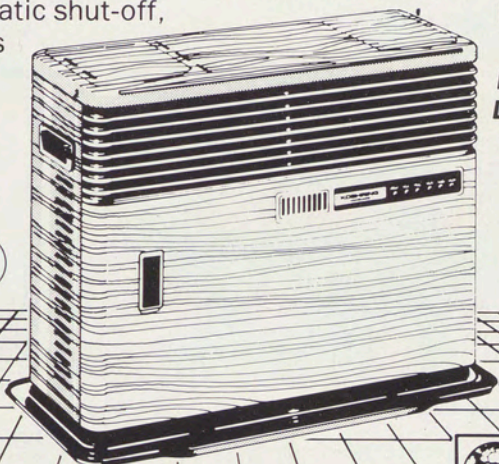
This paperback is a handy reference for the individual in charge of hiring personnel and staying within the boundaries of the law. The book includes chapters on applicant recruiting and screening. How to go about checking the applicant's references and a guide to equal opportunity requirements. The reader determines, from hypothetical employee applications and interviews, whether the potential employee is a good one. The book includes a sample psychological evaluation and tested questions for the structured interview. It also includes sources for recruiting minority groups and women applicants.

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

# Vanguard portable heating system. The hot new rental.

Think of the rental possibilities with Vanguard. It's a UL listed, electronically-controlled, high-technology kerosene heater that heats and thinks. Features include automatic shut-off, in the unlikely event it overheats or if there's water in the fuel. Cool-to-the-touch cabinetry. A built in, powerful fan for highly effective heat distribution. Solid-state control circuitry for

simple reliable operation. No assembly or installation. And the cost? Under \$200. Vanguard. A hot prospect to heat up any rental business. Warm up to it.



For further information, call  
Doug Rohrer at this toll-free  
number: 1-800-626-1806.  
Or write!



**CONSUMER PRODUCTS  
AMCA  
INTERNATIONAL**

CONSUMER PRODUCTS  
2701 INDUSTRIAL DRIVE  
BOWLING GREEN, KY 42101



## Enhance Your Performance

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

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

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

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

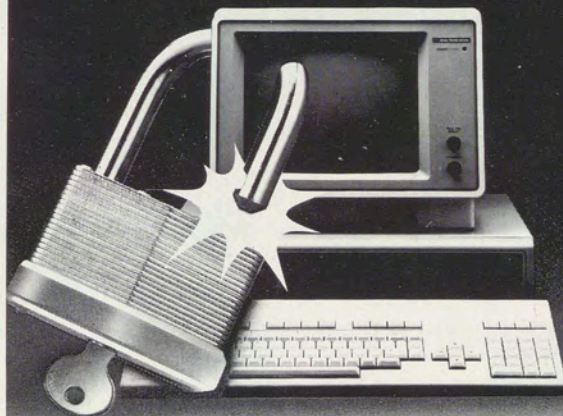
- management techniques
- advertising methods
- effective sales presentations
- government relations
- financial planning advice
- product news
- tax tips

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

## Progressive Rentals

The magazine for the home entertainment, home appliance and furniture rental industry  
Elizabeth T. Johnston, Advertising Director  
1866 InterFirst Tower  
Austin, TX 78701  
512/478-6521

## UNLOCK THE COMPUTER FOR YOUR BUSINESS



Effectively . . . Inexpensively

R.E.N.T.S.\* SOFTWARE is available in two parts:

1) Front Counter — for control of rental contract information: only \$2500.

2) Back Room — for a complete accounting system: \$2500.

**BUY BOTH PARTS TOGETHER FOR \$4500.00 AND SAVE \$500! SEND CHECK OR MONEY ORDER!**

RENT-TO-OWN, as well as a complete backroom software package.

\*Rental Equipment Network Transaction System



**R.E.N.T.S. SOFTWARE**  
"Computer Power for the Rental Industry"

1600 West 12th, Sioux Falls, S.D. 57104, (605) 338-1800



# **DYNAMIC**

## **NOW . . . THE GUYS WITH THE BEST SERVICE HAVE THE BEST PRICES**

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.

### **Why DYNAMIC and not manufacturer direct?**

Dynamic delivers faster, our pricing is as low as or lower than the manufacturers, we service what we sell and supply you with a toll free number for parts and service . . . Plus we have a working knowledge of the Rental Industry. Dynamic deals exclusively with Rental Dealers nationwide and we stay abreast of all changes and innovations in the industry.

**When Quality, Price and Service Count . . .  
Count on DYNAMIC'S**

Offices and Warehouses in California, Florida, Texas, Ohio

Toll Free Calling

1-800-543-0111 Ohio  
(Collect) 1-513-742-4550 Ohio  
1-800-527-1718 Texas  
1-800-442-6226 Texas  
1-800-327-4034 Parts & Service  
Catalog Available Upon Request


**JVC**  **Technics SHARP\***

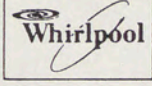
**JVC**  **Technics SHARP\***

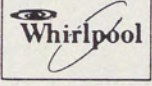
**JVC**  **Technics SHARP\***


**JVC**  **Technics SHARP\***

**IMPERIAL Grundig**  **Panasonic**

**IMPERIAL Grundig**  **Panasonic**

**IMPERIAL Grundig**  **Panasonic**

**IMPERIAL Grundig**  **Panasonic**

**IMPERIAL Grundig**  **Panasonic**

**IMPERIAL** Ask us about our private label products.

**We're**

**DYNAMIC**

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

# "Thar's gold in them thar Vita-Vision syndicated commercials!"

Vita-Vision's fresh, unique syndicated radio and television commercials offer you a golden opportunity to increase your BOR immediately. You'll reach today's rental customers, who want convenience in rental of white and brown goods more than anything else. You'll get them to call your store number after one exposure to these dynamic messages that sell your company name throughout. Based on sound, in-depth rental market research and highly creative advertising strategy, these award\* winning commercials are super salesmen. They will delight your audience throughout the entire advertising message and stimulate them to immediate action. Unlike the ordinary "name tag-on" type of syndicated commercials, these TV and radio spots look and sound like they were written and produced exclusively for your store.

**Beat the Rush** now for exclusive use of these golden commercials that will help you protect your business investment for months to come. Just fill in the no obligation coupon below and specify your interest in television and/or radio commercials, or call Vita-Vision at (513)-772-5004, today!

\* These commercials received a major creative award from the 1984 Fifth District of the American Advertising Federation.

**VITA-VISION**  
**130 TRI-COUNTY PARKWAY**  
**CINCINNATI, OHIO 45246**  
**513-772-5004**



VITA-VISION

130 Tri-County Parkway, Suite 110 Cincinnati, Ohio 45246

Yes, I would like more information regarding your syndicated rental commercials. Please send me, with absolutely no obligation, a sample tape of  30-second TV commercial  60-second radio commercials.

Company: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

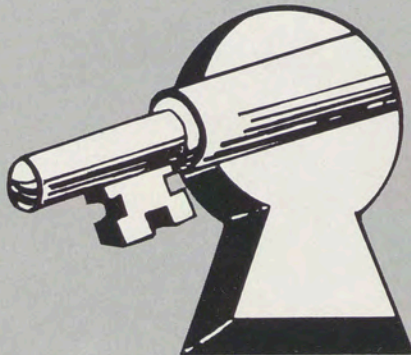
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone No.: \_\_\_\_\_



**JCM CONSULTING**  
 SPECIALIZING IN  
 LOSS PREVENTION AND BUSINESS CONSULTING

**WE HAVE THE KEYS  
 TO LOCK UP YOUR PROFITS**



**ATTEND ONE OF OUR PROFESSIONAL SEMINARS AND LEARN HOW TO USE THESE KEYS.**

- PRE-EMPLOYMENT SCREENING
- DEALING WITH INTERNAL THEFT
- IN HOUSE EMPLOYEE EVALUATION
- EMPLOYEE INTERACTION GROUP TRAINING
- SECURITY AUDIT PROGRAMS
- SECURITY AWARENESS TRAINING
- RECOGNIZING EMPLOYEE DRUG PROBLEMS

**WE ARE EXPERIENCED IN THE AREA OF LOSS PREVENTION MANAGEMENT IN THE RENT TO OWN INDUSTRY**

**JCM CONSULTING**  
**6100 SOUTH 300 EAST**  
**SALT LAKE CITY, UTAH 84107**

**FOR INFORMATION**  
**CALL**  
**(801) 262-8560**

# REPRESENTATIVE DIRECTORY

## HATLEY DISTRIBUTING COMPANY

2701 LUDELLE  
FT. WORTH, TEXAS 76105

JOHN HATLEY  
PRESIDENT

Bus. 817/534-1796  
Metro 429-7133  
Res. 817/923-4784

## SAM N. ROSENZWEIG

Vice President  
Sales And Marketing, Home Audio Div.  
Member of Executive Committee

## KENWOOD USA CORP.

1315 East Watsoncenter Road  
Carson, California 90745  
Phone: (213) 518-1700 (213) 775-7451

# KENWOOD

## SAF-WRITE FORMS & SYSTEMS

1209 South Ridgewood Avenue  
Daytona Beach, Florida 32014

This space available for qualified sales representatives to the rental industry. For advertising rates, contact:

## ARTHUR J. SABANOS

THE APPROACH  
1866 InterFirst Tower  
Austin, Texas 78701  
512/478-6521.

## Exciting! Sumptuous mini-pit for maximum living!



LIMITED  
TIME  
ONLY!

\$ 000

- Regular love seat
- One-arm love seat
- Rectangular ottoman
- Pie-shaped ottoman

## Oak Land

Thick, cloud-soft cushions covered with a nicely-tailored coat of luxurious fun fur invite you to relax and enjoy this casual contemporary mini-pit. Smart single-welt pillow styling and deep button-tufting add visual appeal to the already attractive arrangement. Come in today and experience the look and feel of comfort ... you won't believe how little it actually costs!



Use our convenient terms or your Visa or MasterCard.

Produced by Banker & Brisebois Co

Oak Land Furniture Mfg. Co.  
P.O. Box 86 • Okolona, Mississippi 38860

• 3300 Book Tower • Detroit, MI 48226

# Highlights Of The Tax Reform Act Of 1984

By Edward Gardner

In July of this year, Congress passed a new tax law that affects all businesses across the nation. **PROGRESSIVE RENTALS** presents the highlights of this law in a three part series, the second of which follows:

## Child Dependency

The bill expands the availability of the \$1,000 deduction allowed for a dependent child of the taxpayer. The dependency rules are extended to parents living apart at all times during the last six months of the calendar year.

The custodial parent is allowed the dependency exemption unless that parent signs a declaration that he or she will not claim the exemption for the taxable year and the non-custodial parent attaches the declaration to his or her return.

The child is considered the dependent of both parents for purposes of the medical expense deduction. Parents living apart for the last six months of the year can be considered as unmarried or head of household if the other eligibility tests are met.

The changes apply to tax years beginning after 1984, except that pre-1985 agreements will be recognized.

## Spouse Liability

Present law relieving innocent spouses of liability for omission of income is expanded to relieve an innocent spouse of liability when the other spouse is guilty of understatement of tax exceeding \$500.

Under present law, innocent spouses are not liable for more than a 25 percent omission from income that is attributable to the other spouse, provided the innocent spouse can establish having had no knowledge, or reason to know, of the unreported income and if it would be inequitable to hold the innocent spouse liable. The question of inequity would be based partly on whether the innocent spouse benefited greatly from the other spouse's omission.

Under the new law, innocent spouse relief will be available only if the liability qualifying for relief exceeds (1) 10 percent of the spouse's adjusted gross income for the tax year prior to which the deficiency notice is mailed, if that income was \$20,000 or less or (2) 25 percent of the spouse's adjusted gross income for the prior taxable year, if that income exceeded \$20,000. This rule will not apply to any liability attributable to the omission of an item from gross income. The above changes are effective for all years open under the statute of limitations.

Treasury has the authority to disallow the benefits of community property law if the taxpayer acts as if he or she is solely entitled to the income and fails to notify the other spouse of that income.

## Charitable Work

The standard auto mileage deduction for charitable work is increased from 9¢ to 12¢. The taxpayer also may deduct parking fees and tolls, but may not deduct general repair or maintenance expenses. The increase is effective for the taxable year beginning after 1984.

## Losses on Sale of Business Property

For taxable years beginning after 1984, net gain on the sale or exchange of property used in a trade or business will be taxed as ordinary income to the extent that such gains do not exceed net losses from the sale or exchange of other business property during the five previous taxable years, beginning with 1982.

## Record-Keeping

Present substantiation requirements are extended to all business use of automobiles and certain other business property and must show amount, date, place, and business purpose. Tax return preparers must obtain written confirmation from the taxpayer that adequate records have been kept before signing returns. The provision is effective for taxable years beginning after 1984.

If failure to comply with record-keeping provisions results in underpayment of taxes, the taxpayer must prove the underpayment was not negligent. Claiming a deduction or credit without supporting records may be held to be fraud.

## Motor Vehicle Operating Agreements

To resolve the question of whether certain motor vehicle operating agreements are conditional sales rather than leases, the bill holds that a qualified motor vehicle operating agreement containing a terminal rental adjustment clause is treated as a lease if it otherwise qualifies as a lease. A terminal rental adjustment clause generally permits or requires rent adjustments to make up for any difference between the vehicle's projected and actual value at the end of the lease term.

No lessee under a qualified agreement may be treated as the tax owner of any property for any period during which the agreement is in effect.

## Phase-Out of Graduated Corporate Rates

The bill phases out the benefits of graduated rates on corporations with taxable income greater than \$1 million by imposing an additional 5 percent tax, up to \$20,250, on taxable income exceeding \$1 million. The provision will apply to taxable years beginning after 1983.

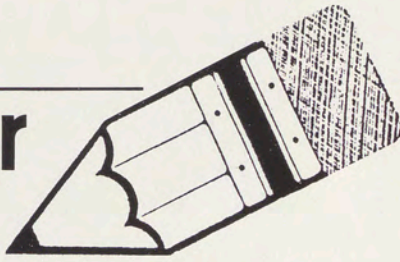
## Golden Parachutes

"Golden parachutes" are payments made to top management by companies that are acquired by others, usually through unfriendly mergers. Generally, the tax bill disallows a tax deduction for excessive parachute payments paid or accrued by the company.

A payment three times the average annual compensation of the individual over the past five years is considered excessive. A non-deductible 20 percent tax will be imposed on any person who receives an excessive parachute payment.

