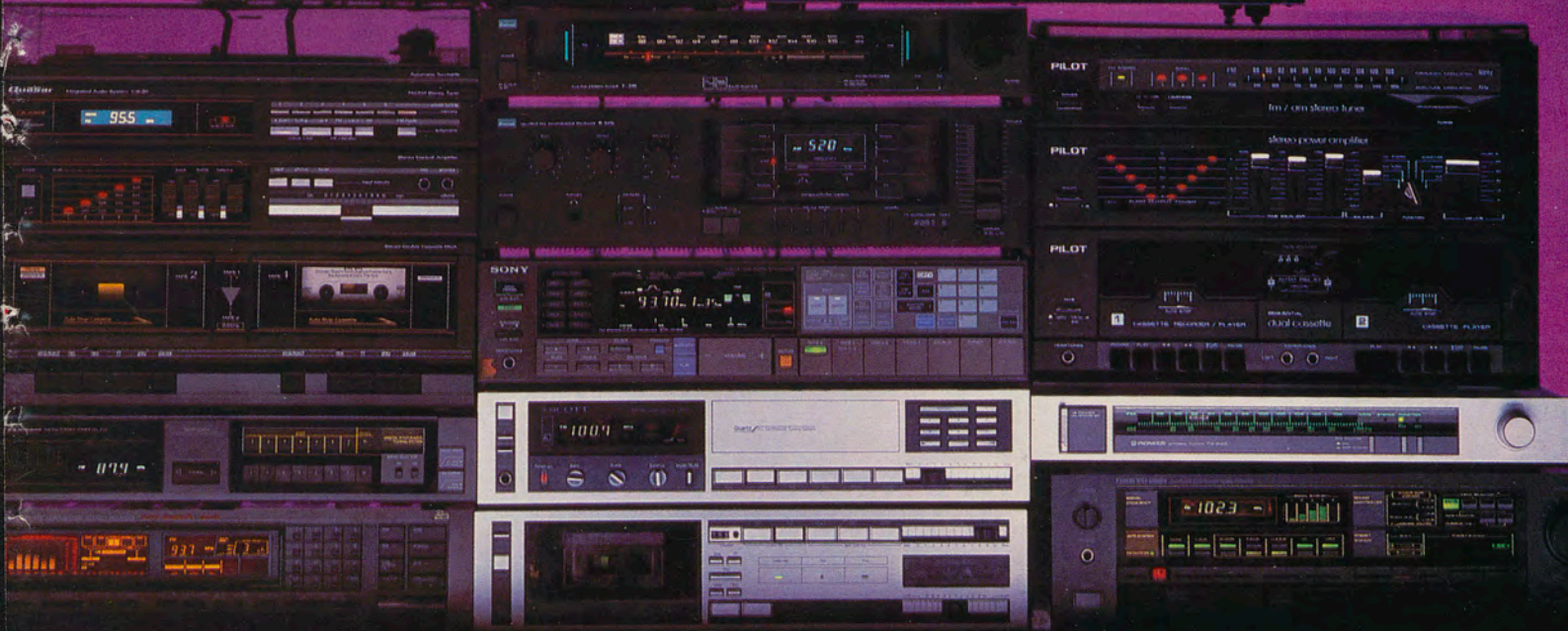


the magazine of the home entertainment, appliance, and furniture rental industry

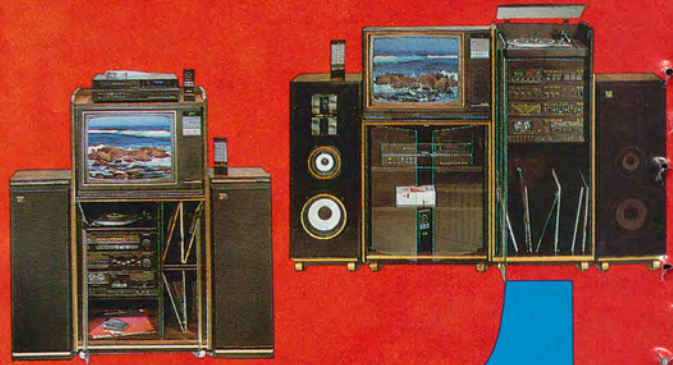
Progressive Rentals

Audio Rentals

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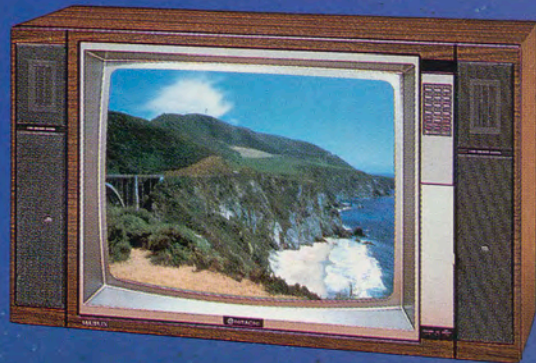
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ON THE COVER: Audio in rental-purchase has an exciting future as hi-tech products, such as the compact disc player, are introduced. Dealers are upping the wattages on the rack systems they offer to customers, and suppliers are tuning in to the rental-purchase market. The story on page 8 gives the dealers' perspective on audio, and the story on page 28 gives an overview of audio by several suppliers.

COVER PHOTO BY:
Gary Russ

Stereo equipment furnished by the following: ABC Rentals, Advantage Rentals, Best Products, Dyer Electronics, Frisco Electronics, Oscar Snowden's, Quality Rentals, and Remco, from Austin, Texas locations.

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Dealers discuss the importance of audio in their product mix and detail the items their customers are looking for when renting stereos.

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28 AUDIO SUPPLIERS TALK

The list of audio companies eager to supply rental-purchase continues to increase. Several major suppliers detail their involvement with the industry and give predictions for the future, as these companies tune in and turn up the volume on rental-purchase.

32 WHO'S WHO IN AUDIO SUPPLIERS

A listing of companies supplying the rental-purchase industry.

36 TRENDS IN THE RENTAL MARKETPLACE

Growth of the industry coupled with economic happenings in the general marketplace influence rental-purchase. The impact of these trends is examined here.

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THE EDITOR'S DESK

Among other things, APRO monitors the size of the rent-to-own industry beyond the scope of the APRO membership. APRO represents just over half of the total industry which is presently estimated at about 5,000 stores. A year ago, there were roughly 4,000 stores. The industry has been growing at a steady rate of 30 percent annually for the last three years, and APRO predicts this growth to continue for the next three to five years.

