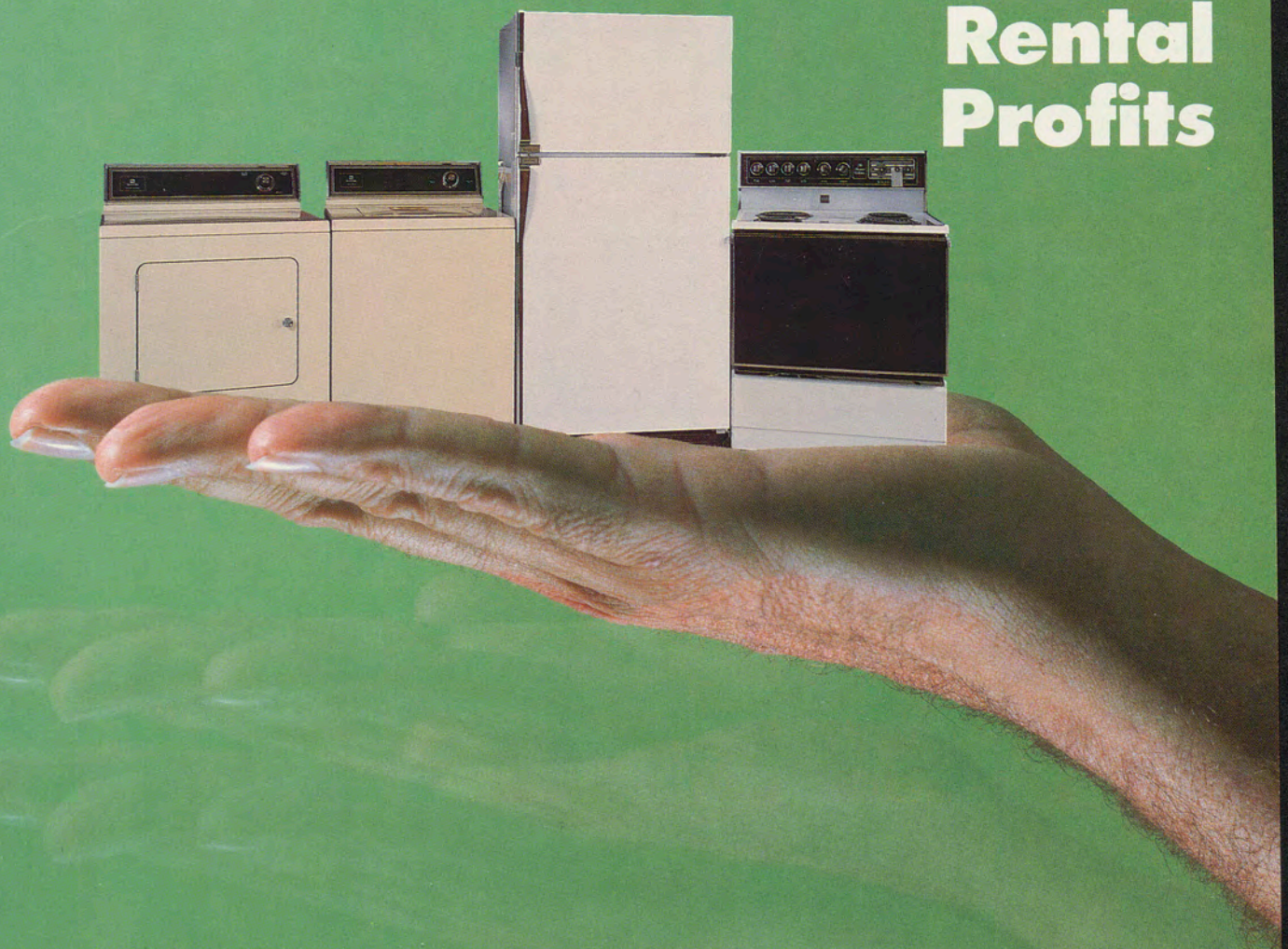
VOL. 5 NO. 4 AUGUST 1985

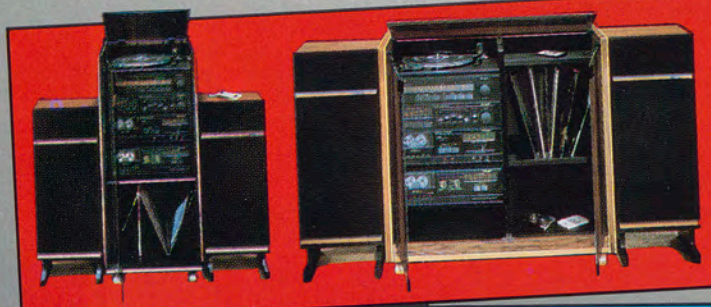
the magazine of the home entertainment, appliance, and furniture rental industry

Progressive Rentals

Appliances

Boosting Rental Profits





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Progressive Rentals

VOL. 5 NO. 4 AUGUST 1985

ON THE COVER: Appliances are now a standard part of dealers' inventory. Not restricted to washers and dryers, the appliances rented are as diverse as frost-free refrigerators to portable dishwashers to room air conditioners. The story on page 8 assesses the importance of rental-purchase appliances.

COVER PHOTO BY:
Niles Fuller

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Rental-purchase appliances are big business, boosting profits for many dealers.

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THE EDITOR'S DESK

At this year's APRO Convention one could not ignore the enthusiasm of dealers learning their trade, as they shared problems and solutions with helpful seminars, with suppliers on the exhibit floor, with each other.

To further illustrate that enthusiasm, I'll share some quotes regarding the convention program this year.

"APRO has renewed my faith in conventions and seminars."

"Extremely informative. People in the room were hungry for more."

"A strong, positive, professional presentation."

"I think APRO '85 was one of the most serious shows I've ever been to, and being an exhibitor, I can really appreciate serious buyers. Congratulations!"

Among the chief responsibilities of any trade or professional association to its members is that of education. I spent a good deal of time and effort during the show polling dealers to determine what it is they want and expect from a convention, and from the association. I essentially received the unified response of "Teach us how to run our businesses more efficiently, more successfully." A natural concern of any businessperson in any field, and a valid one.

At this year's show, we gave you 50 seminars covering 18 areas of vital concern to today's rental professional. The topics were carefully chosen based on accumulated dealer responses and observations of movement within the industry. Over the course of the year, we've brought dealers together to learn more about furniture rental, video software rental, computerizing rental operations, training store employees, advertising, and rental-purchase accounting to name a few. We also took a group of dealers to London to study British TV rental.

On the subject of learning, many convention attendees were exposed to a new training system sponsored and endorsed by APRO and prepared by noted rental employee training expert, Rozanne Flatt. The *Learning Power* system is a tried and true money-saving training device for rental dealers who understand the investment value in educating rental employees.

The rewards are there for everyone. The response to this year's seminar program was overwhelmingly positive. The APRO staff works hard to pick up on the needs of APRO members in order that we can provide you with quality seminars and conventions, publications, and member services. The most rewarding feeling for the staff and seminar leaders who bring you these learning experiences is commentary from the membership—good, bad, or ugly.

As for future seminars, the 1986 seminar calendar is presently being firmed up. Planned seminars include personnel recruitment, accounting workshops, employee training workshops, a computer fair, furniture rental, movie club management, and many more. This year is stacking up to be one of solid accomplishment and progress due largely to the dedication of the APRO membership, staff, and board of directors. Don't hesitate to contact us with your ideas.

We're waiting to hear from you.

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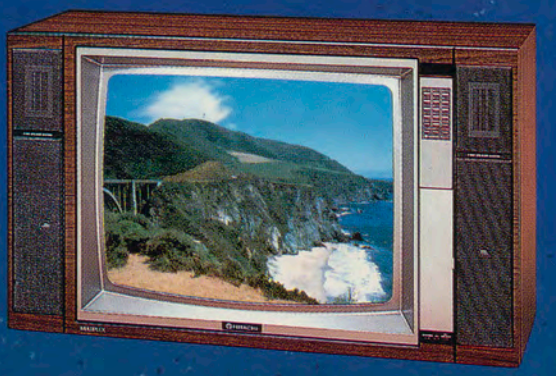

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FEATURE

BY SHIRLEY GREENLY

Appliance Rental Profits

Appliance boom captures 25 percent of $1.7 billion rental industry

In the days when rental-purchase consisted primarily of televisions and an occasional stereo, few dealers imagined a future in which refrigerators, washers, dryers, and ranges would command a healthy percentage of their showroom space, not to mention their profit margins. But the future is here, and rent-to-own white goods have become big business.

According to statistics compiled by the Association of Progressive Rental Organizations (APRO), white goods account for 20 to 25 percent of all rental-purchase revenues as of March 1985. These figures do not include microwaves, room air conditioners, mini-washer/dryers, space heaters, or dishwashers which can account for an additional 5 to 15 percent of total revenues.

Appliance manufacturers have taken note of the boom in white goods rental by instituting divisions devoted solely to rental market sales. Some have even designed products specifically for rent-to-own. A case in point is the appliance manufacturing family of Magic Chef, Admiral, and Norge.

"We have designed and spec'd a line of washers, dryers, refrigerators, and freezers for the rental-purchase industry," says Pat Gaines, director of sales/special markets for Admiral. "We have been selling to rental-purchase since its inception and the special products line for rent-to-own has been in place since March."

With a quarter of revenues originating from white goods rental, and manufacturers designing special rent-to-own lines, somebody must be doing something right. Questions arise—what brands and models are dealers offering? Which appliances are most popular? Who are dealers renting appliances to? What will the future bring?

An informal survey of dealers and manufacturers throughout the country offers insight into current appliance rental trends. Dealers interviewed own from 1 to 48 stores with locations in cities and rural areas, and their rental rates are based on an 18-month contract term.

Washers and Dryers

Full-size washers and dryers are by far the most popular appliances among rental-purchase customers. Every dealer questioned placed washers at the top of the list. Those that did not group the two said dryers ran a close second to washers.

Photo by Niles Fuller

Kit Neal explains this washer's features and the advantages of rental-purchase to Judy Torres in Oscar Snowden's Austin, Texas location.

"Washers make up 12 percent of our BOR," says Bradley Smith, vice-president of operations for twenty Network Rentals stores, based in Atlanta, Georgia. "Dryers are second at 7 percent of our BOR."

"Washers and dryers account for 16 percent of our total rentals," says Barry Gambini, president of Rent-To-Own, Inc., with 32 stores located throughout California. "Last year we purchased 4800 washers, dryers, and refrigerators. Seventy-five percent of this figure was laundry equipment."

Washer and dryer brands used by dealers surveyed were Amana, Speed Queen, Whirlpool, Kenmore, Admiral, and General Electric. Rental rates for washers run from $40 to $54 per month and dryer rates are $32 to $39.

What type of laundry appliances are dealers offering?

"Dealers are buying full-featured machines that are a step above the leader," says Pat Gaines. "For instance, in washers they often choose a 2-speed machine. Not a deluxe, but not bottom of the line either."

"Color choices," he continues, "track with retail. Sixty percent of laundry equipment sold to rental-purchase dealers is white, and 30 percent is almond."

Dave Shockey, general manager of thirteen Easy Rental stores, based in Marietta, Georgia, orders a shipment of washers and dryers almost every week.

"We usually order six at a time," says Shockey, "and we stick with one model. This keeps the sales force informed and up-to-date on what we are renting. We buy 4-cycle, 2-speed, Speed Queen washers, and Speed Queen dryers as well. When we first got into the appliance rental business, washer breakdown was our largest problem. Now, with a labor and parts warranty, we don't have added service expenses. Last year we bought approximately 500 washers and 300 dryers."

ActionTime Rentals, with one store in Austin, Texas, purchases on a smaller level.

"We usually order washers and dryers every week," says Alberto Morales, assistant store manager, "and we buy one or two at a time."

What about mini-washer/dryer sets? Surprisingly, only two dealers surveyed carried them. Many dealers indicate they have tried offering the sets and later dropped them. Customers did not care for the sets because laundry and drying capacities were too small. ABC Rentals, based in Arlington, Texas, does carry mini-washer/dryer sets, however.

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Admiral (product info) ..... (800) FAST ICE

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(800) 322-4400 in Illinois

Fedders ..... (800) 621-5199
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General Electric ..... (800) 626-2000*

Kelvinator ..... (800) 245-0600
(800) 242-0580 in Pennsylvania

Roper ..... (800) 447-6737
(800) 323-7778 in Illinois

Samsung ..... (800) 524-1302*

Tappan ..... (800) 447-2882
(800) 322-4400 in Illinois

Vesta ..... (800) 233-0498

Whirlpool ..... (800) 252-1301*
(800) 632-2243* in Michigan
(800) 253-1121* in Alaska and Hawaii

White-Westinghouse ..... (800) 245-0600
(800) 245-0580 in Pennsylvania

Shelly Perlman, purchasing assistant for the 11-store ABC chain, comments, "They move well, but I know why many dealers don't carry them—these sets get badly abused. Customers overload them. They try to treat them like full-sized washer/dryer sets and this burns them out. We considered not carrying them anymore, but felt we would lose too much business."

Who rents washers and dryers? For the most part, washer and dryer customers are not too different from other rental customers. They have credit troubles, low to moderate incomes, and cannot conveniently obtain appliances any other way. Generally though, dealers say laundry equipment customers live in single family dwellings, rather than apartment complexes, and they are more likely to have a family with several children. It is also noted that persons renting laundry equipment, as well as all other white goods, are more apt to rent the appliance to term.

"White goods rental customers generally keep the product," says Alberto Morales. "Many of these people are living on a day-to-day basis financially, and they look at white goods as a necessity. Stereos and TVs are luxury items to them."

Interestingly, the consumer's cost to rent a washer and dryer is just somewhat higher than that of visiting the laundromat regularly. According to statistics from the Association of Home Appliance Manufacturers (AHAM), the average family uses a washer and dryer 416 times per year. Assuming it costs $1.50 to wash and dry a load at a laundromat, the yearly cost is $624. By renting a washer and dryer at the average monthly rate of $79.65, a year's laundry totals $991.80. Of course, these figures do not account for the inconvenience of hauling laundry to and from the laundromat, and gasoline expenses if the facility is not within walking distance. Additionally, the rent-to-own customer receives free service and delivery on the rented equipment and, in most cases, owns the appliances after just 18 months rental.

continued page 42

MESSAGE

TRUSTING YOUR EMPLOYEES

I have been reading some management books lately and have been struck by a new topic that manifests itself in a variety of ways. The topic is trust between employer and employee.

Traditionally, standard practice has been for management to hand down decisions to employees about how the company is to be run. That, after all, is what management is all about—making decisions and seeing that those decisions are carried out by others. Employees are expected to do the job they are given, quit, or be fired. They are not expected to share in the decision-making process because they are, after all, only employees and not management.

That philosophy continues to be the guiding force in a lot of companies. The argument is that the system is efficient and that the marketplace rewards efficiency.

The current thrust of a part of management science is toward teamwork and sharing. "Progressive" companies now have structures to allow employees' input into the decision-making process. These companies do more than pay lip service to this shared-values approach to management, for employees are quick to sense hypocrisy in management.

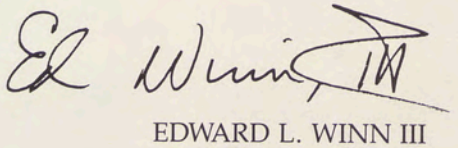
A real change in managerial attitudes can result in a shift from an adversarial relationship to a cooperative relationship with employees. Eastern Airlines and the Aerospace Workers Union made such a switch, and union officials now sit on the Eastern Airlines Board of Directors. North American Tool and Die, under new ownership, went from $1.8 million in sales to more than $6 million in 3 years by instituting a new managerial philosophy of trust and sharing between owners and employees.

I wonder if this shift in American management is making inroads into the rent-to-own industry. I often talk with groups of store managers, and I find them to be an informed and interesting group of people. Far more so than I would have thought by listening to *some* rental owners discuss their employees.

The truth of a self-fulfilling prophecy is evident. People perform more or less as they are expected to perform. If a dealer feels that most people are dishonest and trying to cheat him, that is likely what his experience will be; however, if a dealer expects people to perform honestly and forthrightly, that is likely what he will get.

It is my hope that, as the rental-purchase industry matures, we will see increased trust of dealers toward their employees. Some rental companies go to great lengths to share information about the company—the good and the bad. The owners make no secret of the finances of the company and meet frequently to let employees offer suggestions about cutting costs and increasing profits. Most importantly, they take the time to listen to what their employees have to say. It is a system that builds loyalty and breeds trust and high performance.