*continued on page 61*

# Reader Survey



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

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

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

To those readers who have filled out and returned a reader survey – THANK YOU! We've taken note of your requests and hope recent issues have met with your approval. If any reader has additional comments please respond with a letter to the editor.

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

PROGRESSIVE RENTALS  
Reader Survey  
1866 InterFirst Tower  
Austin, Texas 78701

1. How often do you read PROGRESSIVE RENTALS?
  - a. \_\_\_\_\_ Every issue.
  - b. \_\_\_\_\_ Often.
  - c. \_\_\_\_\_ Occasionally.
  - d. \_\_\_\_\_ Never.
2. When you read PROGRESSIVE RENTALS, how much time do you normally spend reading it?
  - a. \_\_\_\_\_ 4 minutes or less.
  - b. \_\_\_\_\_ 5 to 10 minutes.
  - c. \_\_\_\_\_ 10 to 15 minutes.
  - d. \_\_\_\_\_ more than 15 minutes.
3. How much of PROGRESSIVE RENTALS do you read?
  - a. \_\_\_\_\_ All of it.
  - b. \_\_\_\_\_ Most of it.
  - c. \_\_\_\_\_ A few articles.
  - d. \_\_\_\_\_ I don't read it.
4. Do you always receive PROGRESSIVE RENTALS?
  - a. \_\_\_\_\_ Always.
  - b. \_\_\_\_\_ Usually.
  - c. \_\_\_\_\_ Occasionally.
  - d. \_\_\_\_\_ Never.



5. Do you receive PROGRESSIVE RENTALS on time?
  - a. \_\_\_\_\_ Always.
  - b. \_\_\_\_\_ Usually.
  - c. \_\_\_\_\_ Rarely.
  - d. \_\_\_\_\_ Never.
6. Should your company receive more copies of PROGRESSIVE RENTALS?
  - a. \_\_\_\_\_ Yes.
  - b. \_\_\_\_\_ No.
7. How many additional copies are required by your company?
  - a. \_\_\_\_\_ 1 - 3.
  - b. \_\_\_\_\_ 3 - 5.
  - c. \_\_\_\_\_ 5 - 10.
8. Do you take PROGRESSIVE RENTALS home to your family?
  - a. \_\_\_\_\_ Always.
  - b. \_\_\_\_\_ Usually.
  - c. \_\_\_\_\_ Occasionally.
  - d. \_\_\_\_\_ Never.
9. How often do you think PROGRESSIVE RENTALS should be published?
  - a. \_\_\_\_\_ More often.
  - b. \_\_\_\_\_ Less often.
  - c. \_\_\_\_\_ Continue as is.
10. How lengthy do you think each issue should be?
  - a. \_\_\_\_\_ 45 - 64 pages.
  - b. \_\_\_\_\_ 65 - 80 pages.
  - c. \_\_\_\_\_ 80-100 pages.
  - d. \_\_\_\_\_ Over 100 pages.
11. How satisfied are you with PROGRESSIVE RENTALS?
  - a. \_\_\_\_\_ Very satisfied.
  - b. \_\_\_\_\_ Somewhat satisfied.
  - c. \_\_\_\_\_ Somewhat dissatisfied.
  - d. \_\_\_\_\_ Very dissatisfied.

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

# READER SURVEY (continued)

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

Very interested

Somewhat interested

Not at all interested

	Very interested	Somewhat interested	Not at all interested
21. Store and personnel management advice			
22. Advertising and promotional strategies			
23. Tax and accounting methods			
24. Financing information			
25. Sales techniques			
26. Inventory management			
27. Business expansion plans			
28. Government relations			
29. Manufacturers' news			
30. Helpful books and seminars			
31. Profiles of industry leaders			

32. What topic(s) would you like to see a future issue devoted to?

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

33. Please rate this issue's departments on a scale of 1 - 5, with 1 being poor, 5 being excellent.

- |                             |                                     |  |
|-----------------------------|-------------------------------------|--|
| Cover Design _____          | Product Focus _____                 | Survive or Fail _____                                |
| Director's Message _____    | Manufacturers' News _____           | Video and the Rental Store _____                     |
| Rental Reading _____        | Corporate Moves _____               | Checklist for Advertising _____                      |
| Small Business Update _____ | Government Relations _____          | Make the Most of Furniture Rental _____              |
| Store Designs _____         | Legal _____                         | British Rentals: TVs on the Hire Purchase Plan _____ |
| Truck of the Month _____    | Washington Report _____             | The Law of Hire Purchase: An Overview _____          |
| APRO Special Report _____   | Buying Syndicated Advertising _____ |  |
| Nuts & Bolts _____          | Tax Reform Act of 1984 _____        |  |

34. Any additional comments?

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

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# STORE DESIGNS

## ActionTime Rentals

Fred Viehweg, Owner  
Austin, TX



ActionTime Rentals in Austin, Texas, is a good example of how a little paint and a big idea can really make a big difference. A mural, black and white with a hint of red, on the outside store wall is an unusual and practical billboard advertising what is offered inside. The Viehwegs have completely renovated the building and the interior sports a clean, open look with products attractively arranged on the showroom floor. The Viehwegs have made efficient use of their space, adding shelves and an eye-catching carousel display of the TV sets. The carousel is designed around a column in the store that Viehweg says "could not be removed so we felt a carousel display was the best use of it." The Viehwegs have been in business a year and operate one store. They presently have no plans for expansion. The ActionTime location has been a success which the Viehwegs attribute to being in the heart of town. The ActionTime store has seven employees. ■

*Editor's Note: Send photos and store information to PROGRESSIVE RENTALS at 1866 InterFirst Tower, Austin TX 78701.*



*An exterior of ActionTime Rentals shows attractive signage.*



*Specials and rates invite potential customers inside.*



*ActionTime makes good use of a carousel display.*



*Side-view of ActionTime Rentals (right), Austin, Texas.*

# TRUCK OF THE MONTH



ABC Rentals standard company delivery van.



ABC Furniture Rentals delivery van.

## ABC Rentals

Dallas, Tx

ABC Rentals submitted photographs of their delivery vehicles along with some thoughts on why the company logo and phone number are painted on the sides of the van.

Management at ABC Rentals feels their vehicle projects a professional image to the public and to any potential employees. It is an inexpensive and effective form of advertising which reinforces the name of the company to the public. The employees gain a sense of pride in the vehicle and generally maintain better upkeep on the vehicle.

Another interesting and significant advantage is the reduction of theft. Having the vehicle clearly designated as a rental store's property would make the average thief less likely to break in and the bystander more likely to notice foul play.

If you have some ideas about why your delivery vehicle is important to your company, please send color photos to APRO, 1866 InterFirst Tower, Austin, TX 78701, and include any comments or interesting stories regarding your vehicle. ■

*Editor's Note: Send photos and descriptions to PROGRESSIVE RENTALS, 1866 InterFirst Tower, Austin, TX 78701.*

## FURNITURE RENTAL

*continued from page 28*

showroom. Dealers with limited display space have successfully presented one piece from a grouping for display and color photos or slides of the remaining pieces in the group to aid in customers' selection.

Many furniture rental dealers include accessories — lamps, rugs, and pictures — in their floor displays for enhancement purposes. There is no agreement in the industry concerning the profitability of renting accessories. It works for some dealers and does not work for others. Those dealers who do rent accessories usually do so only as part of a furniture package.

## MARKETING OPPORTUNITIES

Dealers should be able to incorporate furniture into their advertising plans without increasing the budget. It is easy to add the tag line, "and we rent furniture, too..." to radio and TV spots. The same message can be conveyed in a phone directory ad. Few dealers are taking full advantage of the merchandising possibilities afforded by furniture. As an example, a dealer in the Southeast advertised a Father's Day recliner give-away with every monthly color console rental. The store delivered 130 units in 10 days. With a little creative thought, dealers can use furniture to enhance brown and white goods rental and vice versa. In most markets, the products complement each other. Dealers need not feel forced into furniture in order to keep up, but rather need to see it as a viable part of the increasingly competitive rental business.

Apartment complexes are a potentially good market for rental-purchase dealers. Apartment managers will often make rental company brochures available to new apartment renters. Maintaining close contact with apartment managers is a steady source of customers for major rent-to-rent companies in several markets.

With competition increasing within the apartment rental market, a few dealers have begun offering cash incentives to apartment managers to recommend their company over a competitor. Dealers should beware that such programs may be illegal in some states. At the last meeting of the Furniture Rental Association of America (FRAA), the ethics of paying referral fees were discussed, but the issue is a long way from resolution.

## DELIVERIES AND RETURNS

Furniture deliveries are complicated by the fact that it usually takes two people and a larger truck. These kinds of considerations must be taken into account when budgeting. Dealers recommend a 16- to 18-foot step-up van as being the most effective delivery vehicle. Large trucks, 22- to 24-foot, may be too much vehicle for small, quick deliveries and pick-ups. There is a van conversion kit available on the market which transforms a standard van to accommodate bulky or oversized furniture. Dealers recommend the purchase of a furniture dolly instead of handtrucks because they tend to cause less damage. Dealers need to know also that some furniture comes "knocked down" — i.e. unassembled, and that some assembly is required in the store or in the home.

Even though most dealers report that furniture stays out longer than brown and white goods, there is still the problem of furniture returns. Dealers generally feel confident working with used TVs and appliances, but they often feel at a loss working with used furniture. There are several cleaning and repair "tricks of the trade" that most furniture suppliers and dealers know about and are willing to share. Even ripped cloth can sometimes be repaired.

In every rental operation, a certain percentage of returned furniture is unrentable. Dealers have reported some success at selling the used goods through sidewalk sales, flea markets, classifieds, and greensheet advertising. A few dealers give the furniture to charity and claim a tax deduction. Aaron Rents and a few other major rent-to-rent companies have been successful at selling rental-return furniture at separate locations. The message here is that used furniture has a market in most locales. It need not be prohibitively expensive or time-consuming to tap into the used furniture market.

Rental-purchase dealers large and small, rookies and veterans alike, are adding furniture to their inventories at a rapid rate. The furniture industry itself is beginning to pay attention to the rental-purchase market. TV and appliance dealers do not want or expect furniture to replace brown and white goods, but they do see an important new profit center in furniture. Careful planning, with time devoted to learning the product, is the best bet

for dealers getting a jump on the furniture rental business.

## ACCOUNTING

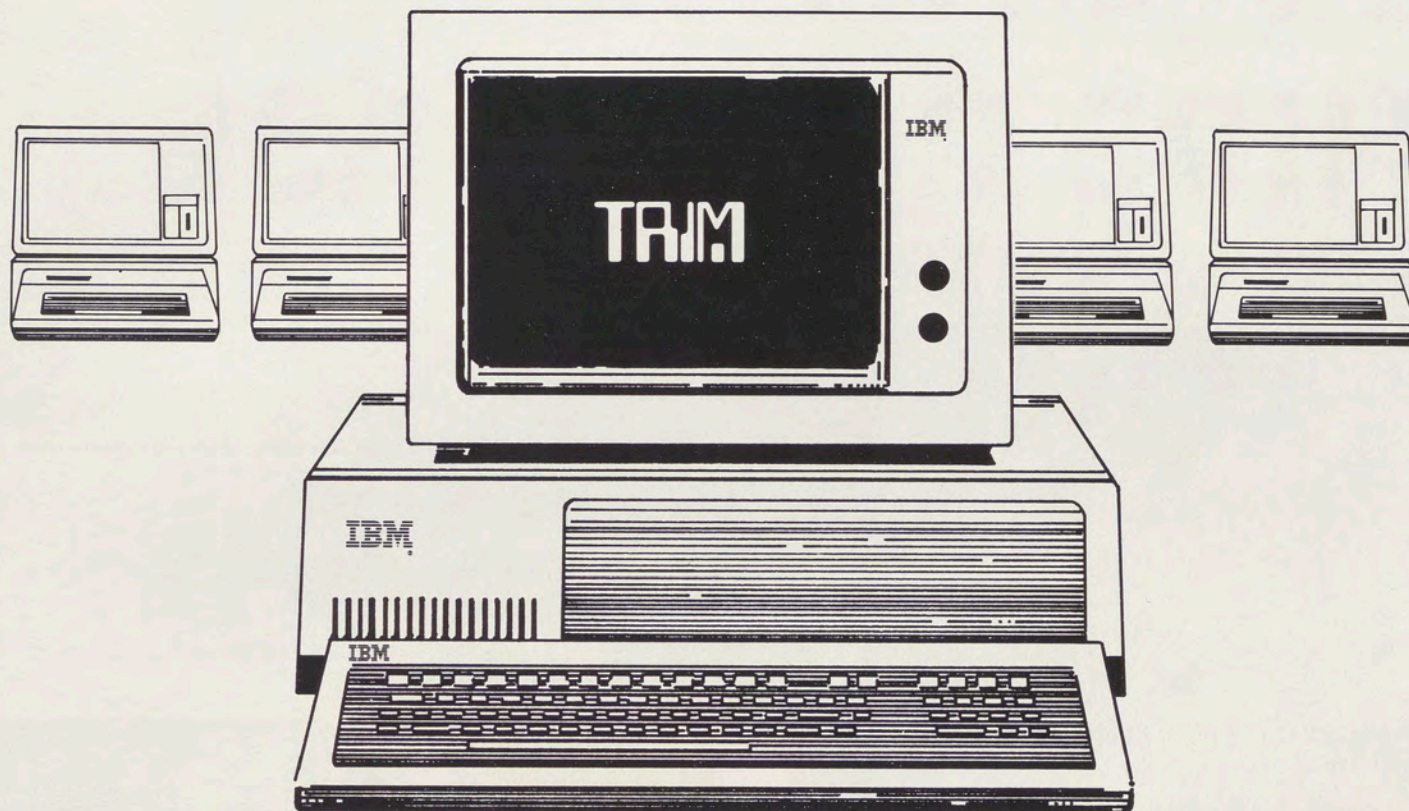
There is even less uniformity in the way rental dealers keep the books on furniture rental than there is in the way they keep books on TVs and appliances. Some dealers use one contract per furniture grouping. Others use one contract per piece. Some make out a separate perpetual card for every piece; others have one card per grouping or even room of furniture. Most dealers suggest a policy of limiting exchanges within a group. Otherwise, the paperwork burden that accompanies allowing customers to swap chairs or lamps or dressers can quickly become a nightmare. Many dealers only allow customers to return an entire suite at a time. This policy helps the keep rate as well as minimizes paperwork. From an accounting standpoint, there is no particular reason why furniture cannot be depreciated or written off the same way as brown or white goods.

As with all new ventures, dealers need a business plan. An effective business plan requires serious research, careful thought, and it needs to be written down. It should reflect an estimated growth rate over a specified period of time and include a financial model of cash flows, expenses, debt ratios, and the like. Without a business plan detailed in advance, no dealer can know whether the addition of furniture is helping or hurting his business. Business plans can be modified, and should be, as often as monthly to accommodate changes in revenues, expenses, or economic outlook.

Learning about the furniture rental business is like learning about any other business. It takes commitment, time, and patience. Knowing the product is the logical starting point for a successful venture into furniture rentals. A clear understanding of the product safeguards against major blunders in proper inventory selection and effective merchandising methods, the fundamental concerns of any profitable business. As the volume of sales activity within the rental-purchase industry has increased, so have the number of supplier reps who will gladly take the time to explain furniture and suggest items that work well in a rental store.

*Editor's Note: Plan to attend the APRO Seminar Focus on Furniture to be held in Sarasota, FL on November 27-28.*

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# BRITISH RENTALS: TV ON THE HIRE PURCHASE PLAN

There are five major rental companies in the United Kingdom—Thorne EMI Television Rentals, Granada TV Rental Ltd., Visionhire, RentaColor, and Rediffusion. With the exception of Thorne EMI, these British rental companies have expanded their territories to include Canada and the United States.

**PROGRESSIVE RENTALS:** Do you own your television or do you rent it?

**Bennett:** "I've rented it for years and years..."

Anthony Bennett is vice president and chief executive officer of Visionhire's California office.

The concept of TV rental was introduced in the United States around 1962. But across the Atlantic Ocean, in the United Kingdom, TV rental has been around for over 40 years.

One reason for the popularity of simple rental agreements in the United Kingdom has been the stiff government regulation of "hire purchase," or what is called rental-purchase agreements in the United States. The government specified that a certain percentage of the purchase price must be paid in advance (sometimes up to 50 percent), with the difference to be paid within a specified number of months. Faced with the prospect of this initial expense,



many consumers decided to rent and forego ownership options.

Donald Palmer, deputy chairman of rental at RentaColor in the United States, explained: "In order to control the economy and restrict consumer spending, the British government instituted controls on all forms of consumer credit. Hire purchase regulations laid down the percentage of the total purchase price that had to be paid in advance and the period over which the balance could be repaid. The Control of Hiring Order simply stated the number of months' rental (cost) that had to be paid in advance. Over the years these controls were changed many, many times."

There are five major rental companies in the United Kingdom — Thorne EMI Television Rentals, Granada TV Rental Ltd., Vishionhire, RentaColor, and Rediffusion. With the exception of Thorne EMI, these British rental companies have expanded their territories to include Canada and the United States.

## BRITISH RENTAL BEGINNINGS

According to Andrew Finlayson, president of Rediffusion in the United States, rentals in the United Kingdom began over 40 years ago with the rental of radios. "In fact, one of Thorne EMI's rental outlets is called Radio Rentals. . . . They still call it that. But everybody is so used to the name Radio Rentals, you know, nobody even thinks what it means anymore." Other rental companies also began with radio.

Finlayson spoke about Rediffusion's early days in the business. Rediffusion, in the late 1920s and early 1930s, was originally a cable-radio service in the days before television and it rented the radio that went on the end of the cable. The cable-radio system broadcasted programs by airwaves between cities and, within each city, was connected to individual homes by cable.

RentaColor was founded in the early 1970s by Brian Wolfson, formerly a joint managing director at Granada. Wolfson began operating stores in several countries and within a few years RentaColor was in Italy, Germany, Hong Kong (the location of the home office), the United Kingdom, Thailand, Japan, Brazil, Mexico, Nigeria, and the United States.

Black and white transmission was

generally available in the United Kingdom on the Public Broadcast Channel in 1951. After the addition of a second (commercial) television channel in 1955, the growth of television rental began in earnest. The number of individual rental outlets rose from 1,000 in that year to close to 7,000 outlets by 1965. According to Donald Palmer, rental units accounted for 60 to 65 percent of the black-and-white market. After the introduction of color, he said, the percentage may have been as high as 70 to 75 percent.

The British concept of rental is a commonly accepted substitute for outright ownership. The typical customer signs an agreement for a year or longer; some customers keep the set five or six years. After a short fixed period, renters have the option to change or upgrade their sets without penalty. Finlayson, of Rediffusion, told **PROGRESSIVE RENTALS**, "People will talk about moving into a new home and getting the electricity and the gas hooked up and the Rediffusion." Television rental is so widely accepted in the United Kingdom that such people as the Beatles, former Prime Minister Harold Wilson, and Queen Elizabeth have all rented sets. The Beatles also rented sets for their parents. As Anthony Bennett said, "Nobody could say the the Beatles couldn't afford to go out and buy a TV."

## A WAY OF LIFE

Donald Palmer suggested that changes in TV technology have also made renting popular. Renting a state-of-the-art set is more attractive to many British consumers than buying a product that might soon be obsolete. The first major innovation was the 405-line system. (This refers to the number of horizontal lines across the screen that make up the image.) In 1964, a second Public Broadcasting Channel was added and television went from VHF to UHF receivers and to a 625-line system. The most recent improvement was the conversion of the 625-line system from black-and-white to color.

When color television appeared, rentals rose dramatically. According to Finlayson, "When color television was mass marketed here in the mid-1970s, there was a high uptake in the rental area because people were not sure of technology and there was a much higher fault (repair) rate than there is now." The rental contract offered free

service, just a phone call away.

Asked about the current level of renters in the British market, Finlayson said about 65 percent of those with TVs rent, but new rental agreements written this year might account for about 50 percent of those who acquire sets. That is down somewhat, he said, "but, bear in mind, it's still around 60-odd percent because a year's trading activity is only a small fraction of the total. As the product has become more reliable, there tends to be some dropping out of people who used to use renting a television as a sort of insurance." But many still prefer to rent, Finlayson said, for the same reason they always have — the option to trade up to a bigger, better, more technically advanced unit without penalty. This option appeals to all kinds of people. Jeremy Rumfitt, past-president of Granada Holding Overseas, the parent company, said of his clients in England and in the United States, "the rental concept is quite acceptable to all demographic and income segments."



Anthony Bennett  
Vice-President/CEO Visionhire

Historically, the United States has adopted English developments in law, music, hair styles, and fashion. Many of these developments have been relatively short-lived fads. Is TV rental here to stay in the United States as it is in the United Kingdom, or will its popularity soon fade? **PROGRESSIVE RENTALS** asked Anthony Bennett what he thought.

"Well, it is very interesting," said Bennett. "Obviously, you know, one is looking at a 40-year-old business to start with, so that has something to do with it in part. Renting is more a way of life in Europe, as compared to the United States. However, I am quite amazed at some of the people who do rent here that don't rent in the United States.

---

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## CURRENT TRENDS

A popular electronic rental item in the United Kingdom, as in the United States, is the VCR. "VCR turned the slump in TV rentals around after the British market slowed on color TV rentals," said RentaColor's Donald Palmer. "With TV rental on its way down, the companies were feeling the pinch until VCRs came into the market. Dealers began putting together package deals of TVs, VCRs, and software. The boost VCRs gave to rental dealers was even more substantial, since people would rent tapes, too. Not only rental dealers benefited from the increased sales. Tapes also became available in off-licenses (liquor stores) that sold liquor and beer and rented software. Another place the tapes are available is in filling stations."

Visionhire's Bennett said, "Well, I believe any store that has high foot traffic is an obvious one in which to put pre-recorded movies. For one thing, you've already got a captured market, and second, it brings in new people who might have been shopping at the Alpha Beta but will switch to another supermarket because that supermarket is carrying rental movies. He can buy his milk and bread and rent his movies while he is shopping. Obviously, where you want to increase foot traffic, movie rental is the answer."

## GRANADA

British TV rental business is big business. Consider Granada. Granada started in England as a chain of movie theaters before World War I, becoming Granada Theatres in 1935. Now Granada TV Ltd. operates 465 stores in England under company

management. Granada TV has been renting televisions in the New York area since 1978, when it purchased two existing stores owned by RentaColor, and currently operates 21 U.S. stores through its Levittown, New York office. Last year Granada rented 35,000 TV sets and 10,000 VCRs to customers on the East Coast. Rates range from \$9.95 to \$29.95 a month for a TV and from \$25.95 to \$49.95 a month for a VCR. After 12 months of renting a unit, an option to purchase may be exercised.

Granada TV Rentals of Canada runs 55 outlets in Canada in addition to 10 in Chicago, Detroit, and Seattle. Its combined U.S. and Canadian operations make Granada a dominant force in the rental industry due to its number of operating outlets. Canada is its largest overseas market in terms of number of showrooms and customers served. Jeremy Rumfitt, now vice chairman of Granada Holding Overseas, said, "An attitudinal difference to the product is probably the biggest hurdle we have had to overcome between operations in the two countries." Granada is well on its way to clearing that hurdle. In the United States the company achieved in 5 years the number of customers and the penetration level that it took 10 years to reach in France. In 1983, Granada received \$324 million, or 44 percent of its total revenues of \$730 million, from TV and VCR rentals. The remaining 56 percent comes from revenues generated by a TV network, a theatre operation, and a gas station, all owned by Granada Holding. Incidentally, Granada posted profits of \$75 million for the year.

Lately, Granada has been spending big ad dollars to educate the American consumer to begin thinking TV rental instead of TV purchase. Advertising emphasis has been shifted from radio to print and spot TV, with an annual advertising budget of \$2.4 million.

Among the devices used to get attention were small "personal" size ads placed toward the bottom on the front pages of local newspapers. One set of personals, featuring Bernie and Gloria, ran for about two weeks: "Bernie is a cheapskate. He canceled the TV and the VCR he rented for me from Granada. But no big deal, Bernie. It costs peanuts from Granada anyway. Good riddance. Gloria." Linda Scinta, executive administrator at Granada, said several people called Granada asking, "Who are Bernie and Gloria?"

Advertising emphasizes Granada's good store locations (mall locations have proved better than busy street locations) and "a will to bend over backward on service, and prices that are competitive with retail," according to John Hayes, vice president of operations. Having entered the Washington and Philadelphia markets, Granada looks to Baltimore for future expansion. By the end of 1985, Granada expects to operate 26 stores and have a 50 percent increase over this year's business.

## REDIFFUSION

Rediffusion entered the United States in the Boston market in April 1983. The company now operates four stores, serving 4,000 rental customers, and expects to have 6,000 customers by March 31, 1985. An additional Boston location and 15 to 20 locations elsewhere are planned for the following year.

Said Andrew Finlayson, "We have a very effective advertising plan now that means our radio and print ad dollars go a long, long way." He says the present ad budget is "about 30 percent of sales, and we expect to taper that down over time as our customer base increases. We have also spent a lot of money in developing an image for the stores, both in the way they are laid out and in our marketing, to appeal to the younger, shall we say, middle-income to upper-income people." Rediffusion is the only British rental company to offer a purchase option, which Finlayson said is used "no more than 2 to 3 percent of the time."

## VISIONHIRE

Visionhire's parent company, The Electronic Rentals Group, last year had sales in the \$300 million range, including the rental and leasing of television and video recorders in ten countries throughout the world and in the United Kingdom. Visionhire's operation in the United States includes two main branches and three video rental stores. The branches sell directly over the phone. A separate division of the company is the Video Store Profit (VSP) Division, which leases equipment to retail outlets who then rent to the public, and which operates nationally, as opposed to Visionhire's outlets, which are local. Presently, the company has no plans for significant expansion.

## RENTACOLOR

RentaColor started doing business in the United States in Anaheim, California in 1973, adding two locations in Pittsburgh, Pennsylvania, and Hartford, Connecticut. In 1979, additional stores were opened in Boston, Philadelphia, the District of Columbia, San Francisco, Chicago, and Detroit.

In late 1981 a decision was made to concentrate store development east of the Mississippi. The decision was based on the geographic location of management. Toward the end of the same year, stores were opened in Minnesota, Kansas, Connecticut, Texas, Florida, and Georgia. In 1982, RentaColor acquired a small rental business with two locations in Jacksonville and Miami. At the end of 1982, company officials felt they were in the 15 largest markets in the United States. A spokesperson for RentaColor said the company will maximize efforts in

profitable markets, but declined to give details.

The four British rental companies explained that they keep inventories down to a few major brands in the United Kingdom and the United States for reasons which range from keeping inventories simple while maintaining major brand customer recognition, to seasoned management/manufacturer relations. Granada enjoys doing business with RCA and Magnavox, while Visionhire features Quasar and Magnavox. Rediffusion carries Mitsubishi, JVC, and Sony.

One of the five major British companies, Thorne EMI, has not yet entered the U.S. market. Sidney Parker, the company's chairman, told **PROGRESSIVE RENTALS**, "When we get the formula right for America, we'll probably be there."

The British rental business certainly seems to be thriving. Not only are British rental dealers realizing great profits, but those we spoke to said

they have never had any legal problems similar to those encountered by American rental dealers.

"I don't consider Americans as being in the rental business as I know it," said Brian Cawley, president of RentaColor. Granada's president, Jeremy Rumfitt, had similar thoughts, "What makes us different from the local rental company in the United States is that we are not in the 'Rent-To-Own' business and that we expect our profits to come from a steadily growing number of long-term subscribers. We are not in the finance business and we would rather look at ourselves as a service company."

None of the British rental companies offered to speculate on the future success of their idea of TV rental in the United States. Armed with a 40-year success record in the rental business overseas and a firm commitment to continued success and expansion, it appears that British-style rentals will make a significant impact here in the United States. ■



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# THE LAW OF HIRE PURCHASE: AN OVERVIEW

TV rental has enjoyed a long and reputable tradition in England and several other European countries. Tradition holds that the concept of "hiring" goods with an option to purchase was invented during Roman times. The notion has been most highly developed in England and other current and former Commonwealth countries — Canada, Australia, New Zealand, Cyprus, Jamaica, Nigeria and Rhodesia (presently Zambia and Zimbabwe). The legalities of the transactions differ considerably from one side of the Atlantic to the other, but the concepts of convenience and service propel both systems.