Looking out into the rental-purchase marketplace, I see that this philosophy helps create an atmosphere of pride in the business. Pride in the business is an attitude long overdue and very welcome in this burgeoning industry.



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PHILCO . . . Your Profit Line

BY SHIRLEY GREENLY

Renting to Rural America

Dealers succeed in remote locations

Ah, life in the country. Fresh air, far-reaching vistas, serenading sparrows, and rental-purchase.

Rental-purchase? Yes, the rent-to-own industry is alive and well in the small towns of America, according to dealers conducting business in remote locations. Rental-purchase is spreading across the country and is no longer an urban phenomenon.

"Times are changing," says Jack Callender, owner of Sights and Sounds TV Rental, based in Metairie, Louisiana, "and perceptions of the rent-to-own business are also changing. Rent-to-own works in the country."

"Everybody is closer and not as mobile as in the cities," notes Betty Coolidge, owner of three Mrs. T's Rental stores based in Central Village, Connecticut. "We're now getting a second generation of customers—children who used to come in when mom and dad made a payment are now grown and renting from us as well."

Knowing everyone in town is not the only reason dealers choose to operate in rural areas.

"We feel there are merits to rental-purchase anywhere," Michael Heflin says, whose family owns five Award Appliance Centers in both small and large cities in Washington state. "But the lack of competition in remote areas is a definite advantage."

Rural Customer Types

Does the rural rent-to-own customer differ from his or her urban counterpart? Although it is difficult to generalize, certain customer characteristics do surface.

"Most of our customers are blue collar workers," says Pauline Companion, who with her husband Roger owns five Companion's Rentals in Vermont, New Hampshire, and New York.

Betty Coolidge reports her customers are middle income mill workers, laborers, and mechanics. Many have a wife and children at home.

Michael Heflin, however, sees a variety of customer types coming into his stores.

RENTAL RATES, PROFIT MARGINS, STORE HOURS, AND STAFFING NEEDS ARE NOT VERY DIFFERENT FROM THOSE OF STORES IN THE CITY, BUT THERE ARE SOME VARIATIONS.

"We have all kinds of customers," he observes. "Many like it because they can't purchase these items any other way. But we also get more affluent customers who like rental-purchase because they are not obligated to pay for long periods of time."

A high level of honesty among customers is enjoyed by rural dealers. Skips and stolens from remote stores appear to occur at a much lower rate than in urban areas.

"The majority of our rental customers know each other," says Betty Coolidge. "Customers go out of their way to help us trace skips. Because of this, they also expect you to understand when they're going to be a little late with a payment. People don't move as much in the country. Even when they do, there are always family members still in the town to help you locate missing items."

Pros and Cons

According to dealers, rental rates, profit margins, store hours, and staffing needs are not very different from those of stores in the city, but there are some variations.

"Rates really average out to be about the same," notes Betty Coolidge. "Our profit margins also run the same as city stores. We have four employees per store and their pay is much lower than in the city."

"Our pay is based on the BOR of the store, so it varies from location to location," notes Brenda McKenzie, vice-president of McKenzie Development, based in Cleveland, Tennessee. "Our smallest location is in a town of 12,000 people and it supports the store very well. Rent for store space is higher in the city, and we have more employees in our city stores. To compare, we have three full-time and one part-time employee in the rural stores, and five full-time workers in the urban stores."

Sam Haber feels his profit margins may be a little lower than those of city dealers.

"Our volume is so much lower," he says, "that prices are higher. However, I don't have to carry as large an inventory as urban stores."

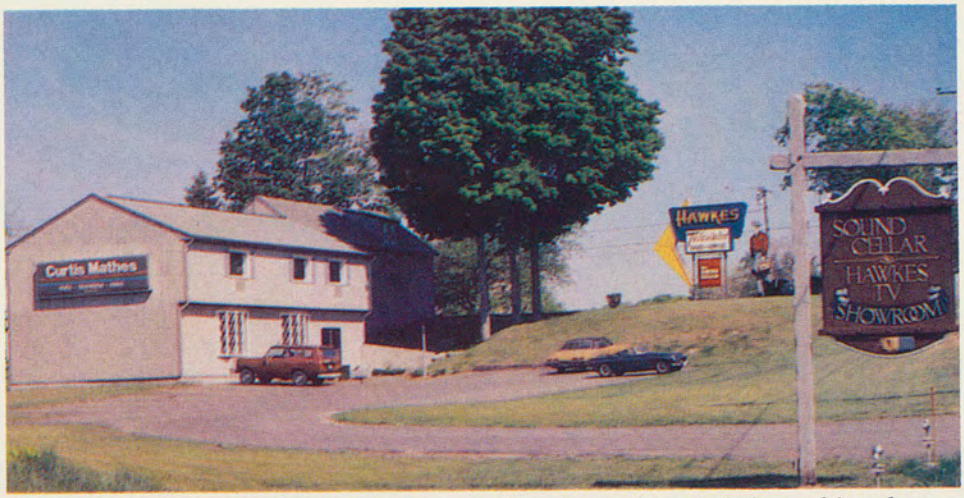
Business volume in rural stores varies, just as it no doubt does in urban areas. Store size, location, area population, and sources of customer income all play a role. Rural dealers reported as few as 50 customers per week, to as many as 200 per week per store.

Michael Heflin says, "We have more customers in our urban locations than our rural for obvious reasons. There are simply more people in the city."

Advertising

Advertising strategies in remote areas differ from those of the city. One reason is that not all common urban advertising mediums are available in small towns. A definite advantage is lower overall advertising costs due to lack of competition.

We are restricted from advertising on



The rural rent-to-own customer has many of the same characteristics as his urban counterpart.

television because there are no local channels," says Betty Coolidge. "We do not advertise in the newspaper or on radio either. We just use the local shopper's guide. About 5 percent of our revenues are devoted to advertising costs."

Michael Heflin says his rental-purchase advertising efforts do not have to be as great in the small towns because of the lack of competition. Yet, he does advertise since he is also in the video rental business where more competition exists.

Pauline Companion reports, "We advertise in the local newspaper and on radio. We also advertise in the local shopping guide because *everyone* reads that."

Brenda McKenzie's advertising efforts are directed toward newspapers and radio. "If our rural stores are in an area with television stations," she says, "we tag manufacturer's ads with our store names and locations."

Disadvantages

Rural rental-purchase is not all friendly faces and lack of competition, unfortunately. Betty Coolidge comments on the special problems encountered by remote location dealers.

"Because your customers take you as a friend," she says, "it is more difficult to be firm than if you did not know them. Also, a lot of time is spent on the road due to the distance between stops. This is especially bad during the winter months because of all the snow and ice.

"We can easily put 50,000 miles per year on each truck," she continues, "and we have much higher gasoline and repair costs on our vehicles."

Sam Haber notes another disadvantage of location far from a large city.

"You can get better purchase prices on merchandise in big cities," he says. "Because of this, our rental prices are higher."

Overall, remote location dealers appear to be a happy lot. Providing a welcome service to people who might not otherwise be able to own appliances, and the satisfaction of knowing one's customers personally, tends to counteract any hardships. **PR**

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS.

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Changing Rental Contracts

With laws regarding rental-purchase being enacted in several states and with hearings on rental-purchase scheduled in other states, dealers may try to anticipate changes in the law when printing new contracts. This guessing game has some benefits, but should not be viewed as a means to save money.

Dealers in states without statutes currently in force, or with bills under consideration, cannot anticipate the new statute's provisions when formatting and reprinting contracts. Each statute currently in effect reflects substantially different ideas about the information and disclosures that a rent-to-own contract should contain. Contracts written to comply with Georgia law, for example, would not pass muster next door in South Carolina.

If a dealer's objective is to avoid the expense of redrafting the contract when and if a law is passed, don't bother to make the effort.

But, if the idea is to revise the contract to comply generally with the current requirements of the enacted statutes, that is possible and quite desirable.

The notion that consumer contracts should contain conspicuous disclosures of important provisions has gained wide acceptance over the last 5 years. It is not enough for the contract to contain these provisions within its text. The trend in all transactions with consumers is toward highlighting the important provisions since the consumer does not read most contracts carefully enough to negotiate intelligently the variable terms, or engage in comparison shopping for more favorable terms. There are similar aspects in rental-purchase.

Consumer advocates prefer that rental dealers display the total number of payments prominently in their contracts. Lately, these same advocates are promoting disclosure of the cash selling price or fair market value of the property at the time of the initial rental. There is a certain logic in that request if a consumer is shopping between a rent-to-own transaction and a credit sale transaction. Yet, rent-to-own customers typically do not make this comparison. They are more concerned with the amount of weekly or monthly payments and the time (rather than the cost) it takes to acquire ownership.

STATUTES TYPICALLY REQUIRE CONSPICUOUS DISCLOSURES GROUPED TOGETHER AND PRESENTED IN A LOGICAL FORMAT IN A READABLE TYPE SIZE.

A DISCLOSURE STANDARD IS BEGINNING TO EMERGE. THE DISCLOSURE REQUIREMENTS ARE BECOMING WELL KNOWN BOTH IN OUR INDUSTRY AND WITHIN THE CONSUMER ADVOCATE COMMUNITY.

There is concern among the consumer advocates regarding extra charges on rental items. Reinstatement fees and in-home collection fees always get attention because consumer advocates believe these fees are abused whenever possible. Their response to those fees is to require a prominent disclosure on the front of the contract alerting the consumer about these fees. Some of the statutes which have been enacted propose to limit such fees so as to avoid abuse.

Another area of concern is the disclosure of the new or used condition of the rented property. It is likely that any enacted legislation will contain a requirement for that disclosure.

Other disclosure items included in new legislation are the consumer's liability for loss and damage to the property; waiver of defenses; amount and timing of payments; responsibility for maintenance of the rented property; the purchase of mandatory insurance by the renter; and balloon payments. Statutes typically require conspicuous disclosures grouped together and presented in a logical format in a readable type size.

The outline of a disclosure standard is beginning to emerge. The disclosure requirements are becoming well known both in our industry and within the consumer advocate community. This suggests that it is a good idea to go ahead and comply with these disclosure standards, avoiding any possible negative repercussions. If, as an industry, rental dealers can begin to show compliance with the de facto standard now generally acceptable to most consumer advocates, dealers may be able to diffuse the hostility which has plagued the industry over the years.

There are certainly extremists within the industry as well as within the consumer advocate community. For that reason, there will always be skirmishes. Nevertheless, the moderates within both camps have conscientiously tried to resolve the differences between them on the various legislative and judicial fronts. A standard is emerging. Voluntary compliance with the standard should advance the cause of better public relations for the industry.

Editor's note: LEGAL is a regularly featured column written by James D. Walker, Jr., of Surrett, Walker, Creson & Colley, for rental dealers with legal questions. Please address questions for this column to: James D. Walker, Jr., Surrett, Walker, Creson & Colley, Box 1497, Augusta, GA 30903.

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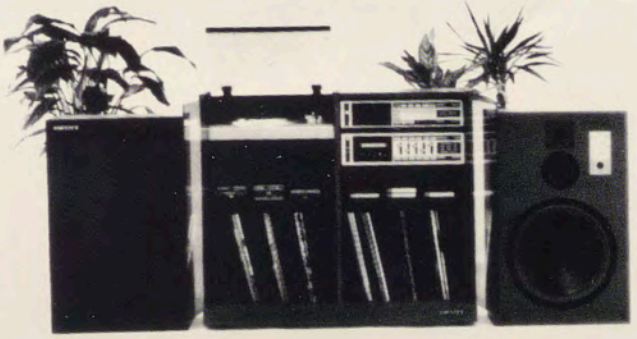

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FEATURE

BY DAVID MORGAN JONES

Growth in Microwave Rentals

Customer recognition builds rental momentum

Last year, over nine million microwave ovens were shipped from factories to retail distribution channels, and penetration is expected to near 50 percent by the end of 1985. Microwave oven rent-to-own arrangements, steadily growing during this time, are seen continuing if the product's momentum is maintained in retail sales.

The prerequisites for building success with microwave oven rentals are simple but important. Rental store owners must understand the features and benefits of the product and how to reach their particular customers with them. Distributors must work closely with their rental accounts and make service a primary goal. Major manufacturers of microwave ovens must develop a support system for rental programs that will be profitable for the company as well as distributors. The long-run effect of good word-of-mouth for the manufacturers in this new, important business is also worth considering.

The rental store operator who brings in microwave ovens has a built-in customer pool for rent-to-own business. "Customers who previously rented washers, dryers, or televisions are already familiar with the rent-to-own process and its benefits," says Larry Sutton, president of B & L Concepts, an affiliate of Champion TV & Appliance Rentals, with 10 stores in central Florida. "Customers can get reliable, state-of-the-art appliances for about $12 to $15 per week, and over the course of 78 weeks, actually own the unit."

Chuck Birkett, president of Charles B. Allen, Inc., a Sharp Carousel II distributor in Houston, agrees. "The keep rate on microwave ovens is pretty good. Once customers get the ovens home and see how convenient and useful they really are, they're inclined to keep them."

Les Brettman, national manager of special markets for Quasar, says dealers must physically get the units in the store for customers to see. He also recommends the display be supplemented with advertising literature, such as

brochures and newspaper advertisements for maximum customer exposure.

Brand Names

Sutton considers microwave oven brand name recognition an important element in rental success. "Customers recognize brand names. A strong microwave brand name is something we advertise," he says. Sutton may even increase brand name advertising around holidays when multicourse meals are served. "Rental stores can also play on the impulse purchase idea, since the arrangement may not be permanent," he says.

Features and benefits of an oven are important for getting and keeping the customer. Today, customers tend to be more informed about products.

"Rentals follow retail trends," Sutton says. "The most popular units in both retail and rental areas in 1984 were high-end touch control, mid-size, and low-end full-size models. Rental store owners should check retail ads before selecting particular models."

Reliability is also important in keeping costs down, Sutton adds. "Product availability is crucial, and not only to replace units being serviced. A customer who comes into a rental store to look for a microwave must be sold within 15 minutes. If the unit is not in stock, the customer is lost. Keeping the pipelines full requires a strong on-going relationship with a distributor."

Distributor Service

It is important to cultivate distributor-rental account relationships, both to make sure plenty of products are on hand and to meet service requirements.

Heading up Raybro Electric Supplies' rental efforts in Tampa, Florida, is Mike Beard, special products manager. Beard handled retail accounts before taking over the rental business. He now finds that experience extremely useful. "Service is key in the rental business. I'm in touch with my rental accounts at least once a week and they know they can call me with any problems or requests for more products, service, or parts," he says.

Beard makes rental account sales calls as if they were retail visits. "I describe an item's unique benefits and explain why a customer would want a particular type of microwave and what is available in terms of service and warranty," he explains.

Among the services Raybro provides its rental accounts is sales training, which he says is essential. If the customer brings an oven back to the rental store because no one told him it was too small, for example, he may not want to do business with that store again," he points out. The distributor can also provide the rental store with point-of-purchase materials to help sell the ovens.