**U**ntil the mid 1970s, the English government controlled various sectors of the economy with different regulatory schemes. The nature and scope of commerce in selected industries was legislatively defined by such various statutes as the Moneylenders' Acts, Bill of Sale Acts, Hire Purchase Acts, Usury and Sale of Goods statutes and other laws. In 1974 the Parliament attempted to deregulate much of the economy through a consolidation of consumer protection statutes in the landmark Consumer Credit Act (CCA) which repealed much of the earlier legislation. Even so, the English economy remains far more controlled than in the United States. They have nationalized several major industries and have experimented with socialized medicine. Not surprisingly, the TV rental industry is likewise highly regulated, although not yet owned entirely by the government.

In England, people "hire" (rent) TVs on two different plans, hire purchase or straight hire. Hire purchase transactions are defined in English law as "an agreement in the bailment of goods under which the bailee may buy the goods or under which the property in the goods will or may pass to the bailee." As such, these transactions have aspects of traditional credit sales as well as aspects of U. S. rental-purchase plans.

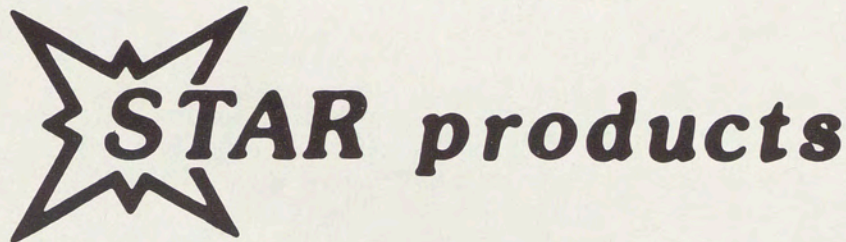
Until 1974, all hire purchase transactions were regulated under the Hire Purchase Acts — separate and apart from the bulk of consumer credit regulation. Since 1974, and the enactment of the CCA, almost all installment and credit transactions are regulated by one set of enactments. Accordingly, when statistics are compiled concerning consumer debt, hire purchase transactions are lumped together with credit sales, consumer loans, credit cards, and all other forms of consumer installment debt. Hire purchase transactions today account for as much as 75 percent of all installment transactions in England, and are used to acquire automobiles, business equipment, and a wide variety of consumer durables. It has been estimated that in July of 1984 alone, over £272,000,000 of new consumer installment purchases were made. Of this amount almost £190,000,000 can be attributed to hire purchase and "straight hire" transactions.

Straight hire is the equivalent of U.S. "rent-to-rent" plans. Televisions, stereos, and other electronic goods overwhelmingly dominate the straight hire market in England.

It is estimated that as much as 65 percent of the English population rents TVs using hire only plans, with no purchase options available.

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The popularity of TV/electronics rental is largely attributed to the consumers' ability to trade-up, without penalty, to "state-of-the-art" equipment in the rapidly advancing consumer electronics industry.

The invention of hire purchase is attributed to Mr. Henry Moore, a piano maker, who claims to have introduced the system in 1846 to piano customers. Singer Manufacturing Company next began renting out sewing machines with an option to purchase. Under the Singer scheme, the rent applied to ownership in the event the customer exercised the purchase option.

The idea was further developed by railcar companies who introduced third party financing to the arrangement. Railcar companies, separate from the manufacturers, were formed to purchase railcars and then let them out on commercial hire purchase plans to coal mines. English tradition has it that from there, the system spread quickly through a wide range of consumer products from furniture to false teeth.

## The Early Days

In the early, unregulated days, the essential feature that distinguished a hire purchase transaction from a conditional sale was the option to purchase without any obligation to do so, much like a typical U. S. rental-purchase transaction. Often, however, transactions were called hire purchase even when the "hirer" had no right to terminate, and, rather, committed to paying the full price of the goods. Before statutory controls on various forms of installment selling were adopted, the English common law made no distinction between hire purchase agreements in different forms and the outright sale of goods where the buyer obtained immediate possession, if not title, and paid the price due over time. Even when customers could truly terminate under a hire purchase plan, they usually had to comply with "minimum payment" clauses.

The distinction was made in English courts in 1893 when the rights of third parties were called into question. In *Helby v. Matthews*, a hirer had wrongfully pledged goods to a pawnbroker while a hire purchase agreement was still in effect. The court ruled that because the hirer had no title to the goods, the pawnbroker had no rights in the goods, and the owner was enti-

tled to recover them. This resulted despite the fact that the pawnbroker had purchased in good faith and for value. R. M. Goode, an English commercial law expert, has noted, "This decision thus represents the hire purchase charter in English law and it resulted in the replacement of the prevailing conditional sale agreement by the *Helby v. Matthews* type of contract containing a power of termination."

The early development of usury law in both England and the U.S. made a sharp distinction between the loan of money and the sale of goods on time. Various usury and money lender statutes put ceilings on interest rates for the loan of money, but carved out the "time price differential" exception when the matter involved the sale of goods. This distinction has remained in several states until recent times. In England, moneylending was being brought under tight governmental control prior to World War I, while hire purchase and other transactions dealing in goods remained free of regulation. It was not until the post World War II era that hire purchase contracts became strictly regulated. However, the repeal of many such statutes by the CCA returned the hire purchase and straight hire trades to a market limited for the most part by commercial judgment and not by legislation.

## Finance Companies Step In

The next step in the evolution of the concept was the introduction of finance companies. Dealers who were doing business directly with customers using hire purchase transactions found it difficult to expand, since much of their inventory was out on hire with the lapse of substantial time before payment in full was received. Finance companies effectively stepped in between the dealer and the customer to satisfy the dealer's demands for cash to expand. The finance company purchased the goods from the dealer and let them out to the customer on a hire purchase agreement. Once the dealer had delivered the product to the customer, he dropped out of the transaction altogether, leaving the finance company to collect payments and otherwise deal with the customer. This is still the normal hire purchase practice today. The finance company plays an ever growing part in English con-

sumer transactions. Each year, finance companies achieve a greater volume of sales and acquire a larger share of the market than the year before.

Today, the largest finance companies rival many banks in size of assets. And most of the largest banks operate finance companies as subsidiaries. Altogether, the turnover of funds by all finance companies approaches half a billion pounds annually.

There are certain similarities between the three-party English hire purchase transactions and U.S. credit sales where the seller discounts the customer's note to a finance company. In both, the finance company pays cash to the merchant and in turn receives payment directly from the customer. In England, however, the finance company actually purchases the goods from the merchants and in turn rents them out to the customer. Under both systems, the customer was for a long time at risk, his obligation to pay being absolute regardless of the suitability, durability, or even delivery of the goods. Under various consumer protection laws in the U.S., a consumer may use all defenses against a finance company or other holder of his note that he could have used against the original seller. Prior to the CCA, this protection of the consumer was unique to U.S. law. However, since 1974 English creditors as well have been liable for debtor's claims against sellers or suppliers. With the advent of the new legislation in England, the finance industry has moved away from hire purchase and toward "pure credit" transactions. In their drive to increase profits, many lenders have begun making loans directly to the consumer, who then makes purchases for cash. This method of business is inherently risky in England, even though safe and common in America. The risk arises from the fact that English lenders often have no security interest in the goods for which they lend purchase money. The statutory scheme for perfecting a security interest is so expensive, time consuming, and susceptible to error that most lenders forego it altogether or alternatively obtain an interest in property which the borrower already owns. Thus, the use of second mortgages and chattel mortgages has risen lately, although still accounting for only a small fraction of all lending. Surprisingly, the pure credit market is experiencing steady growth as the hire and hire purchase markets lag behind.

**Particulars  
of  
Hirer**

Name \_\_\_\_\_ Occupation \_\_\_\_\_

Please give full Christian Names and Surname in Block Letters

Address \_\_\_\_\_

SCHEDULE Particulars of the goods sufficient to identify them <sup>1</sup>		Cash Price	
		£	p
<p><sup>1</sup>If goods are supplied subject to defects these should be listed.</p> <p>Terms of payment:</p> <p>payments of £ _____</p> <p>per _____ payable on the _____ day</p> <p>(in monthly payments not the 29th, 30th or 31st).</p> <p>of each _____ commencing _____ 19 _____</p> <p>[and one payment of £ _____</p> <p>one _____ thereafter] (delete if not required)</p>		Total Cash Price of Goods	
		Less Part Exchange    £        :	
		Cash Deposit            £        :	
		= Total amount payable on Hirer signing	
		Balance of Cash Price	
Add Hire Purchase Charge			
Balance of Hire Purchase Price			
Hire Purchase Price			

An excerpt of a typical hire purchase agreement

**Similar Abuses**

The history of hire purchase agreements before regulations appeared in the 1930s chronicles the same kinds of abuses criticized by U.S. consumer advocates against rental-purchase dealers.

Many people were induced to enter into written agreements which they did not understand and suffered considerable hardship in consequence. The more unscrupulous hire purchase dealers deliberately encouraged their customers to incur hire purchase commitments beyond their means with the object of allowing them to fall into arrears towards the end of the period of hire after most of the installments had been paid, so that the dealers could then exercise their power of repossession (commonly termed "the snatch-back") and thus secure for themselves a considerable profit from the goods which they supplied without ultimately parting with the goods themselves.... It was

also by no means unknown for intimidation and violence to be offered to hirers who, having made substantial payments, showed a natural reluctance to part with the goods....

Also, a source of complaint was the device of the "linked-on" agreement. A hirer who had completed most of his payments would be persuaded to enter into a fresh agreement covering the goods comprised in the original agreement together with certain further goods. Upon default, the owner could then repossess the whole of the goods, including those in the original agreement for which payment had nearly been completed (Goode, *Hire Purchase Law and Practice*, 8-9, 1974).

In 1938, the first Hire Purchase Act was passed by Parliament to curb abuses in the industry and to regulate the economy. This first act, among other things, limited a customer's liability after termination to a sum which would bring his payments and any

past-due payments up to one-half of the hire purchase price. In addition the act prohibited owners from repossessing merchandise by other than court order when the customer had paid one-third of the hire purchase price. These provisions, too, have been incorporated into the modern scheme of regulation under the CCA.

As late as the early 1960s, substantive controls on credit in England were virtually nonexistent. Competition among finance houses forced several into bankruptcy. These failures caused hardship to many small investors who kept their money in these finance houses. In reaction to these and other economic conditions, the government stepped in to exercise more control over the economy. One result was the Hire Purchase Act of 1964.

The 1964 Act gave customers a four-day cool-off period if a hire purchase or credit sale was signed anywhere but at the owner's store. The act called for a seven-day cure period after notice of default before an owner could commence legal action against a customer. These cool-off and cure periods have



been retained under the CCA as well. It was also during the 60s in the United States that many states were passing their first retail installment sales acts to regulate credit sales in this country. In certain respects these two regulatory efforts, particularly the results, paralleled one another.

An important distinction between the two systems that survives today involves the owner's security interest in goods. In the United States Article 9 of the Uniform Commercial Code regulates precisely how a credit seller can protect his security interest as well as defining both creditor and debtor rights in the event of default. Article 9 has resulted in a state-by-state registration system. Merchants can register their security interests with the Secretary of State thereby putting everyone on notice that the security interest exists. The registration system prevents a purchaser from the buyer from qualifying as a good faith purchaser and proving better title to the goods than the holder of the security.

In England, hire purchase traders have ignored a registration system which, though effective, can be costly and time consuming. They have argued that since they retain title to the goods until the purchase option is exercised, no customer, under established English law, can sell that which he does not have — namely, title to

goods. Hire purchase traders can go to third-party purchasers, however innocent, and recover merchandise without submitting to the maze of statutory controls that exist in England for other kinds of installment transactions.

During the war, the English government stepped in to control prices of goods by various measures. The Board of Trade was empowered to set the maximum prices and charges for goods sold or let out on hire purchase plans.

These acts were repealed in the early 1950s, but were re-enacted periodically during the 1950s and 1960s. According to Goode, these statutes "were in no way concerned with protecting hirers against oppression but are concerned to curb inflationary tendencies in the national economy by restricting credit." The acts required a minimum-down-payment to be made in a hire purchase agreement and required that payments be equal and spread out over not longer than a specified period. The purpose behind the statutes was to limit the volume of national expenditure to a safe level, to divert expenditures on consumer goods to more productive purposes, and to relieve the balance of payments problem by dampening home demand and thereby encouraging exports.

The percentage down-payment had at different times been anywhere from 10 percent to 50 percent of the cash price of the goods. The maximum finance period had varied from 18 to 48 months. By empowering the Board of Trade and later the Secretary of State to alter the down-payment percentage and the carrying term, Parliament thought it could effectively control consumer spending.

## Industry Regulation

Not only were hire purchase and all kinds of credit transactions controlled, so also were straight rental transactions.

From 1964 until 1974 the terms of straight hire agreements without an option to purchase were controlled. Straight hire agreements had to be for a definite period not less than the statutory minimum period or for an indefinite period. Payment periods had to be either all weekly, all monthly, all quarterly, or all annually. The contract could not allow the cus-

tomers to switch back and forth. There could be no "balloon" rental payments, and no payment could be less than 25 percent of the highest rental payment. This last requirement prevented dealers from leasing property for a fixed term and then continuing the rental indefinitely at a nominal rental rate as an alternative to an installment sale.

Importantly, if the rental agreement was for a fixed period, the entire rental payable during the minimum term was due in full in advance. The minimum rental period varied from 12 to 42 weeks.

The most recent regulation, repealed in 1982, required a cash deposit of one-third of the cash price for hire purchase agreements and credit sales. Regulations further prevented the customer from borrowing funds in order to come up with the down-payment. The modern scheme under the CCA has done away with almost all of these restrictions upon straight hire and hire purchase transactions. Now decisions regarding down-payments and payment periods are left almost entirely to "sound commercial judgment" and the pressures of the marketplace.

The most significant of the current restrictions upon hire and hire purchase is a £5,000 ceiling upon the amount of the purchase price advanced, loaned or deferred; or, in the case of straight hiring, the total of the payments a hirer may be required to make. In order to comply with the restrictions, traders have resorted to many ruses. The biggest problems arise with high-priced purchases, such as furniture and autos. To reduce the "amount advanced" below the ceiling, dealers have created generous trade-in, down-payment, or allowance terms. The Hire Purchase Trade Association, recently renamed the Consumer Credit Trade Association, catalogued these attempts to circumvent the regulation and offered three examples of the more common methods. The first is for the merchant himself or someone the merchant contacts to loan the down payment to the customer. No written record of this loan is recorded, and it is the equivalent of the unsecured loan in the United States. This practice, in part, helps account for the increase in finance company loans. Another dodge is where the dealer credits the customer with a non-existent trade-in or allowance. For example, if an

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## WASHINGTON REPORT

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Similarly, a witness for Legal Services in the Greater Miami area cited several examples of abusive practices involving lease-purchase agreements, and recommended that the Consumer Leasing Act "should be extended to cover renting agreements." Both witnesses, in fact, recommended that more extensive disclosure requirements be included.

To alleviate abusive practices in this area, this title requires five lease-purchase disclosures: (1) the number, amounts, and timing of payments needed to acquire ownership; (2) the total of payments needed to acquire ownership; (3) a statement that the consumer will not own the property until all payments have been made; (4) a statement that the consumer is responsible for the fair market value of the property if it is lost or stolen, and (5) whether the property is new or used. It also regulates lease-purchase advertising, and subjects lease-purchase agreements to the civil liability, administrative enforcement, and other requirements of the Consumer Leasing Act.

The Committee rejected an amendment offered to this Title to strike coverage of lease-purchase agreements.

The author of the amendment argued that more disclosures — particularly the fair market value and the annual percentage rate — were needed so that consumers could compare a lease-purchase arrangement to purchase of the item on a retail installment basis.

The Federal Reserve Board has defined a credit sale, for purposes of the Truth-In-Lending Act, to include leases where the consumer contracts to pay a sum substantially equivalent to, or in excess of, the total value of the property and services involved. The Board noted, in response to Committee questions its opinion that lease-purchase agreements are not credit sales because each payment is for a short-term rental period only and does not obligate the consumer to rent the property beyond the short-term rental. However, several states have characterized lease-purchase agreements as credit sales, and this Title does not prohibit such state action.

Commenting on the effect on the act's narrow preemption standard in her testimony before the Committee, Governor Teeters stated that:

States that wanted to treat (a lease-purchase agreement) as a credit purchase could have their own credit purchase disclosures, and as long as they are not in conflict with and are similar to federal law, there is no reason why the state law can't stand side by side.

State regulation of these transactions as leases and lease-purchase agreements could provide for more disclosures and greater consumer protection than required by this Federal law. ■

## GOVERNMENT RELATIONS

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case was filed and the time the court decided on the confirmation of his Chapter 13 plan, would be paid through his Chapter 13 plan. Following confirmation, the customer was to make the regular contract payments to Homeway.

The plan was confirmed. The customer failed to make the payments as provided in the plan. Homeway asked the Bankruptcy Court for permission to force the customer to return the freezer.

The customer contended through his attorney that the lease was a disguised credit sale without the proper reservations of security interest necessary to authorize repossession due to nonpayment.

The bankruptcy judge understood the general principle of law which controls these situations. That principle specifies that a lease may be a credit sale if after the conclusion of the lease, the lessor has the right to acquire title to the property for nominal consideration or no consideration.

The distinguishing characteristic of our contracts is that the term of the lease is one week or one month. The debtor does not have the right to acquire the property after the expiration of a single term of the lease. The lease must be renewed for a number of terms before the ownership option becomes effective.

In the Homeway case, the Bankruptcy Judge observed that the customer had the right to terminate the contract by surrendering the freezer

and paying his obligation under the contract through the date of surrender. In its decision, the court said that "this terminability right conferred upon and accepted by the debtor is crucial to the decision reached by this court. . . . the lessee under the Homeway Rental Agreement 'fully complied' with the lease after making one weekly rental payment; any purchase option would only have arisen after the lessee had voluntarily elected to renew the lease seventy-seven more times."

The court went on to say that "Rental or lease agreements with an option to purchase which are terminable at will by the consumer are not 'credit sales' within the meaning of the Truth-In-Lending Act, and are not subject to the disclosure requirements of the act or Regulation 'Z', 12 C.F.R. § 226(1980)."

The Homeway case is typical of the confrontation between the rental customer and the dealer in the bankruptcy court. We have a lot of money at stake in these cases. We have opposition intent upon repeatedly urging the recharacterization argument. We have judges, many of whom are fair and unbiased, who will consider our position and rule favorably for us. ■

*Editor's note: A Bankruptcy Information Packet is available to interested parties through the APRO office for \$25. Jimmy Walker is a partner in the Augusta law firm of Surret, Choate & Walker.*

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# Industry Meeting News

## A Focus on Furniture in Dallas, Texas

Those present at the recent APRO Furniture Rental Seminar in Dallas learned about good product mixing, handling and storing furniture, how to "rack" a piece of furniture when checking the quality of construction, the best foam density for a couch cushion, and how furniture rental accounting differs from brown and white goods accounting.

These topics and more were handled by Dan Whitsell of the Dallas accounting firm of Baker & Baker, and vendor representatives, who included: David Gradick, vice president of marketing, ABC Rentals, for Furniture Resource Systems (FRS); Norm Newcity, Dixieland Consolidated Services; and Neil Lewis, for Fab-U-Gard and Goldmont Furniture Company.

Robert Linkous, of ABC Rentals in Dallas, was also a panel member. Edward L. Winn III, APRO executive director, moderated the discussion segment of the program.

David Gradick, first speaker on the two-day program, described the typical furniture rental customer as one who is "fulfilling a real need" for a place to sit, eat, and sleep. The furniture rental customer is not selecting on impulse, Gradick said, and is generally a more regular-paying customer.

In his rental operation, Gradick rents on a monthly basis because of potential problems with weekly collections. He pointed out that, considering the size of furniture and the more involved delivery aspects of renting furniture, credit managers must be extra careful in monitoring accounts in order to prevent collection problems.

He advised mixing furniture in with other items in a store display and has found that he can save space without sacrificing customer interest by showing only part of a furniture grouping

and showing color photos of the remainder. For example, in a bedroom grouping, he might display a chest, nightstand, and lamp, and display photographs of the rest.

In a market the size of Dallas, Gradick has found television advertising to be most effective, and combines it with radio.

During his presentation, Norm Newcity advised that temporary warehousing is cheaper than permanent space, and suggested that heating the warehouse is not necessary in cold weather unless it is extremely cold.

According to Newcity, the majority of damage to furniture occurs in handling and storage. He recommended keeping the boxes items arrived in, such as lampshade boxes, to use for storing products, putting clean cardboard between all surfaces; and cleaning and repairing all items before storage.

Newcity suggested in-store assembly techniques for some pieces, and covered purchase considerations regarding delivery trucks. He said a used truck from a leasing company would be a good buy, and recommended a 16 to 18 foot step-up van. Installing a carpet in the bed of the delivery vehicle was suggested for avoiding furniture damage during delivery or pick-up. Delivery tools recommended for the furniture rental dealer included a furniture hand dolly, pads, tie-down straps, tool box, rags, and polish.

As first speaker during the afternoon session, Neil Lewis spoke on returned furniture clean-up and repair. Possible frame and structural damage was outlined and remedies suggested by Lewis. He also gave tips on in-house repair of buttons, cuts, and tears. Lewis offered a number of hints regarding stain removal. The attendees seemed particularly pleased with the helpful hints for solving and preventing common, irritating repair problems.

Regarding returned furniture that is too badly damaged to rent again, Lewis advised that it could be 1) donated to Goodwill (and deducted from taxes), 2) sent to auctions and flea markets, or 3) sold directly through green-sheets or classified ads.

During a panel discussion moderated by Ed Winn, panelists focused on

how much to pay for groups of furniture, how to code furniture, and how to judge wearability standards.

Team visits to furniture vendors concluded the first day of the seminar.

For the opening of the second day session, Lewis explored who to buy furniture from, how much to buy, and how much to pay. He described the differences in dealing with distributors, consolidators, and manufacturers' reps and outlined the decisions to be made before the actual buying. Lewis defined a merchandise mix and discussed basic construction methods of poor and quality furniture.

The final speaker on the program was Dan Whitsell, who stated that "in a broad sense, accounting for furniture rental is not much different from other rentals." But, he impressed on his audience, "accounting is controlling the business" and stressed the need for a business plan. He discussed tax strategies and pointed out how to read a typical store balance sheet. Whitsell, as did all the speakers, answered many questions from the audience.

The discussion periods and the free exchange of ideas between vendors and attendees were among the most rewarding aspects of the seminar, according to rental dealer Deborah Carpenter, owner of Payne Carpenter Rentals of Natchez, Mississippi.

She, along with a number of attendees, concluded that the seminar was well-worth the time and expense in exchange for the knowledge gained.

## Texas Association of Rental Agents

The Texas Association of Rental Agents (TARA) held its first annual convention in Austin, Texas on September 27, 28, and 29. The agenda included presentations by several Texas state legislators, including Terrell Smith and Robert Simpson. In addition, Claudia Stravato, associate deputy comptroller of Texas, and Ron Mullen, the mayor of Austin, appeared. Ed Winn III, APRO general counsel and executive director, was on the program to discuss legislative developments at the federal level and to



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talk about APRO, the national trade association for the rental industry. In addition, the program included discussions on motivation and control through monetary incentives, purchasing, and collections. The group had about 40 people present for the Friday afternoon meetings. Hospitality suites were sponsored by Nunn Electric, Burrell Printing, Michie Distributing, and Smith Sleepers.

Many of the TARA members are involved in the small loan industry in the State of Texas. Over the years, they have been confronted by various legislative proposals at the state level to control the loan business. Several members of the group claim extensive experience with Texas state legislators. When questioned by Winn, officers of TARA indicated that they had no intention of undertaking any legislative initiatives in the state and rather organized to respond to any legislative efforts to regulate the rental-purchase industry by opponents.

### Southeastern Businessmen's Association

The Southeastern Businessmen's Association (SEBA) held its quarterly meeting in Atlanta on October 1-4. SEBA is primarily a buying group made up of retail and rental dealers in several southeastern states. Of particular interest to rental dealers is the fact that SEBA held concurrently with its business meeting, a day long rental seminar covering such topics as organization, computerization, legal developments, and furniture rentals. This is the first such program held by SEBA and initial reports are that it was successful. Approximately 30 rental managers attended the seminar. APRO General Counsel and Executive Director, Ed Winn III, gave a two hour presentation on legal do's and don'ts in the industry. Winn also made a presentation to the business meeting explaining the services and accomplishments of APRO. Most members of SEBA indicated that they were already members of APRO.

Rental managers were requested to send in written reports about the rental seminar, and if the reports are favorable, SEBA plans to schedule future rental seminars for its members.

High Point Headquarters  
156 South Main Street  
High Point, N. C. 27260  
Phone 919-887-8162

(During April-October Markets Only)

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center is a separate entity and as such requires different operating skills, different procedures, and different promotions from the rental-purchase business. So long as these differences are kept in mind, they can compatibly share the same building (to save overhead), the same advertisements, and to a limited extent, even the same personnel.

The selection of titles for the rental inventory requires careful consideration. A good video tape inventory consists of both hits and classics (referred to in the industry as catalog titles) in a variety of categories. Action, romance, science-fiction, horror, and children's films are the most popular. If the rental dealer plans to add video rental as a support activity, at least half of the starting inventory should be recent titles that will be of interest to the dealer's existing clientele.

Adult (pornographic) movies typically account for 15 to 25 percent of all tape rentals. Some local laws prohibit distribution of pornographic movies. If the dealer wants to maintain a family atmosphere, adult materials should not be openly displayed. Counter catalogs are recommended to aid those customers requesting adult titles. Selecting quality adult titles is generally more difficult than selecting general movies because detailed information about them is not available and many of them are made only for video.

## CHOOSING A TAPE DISTRIBUTOR

One of the most important factors to consider in choosing a tape distributor is how the product gets to the dealer. The cost and time of shipping or the time away from the store to make a pick-up at their warehouse can be significant. The distributor should be well-organized so that orders may consistently be filled correctly and quickly without major expenditures of the dealer's time. Will-call orders placed in advance should be ready so that dealers may pick them up without delay. Closely akin to the efficiency of filling and delivering the product, is the "fill rate" or the percentage of the order that can be shipped immediately from stock. Delays in filling orders can often result in cancellations, lost sales, and unhappy customers.

Credit policy is a very important consideration in making an evaluation of a potential tape distributor. A

30-day account can be very helpful in managing cash flow. Merchandising support is also important. It has long been a complaint of video tape rental dealers that they don't get their share of studio point-of-purchase (POP) materials. Many distributors view their part of this process as a nuisance and take the first come, first served approach in distributing POP. To clear up these complaints, some studios are now shipping POP directly to dealers. Most distributors provide monthly or biweekly publications containing information on new releases and specials. One distributor goes so far as to offer a low cost microfilm viewer service with weekly updates which lets dealers quickly check to see if a particular title is in that distributor's stock.

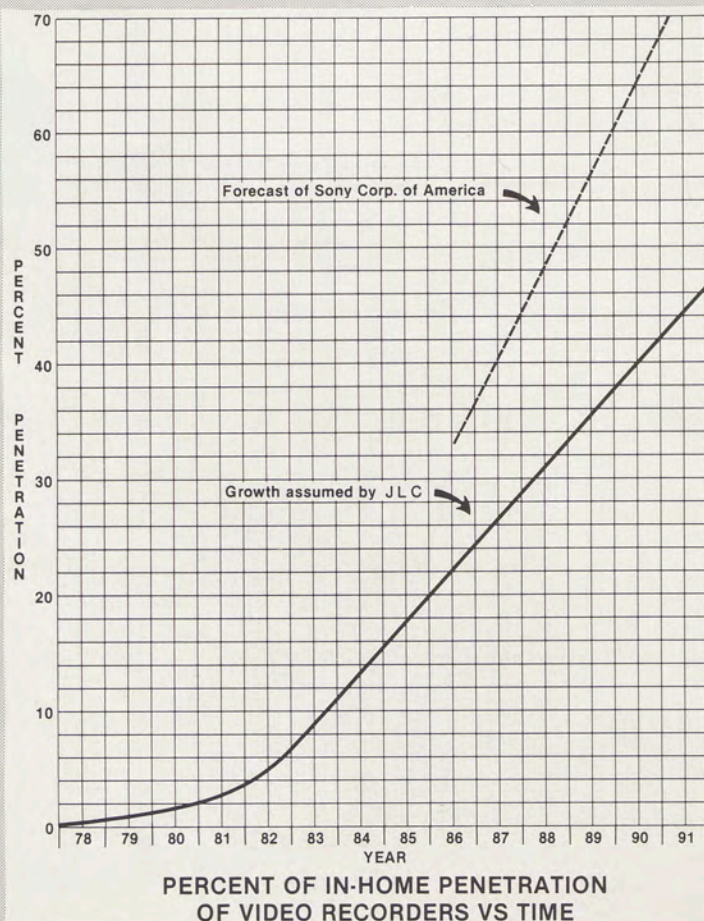
Last on the list, but still important, is price. Due to narrow distributor margins and competition, the spread between distributors is usually small. In addition to renting tapes, there are many other related services that should be considered by the rental dealer. Movie and accessory sales and the daily rental of VCRs fit in well with either a support activity or profit center activity. Equipment repairs and

film-to-video tape transfers are other services that can be subcontracted and yet contribute nicely to profits.