Rental Support

Sharp Electronics Corporation recognizes the rental market and its profit potential, according to Rich Gedman, Sharp national sales manager for home use microwave ovens. "If there's a spe-

continued page 35

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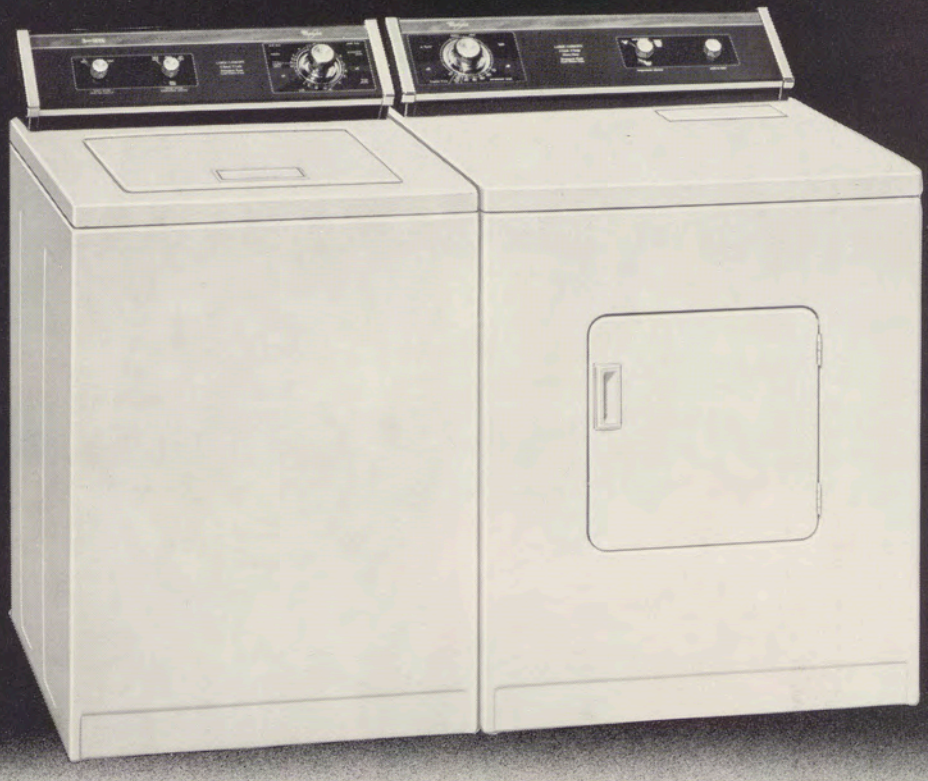

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BY DAVE KINTER

Pursuing Add-On Sales

Recently, a business associate called with terrific news. "I know of a large group of people who need products that your business handles," he confided, "and you won't need advertising to reach them."

I grabbed for a pen and paper to get the names, but he insisted, "You don't need to write the names down. You already have them—they're your current customers!"

It's true. Every dealer with more than one customer has resources for additional business available at his fingertips. Current customers know your store and its location. They are prequalified and most importantly, they won't cost advertising dollars to reach. However, tapping this resource takes work and skill.

Add-on sales start with prospecting. Prospecting is the act of calling a customer to determine the potential for another sale or rental.

A good place to start prospecting is right in your own store. When a payment is brought in, the sales person should seize the opportunity to explore the customer's possible interest in renting a second unit. The response and date should be noted on the payment card, for example: *7/1/85—interested in console TV.*

While this method can be effective, it is not enough. Soliciting business from walk-in customers limits you to a small fraction of your current customer base. Here are some additional prospecting techniques to consider.

THE BUYING CYCLE

Most customers buy in cycles or patterns, especially when buying major products. For example, real estate is sold or resold very 3 to 5 years, cars 2 to 4 years. The buying cycle for hard goods will vary, but it is generally 1 to 3 years.

The buying cycle is also related to the term of payment made for a product. Customers will get an "itch" to purchase another product approximately 60 to 90 days before the end of the term. This means that a favorable time to call a customer and "prospect" is at least 2 months before the end of the term.

CUSTOMERS WILL GET AN "ITCH" TO PURCHASE ANOTHER PRODUCT APPROXIMATELY 60 TO 90 DAYS BEFORE THE END OF THE TERM.

First, ask the customer how his product is working and listen for the reply. If the customer does not sound happy with the product, forget the add-on sale for the moment and concentrate on customer satisfaction. If the customer sounds satisfied, ask him to help you with a survey. How does he use the product? Would he buy or rent the same product again? What other similar products does he own?

The purpose of the survey is to collect information about other items the customer may need or want. A customer might reveal that the entire family watches television together. This clue indicates a possible need for a second television, a bigger television, or a videocassette recorder to tape favorite programs for playback.

TECHNICAL ADVANCEMENT

Technical advancements in home entertainment systems have come a long way in a few short years. It's a fact of life that the technology in many television models, stereo systems, and videocassette recorders changes as quickly as the seasons.

Your customer is also aware of this fact. He is looking to upgrade his equipment with newer, better, sleeker products.

When you have a new product—or an old product in a new style with upgraded features—call everyone who has this model. Find out how the present product is performing. The customer may be interested in testing the latest manifestation of the product.

Also, it is very important to take a few extra minutes to find out a little about the customer's interest and values. Jot this information down on the order form. The more you know about a person's lifestyle and habits, the better you can anticipate and meet his needs and wants.

The next time a new product or marketing plan develops, you can cull through your files and quickly find the names of customers who expressed an interest in new products and payment plans.

SWAP MEET

The "Swap Meet" can be one of the effective sources for acquiring leads. The idea is to meet regularly with carefully selected salespeople who market in noncompeting fields. Do this on a weekly basis, while the information is current and you know that an interest has been expressed for merchandise you carry. Four to six people is the ideal number.

These are just a few ideas for increasing add-on sales that you can easily test in your own store. The main point is to be creative, flexible, and open to leads. Let one source lead you to another source.

Remember, the road to add-on sales is paved with names you already know.

Dave Kinter is president and chief operating officer of Houston-based Remco Enterprises.

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GOVERNMENT RELATIONS

Michigan

BY EDWARD L. WINN III

An important state court battle has been won by a Michigan rental-purchase dealer. On June 7, a judge based in Grand Rapids dismissed most of a class action lawsuit ruling the dealer's rental agreements were not disguised retail installment sales.

In 1982, an attorney for Legal Aid of Western Michigan filed the class action lawsuit. Over 10,000 plaintiffs, including former and current customers of the defendant, were approved to join the suit.

The dealer's rental agreement stated the cash selling price of the rented merchandise, with one-half of each rental payment credited toward the purchase price. This easy formula allowed customers to determine the early buy-out price at any time during the rental term. Cash prices and rental rates were constructed so that the property "paid out" in 18 months.

The Legal Aid attorney attacked the contract as a disguised credit sale in violation of the state retail installment sales act. Legal Aid also argued other aspects of the contract violated the state consumer protection act because it failed to disclose the total payment necessary for ownership. The defendant rental dealer had filed a motion to dispense with the disguised credit sale issue.

IN THE MICHIGAN CASE, THE NCLC ONCE AGAIN SQUANDERED ITS VALUABLE AND INCREASINGLY LIMITED RESOURCES ON A LOSING CAUSE.

When attorneys for both sides pleaded the case in Grand Rapids, various motions for and against summary judgment were argued. If a motion for summary judgment is granted, it means the judge has found no real issue at all and, in effect, dismisses that portion of the lawsuit. Representing the defendant dealer was J. Samuel Choate, Jr., of the law firm Santarelli and Bond in Washington, D.C. Mr. Choate has represented rental dealers in lawsuits on a variety of issues around the country.

ULTIMATELY, THE JUDGE RULED THE DEALER'S RENTAL AGREEMENT WAS NOT A RETAIL INSTALLMENT SALE WITHIN THE MEANING OF THE STATE LAW.

Ultimately, the judge ruled the dealer's rental agreement was **not** a retail installment sale within the meaning of the state law.

The case is important since the liability for the dealer in an adverse ruling would have been ruinous. This liability existed in spite of Michigan's new rental-purchase legislation because the lawsuit was filed before the law was enacted.

Moreover, the ruling is important for all rental dealers because the National Consumer Law Center (NCLC) in Boston had entered the lawsuit on behalf of the plaintiff consumers. The NCLC has for the past 4 years spearheaded the legal aid attack against the rental-purchase industry. Serving as a national clearinghouse for legal aid attorneys, the NCLC has managed to keep the "disguised credit sale" issue alive in spite of the overwhelming case and statutory law against the proposition. The NCLC has also been instrumental in keeping federal rental-purchase legislation from passing by actively opposing the Federal Reserve Board proposal on behalf of consumers.

In the Michigan case, the NCLC once again squandered its valuable and increasingly limited resources on a losing cause. Some day this group of attorneys will recognize the legitimacy of the rental-purchase concept and get on with their business of protecting consumers from the many real abuses in the marketplace.

Connecticut

BY EDWARD L. WINN III

Members of the Connecticut Appliance Rental Dealers Association (CARDA) continued their legislative battles in 1985. Dealers there have dealt with legal aid proposals in the Connecticut legislature for 3 years running. The past 2 years have resulted in no legislative action being taken and this year's result is the same.

Previous anti-industry bills have been aimed at recharacterizing rental-purchase agreements as credit sales. This year the legal aid bill proposed to regulate rental-purchase agreements as separate transactions, but contained provisions for requiring all disclosures mandated for credit sales, plus additional disclosures for rental agreements. In sum, the bill was a thinly disguised effort to put rental dealers out of business in the state.

CARDA members responded to the legal aid initiative with a moderate bill of their own. Unfortunately, the chairman of the committee which heard testimony on the bills was also a sponsor of the legal aid bill. He was able to get his bill out of committee intact after considerable political infighting.

DEALERS THERE HAVE DEALT WITH LEGAL AID PROPOSALS IN THE CONNECTICUT LEGISLATURE FOR 3 YEARS RUNNING.

Various compromise proposals were offered during the interim before the bill was sent to the floor of both houses. During these post-hearing negotiations, the sponsor decided to include commercial rental-purchase agreements in his bill. Historically, legislative efforts to regulate rental-purchase agreements have only concerned consumer transactions.

This change in the bill by its sponsor ultimately proved fatal to the bill. All telephone companies and computer companies immediately joined forces against the bill and lobbied heavily to kill it. Their efforts coupled with the continuing efforts of the CARDA dealers proved successful.

For interested parties, copies of various drafts of the Connecticut bills are on file in the APRO office.

Edward L. Winn III is the general counsel of APRO and a frequent contributor to PROGRESSIVE RENTALS.

Washington Update

BY J. SAMUEL CHOATE, JR.

As Congress begins to gear down for its Labor Day break during the month of August and the first week of September, the stage is being set for consideration of the Federal Reserve Board's proposed amendment to the Consumer Leasing Act which would initiate federal regulation of the rent-to-own industry.

On the Senate side, Senator Jake Garn (R-UT) has concluded hearings in the Senate Banking Committee concerning additional issues that might or should be considered in his attempt to revamp federal financial institution regulations. Again included in this package is the Federal Reserve Board's proposed amendment to the Consumer Leasing Act.

ALTHOUGH ATTEMPTS TO COMPROMISE HAVE FAILED IN THE PAST, INDUSTRY REPRESENTATIVES HOPE THAT THE PASSAGE OF STATE LAWS DURING THE PAST YEAR REGULATING THE INDUSTRY, AS WELL AS CONTINUED INDUSTRY SUCCESSES IN THE COURTS, HAVE CREATED AN ENVIRONMENT CONDUCIVE TO FORMULATING A BALANCED COMPROMISE.

This same proposal has been introduced by Congressman Doug Barnard (D-GA) on behalf of the rental industry. As expected, Congressman Bruce Morrison (D-CT), former head of the New Haven Legal Assistance, has introduced a bill sponsored and written by his constituents in the New Haven Legal Assistance.

Industry representatives in Washington are currently analyzing the Morrison proposal and working with members of Congressman Barnard's staff to see if a compromise can be concluded between consumer interests and industry needs in order to expedite the passage of this legislation.

Although attempts to compromise have failed in the past, industry representatives hope that the passage of state laws during the past year regulating the industry, as well as continued industry successes in the courts, have created an environment conducive to formulating a balanced compromise.

IN WORKING TOWARD PASSAGE OF THIS LEGISLATION, NO ASSET IS MORE BENEFICIAL TO OUR EFFORTS IN WASHINGTON THAN YOUR DIRECT CONTACT WITH YOUR REPRESENTATIVES.

Should such a compromise be effected, it is conceivable that this legislation could be considered apart from the financial institution's deregulation package. That legislative package contains a number of controversial issues that make its passage problematic. These issues could find rent-to-own again, although not controversial, flooded by the disputes raised by Senator Garn's rather broad, and in come cases, cataclysmic changes.

The fall session leading up to the Christmas break in Washington will be a busy and controversial time. With such issues as the budget, tax reform, and financial deregulation facing the Congress, we are a small issue that must struggle diligently if we are to survive to effect passage in the political malestrom of the Congress.

As the possibility of passage of industry-sponsored legislation becomes more realistic, each dealer-member of APRO will be receiving requests to contact various representatives in the Congress, both in person and/or by mail, in support of this effort.

When called upon by the APRO representatives, please take the time to write or visit with your representative either in Washington or in your home district. In working toward passage of this legislation, no asset is more beneficial to our efforts in Washington than your direct contact with your representatives.

If you wish to receive a copy of any legislation that has been introduced concerning this vital issue, please contact the APRO office in Austin.

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

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BY DAVID GARRETT

Customer Market Research

The rental-purchase industry has become competitive in a short amount of time. Dealers not only are competing with other rent-to-own stores, but are also competing for the limited dollars rental customers have to spend. These two factors mean advertising dollars must be spent in the most efficient way possible. When media costs are added, mistakes in advertising can be very expensive.

Planning

The key to planning advertising is utilizing as much information as possible to make efficient decisions.

First, identify where you are now doing business. Buy the most detailed map of your market area and indicate with pins where each customer lives. When finished, natural patterns will identify areas of concentrated customers.

Next, track your BOR growth on a daily basis. Over time, you'll start to see periods of the month when your BOR grows faster than at other times. My experience indicates the last 3 to 5 days of the month, and the first 10 to 15 days of the month, are the busiest rental periods. This correlates with the pay periods of the customers. Consider concentrating your advertising during these days and reduce your advertising during less productive days.

Next, gather information from outside sources. A wealth of information is available from local television and radio stations, newspapers, billboards, and community agencies. You can learn audience statistics about each and then judge which reaches your target market. But, if you stop here with your information gathering, you are letting the media decide where you should advertise.

The next critical area to research is the data gathered by your store. Most rent-to-own stores gather very little in the way of statistics that could be used in advertising decisions.

Start with information you should be getting from your customers. When a new customer is filling out an application, get feedback on listening and viewing habits.

Add a few questions on the application or on a separate sheet of paper. Examples of questions to ask are:

1. **List in order your five favorite television programs.**
2. **List the radio stations you listen to.**
3. **How did your hear about our rent-to-own store?**

Information from these questions can give great insight when planning the advertising budget.

As your customer base grows, you will begin to see which television programs and radio stations better reach your existing customers. This is also a good indication of where to advertise to reach more customers.

Tracking Response

Television advertising can be easily tracked to see what response level a commercial achieves. It takes some effort by store employees to track this data, but the savings will outweigh the time and energy expended.

By producing a television commercial that prominently shows the store's telephone number and directs the consumer to "call now," employees can track the number of calls for a 5-minute period after the commercial runs.

After just one month, it is easy to see which television programs produce the most response. Before making the media buys for the next month or quarter, delete the programs that aren't producing and move the advertising to other programs. Track the response rate of the new programs, too. Before long, the television time purchased produces the highest return per dollars spent.

Radio is tougher to track, since the listener may not be near a telephone when your commercial is aired.

One method of targeting your radio dollars is to advertise a premium offer on only "one" station and track the response level. Do the same on another station, or on as many stations as you choose to use. Combining this data with the information gathered from customer applications should direct advertising dollars to the radio stations with the best potential of reaching your target market.

Direct Mail

Direct mail has the potential of a good return on investment if the distribution is targeted properly. Using the information from your pin map, you now know where your customers are concentrated. A direct mail effort in these neighborhoods is advisable. The best potential of getting new business from direct mail is in the areas where you are now generating the highest BOR.

The visibility of your truck in the area, new customer word of mouth, and other factors contribute to your exposure in those neighborhoods. Direct mail has the best return during the last 3 days and first 7 days of the month.

After a direct mail piece is distributed, track where your new business during this period is generated. You should show increases in the distribution areas over expected normal growth.

Your information efforts should direct you in your advertising decisions. Valid advertising decisions are made by utilizing the correct information and the savings can be redirected to other aspects of your business.

David Garrett is a partner in the advertising firm of Biggers, Patterson, and Garrett of Orlando, Florida. Mr. Garrett presented a preconvention seminar on "Advertising to the Rental-Purchase Market" at the July 1985 APRO Convention.