## GETTING STARTED

The dealer's objectives will usually determine rental rates, promotions, and how the tape rental club is structured. Because this planning phase is so important, it deserves careful attention and possibly some professional guidance. One very important fact to keep in mind — one that applies to a support activity but which is absolutely essential to a successful profit center — is that video movies are entertainment. They are not just a rental item. They are not an electronics accessory. Rather, they are entertainment and must be merchandised as such. When this key factor is reflected in the promotions, the physical store, and the personnel, the venture will likely be more successful.

*Jim Lahm is a pioneer and leading consultant in the home video field. He heads J. LAHM Consultants, in Fullerton, California, a firm specializing in this field, and Video Cross Roads, a retail store which opened in 1978.*



*continued from page 40*

The provision also applies to transactions in which the interest arrangements have a significant effect on the tax liability of either the borrower or the lender. "Loan" is interpreted broadly and includes gift loans, which are loans for which the forgiven interest is treated as a gift.

There is a general exception for outstanding loans of less than \$10,000, unless the loan is attributable directly to the purchase or carrying of income-producing assets in the case of gift loans between individuals or unless the loan has as a principal purpose the avoidance of federal tax in the case of employer/employee or corporation/shareholder loans.

Generally, the provisions apply to term loans made after June 6, 1984 and demand loans outstanding after that date. The new law requires that imputed interest be calculated, unless there is adequate stated interest, in debt instruments arising from the sale or exchange of property after December 31, 1984. Sales of farms costing \$1 million or less, sales of principal residences and sales of property costing \$250,000 or less are exempted from the imputed interest rules. Interest on non-exempted sales of property will be imputed at an appropriate federal rate, considering the terms of the debt instrument.

#### **Property Depreciation**

The minimum recovery period for real property other than low-income housing, will be extended from 15 to 18 years. This generally applies to assets placed in service after March 15, 1984, except for binding contracts in effect before, or construction begun before, March 16, 1984.

#### **Low-Interest Loans**

Low-interest or no-interest loans, or other loans below market rates, are taxed as if they were producing interest payments close to the market rate. The provision affects loans between relatives, companies, and shareholders, employers and employees, and others, where the principal purpose of the loan is to avoid tax. There are exceptions to the provision, and distinction is made between term loans and demand loans.

#### **Change of Accounting Method**

In the past, taxpayers have argued that they are not subject to penalties arising from the use of an improper accounting method since a change in method cannot be made without permission of the Commissioner. Under the new law, such a defense will not be considered unless the taxpayer has first requested permission to change. This change is effective for taxable years beginning after enactment.

#### **Property Eligible for Expensing**

The bill postpones for four years scheduled increases in the maximum amount of business personal property that can be expensed in the year it is placed in service. The limit remains at \$5,000 through 1987, then increases to \$7,500 in 1988 and 1989 and \$10,000 after 1989.

#### **Foreign Earned Income**

The maximum amount of foreign earned income excludable from an individual's taxable income is \$80,000 annually for taxable years beginning in 1983 through 1987. Beginning in 1988 the maximum amount will increase in \$5,000 annual increments until the limit reaches \$95,000 in 1990.

#### **Gift and Estate Tax Rates**

The maximum rates for gift and estates taxes were 60 percent in 1983 and scheduled to decline to 55 percent in 1984 and 50 percent thereafter. The bill retains the 55 percent maximum rate through 1987. The rate will be reduced to 50 percent in 1988 and thereafter.

#### **Finance Leasing**

With certain exceptions, the rules governing "finance leasing" are postponed to be effective for transactions occurring after 1987. Finance leases allow taxpayers to sell their tax benefits to certain other taxpayers.

#### **Corporate Tax Liability**

Effective for taxable years beginning after 1984, the bill reduces from 85 percent to 80 percent the amount of certain corporate preferences which can be used to reduce taxes. This change affects corporations, in general, whether or not the corporate minimum tax is applicable.

#### **Transportation**

The bill increases the diesel fuel tax from 9¢ to 15¢ per gallon effective August 1, 1984.

Methanol fuels are exempted from half of the 9¢ per gallon motor fuels tax. Grain alcohol fuel, or gasahol, gets a 6¢ per gallon exemption, effective Jan. 1, 1985. Gasohol currently has a 5¢ per gallon exemption.

Trucks under 55,000 pounds are exempted from highway use taxes. The tax rate for larger trucks is reduced to \$100 per year, plus \$22 for each 1,000 pounds over 55,000, with a maximum tax of \$550 for trucks over 75,000. The changes replace the current system which has a range of taxes, going as high as \$1,600 annually.

#### **Individual Retirement Accounts**

Contributions to an individual retirement account must be made by April 15 to be deductible for the preceding year. This change applies to contributions made after December 31, 1984.

#### **Student Loans**

If an individual arranges to have student loans made by government agencies cancelled, and in return agrees to perform certain professional services for any of a broad class of employers, the income realized from the cancellation of the debt is excluded from gross income.

#### **Treatment of Tips**

Large food or beverage establishments must allocate to employees as tips the excess of 8 percent of gross receipts over tips reported by the employees to the employer.

The bill modifies present law so that a person owning 50 percent or more of a corporation that operates a food or beverage establishment is not considered an employee for purposes of determining whether that establishment has 10 employees or more.

All tip income reported by employees to the employer will be considered wages for purposes of the Federal Unemployment Tax Act, effective January 1, 1986.

*continued*

### Low-Cost Housing Rehabilitation

The law extends for three years the existing provision under which taxpayers will be allowed, in lieu of other cost recovery methods, to amortize up to \$20,000 over a 60-month period for rehabilitation expenditures incurred for low-income housing.

### Deposit of Taxes

Federal tax deposits in excess of \$20,000 must be received by the due date, not just mailed no later than the second day prior to the due date. The provision applies to employers required to deposit taxes more than once a month and is effective for deposits required to be made after July 31, 1984.

### Definition of Investment Credit Property

Under current law, new property of the lessor that is leased within three months of being placed in service is defined as new property of the lessee and is eligible for the investment tax credit.

Under the new law, the three-month rule is limited to sale-leasebacks. The change is effective for property placed in service after April 11, 1984.

### Gift Tax

A 1982 U.S. Supreme Court decision held that a net gift (a gift for which the gift tax is paid by the recipient) results in income to the donor to the extent that the tax exceeds the donor's basis in the transferred property.

The bill reverses the court's decision and holds that payment of the gift tax by the recipient of the gift does not result in income to the donor for net gifts made before March 4, 1981.

Anyone due a refund because of the new law may file a refund claim within one year after the date of enactment even though the refund would normally be precluded due to the expiration of the statute of limitations.

### Targeted Jobs Tax Credit

The targeted jobs tax credit is extended for one year and applies to individuals who begin work before 1986. The bill disallows the credit when an employer allows qualifying employees to work for others unless the employer receives payment for the services in excess of wages paid. Thus, the bill prevents an employer from lending or donating the services of individuals on its payroll to tax-exempt or other organizations that do not have enough tax lia-

bility to use the credit. This provision is effective for individuals beginning work after December 31, 1984.

### Employee Stock Ownership Plans (ESOP)

There are greater restrictions on employee stock ownership plans; in return, the employer gets tax breaks.

The bill freezes the credit for contributions to a tax credit ESOP at one half percent of compensation paid or accrued through 1987.

The bill allows a deduction to the corporation for cash dividends paid on stock held by an ESOP or a tax credit ESOP if the dividends are paid to the participants in the plan. This provision is effective for taxable years beginning after enactment. ■

*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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# PRODUCT FOCUS

## Gusdorf

### Amari Collection

Widely respected as the nation's leading producer of electronics furniture, Gusdorf has created the Amari Collection, a new group of furniture that incorporates all the features essential to proper storage and display of electronic home entertainment equipment. At the same time, it has all the qualities expected of finely crafted cabinetry. The Amari Collection is composed of three individual units which can be used alone, or combined, as shown, in an arrangement that best suits individual storage and decorating needs.



GUSDORF 5860

Model #5860, the Amari Audio Center, is functional furniture at its finest. Shelves are adjustable at varying increments to give a custom-built look for audio equipment, and the turntable shelf pulls out for easy access. While the tempered safety glass doors protect against dust, they also add aesthetically with a pale apricot silk-screened ribbing. In the cabinet below there is room for record storage with album dividers and a molded foam cassette holder to cradle tapes. Features characteristic of Gusdorf's specialty in electronics furniture include heat-ventilating rear panels, which provide the cooling that is critical to electronic components, and wiring ports to anchor, organize, and conceal power cords.

Model #5870, the Amari Video Center, has a mid-section that is sized to accommodate a 19-inch TV with VCR or cable box on a shelf directly above. Or, with the shelf removed, it accommodates a compact 25-inch set. In the upper and lower sections, display shelves are exposed behind silk-screened glass doors. Adjacent to each is a vertical compartment, an ideal spot for videocassettes and other accessories to be kept out of sight.

Model #5880, the Amari Omni Center, has the flexibility to be a small, intimate bar or a compact computer work center. For use as a bar, the mid-section is ideal, with enough space for bottles and glassware and a lift-up, tuck-away door that includes lock and key. To adapt that same space for use as a home computer work station, open the cabinet doors below, raise the hidden shelf and set up the snap-in-place desk top. Additional storage above completes the dynamic design.

The entire Amari Collection features a hickory finish with antique brass-tone hardware accents. Cabinet doors are also treated to a more decorative look with tambour woodworking that is typical of fine furniture. Suggested retail for the Audio Center is \$299.95; for the Video Center, \$379.95; and for the Omni Center, \$379.95.

For more information contact Gusdorf Corporation, 6900 Manchester Avenue, St. Louis, MO 63143, (314) 647-1207.

## Quasar

### New Line-Up

Heading a new Quasar line-up is a complete audio-visual home entertainment center with VHS, Hi-Fi, and a compact disc player. The AV center, Model #PAS94, also includes a 20-inch Dyna-Tech™ AM/FM TV monitor (Model #WU6290XE, suggested retail \$799.95) which offers 45 watts per channel on the audio receiver and a 139-channel cable-capable TV receiver. It has 12 station presets each for AM/FM and TV, a quartz synthesizer tuner, input display, and selection control for all audio and video components.

Quasar's new turntable has a

unique back-mounted tone arm and P-mount magnetic cartridge. With its record jacket size, the Model #CL7014XE turntable (suggested retail \$89.95) also fits on top of Quasar's Model #GX3654 three-piece radio cassette recorder, converting it to an additional home entertainment center.



QUASAR PAS94



QUASAR PAS36

Quasar's Model #CD8994XE compact disc player (suggested retail \$599.95), which is also a PAS94 rack system component, gives the listener the incredible quality of digital sound. The optical laser digital system affords relative immunity to dirt and other contaminants when compared to other audio media. Record life is enhanced, since there is no stylus to touch the disc. The disc player is housed in the PAS94's attractive simulated wood cabinet designed to blend with any decor.

Other Quasar rack systems include the Model #PAS32 (suggested retail \$384.95), with quartz synthesizer digital tuning, pre-set station memory, belt-driven turntable, and deluxe rack with full glass front and top. Quasar's Model #PAS33 rack system (suggested retail \$414.95) offers all of these features plus a fully automatic record changer. Model #PAS36 (suggested

*continued*



QUASAR CD8994XE

retail \$549.95) is a home entertainment system with deluxe rack and glass door, plus larger speakers than are offered with the other systems; it includes AM/FM stereo cassette with automatic belt-driven turntable, metal tape capability, three-band graphic equalizer, and Dolby noise reduction.

The GX3654 three-piece cassette recorder (suggested retail \$219.95) introduced this summer, has detachable three-way speakers, five-band graphic equalizer, Dolby noise reduction, metal tape capability and motor-activated soft-touch controls for ease of operation. Quasar is a division of Matsushita Electric Corporation of America and is celebrating its tenth anniversary this year.

For more information regarding Quasar products, contact Tom Lauterback, 9401 W. Grand Avenue, Franklin Park, IL 60131, (312) 452-2407.

*continued*

## ADVERTISING FILE

*continued from page 33*

So take an intelligent look at the true cost of syndicated commercials. Should a dealer buy inexpensive ones? The highest cost one? Most personalized ones? (Tag-on commercials, in which the dealer's name appears only at the end of the commercial, are not greatly effective.) Really, cost should not be the most important factor in the decision.

What the budget will allow is crucial to the retail dealer. But the primary consideration is how soon the commercials can pay for themselves in increased sales. There is a real economy

for the dealer because they will normally at least double (or more) telephone response. If initial investment can be recovered in sixty to ninety days, the commercials are a great buy — the dealer will continue to use the commercials for another nine months at no additional cost. (Most syndicated commercials are sold on an exclusive, one-year contract with reasonable payment terms.)

How does a dealer determine the effectiveness of one syndicated commercial package over another? Ask the syndication seller for names of other rental dealers who are using the radio and/or TV commercials and contact them about the performance. The commercials will likely be effective in your market if they've proven successful in another one.

Once a dealer chooses personalized commercials, media should be scheduled wisely. Some syndicators offer free advice — ask about media guidance before purchasing the commercials. The next issue of PROGRESSIVE RENTALS will cover "Criteria for Hiring an Ad Agency."

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

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## HIRE PURCHASE

*continued from page 56*

automobile dealer had a £9,000 car and a customer with only £1,000 to put down, the dealer might show a trade-in of £3,000 to reduce the price below the ceiling. The purchaser merely makes his installments over a longer period or pays a balloon payment at the end of the term to complete the transaction. Since commercial transactions are excluded from the regulations, dealers sometimes misstate the purpose of the transaction as a third way of circumventing the law. Penalties for infractions can include a declaration that the transaction is illegal and unenforceable, fines, and even criminal penalties.

## Summary

The English market for consumer goods revolves around three major transaction: cash sales, hire pur-

chases, and straight hire, each accounting for roughly one third of the market. The nature of the product involved often determines the type of transaction effected. Generally, TVs, stereos, and other electronic goods are leased under straight hire transactions, while big ticket items — furniture, larger appliances, and autos — are sold under hire purchase agreements. This division of the market is a result of the enactment of the Consumer Credit Act of 1974 and its imposition of a ceiling upon such transactions.

The straight hire market has lately seen a decline in volume and number due to recent tax increases. Even so, rental remains the dominant form of business in the electronics and TV trade. The hire purchase market has maintained approximately the same money volume, but, in a growing market, has lost its percentage share as "pure credit" transactions have increased in popularity and availability.

Yet the places of hire and hire purchase in the economy are secure. The English consumer still prefers to rent his TV, stereo, or computer. Likewise dealers would much rather enter into a hire purchase agreement than attempt to perfect a security interest in collateral under English law. The CCA as a "complete scheme of consumer credit protection" has drawn both hire purchase and straight hire agreements within its provisions. Nevertheless, the nature of the transaction and the fundamental rules governing them remain unaffected. In many ways the English model remains a fine example of the marketplace's response to consumer demand. It is nonetheless important for the American rental-purchase industry to become aware of and understand the changes that such sweeping legislation has wrought upon the industry. The English trade has adapted to these changes (and more are coming), but at a significant expense. A better understanding of the "hiring industry" in England can only help the U.S. rental-purchase industry understand the potential effect of different regulatory schemes. Ultimately, a better understanding of a different system can help U.S. dealers serve their customers more effectively.

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*Edward L. Winn III is executive director and general counsel of APRO.*

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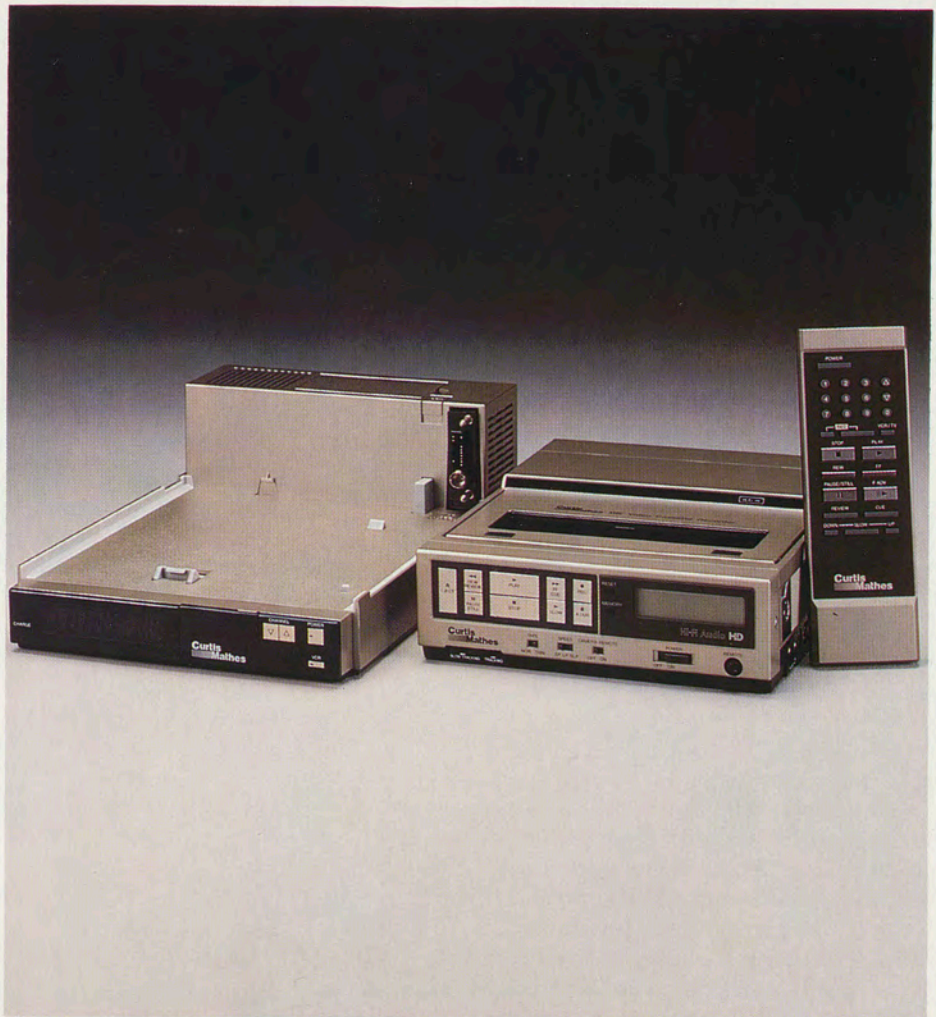
## Curtis Mathes

### Portable VHS Recorder

The first portable VHS Hi-Fi recorder is now available from Curtis Mathes (Model #KV773) for \$1,099. The top-loading four-head VCR is designed to be stacked on top of the tuner/timer and features AM/FM stereo with Dolby noise reduction. The VHS unit simultaneously records audio, and automatically selects the appropriate audio mode during playback, so it is compatible with tapes recorded on conventional VHS recorders. The eight-pound deck comes with a wired remote control.

The tuner/timer, also eight pounds, comes separately. It is cable-ready, has random-access tuning of 139 channels, and is capable of recording eight events over a two-week period.

For more information contact: Curtis Mathes, 1141 Greenway Drive, Irving, TX 75062, (214) 484-4941.



CURTIS MATHES KV773

## Akai

### New VHS Model

Akai's new Model #VS-61U VCR is a VHS front-loading tabletop unit capable of receiving 139 broadcast and cable channels. It can be programmed to record as many as eight programs in a two-week period. The two-way digital tape counter displays in the usual four digits or in hours, minutes, and seconds. Other features include automatic end-of-tape rewind, an automatic editing control system that minimizes picture distortion and streak between separately recorded segments, and Akai's Quick Finder system, which permits the viewer quick and easy access to a particular scene or program within a tape. Four 30-minute increments can be programmed with the touch of one button. Stereo audio tracks feature in Dolby B noise reduction, which reduces tape hiss and noise.

The number of belts is reduced by the use of a microprocessor-controlled, five-motor, direct-drive tape transport system. Two of the four video tape heads are designed for maximum performance at the slowest (EP) speed.



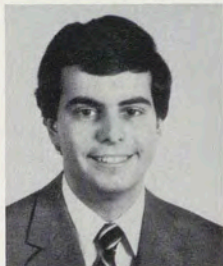
AKAI VS-61U

# CORPORATE MOVES

## Sharp

Paramus, NJ

An extensive winter print-ad push for the new 16-model Carousel II microwave oven line was announced by Sharp Electronics Corporation. Daniel J. Infanti, marketing communications manager for Sharp's consumer electronic division, said, "During this year, Sharp will be the most visible microwave oven manufacturer around,



**Daniel Infanti**

thanks to our \$20 million plus national advertising campaign. We plan to maintain this high visibility level through the fourth quarter and into early 1985 with continued network television exposure and an impressive array of high-impact, four color, full page consumer publications for microwave ovens."

In addition, Sharp will supply dealers with ad reprints, as well as extensive local advertising, to support Carousel II microwave oven sales.

## Universal TV

Cincinnati, OH



**Gary Wilburn**

Universal TV Rental Inc., the Cincinnati-based TV and appliance operation, has opened its 50th Rentals For Your Home store.

With units in 11 states from Pennsylvania to Iowa, Universal is expected to continue its rapid expansion, with company plans calling for another 50 stores by the end of 1988.

Universal, which claims a new outlet every seven weeks since entering the rental market in late 1976, is rated the fifth largest company of its type in the country, according to statistics from the Association of Progressive Rental Organizations (APRO).

## EIA

Washington, DC.



**Jack Wayman**

Jack Wayman, senior vice-president, Consumer Electronics Group, has been appointed senior vice-president of the Electronic Industries Association effective September 1, according to Peter McCloskey, EIA president.



**Peter McCloskey**

Mr. Wayman will take on new responsibilities in a broad range of areas at the association level including strategic planning, membership development, organization expansion, trade show planning, and implementation. He will be working directly with the EIA president and key staff in these new activity areas.

In making the announcement, McCloskey said, "For more than 20 years, Jack has contributed significantly to the success and growth of the consumer electronics industry. In that capacity, he has built a strong and effective association group — CEG — and has developed the two Consumer Electronics Shows into the nation's largest annual trade shows. We are fortunate, with the promotion, to now have Jack's expertise, energies, and dedication serving the interests of the electronics industry and the association as a whole." Mr. Wayman will continue to play a key advisory role in the Consumer Electronics Group and its Consumer Electronics Shows.

## American Bankers Insurance Group

Miami, FL



"We knew we had to move from the downtown location," Senior Vice-President George Van Wyck said. "We just didn't have enough space. We looked at about 100 different sites from Broward County to Homestead. A census study showed most of our employees lived south of downtown. We wanted good access to expressways and to have land to grow on in the future."

As one of Miami's largest private corporations and the first of its size to move to Dade County, American Bankers Insurance Group dedicated its new International Headquarters during ceremonies earlier this year in the Cutler Ridge section 18 miles south of downtown Miami. Upon completion of the \$30 million, 300,000 square foot glass and concrete complex, 800 employees moved into the new offices. Office space was previously rented in two different Miami locations. Now, all American Bankers' services and employees are located under one roof. "We think we're in a prime spot," Van Wyck said. American Banker's Insurance Group is located at 11222 Quail Roost Drive, Miami, Florida 33157, (305) 253-2244.

## Gusdorf

St. Louis, MO



The executive and general offices of Gusdorf Corporation have been moved to St. Louis where its production facility has been in operation for the past seven years.

The consolidation was completed July 30 as personnel moved into the new two-story, 22,000-square-foot office building. It is connected to the factory by an enclosed, elevated walkway. In its new quarters, a showroom has been added. Here, customers will be able to review current Gusdorf electronics furniture designs and upcoming introductions.

The new Gusdorf address is 11440 Lackland Road, St. Louis, Missouri 63146, (314) 567-5249.

## Whirlpool

Benton Harbor, MI

Richard F. Robinson, Whirlpool Corporation division vice president, physical distribution, has announced that plans are being developed for construction of a 421,000 square foot product distribution center. The distribution center will serve as a finished goods warehouse and shipping area for automatic washing machines produced in Clyde, Ohio.



**Richard Robinson**

"The construction of a local product distribution warehouse will provide us with additional storage capacity and flexibility, while reducing our overall transportation costs," Robinson said. Currently, automatic washers built in Clyde are shipped to outside warehouses or distribution centers in Marion and Findlay, Ohio where the corporation maintains additional appliance manufacturing operations.

Current estimates indicate that overall division employment levels will not be affected by the new distribution center.

The building project, expected to cost in excess of \$10 million, is contingent on approvals by the Whirlpool board of directors and local and state regulatory agencies. If all approvals are obtained, groundbreaking is planned for late fall of this year, completion for early 1985.

## Whirlpool

Benton Harbor, MI



**William Marohn**

On August 20, 1984, the Whirlpool board of directors elected William D. Marohn vice-president of the kitchen products group. The announcement came from Jack D. Sparks, Whirlpool Corporation chairman of the board, president and chief executive officer.



**Jack Sparks**

Marohn will retain former responsibilities and direction of the corporate real estate department when he served as staff vice-president of capital and tooling administration. Marohn joined Whirlpool at its St. Joseph, Michigan Division as an industrial engineer in June of 1964. Prior to the staff vice-president position, Marohn moved to the Findlay, Ohio Division to become division vice-president there. He was later promoted to staff vice-president in the company's headquarters in May of 1984.

## CES

Washington, DC



**Sam Lippman**

Sam Lippman has been appointed director of operations of the Consumer Electronics Shows (CES), CES Vice-President Dennis Corcoran announced recently.

Lippman comes to the CES from the American Federation of Information Processing Societies, Inc. (AFIPS), where for the past four and a half years he has served as operations manager for the National Computer Conference (NCC) and the Office Automation Conference (OAC). Prior to that he spent three years in Chicago and New York with United Exposition Service Company, a major general contractor to trade shows and conventions.

## Whirlpool

Benton Harbor, MI



**Charles Sessa**

Whirlpool held their 20th annual Sons and Daughters Seminar in July, the theme being "Everybody Wants To Feel Like Somebody." Twenty-eight sons and daughters of appliance dealers came from around the country to learn and hear industry experts discuss effective selling, determining the correct amount for an advertising budget, useful promotion techniques, time management, and the importance of good listening skills to aid them in taking over the family business.

Charles Sessa, president of Whirlpool Acceptance Corporation, told his audience, "You must always make certain that you are perceived as being as good as you really are; that your public image and your company image coincide with the reality of your performance. Because whether you like it or not, tomorrow is coming, and the next day, and you will have to live with that image."

*Editor's Note: Corporate Moves welcomes your organization's news concerning promotions, personnel news, and corporate changes. Send (with photos, please) to: PROGRESSIVE RENTALS, 1866 Inter-First Tower, Austin, TX 78701. Deadline is 1st of month preceding issue date.*

## PRODUCT FOCUS

Continued from page 65

### Kenwood Super Bass System



KENWOOD LS-P5000

Two loudspeaker systems that meet the standards of sound quality demanded by both digital audio and the newest recording technology are Kenwood's Model #LS-P5000 and Model #LS-P9000 Super Bass Radiator Speaker Systems. These digital-ready speakers offer sound reproduction that is unsurpassed in their price range for clarity, efficiency, and pure sound control.

The LS-P5000 is a two-way five-speaker system with a maximum input of 250W and a frequency response range of 30Hz to 22,000Hz. It measures 14-3/16 inches wide, 29-15/16 inches high, and 12-1/2 inches deep.



KENWOOD LS-P9000

The LS-P9000 is a three-way, eight-speaker system with maximum input power of 400W, a frequency response range of 20Hz to 22,000Hz, and a large cubic capacity to back up the ultra low-bass resonance frequency of its super bass radiator unit. It measures 17-15/16 inches wide, 44-1/2 inches high, and 13-7/32 inches deep.

Both speakers have tweeters set in vertical configurations to achieve the widest sound dispersion pattern, providing listeners with highest quality sound sensitivity and appealing tonal qualities and capturing the dynamic differences between the loudest and softest extremes featured in today's new digital audio components.

The speakers also feature high-level and mid-frequency overload controls and one-touch connection-type speaker terminals. Suggested retail price for the LS-P5000 speaker system is \$315. The suggested retail price for the LS-P9000 system is \$500.

For more information contact: Kenwood USA Corp., 1315 Watsoncenter Road, Carson, CA 90745, (213) 518-1700.