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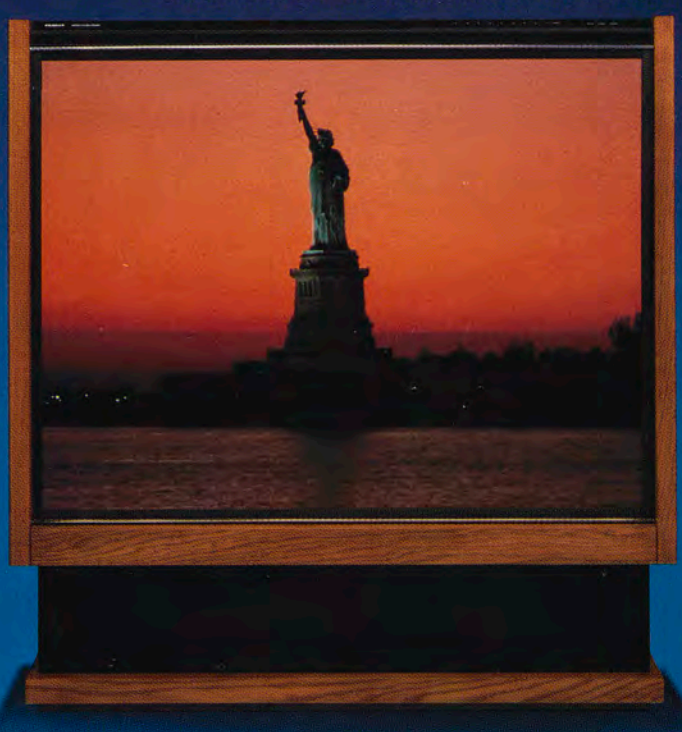

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T A L S

CORPORATE MOVES

Clayton

Gerber

Drysdale

Krumm

Biddinger

Friend

Joseph P. Clayton has been named vice-president, marketing operations for RCA Sales. Clayton has been associated with RCA in several marketing positions since 1973. He replaces **David H. Croner** who has been elected executive vice-president, Canadian Sales Operations, for RCA Distribution. Now assisting Clayton is **Richard D. Levin**, manager, national accounts merchandising.

Pilot Audio has expanded its sales operations and has created a regional headquarters to serve dealers in the Northeast. **Martin Gerber** has joined the company as vice-president to direct regional operations. Gerber is the former senior vice-president of Quasar Microsystems.

J. Keith Drysdale has been appointed vice-president of strategic planning at N.A.P Consumer Electronics. Drysdale joined the parent corporation, North American Phillips, in 1984 as manager of corporate business planning.

Other corporate moves at N.A.P. include **Mark Stephenson** as director of marketing planning for Magnavox; **Breland W. Holley** as national sales director, computer products; **John J. Kalec** as controller of N.A.P.; and **Dr. J. Peter Bingham** as vice-president of engineering.

Maytag President **Daniel J. Krumm** has been honored by *Financial World* magazine as "1984 Chief Executive Officer of the Year," in the household appliance field. A panel of financial analysts based its decision on the financial results of the company, its leadership in the industry, the leadership demonstrated by the chief executive officer, and his contributions to the community.

Whirlpool Leasing Services (WLS) has announced the election of **James W. Biddinger** as president of WLS, a wholly-owned subsidiary of Whirlpool Acceptance. WLS provides a variety of lease alternatives to clients nationwide, with special emphasis on middle market transactions and vendor leasing. Biddinger joined Whirlpool Acceptance in 1966 and has held numerous positions with the company.

William J. Friend has been promoted to the position of director, western sales and distribution for Whirlpool. He has been with the company since 1970.

Editor's Note: Corporate Moves welcomes news of promotions, personnel, and corporate changes fron rental dealers, manufacturers, distributors, suppliers, and other organizations connected with rental-purchase. Send (with photos) to: PROGRESSIVE RENTALS, *1866 Inter-First Tower, Austin, TX 78701. Deadline is 1st of month preceding issue date.*

MANUFACTURERS' NEWS

Remco has returned to furniture rental in style with the opening of a spacious showroom in an East Houston outlet. Over 1800 square feet is devoted to furniture "vignettes"—an isolated space where furniture is displayed in room settings as if it were in someone's home. There are six living room vignettes, two dinettes, one dining room setting, a master bedroom suite, bunkbeds, and three recliners.

The company spent several months researching the move and will study the results from this showroom before committing to any additional furniture showrooms.

Hitachi has made a bold move in the TV world by introducing a 22-inch picture tube now available in three black, high-tech styles. The console series can be used as a basis to form an audio/video system, used as a computer monitor, or as an individual television set. All of the new sets are remote operable.

Ron Berger, president of National Video, has announced the selling of the company's 1000th franchise. Over 500 franchise owners have helped National Video set several records including selling 200 franchises in the first 115 days of 1985. The company has grown over 500 percent, while the video programming industry in general has doubled since 1980.

The results of Whirlpool's contest to pick consumers' favorite new colors for appliances have been tabulated and toast, a light earthtone, beat out platinium, a light grey. Traditional-minded consumers still prefer white for laundry equipment, with almond a strong second. Almond is the choice for refrigerators, however, with white second.

Harvey Urman of Harjoy, the marketer of Funai VCPs, states he is "very happy to continue selling" to the rental market, according to *Video Week* newsletter. "We haven't scratched the surface," claims Urman by predicting 1985 sales of VCPs to be between 200,000 to 250,000 units. Urman believes the VCP will not become a viable consumer item until the retail price hits $150.

PortaVideo's chief executive, Ted Thrush, estimates that 500,000 VCPs will be sold in 1986 and that the machine could account for 20 percent of VCR/VCP sales in 5 years.

Ingram Video has expanded its marketing efforts by adding a marketing development department which will emphasize the development of a sell-through market, exclusive Ingram promotions, effective use of co-op funds, and the enhancement of publications. The department will be under the direction of Eric George, marketing development manager.

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Glossary of Rental Terms

Part Two

The rental-purchase industry has certain terminology unique to the business, as well as generic terms that help us communicate with other dealers. PROGRESSIVE RENTALS presents the concluding half of the rental glossary begun in the June 1985 issue.

POP: acronym for point-of-purchase. Any promotional material used to advertise a product in the store and to encourage the customer to act.

Product Mix: the percentage of a particular product (such as televisions, stereos, etc.) of the store's total inventory. Also, the percentage of a particular product on rent compared to the total BOR.

Profit and Loss Statement: a financial statement that summarizes income and expenses and the resulting profit for a specific period of time.

Purchase Requisition Order: a document completed by an authorized agent of the business to request goods or services from a specific company at specific terms.

Quota: a goal set by management, such as a specific number of renewals per day, or new rental agreements per week, etc.

Reference Check: to contact employers, friends, or relatives as provided by a customer to verify certain information on a rental agreement.

Renewal Option: an option the customer has to continue a rental agreement by paying the regular rental rate.

Rent-to-rent: companies that prefer to rent items without a purchase option.

Rent-to-own: another term for the rental-purchase industry that describes the business format of the industry.

Rental Agreement: formal written document outlining rights and duties of the customer and the company in a rental transaction.

Rental-purchase: optional form of acquiring ownership of merchandise by renting an item for a specified period of time without continuing obligation. Different from retail in that services such as repair, pick-up, and delivery are covered for the life of the rental agreement and are included as a part of the base rental price.

Retail Installment Sales Acts (RISA): any of various state legislative enactments covering credit sales and providing for certain disclosures by the retailer to the consumer.

Returned Check: a check written by a customer for payment of a rental agreement that is refused by the bank for insufficient funds, closed account, etc. Also known as NSF.

Returned Check Log: listing of the returned checks to the business per day or per week.

Renewal Card: back or last copy of the rental agreement used for payment information previously called Chase Card, Collection or Route Card.

Route Manager: person who handles deliveries or pick-ups for a rental outlet. Also known as Account Manager.

Skip: any account that moves without notification and takes a dealer's merchandise, in an attempt to avoid payment on, or return of, the merchandise.

Skip-Trace: the process of ethically investigating and gathering information to locate a skipped customer's whereabouts for collection of the overdue account or recovery of the dealer's merchandise.

Spot: informal term referring to any advertising on TV or radio, e.g., 30-second spot, radio spot, etc.

Stolens: merchandise reported by the customer to the police and to the dealer as having been stolen.

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Switch Out: to exchange the customer's current item with another item of like value and description.

Term: length of the rental agreement.

Terms: the conditions of the transaction as detailed in the rental agreement.

Termination: the customer's option not to pay the rental fee causing the end of the agreement and necessitating the return of the merchandise. Also, to end an employee's employment with the business.

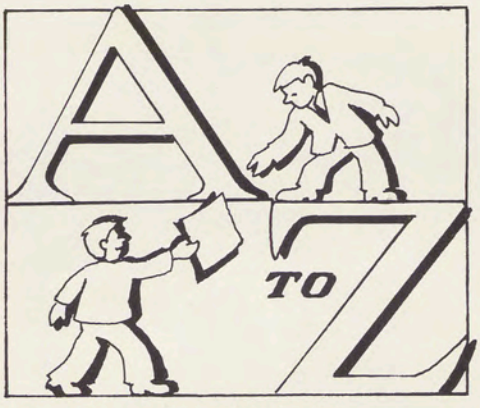
Title: documentary evidence of ownership and legal right to possession of property.

Traffic Sheet: form used to track the distribution of merchandise either from a company's warehouse to its stores, or from the store to the customer.

Truth-In-Lending Act: A Federal Consumer Credit Protection Act requiring the seller to disclose his method of computing interest prior to the sale and in all billing statements.

Turn Down: an applicant who does not meet the company's qualifications for rental.

Uniform Commercial Code (UCC): a set of comprehensive statutes of business laws designed to achieve uniformity among the states (except Louisiana), although some statutes do vary from state to state.



Units On Rent: the number of items on rent in a particular store at a particular time. Also known as Balance On Rent or BOR.

Upholstered Group: living room furniture grouping made of any of several fabric coverings.

VCP: acronym for a videocassette player. A machine that is designed for playback of videocassettes only and does not record.

VCR: acronym for videocassette recorder. A machine that can both record and playback programs.

Vendor: a supply source that a business uses to acquire goods to rent.

Vertical Rack: audio system housed in a vertical cabinet.

Video: equipment for the reception, recording, or playback of a television or videocassette picture. A typical rental store rents 13-inch, 19-inch, and console models TVs, plus videocassette recorders.

Voucher: an itemized record of payment or receipt of money.

Week-to-week: a rental agreement lasting 7 days that is renewable by making an additional payment as specified in the agreement.

Weeklies: accounts that rent week-to-week.

White Goods: term for appliances such as washers, dryers, and refrigerators, derived originally from the white porcelain finish of the appliances.

Wood Group: living room furniture grouping that consists of an exposed wood frame with upholstered cushions.

Z (Regulation Z): Federal Reserve Board rules included in the Truth-In-Lending Act that describes what and how the lender must tell a borrower about the cost of credit, also called the Consumer Credit Cost Disclosure. ***PR***

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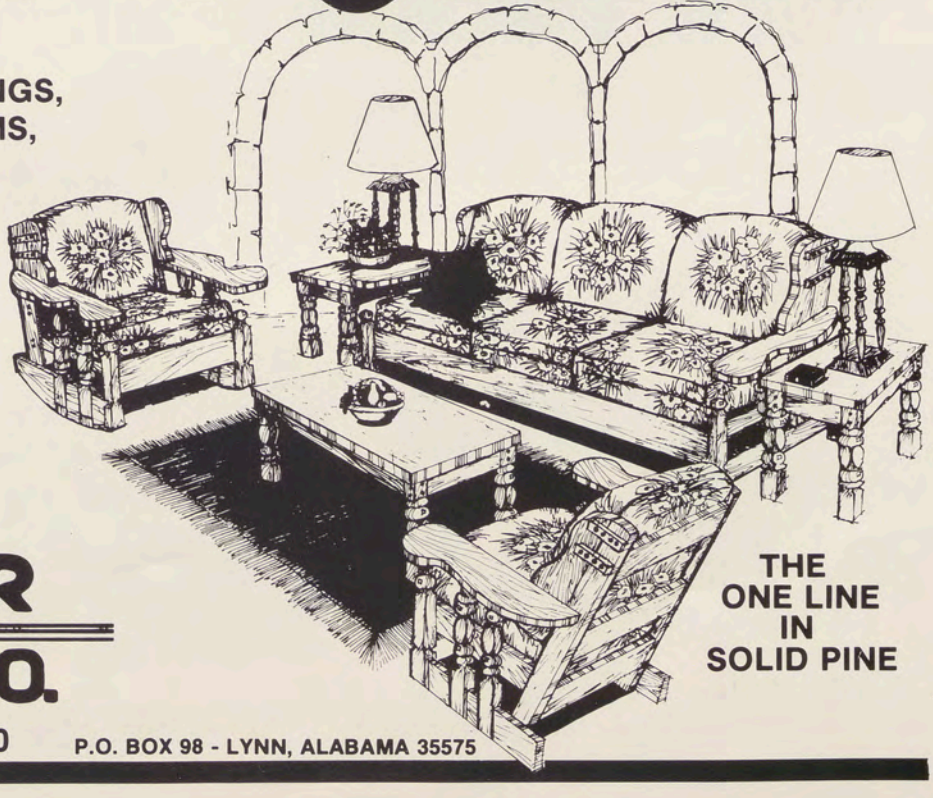

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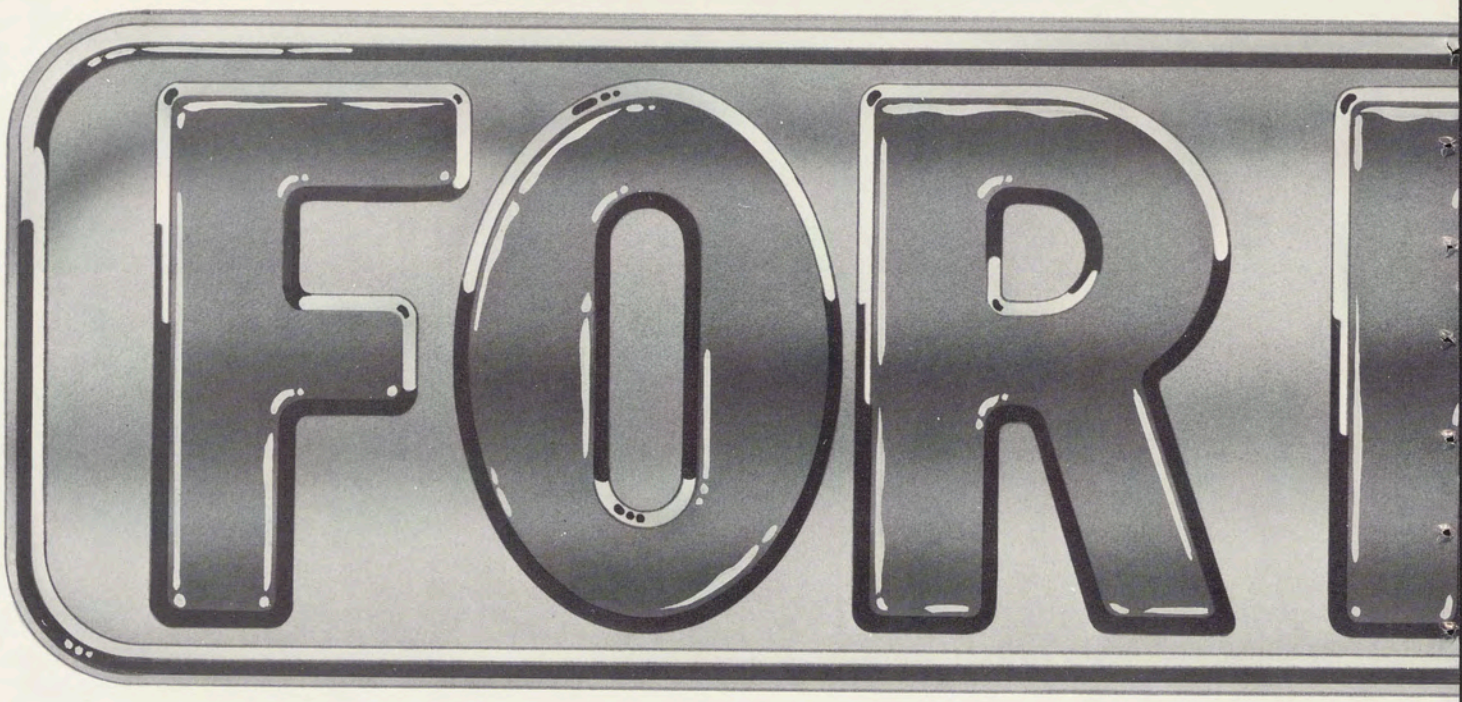

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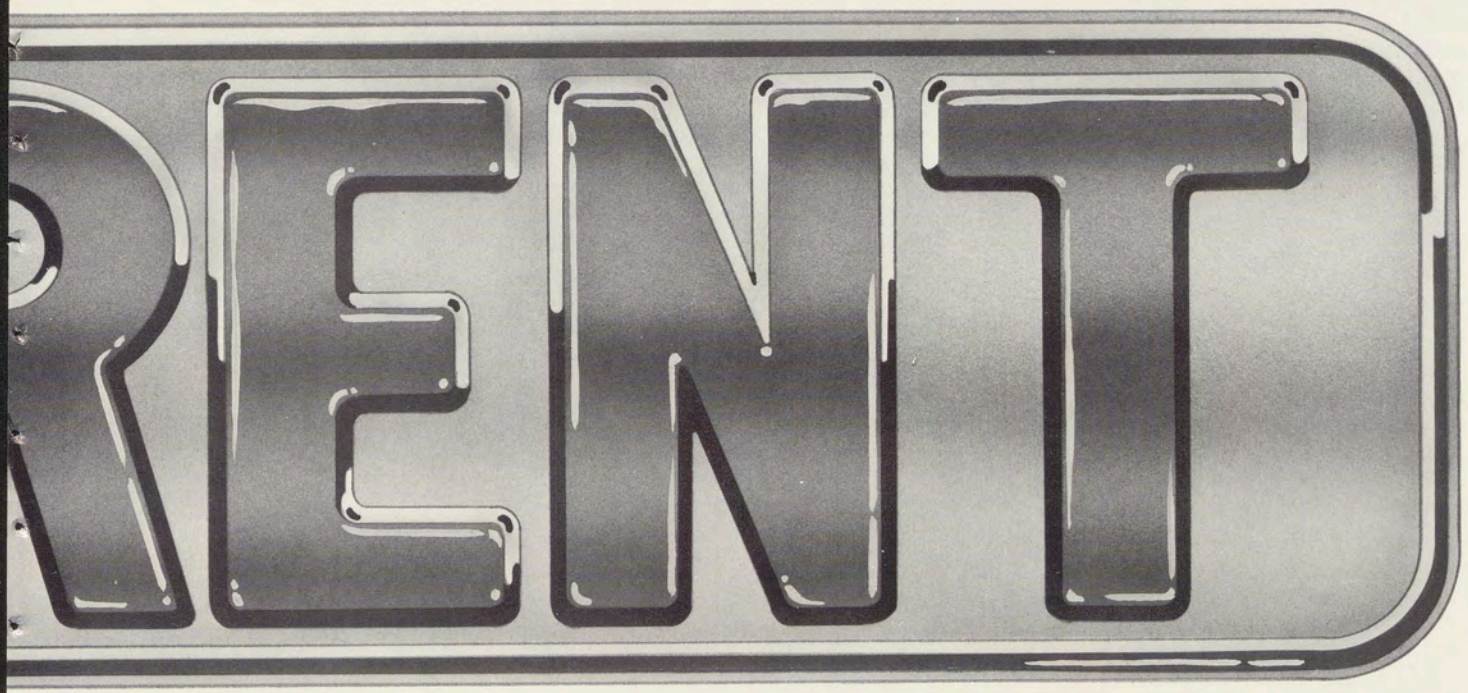

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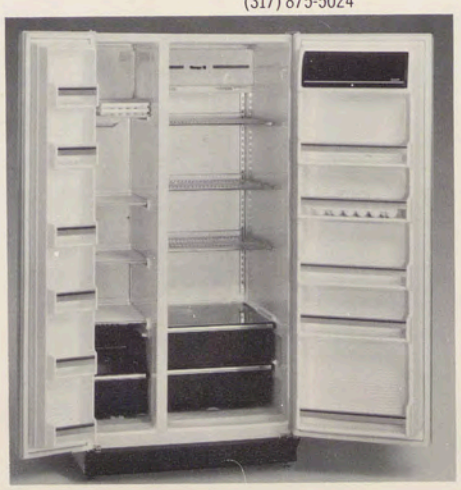

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CUSTOMER RELATIONS

BY GLENN ZWEIBAN

Telephone Customer Relations

Through ignorance or carelessness on the part of store employees, curt, vague, and unprofessional telephone practices occur every day in the rental business. The resultant loss of company prestige and customer goodwill (not to mention actual BOR) goes unnoticed. For every customer who criticizes the way his telephone call was handled, 10 others remain silent and place their business elsewhere.

Everyone has experienced the frustrating problem of communicating directions to someone, teaching someone how to play a game, or telling a prospective customer about the products and services offered in the rental store. Why are so many of these conversations doomed to failure? Without a system for conducting business over the telephone, there is little chance for success.

The rental store is a personal service outlet—one that depends on daily contact with customers for its business. The majority of rental sales is made over the telephone. Since the employee initially does not have the benefit of face-to-face contact, proper telephone techniques are vitally important.

A retail survey of why customers stop doing business at a particular store indicates the following:

- 68% have drifted away because of store indifference
- 14% have stopped buying because of unsolved complaints over products or service
- 9% have transferred to a competitor for lower price or better service
- 5% have been influenced by friends to trade elsewhere
- 3% have moved
- 1% dead or unaccounted for.

The record shows that poor telephone communication can lose business. The telephone is a great marketing tool which should actually help improve customer relations, build goodwill, and increase the rental store's BOR, rather than discourage existing or potential customers. Customers must be made to feel wanted and appreciated. To counteract the effects of indifference perceived by customers, institute an answering framework built around these five points.

> IF AN EMPLOYEE GIVES THE CUSTOMER SOMETHING BEYOND MINIMUM SERVICE, THAT CUSTOMER IS MORE LIKELY TO REMEMBER THE STORE FAVORABLY AND CONTINUE TO DO BUSINESS THERE.

1. **Always answer the phone in a friendly and enthusiastic manner.** Show the caller he is dealing with a company that is eager to give him satisfaction. An upbeat attitude is one of the best public relations tools available to the rental store.

2. **Ask for the customer's name and phone number.** Be accurate. This information is necessary if a follow up call is required.

3. **Listen and answer the customer's questions.** Be attentive. Give answers that you are qualified to give. Ask polite questions to get a better understanding of the situation if the customer has a complaint.

4. **If necessary, explain more about your rental plan.** Give details about service, delivery, brands available, and rental rates.

5. **Thank the customer for calling.** Let the customer know his business is appreciated.

Each item in this framework conveys a message that says this store cares about the customer. Additionally, always attempt to answer the telephone on the first ring. This shows the customer his phone call is not considered an interruption.

The person calling cannot see the sales activity in the store, the stack of account cards to be counted, or the amount of inventory just received. For all the caller knows, the employee answering the telephone is just sitting there waiting to help him.

That is why the first few seconds of the call are the most important. Make the caller feel at ease immediately—to feel he is talking with a friend. The customer expects the employee to be enthusiastic, cheerful, attentive, and ready to help. Greet the caller with, "Good morning (afternoon), thank you for calling (the store). This is (employee's name) speaking."

> THROUGH IGNORANCE OR CARELESSNESS ON THE PART OF STORE EMPLOYEES, CURT, VAGUE, AND UNPROFESSIONAL TELEPHONE PRACTICES OCCUR EVERY DAY IN THE RENTAL BUSINESS.

After this greeting, the customer will explain the reason he is calling and the information he is seeking. The ability to listen is the most important ingredient in good telephone etiquette. Being attentive and responsive to the customer's concerns or requests shows a genuine sincerity to meet the customer's needs.

Remember, the telephone customer cannot touch or see the merchandise. He cannot see the salesperson and judge his honesty or integrity. Through words and through attitude, the store employee must draw a picture for the caller of what the merchandise is like and why this rental store is the best place to obtain it. This necessitates "reading" the customer to determine

continued page 38

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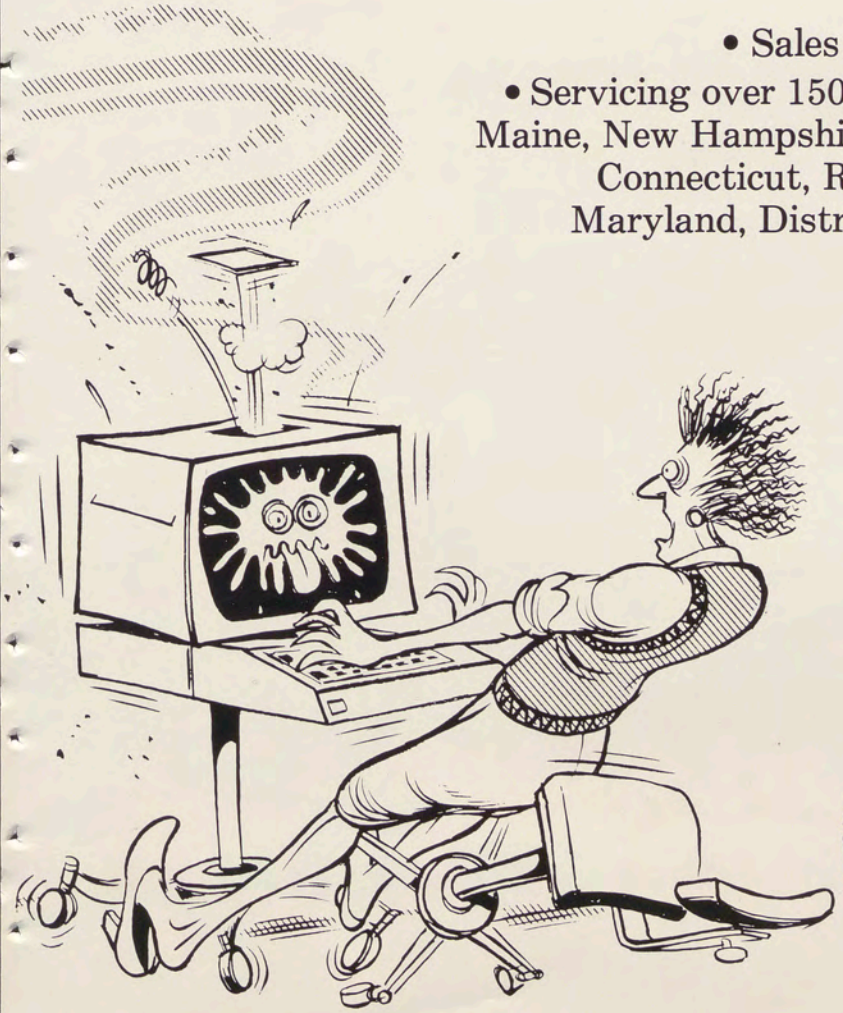

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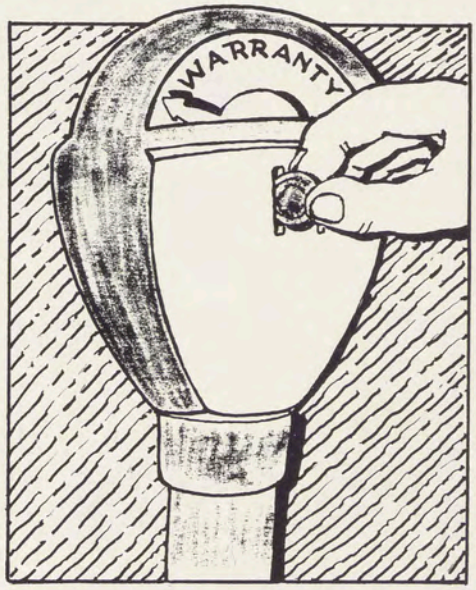

The months between the expiration of an appliance manufacturer's service warranty and the average 18-month rental term can be critical to dealers. To buy or not to buy an extended service warranty is the question, with the use and abuse appliances receive in rental-purchase.

Service Contracts

Some manufacturers offer extended service contracts for purchase by dealers. These warranties may cover parts and labor for the entire appliance, or specified parts. The service contract may or may not include shipping and travel costs as well. Prices for extended warranties vary according to the services offered and the length of the warranty.

For example, Speed Queen washers and dryers carry a standard 12-month parts and labor warranty. A 7-month extension of this warranty may be purchased by rental dealers, but the extension must be purchased at the time of sale. Cost of the contract varies.

Some manufacturers, such as Whirlpool, may arrange for extended warranties on their products to be provided through another company. Whirlpool does not directly offer an extended warranty contract on its appliances; however, one is available for Whirlpool products through the RCA Service Company.

Don Linskey of General Electric does not feel extended warranties are particularly necessary for rental dealers. "GE does not have an extended warranty program," he says. "Our product is 100-percent tested before they are sold. It is probably wisest for a dealer to take his chances and pay for any repairs himself during the last six months of the rental agreement."

Not all appliances have warranties under 18 months. Consider microwaves. These appliances tend to have few breakdowns and are often warrantied for several years. Hitachi microwaves, for instance, carry a 5-year warranty on all parts and labor, 10 years on the magnatron, and a lifetime warranty on the stainless steel interior.

Considerations

What should a dealer look for in an extended service warranty? Warranty guidelines developed by the Major Appliance Consumer Action Panel (MACAP) stress the following: Does the warranty cover the entire product? Or only certain parts? Is labor included? Who is responsible for repairing the product? Who pays for what under the warranty? How long does the warranty last on the entire product? On individual parts and assemblies?

Disclaimers, such as "exclusive warranty for the lifetime of the refrigerator on the sealed refrigeration system," may lead a warranty purchaser to believe the entire refrigerator is covered for its lifetime. Further into the warranty a clarification may be noted in small print: "All other defective parts will be replaced or serviced during the first year of ownership at no cost except for transportation and labor charges." Warranties should always be read with extreme care before purchase.

What are typical appliance repair problems? Commonly named troubles include: refrigerator compressor failure; electric dryer burnout and timer disturbances; various washing machine problems; and range burner failure.

Suppose a dealer decides not to purchase extended warranties for the final six months of the rental term. Owners and managers must understand the mechanical operations of their appliances, and a skilled repair technician should be used in the service department. Replacement parts must be readily available as well. Usually, these can be obtained directly from the manufacturer or distributor. For a slightly higher cost, parts distribution warehouses can often provide parts in a much shorter time.

Customer Contracts

Retailers have been profiting for years by selling service contracts to customers, and rental dealers are beginning to see the light as well. The recent advent of consumer-purchased service contract systems designed specifically for rental-purchase may help dealers recoup the costs of extended warranty programs.

These service contracts are sold to customers *after* they assume ownership by renting the product to term. The consumer chooses how many years the contract will be in effect, and fees increase as the product becomes older. Dealers keep 20 to 50 percent of the customer's payment and submit the remaining percentage to the firm administering the warranty.

A consumer service contract system for rental-purchase is currently available from United Service Administrators (USA) in Jackson, Mississippi. The USA system allows dealers to pay USA as the customer pays the dealer, thereby limiting drain on cash flow. Voyager Insurance in Jacksonville, Florida is currently developing a consumer warranty system as well.

Roy May, of Yam's Discount Rentals in North Little Rock, Arkansas, is testing a system that will allow dealers to administer their own consumer-purchased service contract system. The contracts will be offered only to customers who have rented to term.

Since a number of options exist, dealers should carefully analyze the fine print of any program they consider. Choosing the best course of action can then be based on the durability track record of the appliances they have rented. **PR**

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS.

MICROWAVES

continued from page 16

cial need for parts or a specific oven model, we do our best to keep the distributor well supplied," he says.

Les Brettman notes, "Quasar's rental sales in microwaves have increased by 30 percent this year over 1984. To maintain customer satisfaction and continued growth, we offer a 5-year warranty on parts, and a 5-year warranty on carry-in labor."

Richard Leister, public relations director for Samsung, says, "We are just now entering the rental-purchase market. We exhibited at APRO's 1985 convention and showed a selection of models, from compacts to full-size models with turntables. On our top-of-the-line microwaves, we have a lifetime warranty on the magnatron as long as the unit is owned by the original purchaser. On other models we have a 2-year warranty on parts and labor and up to 7 years coverage on the magnatron."

OVER NINE MILLION MICROWAVE OVENS WERE SHIPPED FROM FACTORIES TO RETAIL DISTRIBUTION CHANNELS, AND PENETRATION IS EXPECTED TO NEAR 50 PERCENT BY THE END OF 1985.

Sharp has also created a special warranty program tailored to rental accounts so the rental store can benefit from the manufacturer's 7-year warranty on the oven's magnatron tube, 2-year parts warranty, and 2-year in-home service guarantee. "In this case," says Gedman, "any necessary service is done at the rental outlet."