### Kenwood Compact Disc Winner

Kenwood's Model #DP-1100B compact disc player was awarded top honors by Japan's *FM Magazine* in the Annual Gran Prix Awards for its ease of operation and quality digital sound reproduction.

The DP-1100B advanced microprocessor features flexibility of operation with 16-channel program memory, 10-key numeric entry pad, 16-track global search-and-play system, single and multiple repeats of disc, track, or memory program, and a 24-function infrared remote control with memory scan.

At the push of a button, DP-1100B users can enjoy up to 16 tracks or passages in any desired order. Speeded-up music can be heard during scanning to pinpoint the exact passage for perfect cueing. Memory contents can be confirmed instantly at will, with selected tracks cued in less than three seconds. A full data display reveals what part of the disc — to the second — is being played.

Playback at every volume level is totally devoid of any surface noise.

Pops, ticks, clicks, hiss, rumble, and speaker feedback are non-existent. The DP-1100B circuitry continually corrects speed irregularities, so that wow-and-flutter are inaudible.

As an added bonus, the palm-sized remote control, operated by infrared rays, provides memory scan, as well as all 23 functions of the DP-1100B. The motorized slide-out disc-loading drawer is easy to use and assures proper disc handling at all times. The DP-1100B's slimline design matches the size of most audio components and is available at a suggested retail price of \$899.

For more information contact: Kenwood USA Corp., 1315 Watsoncenter Road, Carson, CA 90745, (213) 518-1700.



KENWOOD DP-1100B

### Kenwood Basic Series

Kenwood has expanded its Basic Series with the Model #X-1 stereo cassette deck, a long-awaited addition to this versatile home audio line. Featuring ultra-quiet, reliable operation, the X-1 cassette deck enhances the series with advanced head-drive technology, combined with computerized music access/repeat, guaranteeing home listeners more efficient sound reproduction.



KENWOOD X-1

The X-1's soft-touch controls respond instantly to fingertip commands. The computer-guided music search and play control provides immediate access to up to 16 tracks, forward and reverse, for customized listening.

The index scan reviews the first ten seconds of each selection, with a programmed repeat to play a single track or an entire tape. These versatile features provide dependable performance and more forceful sound reproduction.

The advanced tape head alloy sustains high levels of magnetic force, ideal for high-intensity signal imprinting to magnetic tape. Other X-1 highlights include Dolby B and C with MPX noise switch, digital readout linear tape counter, 18-point fluorescent peak-hold meters, blank search space-finder and automatic tape selection. The X-1 cassette deck retails at \$350.

For more information contact: Kenwood USA Corp., 1315 Watsoncenter Road, Carson, CA 90745, (213) 518-1700.

## Magnavox

### VHS Hi-Fi VCR

The Magnavox VHS Hi-Fi stereo VCR, Model #VR84455, is a front-loading, four-head tabletop model that can record and play back at three speeds, though special effects such as freeze-field and frame-advance only work in SP and EP.

Any of the 139 channels this cable-ready model can tune may be randomly accessed via the wireless remote control or by the up-and-down channel buttons on the front panel. It has an eight-event/14-day programmable timer and a one-touch recording button for recording up to eight 30-minute increments. Suggested retail is \$1,399.

For more information contact: NAP, P.O. Box 6950, Knoxville, TN 37914, (615) 521-4316.

## NEC

### VHS Hi-Fi

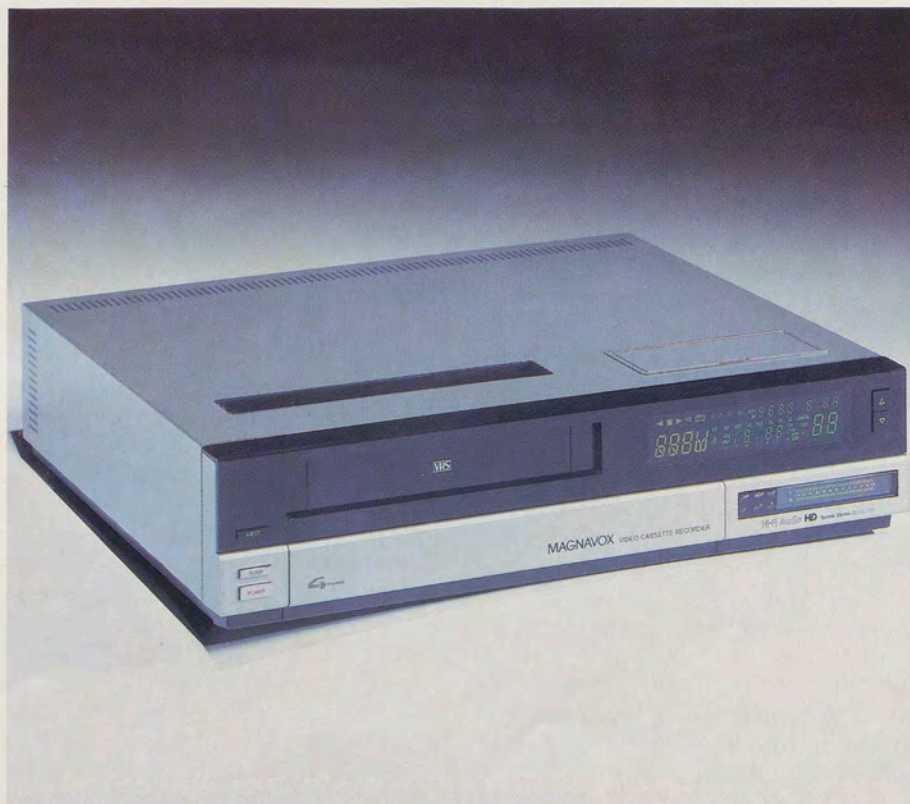
NEC VCR Model #VC-N895EU features VHS Hi-Fi sound as well as Dolby noise reduction in the regular VHS format. Other features include an insert-edit control, a picture sharpness control, automatic rewind, and one-touch recording.

The VC-N895EU, weighing just under 21 pounds, is a front-loading deck that can receive 139 channels with 16 channel presets. It offers 14-day eight event programmability plus daily and weekly repeats. Four video heads provide slow-motion, frame-advance, and freeze-field effects in SP and EP. It also has its own full-function wireless remote control.

For more information contact: NEC, 1401 Estes Avenue, Elk Grove Village, IL 60007, (312) 228-5900.



NEC VC-N895EU



MAGNAVOX VR84455

*Editor's Note: Suppliers should direct all press release information to PROGRESSIVE RENTALS at 1866 InterFirst Tower, Austin TX 78701.*



*Editor's note: Andrew Finlayson, a Framingham resident, is president of Rediffusion Video Leasing Inc., a subsidiary of the London-based Rediffusion PLC, Britain's largest consumer electronics company. The U.S. subsidiary, based in Stoneham, operates a chain of five stores leasing video equipment, including an outlet in Framingham. The following editorial originally appeared in the Boston Middlesex News.*

Like many inventions before it, the television was a functioning entity long before it became a commercial reality. Most videophiles are surprised to learn that the enabling technology for television was actually developed around the turn of the century. It was another five decades before the first commercial television service began in the United States.

Since then, or rather, since the real birth of the television set during the 1930s, the basic technology has evolved, but hasn't changed radically. Despite the proliferation of program offerings, advanced production techniques and the myriad of cable systems currently in service or soon to appear, we use television much the same way now as we did in 1950. But just as the electronics revolution has utterly transformed the computer, so will the video revolution soon transform the basic "box" television and our usage habits.

As one of the companies in America which leases video equipment, the Rediffusion Video operation is largely premised on the amazing technological revolution in the video equipment industry. Why do I use the phrase "video revolution?" Consider the changes looming just beyond the horizon or a scant five years ahead. First,

## Future Promises Changes in TVs

the humble television set, unchanged for over twenty years, will be dramatically transformed within the next five. Advances will include picture improvements through high-definition — providing 1,200 lines of definition (or units of audio and video information) as opposed to the current 525 lines. Also, true high-fidelity sound will accompany increasing sophistication and improved picture quality of wide screens, television with screens of up to five feet in diameter.

Second, video cassette recorders (VCRs) will be improved and simplified. Most recorders currently offer features such as electronic tuning, cordless remote control, and picture search. Some have added stereophonic and true hi-fi sound capabilities.

These advances will have a significant benefit for the replaying of prerecorded software, namely home movies, many of them now available in a stereo sound format. We've witnessed the advent of a compact video camera with a quarter-inch tape format and flat screen televisions with liquid-crystal display screens.

One of the new technologies enabling these advances is DBS, or Direct Broadcast Satellite Service. Early in 1985, Satellite Television Corp., a subsidiary of COMSAT (Communications Satellite Corp.) will provide satellite-relayed television services direct to American households. In 1986, COMSAT will send into orbit the first of several satellites, designed specifically for these new services. COMSAT is the sole U.S. carrier authorized to operate international satellite systems. This single development will mean that viewers will be able to receive the variety of programming that only cable viewers can currently receive.

With powerful satellites, receiving dishes will also be brought down in

size to two-and-one-half to three feet in diameter. Just as consumers are used to paying a monthly rate to cable companies for cable entertainment, Rediffusion Video Leasing believes that it will be natural for consumers to lease many other video products, including DBS receiving dishes.

In the future, cable and DBS systems will offer "Pay Per View" services. The user is charged a basic monthly leasing fee plus surcharges for sports events, special programs, or movies viewed.

The pace of change in the video industry is clearly accelerating, and the consumer advantage offered by Rediffusion Video Leasing is the ability to keep pace with these rapid advances. What, after all, is the sense of purchasing an expensive television set today when a whole new world of television technology is about to open up tomorrow?

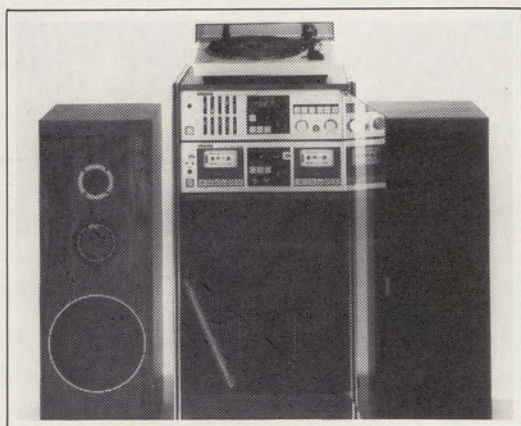
The complexity of modern video consumer products is such that we believe Rediffusion's policy of including service charge coverage within our monthly price is attractive to many consumers. And since, typically, a video camera is required only once or twice a year, we make cameras available to our customers only as needed. Moreover, as with other types of video equipment, our customers have access to the very latest in state-of-the-art camera gear.

While I've just glossed over the surface, you can surely see that we are all actually in the midst of a video equipment revolution. These changes hold exciting prospects for Rediffusion Video Leasing and for our customers. Rediffusion Video Leasing has operated in the United States for 15 months, but already over four thousand homes are using our equipment.

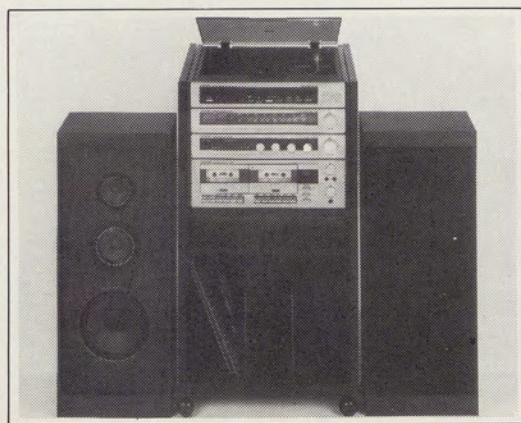
I've always felt that video leasing is an exciting field. The next five years will certainly make it more so.

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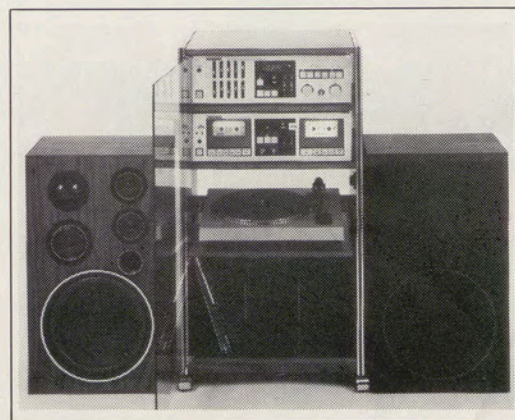
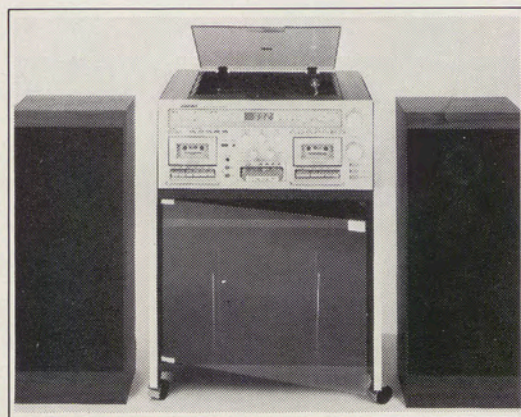
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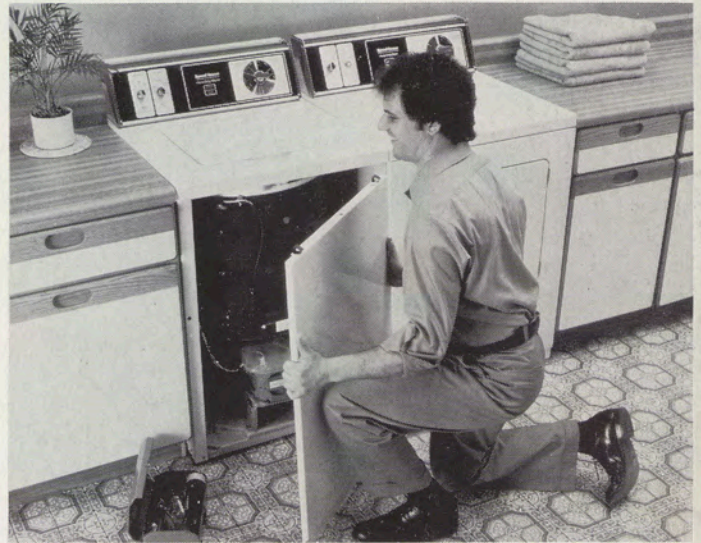


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