Cooperative efforts of manufacturer, distributor, and rental store owner will increase the success of the microwave oven rent-to-own business, predicts Chuck Birkett. "Five or six years ago, microwave ovens were not even considered in the rental store mix. Now they represent an industry average of 3 to 5 percent of the merchandise in the store.

IT'S IMPORTANT TO CULTIVATE DISTRIBUTOR-RENTAL ACCOUNT RELATIONSHIPS, BOTH TO MAKE SURE PLENTY OF PRODUCTS ARE ON HAND AND TO MEET SERVICE REQUIREMENTS.

We think we can keep the category growing if we continue to offer service and an excellent product."

Les Brettman sees further growth for the appliance in the rental market. "Microwaves in the rental-purchase industry are experiencing slow, but steady growth. They have not expanded as rapidly as VCRs or TVs, but will continue to expand as they are exposed to more consumers." ***PR***

David Morgan Jones is Associate Editor of PROGRESSIVE RENTALS.

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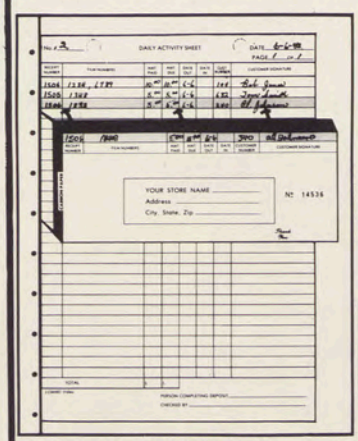
Saf-Write Forms & Systems will help you gain control of your business with a Saf-Write system, tailored to your company's individual needs. You can gain control, gain accuracy, and speed of handling. Saf-Write will customize your rental documents from Cash Receipts to Rental Agreements. Total control adds to profits.



VIDEO SYSTEM

Your customer's account records are kept in a posting tray alphabetically by customer name. When he arrives to make a payment, you merely pull his card from file, place it beneath his payment receipt and while you are filling out the receipt, all other records are created simutaneously.

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Our Unique System For receipting customer payments enables you to:

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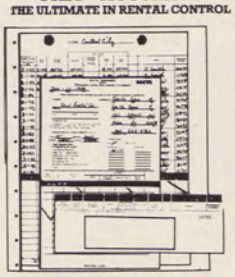
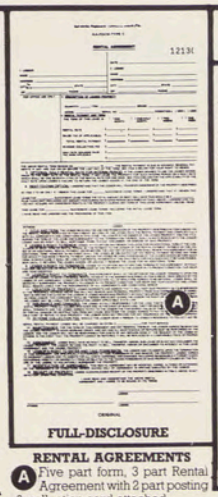


TV SYSTEM

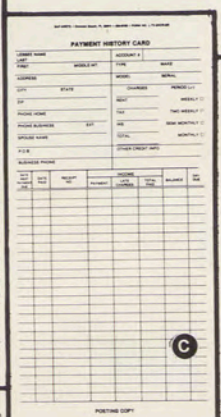


FULL-DISCLOSURE

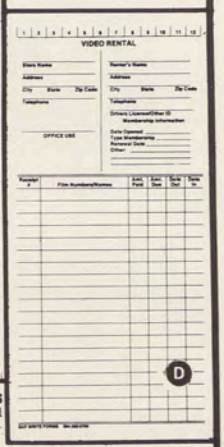
RENTAL AGREEMENTS
A Five part form, 3 part Rental Agreement with 2 part posting & collection card attached.

NON-FULL DISCLOSURE

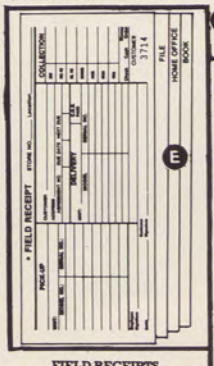
RENTAL AGREEMENTS
B Five part form, 3 part Rental Agreement with 2 part posting & collection card attached.



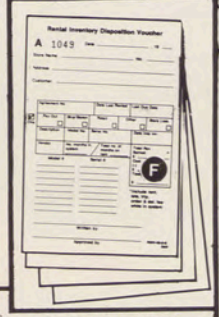
POSTING/COLLECTIONCARDS
C 2 Part NCR Ledger card used for posting copy and collection copy.



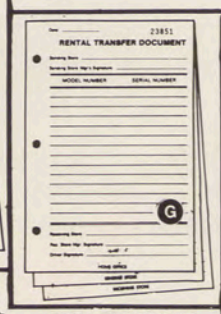
VIDEO POSTING LEDGER
D 1 Part Ledger Printed Both sides. Used as member Rental Record.



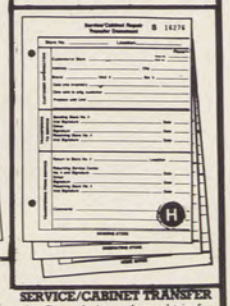
FIELD RECEIPTS
E Designed for in-the-field movement of equipment and recipt of in-the-field payments. 4 Part NCR, Booked, and Numbered.



RENTAL INVENTORY DISPOSITION VOUCHER
F Complete Record of Items removed from inventory because of, pay out, skip, stolen, or Store Loss



TRANSFER DOCUMENT
G Ideal for interstore transfers. Used for the transfer of equipment between store locations.



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H Controls items brought in for repair/service. Complete record of time and responsibility.

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Nuts & Bolts

CUTTING HEALTH CARE COSTS

Many companies are devising means of decreasing employee medical insurance expenditures. According to *Compflash*, a survey of 218 large companies conducted by the Towers, Perrin, Forster, and Crosby management consulting firm, "Fifty-one percent of the companies have extended coverage to outpatient surgery for selected procedures, 14 percent require employees to obtain company or third-party approval before being admitted to a hospital for any nonemergency surgery, and 44 percent encourage their salaried employees—through incentives and penalties—to obtain second medical opinions on the need for surgery."

Over half of the companies audit employee hospital bills to determine their accuracy and the necessity of tests and procedures.

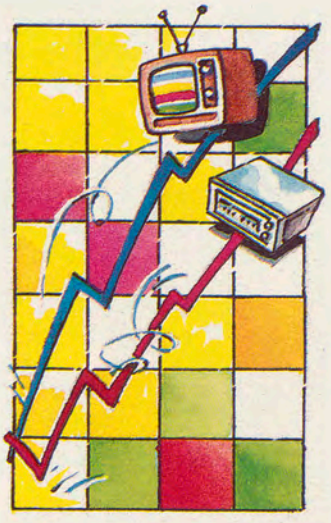
Companies surveyed also said the most effective measures in cutting health care costs were: changing the manner in which health care costs are financed; raising employee deductibles and coinsurance levels; mandatory employee contributions to premiums; and upgrading coordination of benefits and plan administration.

New programs should be considered carefully before implementation, however, since some companies are discovering that the price-reducing measures may be costing as much money as they save.

STRETCHING YOUR DOLLAR

Are you getting the most for your advertising dollar? If not, studying the following guidelines from the April 1985 issue of the *Entrepreneurial Manager's Newsletter* may give your ad campaigns a boost.

- Don't give up on an ad too quickly. Repetition will generate maximum response, so allow your ads to run often enough to build consumer awareness.
- It is often more profitable to run a small print ad or short TV or radio spot than using a large or long ad on an infrequent basis. Keeping your name in front of the consumer is important.
- Avoid featuring the company president's photo in advertising. Consumers are more interested in products than who is running the business.
- If on a tight budget, don't spread your advertising too thinly. It is wiser to make a strong impact in, for instance, newspapers only, than to attempt to encompass TV, radio, newspapers, magazines, and billboards on a small budget.



VCR SALES HIT RECORD NUMBERS

TV Digest reports that VCRs and color TVs reached their highest annual sales rates in history in March. The rate for color TVs was just under 18 million, and the VCR rate was 15 million. Industry median forecasts had indicated a 16 to 16.2 million rate for color TV and 9 to 9.5 million for VCRs.

Color TV sales hit a 13.2 million slump in January, then rose steadily to 17.1 million in February and nearly 18 million in March. VCRs jumped dramatically in March from a 12.6 million rate in February and 12.2 million in January.

Dealers bought more than one million VCRs in March. The only other month to see VCR sales rates surpassing one million was December 1984, in which all-time sales records were set. March 1985 sales were higher than those of March 1984 by 90.2 percent, and VCR sales in the first quarter of 1985 totaled 2,469,903.

WHAT'S THAT SOUND?

After installing a new home appliance, many consumers are surprised by noises the appliance makes while in operation, especially if their old appliance sounded differently.

In response, Whirlpool has published a brochure explaining the operating sounds of nine major home appliances. By consulting the booklet, consumers can ascertain whether their appliances' sounds are normal or indicate a problem requiring a service technician's attention.

For instance, a consumer who has purchased a refrigerator with an ice maker may be startled by the clatter of ice cubes tumbling into the ice bin. This might result in an unnecessary service call, wasting the time and energy of the consumer and the service technician.

A free copy of the brochure, *Nice Things to Know About the Sounds of Major Home Appliances*, can be ordered by sending a self-addressed, stamped envelope to: AIS, Whirlpool, Administrative Center, Benton Harbor, Michigan 49022. Prices for additional copies are available upon request.

BETA SUFFERS NEW BLOW

The Beta VCR format suffered another blow recently when Toshiba America introduced three new VHS VCRs at the company's 20th anniversary celebration in Hawaii.

TV Digest reports that although seven new Betas were introduced, Toshiba has targeted VHS to provide 75 to 85 percent of its units by year's end. Prices for Toshiba's VHS models will be at a premium compared to its Betas. The VHS models range in price from $550 to $750, compared to Betas at $430 to $450.

Toshiba has adopted VHS with some disappointment. Paul Mitchies, executive vice-president, told *TV Digest*, "The unfortunate thing is that in VCRs, the best format is lost."

In addition, the Beta-movie camcorder has been discontinued and the introduction of Super Beta is being reevaluated by the company.

INFORM WORKERS OF BENEFITS

It is a wise idea to be certain newly-hired employees are informed of their company benefits, or lack of them.

According to *Compflash*, a newsletter covering developments in compensation and benefits, a recent New Jersey court case centered around an employee's lack of information on medical benefits. The employee was advised by the personnel department to accept pay at an hourly rate rather than a salary. She was not told, however, that by declining a salary she would forfeit medical insurance coverage.

Her husband became ill and when the company's medical plan denied payment, she sued her employer for negligently misrepresenting her options by not telling her the hourly position did not offer medical benefits.

A New Jersey appellate court ruled that an employer must inform employees of their benefits. The court then returned the case to a trial court for determination of "whether the company's representative adequately disclosed the benefit options to the employee; the company used reasonable care in the exercise of its duty; and the employee's damages were a 'recognizable and forseeable' result of the company's negligent conduct."

NBC GOES STEREO

Stereo broadcasting made new gains when NBC recently took control of its distribution system via satellite, virtually eliminating the use of microwave and cable landlines connecting its affiliates.

NBC is transmitting its afternoon feeds to affiliates by satellite and is dropping its remaining AT&T leased feeds.

NBC is the only commercial network that can transmit stereo to large numbers of affiliates and this summer the network plans to begin transmitting daily stereo programming.

Affiliates of NBC have 172 earth stations and the network leases up to 10 transponders on SBS satellites.

APRO™

Association of Progressive Rental Organizations

MEMBERSHIP BENEFITS

The list is GROWING...

TRAINING MATERIALS AND SEMINARS

Seminars put on by professional consultants and experienced rental dealers cover selected topics designed to aid in professional management of rental operations. Seminars highlight major areas of concern for rental dealers: Legal Procedures, Collections, Rental Finance, Personnel, Management Techniques, and Advertising and Marketing Methods. Seminar sites have included Philadelphia, Cincinnati, Denver, San Francisco, Acapulco, Atlanta, Kansas City, Dallas, Houston, St. Louis, San Diego, Hilton Head, Orlando, New Orleans, Sarasota, Newport, Nassau, Washington D.C., and London.

ANNUAL CONVENTIONS

An annual trade convention is be held every summer bringing rental dealers across the nation to meet and share their experiences and knowledge and learn more about the rental industry — new trends, new products, and new ideas. The 1986 APRO Convention is scheduled for July at the Caeser's Palace in Las Vegas, Nevada.

GOVERNMENT RELATIONS PROGRAM

APRO keeps members abreast of important legislative proposals, administrative agency activities, and tax rulings. APRO takes positive action with the legislative and executive branches of government on issues affecting the rental industry.

APRO PUBLICATIONS

- **PROGRESSIVE RENTALS MAGAZINE**
  The "voice of the home rental industry" is issued 6 times annually, and is full of industry news, trends, developments in marketing strategies, sales methods, management polices, legal up-dates, and product display advertising.
- **WHO'S WHO IN RENT-TO-OWN**
  The most complete national listing of rental dealers available. Published annually, the directory offers alphabetical listings by principal owner, dba and by state of rental dealers and suppliers to the industry.
- **LEGAL DEFENSE PACKET**
  This legal packet is available to all members to minimize legal research costs. Topics include usury, repossession, bankruptcy, deceptive trade practice legislation, and consumer protection laws with specific case examples.
- **ADMINISTRATIVE AIDS**
  Samples of various standard business forms used frequently by rental dealers including sample rental application forms, rental agreements, vehicle reports, skip-trace control forms, and inventory control forms.
- **SKIP-TRACE MANUAL**
  A comprehensive guide to locating missing persons.
- **COLLECTIONS MANUAL**
  A guide offering preventive maintenance and effective results for the industry's biggest headache . . . skips and stolens.

RENTAL INDUSTRY STATISTICS

Periodically, members will be asked to participate in a survey regarding the TV-Appliance rental industry and their businesses. The information will be confidentially researched, compiled, and edited so that general industry statistics are available to all members.

APRO COLLECTION POLICIES AND CODE OF ETHICS

APRO members are preferred rental dealers and are eligible to display the APRO Code of Ethics and Collection Practices in their stores.

INSURANCE

APRO offers insurance programs designed specifically for rental dealers to include casualty coverage, group, health and life insurance, and travel insurance at competitive rates. This program outlines the different types of insurance rental dealers may have a need for.

COMMUNICATION WITH RENTAL PROFESSIONALS

As a member of APRO you have the opportunity for the exchange of knowledge and experience with other professional rental dealers. The sharing of general information can assist you in the development of your business as well as in the enhancement of the image of the rental industry as a whole.

READY TO JOIN?

CONTACT:
Susan Hinkley
Director of Membership
APRO™
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Austin, TX 78701
(512) 478-6521

Can your business wait one more day?

CUSTOMER RELATIONS

continued from page 32

BEING ATTENTIVE AND RESPONSIVE TO THE CUSTOMER'S CONCERNS OR REQUESTS SHOWS A GENUINE SINCERITY TO MEET THE CUSTOMER'S NEEDS.

the best way to phrase responses to his questions.

During the conversation, always ask the caller's name and telephone number. Most customers will gladly give this information, but if someone does not want to, do not press the issue. Always attempt to explain that the information is used for customer service reasons only.

It is sometimes necessary to place a caller on hold. Although no one likes to wait on the telephone, most customers will wait for a reasonable amount of time. But remember—seconds seem like minutes to the caller when he is on hold.

Consider the following when placing a customer on hold.

•Always ask to place the caller on hold. (Be sure to get a name and number first.)

•Be sure the caller agrees to be put on hold before doing so. (He might not have understood and assume he has been disconnected.)

•Never leave a customer on hold more than 30 seconds without getting back to him.

•If you see a line on hold more than 30 seconds, pick it up and ask if you can help.

•If the call cannot be handled promptly, ask the caller for permission to return the call.

•Always return the call as promised after the request has been handled.

The customer forms an opinion of the store the moment he calls. If the customer is not satisfied with the phone conversation, he can easily take his business elsewhere. If an employee gives the customer something beyond minimum service, that customer is more likely to remember the store favorably and continue to do business there.

Glenn Zweiban is a trainer in the Training Department of ColorTyme, headquartered in Athens, Texas. Mr. Zweiban has over 20 years of experience in retail sales and management, and most recently was a divisional training manager for Zales.

PRODUCT FOCUS

QUASAR #MQ5575

Quasar introduces the Lifestyle II series of more compact microwave ovens combined with more features. Model # MQ5575, one of three new models, is a .6 cubic foot unit with 50 to 500 watts of power, a three-stage memory, and multistage time defrost. With touch pad controls and digital timer clock, this model can be timed for as long as 99 minutes and 99 seconds of cooking.

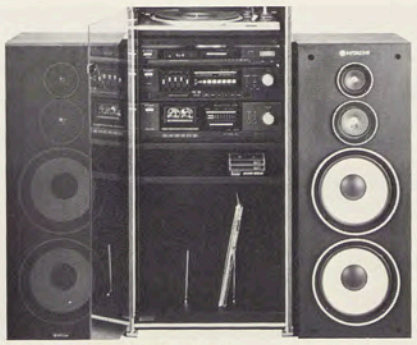
Suggested retail price: $279.95. For more information, contact: Tom Lauterback, Quasar, 9401 West Grand Avenue, Franklin Park, IL 60131, (312) 452-2407.

SANYO #AVM260

Sanyo's new Model #AVM260, a 25-inch color monitor/receiver, combines an outstanding 400-line resolution screen with a fully-operational stereo amplifier capable of receiving multichannel sound and bilingual broadcasts.

The unit features a 112-channel tuner and an 18-button wireless infrared remote control. Audio and video input and output jacks enable the user to easily connect the set to a VCR or home audio system, and a stereo headphone jack is included. Other features include a black matrix picture tube; LED channel display; and a smoked-glass screen to minimize glare.

Suggested retail price: $849.95. For more information, contact: Michael Ollins, Sanyo, 1200 West Artesia Boulevard, Compton, CA 90220, (213) 537-5830.

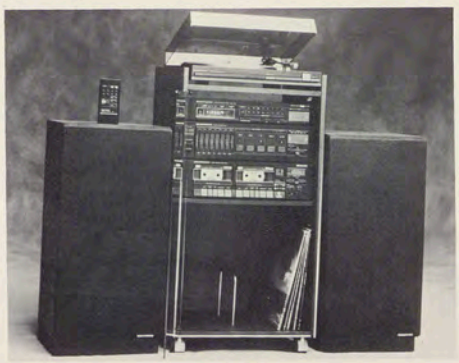


HITACHI #SYS-5100

Hitachi introduces the company's first 100-watt stereo system with Model #SYS-5100. The system offers a belt-driven, semiautomatic turntable with magnetic cartridge and a full-power speaker system featuring a 12-inch, 3-way passive radiator tower speaker.

Model #SYS-5100 features a 5-band graphic equalizer, digital synthesized tuner, 16-station random preset memory, a cassette deck with Dolby™ circuitry, and soft-touch controls. The system has a tall-tower center section rack which allows the user to add a CD player, VCR, and other equipment and still remain within the unit's design.

Suggested retail price: $899.95. For more information, contact: Bruce Schoenegge, Hitachi, 401 West Artesia Boulevard, Compton, CA 90220, (213) 774-5151.



MARANTZ #MS5008

Marantz introduces a music center to its lineup of audio products with Model #MS5008, a 50-watt per channel unit with wireless remote control, 8 AM and 8 FM presets, electronic volume control, and 7-band graphic equalizer. The system also includes a dual cassette deck, a belt-driven turntable, a 3-way speaker system with 8-inch woofer,and rack to house the music center.

Suggested retail price: $799.95. For more information, contact: Hal Loman, Marantz, 20525 Nordhoff Street, Chatsworth, CA 91311, (818) 998-9333.

PHILCO #R3940WWA

Philco introduces a series of 19-inch color table models including Model # R3940WWA, which comes equipped with a stereo TV/SAP jack. Additionally, the model features digital computer tuning with 152-channel capability, as well as a 17-pushbutton remote control with program review and mute, and back screen picture tube. Philco's Color-Rite system that electronically monitors the picture for consistent color from station to station rounds out the features.

Suggested retail price: $399. For more information, contact: Rita E. Hutner, N.A.P. Consumer Electronics, Interstate 40 and Straw Plains Pike, Box 6950, Knoxville, TN 37914, (615) 521-4316.

WESCO #WRC-R

Wesco series of appliance trucks includes Model #WRC-R, which comes equipped with 8-inch aluminum-centered rubber wheels that have 5/8-inch ball bearings for easy rolling. The truck's capacity weight is 750 pounds. Additional features include vinyl facing on all contact surfaces, ratchet belt tightener, 2-inch cotton web belt, and stair climbers. The truck is 60 inches high and welded for maximum strength.

Suggested retail price: $206.50. For more information, contact: Jenny Goetter, Wesco, Box 47, Lansdale, PA 19446, (215) 699-7031.

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

APRO '85 Highlights

APRO's 1985 convention, Rent-To-Own: Accepting The Challenge, drew 73 exhibitors and approximately 1250 attendees to the Wyndham Hotel—SeaWorld in Orlando between July 18 and 22, making the annual event an unqualified success.

Rental dealers from across the country viewed new products, ranging from audio/video to furniture and appliances to insurance and advertising. Over 50 seminars presented by 18 different speakers were offered.

This convention marked the end of President Barry Gambini's term of office—his third year as president of APRO. Among Gambini's many achievements is the recent success of APRO's fund-raiser for Big Brothers/Big Sisters of America.

Lee Daney, vice-president of fund development for BB/BSA, received a check for over $30,000 in the name of APRO. Daney presented Gambini with a limited edition print by artist Joseph Barker depicting the agency's new headquarters.

Among the awards presented at a gala dinner honoring APRO's Board of Directors were special awards to Joe Eason, national sales manager for Borg-Warner Acceptance Corporation, and to Ed Winn III, executive director of APRO.

Eason was honored for Borg-Warner's long-standing support of APRO. Winn received his honor for his untiring efforts on behalf of the association and for his leadership for the past five years.

In other business, members in attendance elected eight new members to the board of directors. Elected to a two-year term were Jack Callender, Glenn Davis, Tom Devlin, Rozanne Flatt, Joseph "Dan" Gaffney, Barry Gambini, Bud Holladay, and Lowry Shrader. Current board members now serving the second year of a two-year term are Alan Dobzinski, Patricia Flowers, Jim Graham, Steve Grauel, Dennis Palmquist, Larry Tinney, and Robert White.

Bud Holladay was elected by the full board as APRO's president for 1985-86. Other officers elected include: Rozanne Flatt, first vice-president; Alan Dobzinski, second vice-president; Glenn Davis, secretary; and Dennis Palmquist, treasurer.

Exhibitors such as Samsung, Soundesign, Sanyo, ZBS Industries, White-Westinghouse, and 33 other companies exhibited for the first time, while Borg-Warner, Pilot, Zenith, Whirlpool, General Electric, Hitachi, Philco, Speed Queen, and 27 others returned for another successful show with APRO. Typical of growing interest in the rental-purchase industry was RCA's specially designed booth for the APRO show. The booth utilized a new design material called Structura that gave needed wall support, while adding a high-tech look.

New advances for dealers unveiled at the convention include an insurance program and a training program. Nationwide Insurance is now offering property and casualty insurance to the rental-purchase industry. The program is endorsed by APRO. Details on the program are forthcoming.

Also endorsed by APRO is a new employee training program developed by Rozanne Flatt. *Learning Power* is a complete training program designed for a positive introduction to the rental store by promoting professionalism, simplifying cross training, promoting teamwork, and minimizing training time. The program is divided into five training modules that emphasize these areas: rental trainer, rental team, rental

APRO presented over 50 seminars by 18 speakers on a variety of topics. Here, rental dealers listen to a presentation.

In the Wyndham's Crystal Ballroom and second floor meeting rooms, 73 exhibitors displayed their products to interested dealers.

Smiling faces and happy music were part of the fun each evening.

Congressman Doug Barnard (D-GA) discusses the success of APRO '85 with Alice Bruton, director of meetings and conventions.

selling, rental delivery, and account management.

The manuals are reusable, and by using the manuals, training consistency across stores is assured. The employee learns the right way to do the job the first time. Flip charts for handy reference are provided for each manual, and an aluminium carrying case is provided to protect the flipcharts in the field.

The APRO '85 convention wasn't all business as fun and games were artfully included in the busy schedule. A spouse and youth program enjoyed great success. APRO also sponsored a golf and tennis tournament. Golf tournament winners include for low gross: Tom Temple, first place; Gregg Bazzatt, second place; and Alan Dobzinski, third place. Low net winners were Gregg Bazzatt, first place; Keith Brown, second place; and Tom Temple, third place. In tennis, Peter Katz and Mike Le Fort took the first tier doubles bracket, while Greg Cole and Gary McDougall took the second tier.

Already in the works is APRO's 1986 convention, Rent-To-Own: Setting The Pace. The 1986 convention will return APRO to Caesar's Palace in Las Vegas July 10 through 15. ***PR***

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WHO'S WHO IN APPLIANCE SUPPLIERS

With 20 to 25 percent of a rental-purchase store's revenue coming from white goods, the need for appliances in rental is well established. The following list of appliance companies gives useful contact information, as well as detailing the kinds of appliances each manufactures.

Admiral
1701 Woodfield Rd.
Shaumberg, IL 60196
(312) 884-2600
Refrigerators, freezers

Amana
Main St.
Amana, IA 52203
(319) 622-5511
Refrigerators, freezers, microwaves, room air conditioners, washers, dryers

Athens Stove Works
202 Hicks
P.O. Box 10
Athens, TN 37302
(615) 745-4332
Vesta ranges

Atlanta Stove Works
112 Krog St. NE
Atlanta, GA 30307
(404) 524-0881
Ranges

Avanti Products
P.O. Box 520604
Miami, FL 33152
(305) 592-7830
Compact refrigerators, freezers, bars, space heaters, washer/dryers

Birmingham Stove and Range
2631 Huntsville Rd.
Birmingham, AL 35234
(205) 252-7800
Ranges

Brown Stove Works
Carolina and 15th
Cleveland, TN 37311
(615) 745-4332
Ranges

Caloric/Modern Maid
403 N. Main St.
Topton, PA 19562
(215) 682-4211
Ranges, dishwashers, refrigerators, microwaves

Carrier
P. O. Box 4808
Syracuse, NY 13221
(315) 432-6000
Room air conditioners

Chambers
P.O. Box 927
Oxford, MS 38655
(601) 234-3131
Ranges, microwaves

Crosley
P.O. Box 1959
Winston-Salem, NC 27102
(919) 761-1212
Refrigerators, freezers, washers, dryers, microwaves

Daily Dryers
535 Schoolhouse Rd.
Telford, PA 18959
(215) 723-8959
Dryers

Dacor
950 S. Raymond Ave.
Pasadena, CA 91105
(213) 682-2803
Ranges

Emerson Quiet Kool
400 Woodbine
Woodbridge, NJ 07095
(201) 381-7000
Room air conditioners

Enterprise Appliance
710 Massman Dr.
Nashville, TN 37210
(615) 885-1405
Ranges

Friedrich
P.O. Box 1540
San Antonio, TX 78295
(512) 225-2000
Room air conditioners

Frigidaire
3555 S. Kettering Blvd.
Dayton, OH 45449
(513) 297-3400
Refrigerators, freezers, ranges

General Electric/Hotpoint
Appliance Park AP4-256
Louisville, KY 40225
(502) 452-4311
Refrigerators, freezers, ranges, dishwashers, microwaves, washers, dryers

Gerald Industries
3505 NW 112th St.
Miami, FL 33167
(305) 688-6634
Compact refrigerators and freezers

Gibson Appliance
Gibson Appliance Center
1401 Van Denise
Greenville, MI 48838
(616) 754-5621
Ranges, microwaves, refrigerators, freezers, room air conditioners, dishwashers, washers, dryers

Glenwood Range Co.
Route 140
Industrial Park
Taunton, MA 02780
(617) 824-5811
Ranges

Goldstar Electronics
1050 Wall St. W
Lyndhurst, NJ 07071
(201) 460-8870
Microwaves, compact refrigerators

Hardwick Stove
240 Edwards St. SE
Cleveland, TN 37311
(615) 479-4561
Ranges

Hobart/KitchenAid
711 World Headquarters Ave.
Troy, OH 45373
(513) 335-7171
Refrigerators, freezers, dishwashers, ranges

J.B. Slattery and Bros.
171 Wallabout St.
Brooklyn, NY 11206
(718) 387-2200
Imperial ranges

Kelvinator Appliances
930 Ft. Duquesne Blvd.
Pittsburg, PA 15222
(412) 263-3700
Refrigerators, freezers, dishwashers, ranges, washers, dryers, room air conditioners

Litton
1405 Xenium Ln. N
Minneapolis, MN 55441
(612) 553-2000
Microwaves, ranges

Locke Stove
127 W. 10th St.
Kansas City, MO 64105
(816) 421-1650
Ranges

Magic Chef
740 King Edward Ave.
Cleveland, TN 37311
(615) 472-3371
Ranges, microwaves, refrigerators, dishwashers, washers, dryers

Marvel
135 Crossways Park
Woodbury, NY 11797
(516) 921-8000
Compact refrigerators

Maytag
403 W. 4th St. N
Newton, IA 50208
(515) 792-7000
Washers, dryers, dishwashers, microwaves, ranges

Norge
410 E. Lyerla Dr.
Herrin, IL 62948
(618) 988-8431
Washers, dryers

O'Keefe and Merritt
P.O. Box 606
Mansfield, OH 44901
(419) 755-2525
Ranges, microwaves

Orbon Appliance
P.O. Box 585
Belleville, IL 62222
(618) 233-2850
Compact refrigerators, freezers, ranges

Panasonic
1 Panasonic Way
Secaucus, NJ 07094
(201) 348-7000
Microwaves, refrigerators, washers, dryers, ranges, dishwashers, room air conditioners

Peerless-Premier
119 S. 14th St.
Belleville, IL 62222
(618) 233-0475
Eagle ranges

Philco
112 Cavalier Blvd.
Chesapeake, VA 23323
(804) 485-5886
Refrigerators, washers, dryers

Quasar
9401 W. Grand Ave.
Franklin Park, IL 60131
(312) 451-1200
Microwaves

Rangeaire
P.O. Box 177
Cleburne, TX 76031
(817) 645-9111
Compact refrigerators, freezers

Roper
1905 W. Court St.
Kankakee, IL 60901
(815) 937-6000
Ranges, microwaves, dishwashers, refrigerators

Royal Chef
2300 Clifton Rd.
Nashville, TN 37209
(615) 327-9585
Ranges, microwaves

Samsung Electronics
117 Seaview Dr.
Secaucus, NJ 07094
(201) 587-9600
Microwaves

Sanyo Consumer Electronics
Appliance Division
1301 N.W. 89th Court
Miami, FL 33172
(305) 592-9900
Microwaves, refrigerators, washers, dryers, room air conditioners, ranges

Sharp Electronics
10 Sharp Plaza
Paramus, NJ 07652
(201) 265-5600
Microwaves

Speed Queen
Shepard and Hall Sts.
Ripon, WI 54971
(414) 748-3121
Washers, dryers

Sunray Stove
435 Park Ave.
Delaware, OH 43015
(614) 363-1381
Ranges

Tappan
Tappan Park
Mansfield, OH 44902
(419) 755-2011
Ranges, refrigerators, microwaves

Thermador-Waste King
5199 District Blvd.
Los Angeles, CA 90040
(213) 562-1133
Ranges, microwaves

Toshiba
82 Totowa Rd.
Wayne, NJ 07470
(201) 628-8000
Microwaves

Welbilt Refrigerators
P. O. Box 3618
3333 New Hyde Park Square
New Hyde Park, NY 11042
(516) 365-5040
Refrigerators

Wesco
P. O. Box 47
Lansdale, PA 19446
(215) 699-7031
Appliance hand trucks

White-Westinghouse
930 Ft. Duquesne Blvd.
Pittsburg, PA 15222
(412) 263-3745
Washers, dryers, refrigerators, freezers, microwaves, dishwashers, room air conditioners

Whirlpool Corporation
2000 US 33 N
Benton Harbor, MI 49022
(616) 926-5000
Refrigerators, freezers, washers, dryers, dishwashers, room air conditioners

APPLIANCE RENTALS

continued from page 9

Refrigerators

Refrigerators follow directly behind laundry equipment in popularity. As with washers and dryers, basic models are purchased most frequently.

"The type of major appliances that appeal to rental dealers in laundry and refrigeration are utilitarian models," notes Don Linskey, manager of rental/leasing for General Electric. "Dealers are interested in quality, durability, and factory authorized service."

Says Pat Gaines, "A 15- to 19-cubic foot, top-mount refrigerator is most popular among rental dealers. Customers prefer a little color in kitchen appliances, and 60 percent of refrigerators sold are almond. Thirty percent are white."

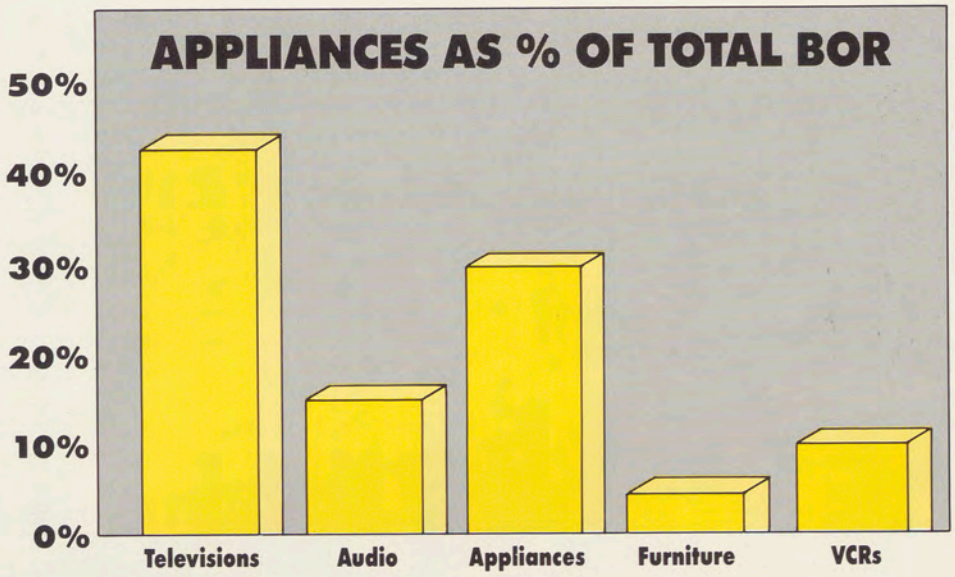
Larry Goins, president of three Avenue Rentals stores, based in Kansas City, Missouri, notes that he will obtain added features for a basic refrigerator if requested by the customer.

"We will order an ice maker, or other attachment if the customer wants it," he says. "Generally though, we stick to the basics."

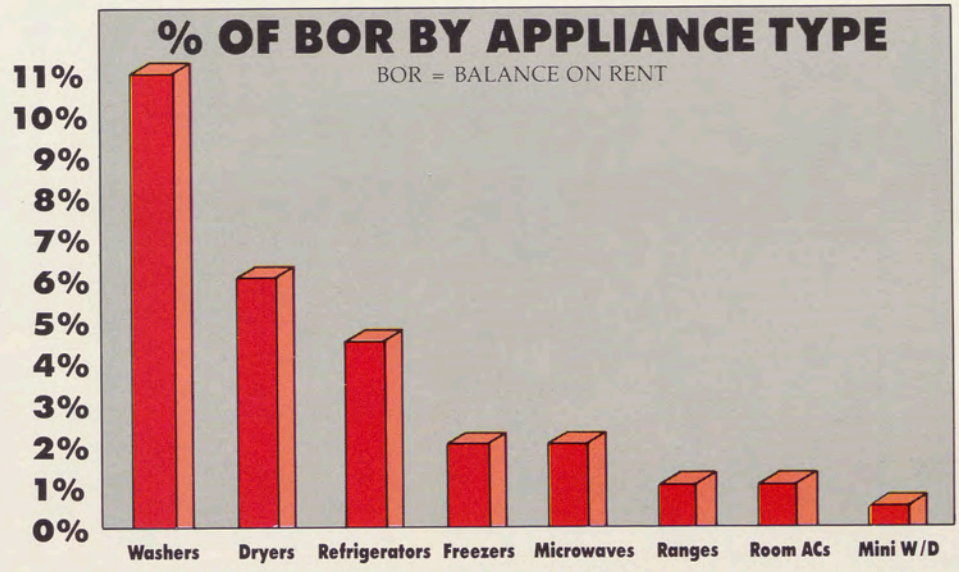
Shelly Perlman orders three to five refrigerators for ABC Rentals each week. "We rent frost-free, 18-cubic foot refrigerators," she says. "They are available with or without ice makers, and are almond."

Rates across the country for refrigerators vary. Monthly rental rates are $60 to $75 for a full-size refrigerator. Popular brands include Whirlpool, Kenmore, Admiral, General Electric, and Amana.

Refrigerators are the only appliance dealers mentioned as presenting delivery and set-up problems, and these are minimal.



SOURCE: ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS (APRO)



SOURCE: ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS (APRO)

RENTAL RATES BY PRODUCT

	Rental Rate Monthly rates based on 18 month term
(full-size washer, 3 cycles, 2 speeds)	$40-54
(full-size electric dryer)	$32-39
(top-mount, 17-18 cubic ft. refrigerator)	$60-75
(full-size gas or electric range)	$47-54
(full-size microwave)	$35-54
(chest or upright freezer, 10 cubic ft.)	$33-55
(mini-washer/dryer)	$65-80
(8-10,000 BTU room air conditioner)	$69-75

Figures based on informal survey of highest and lowest rates of large and small dealers located throughout the U.S.

SOURCE: ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS (APRO)

"The only trouble we have with delivery is a two-story delivery of a big refrigerator," says Barry Gambini. "One guy can deliver a refrigerator to a one-story house without too much trouble, but it takes two guys to get one up a flight of stairs."

Cleaning returned refrigerators is another matter entirely. "They often come back in *horrible* condition," says Shelly Perlman. "We have to fumigate them, and then scrub and clean them before they're ready to be rented again."

Notes Dave Shockey, "If they're real dirty, we take them down to the car wash and spray them out."

The average refrigerator rental customer parallels the washer/dryer customer. Refrigerators are most often rented by families with children. In addition, a great percentage of refrigerator renters live in single family homes rather than apartment complexes, since virtually all apartments provide a refrigerator to tenants. Keep rates are also high among refrigerator rentals.

APPLIANCE MANUFACTURERS HAVE TAKEN NOTE OF THE BOOM IN WHITE GOODS RENTAL BY INSTITUTING DIVISIONS DEVOTED SOLELY TO RENTAL MARKET SALES. SOME HAVE EVEN DESIGNED PRODUCTS SPECIFICALLY FOR RENT-TO-OWN.

Freezers

Rental-purchase customers are interested in long-term food storage, and freezers are holding their own in the market. The type of freezer chosen tends to differ from one area to another, however.

"Chest freezers are most popular in rural areas," says Pat Gaines, "and upright models are big in the cities. In both cases, however, white is usually the only color available."

All dealers surveyed carry freezers. Many stock both full-size chest and upright models, with a minority stocking compact freezers as well. Rates run from $33 to $55 per month, depending on size, and popular brands include Whirlpool, Imperial, General Electric, Admiral, Rangeaire, and Amana.

Dave Shockey bought 100 freezers in 1984. "Freezers make up 3 percent of

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our total BOR," he noted. "We offer chest freezers in 5-, 10-, and 15-cubic foot sizes, and upright freezers in 10- and 15-cubic foot sizes. We usually order six at a time, once a week."

"For our one store, we order one freezer every month or two," says Alberto Morales. "We don't have a real big demand for them since our urban customers don't store much in the way of meats and vegetables."

Keep rates are high for freezers, and several dealers noted that freezer customers are more affluent than the average white goods customers. They may have good credit, but don't want to sink too far into debt, and renting a freezer gives them the option of returning it if finances become strained.

Ranges and Microwaves

Ranges and microwaves play a varying role in the rental-purchase industry. All dealers surveyed offer microwaves, but some do not carry ranges. None noted cooking appliances as being particularly high in popularity.

"Ranges account for 2 percent of our BOR," says Bradley Smith, "and microwaves are 3 percent."

"We've been renting microwaves since they first came out in 1974 or 1975," explains Barry Gambini, "and they make up less than 1 percent of our total BOR. We rent a full-size model with a temperature probe."

Microwave rates run from $35 to $54 per month. Popular brands include Litton, Amana, Whirlpool, Sears, Samsung, Quasar, Sharp, and General Electric. Some dealers have noticed a slight increase in microwave rentals since first offering them, but overall they continue to rank in the bottom percentages of total BOR.

ABC Rentals does not carry ranges at all, and Easy Rental only orders them when requested by a customer.

"We don't stock ranges," says Dave Shockey. "We rent them from pictures and order when a customer wants one. We rent Westinghouse and Kelvinator ranges, and we rented a total of 50 in 1984. Microwaves and ranges combined make up 1 percent of our BOR."

Ranges relied on by rental dealers include Tappan, Vesta, Kelvinator, General Electric, Whirlpool, Admiral, Roper, and Westinghouse. Unit rates for ranges run from $47 to $54 per month.

Other Rentables

A number of home appliances fall into the miscellaneous category of rental-purchase white goods.

Portable dishwashers, which some might think would be popular, are not even offered by most dealers. Those that do say their importance is negligible. Some note that dishwashers simply do not move well, and others mention that they are likely targets for skips and stolens.

Dave Shockey purchases a limited quantity of portable dishwashers for Easy Rentals.

"We bought 12 dishwashers last year," he said. "They just aren't very popular among customers."

Room air conditioners move with varying success in the summer months, and do not appear to affect profits to a great extent.

"Air conditioners are rented strictly in the summer," says Shelly Perlman. "We begin offering them at the end of May and stop at the end of July. We have to be careful because of storage concerns since it takes a lot of space to store air conditioners over the winter. We rent 8,000 BTU air conditioners."

"We started renting air conditioners in May," explains Alberto Morales, "and we have only rented three so far. We carry a 6,000 BTU unit."

Dave Shockey notes, "We rent air conditioners in our Southern stores, such as the Florida and Louisiana locations. Because they are seasonal, we only rent them during the 3 summer months. Otherwise they would take up inventory space for 9 months of the year."

Brands rented include Fedders, General Electric, Whirlpool, and Sears.

Rates run from $69 to $75 per month, and the typical customer follows the pattern of other appliance rentals. Some units are also rented by people whose air conditioning system has temporarily failed and is being repaired.

Space Age Appliances

The move to highly technical, computerized white goods among upscale customers does not appear to be "trickling down" to the rental market at a rapid rate.

"I don't see these products entering the rental market in the future," says Don Linskey. "They are very expensive to make, and are generally purchased by customers who want the very best and can afford to pay for it."

"We will only get into this area if prices go down," says Larry Goins.

Barry Gambini, however, is interested in the new lines of sophisticated appliances.

"We are getting into electronic appliances right now," he comments. "The new Whirlpool 20000 'electronic brain' washers, for instance, seem to be right for rental-purchase markets."

Further inroads into the rental market by high-tech appliances hinge on hardware becoming cheaper to manufacture, thus decreasing the cost of the merchandise.

Speaking of the Future

Dave Shockey estimates that 20 percent of his total BOR is in white goods, and he indicates home appliances will be a trustworthy source of profits in the future.

"White goods stay out longer and go to term more often than televisions and stereos," he notes. "They are more of a necessity item, and people who wouldn't rent a luxury item will rent something they really need."

Observes Barry Gambini, "I began renting appliances in 1968, and have seen an increase in overall white goods sales of about 3 percent since then."

Manufacturers are very excited about the future of white goods in rental-purchase, and feel the market will continue to expand in coming years.

"It's been increasing geometrically since its inception," says Pat Gaines, "and I think it will continue to grow as the rental industry does. When the industry has expanded as far as it can, things will level out."

Don Linskey at General Electric agrees. "The industry is growing significantly. We have more than doubled our appliance sales in the past few years."

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Statistics provided by Tom Kitchens, rental manager for Whirlpool, illustrate the increasing popularity of rental-purchase appliances. He notes that Whirlpool's sales to the rental industry have grown approximately 20 percent per year since 1981, and lists the following percentages for Whirlpool's rental sales: laundry equipment, 70 percent; refrigerators, 15 percent; freezers, 5 percent; microwaves, 5 percent; and ranges, dishwashers, and air conditioners, 5 percent. Kitchens mentions that these percentages have remained the same for the past 2 years and will probably remain constant, with the exception of increasing microwave sales.

As a rule, dealers who have expanded into white goods rental are pleased with the results. The appliance rental market is a healthy one. With the backing of an eager-to-please manufacturing force and an expanding customer base, dealers should be sailing toward the future with high hopes and greater profits. **PR**

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS.

GUEST EDITORIAL

BY TOM KITCHENS

Strong Future for Appliance Rentals

Statistics prove that appliances stay out on rent longer and go to term more often than other rental products. When combined with manufacturers' continued product improvements and customers' continuous upgrading of product, appliance rentals should continue to be in demand far into the future.

The appliance rental business is a unique and exciting opportunity. The industry is growing dramatically, averaging 25 to 30 percent per year. As a corporation, Whirlpool is committed to perpetuating the growth of the rental industry.

Rental appliances include standard laundry equipment to space heaters. Some of Whirlpool's vital statistics for specific products offers some insight into the average dealer's appliance mix.

Laundry products	70%
Refrigerators	15%
Freezers	5%
Microwaves	5%
*Others	5%

*includes ranges, dishwashers, room air conditioners, etc.

These percentages have remained basically constant the past 2 years. It is our feeling that these percentages will remain constant over the next 5 years, with the exception of microwaves where we see an increasing market.

Brand Acceptance

Customer brand preference and awareness are pertinent considerations all appliance rental dealers must make. The following are some considerations a rental dealer must address before selecting an appliance line.

- *Appliance Preference.* Through national and local advertising, will my customer readily recognize and accept the appliance brand I offer?
- *Added Rental Appliance Sales.* Will one appliance rental perpetuate itself into additional rental sales? For reasons of brand quality and service features, will my customer have a decided brand preference and will he conceivably return to my store for future appliance needs?
- *Product Availability.* Will the manufacturer or distributor provide adequate product where and when I need it?
- *Service Availability.* Will the product perform to my customer's expectations? If service is necessary, will replacement parts and trained service technicians be readily available?
- *Consistent, Competitive Pricing.* When I consider product availability, product features, warranties, delivery and freight terms, special services, and pricing from my supplier, are my rental charges competitive?

Product Analysis

In 1979, white was the predominant color accounting for 90 percent of appliance sales. Today, white is still the dominate color with 60 percent of sales; however, the remaining 40 percent is now almond.

Currently, the majority of Whirlpool's sales to the rental industry have been basic midline models. At this time, no significant movement toward higher-end, solid-state products is apparent. However, it is our feeling that as customer awareness increases, and the higher technology features become more price competitive, a pronounced increase in this business will occur.

An analysis of our highest volume products and their respective features shows the following:

- *Laundry Products.* Automatic Washers—midline models with manual controls for both the 2-speed multicycle with standard capacity and the 2-speed multicycle with compact capacity.

Electric/Gas Dryers—midline models with manual controls for both the 1-speed multicycle with standard capacity and the 1-speed multicycle with compact capacity. Gas dryers comprise less than 10% overall dryer sales.

- *Refrigerators.* Midline, no frost models 14, 16, and 18 cu. ft. capacity with top-mount freezer, and the 19 cu. ft. side-by-side model with no frost.
- *Freezers.* Models are 6 and 9 cu. ft. compact chest-type freezers; 15 cu. ft. full-size, chest-type freezers; and 9 and 13 cu. ft. vertical freezers.
- *Microwaves.* Models are full-size (1.3 cu. ft.) capacity and compact (.8 cu. ft.) capacity with electronic solid-state controls.

Future Trends

Appliances that are more functional in design, easily installed and serviced, lower in weight, and compact in size are indicative of the appliance technology of the future. This future technology is centered on the following:

- *Compactness:* using less space in food preparation areas of the future; built-in application with hidden controls; and kitchens or family centers with smooth flowing lines, wet-look finishes, subdued woodgrain accents, thin borders, and rounded corners.
- *Energy Efficiency/Serviceability:* reduction in overall operating and servicing costs; more efficient insulation and sound-dampening materials; electronic solid-state componentry that features voice actuated, programmable controls; and self-diagnosing products that alert the customer when routine maintenance is necessary or when service is required.

Appliance rentals will continue to be an important part of a rental store's product mix. With attention to customer's needs and wants, appliances have an exciting potential for continued success in rental-purchase.

Tom Kitchens is national rental manager for the Whirlpool Corporation of Benton Harbor, Michigan.

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