In addition to stores whose only business is renting, there are currently another 3,000 stores where renting is a sideline. Members of the rental yard industry as well as the traditional furniture rental industry have incorporated lease-purchase electronics into their inventories with reported success.

Rent-to-own industry revenue breakdowns suggest that color TV sets represent 45 percent of total revenues. With the 1985 estimated industry revenues of \$1.7 billion, TV rentals will ring up approximately \$765 million in revenues this year.

The TV market is split about equally between 19-inch portables and 25-inch consoles, with an insignificant number of 13-inch portables rented. Five years ago, TVs represented closer to 65 percent of the rent-to-own business. Reflecting a gradual shrinkage, three years ago TVs rang in at about 50 percent of the market.

Appliance rentals maintain a tight grip on 30 percent of total rental revenues. Unlike TVs, appliance's percentage of revenues gradually increased as dealers recognized the stable revenue white goods afforded them. However, future annual percentage of industry revenues is not expected to creep much beyond 35 percent.

Audio rental has captured the attentions of suppliers to the industry and has kept the attention of the dealers. With the growing consumer interest in the evolution of hi-tech sound, dealers have kept audio rentals at 18 percent of their business, representing \$306 million in 1985 revenues.

VCR rentals used to be a relatively insignificant market, but the growing pervasion of home video as a primary source of entertainment has changed all that in the last eighteen to twenty-four months. Presently, VCRs represent a healthy and growing 10 percent of industry revenues. That crunches out to \$170 million annually. However, some stores now report as much as 20 percent of their revenues come from VCRs and tape rentals.

Furniture is stocked by 20 to 30 percent of rent-to-own stores and represents 10 to 20 percent of their revenues. Thus, furniture is skewed to about 3 percent of total industry revenues at \$51 million in 1985. Look for that figure to increase significantly since the trend in rental is toward product diversification. Adding furniture accomplishes that purpose with the added appeal of attractive profit margins and product stability. The number of furniture suppliers in attendance at APRO shows has increased dramatically from one supplier three years ago to twenty-two in 1985.

Rent-to-own is a force to be reckoned with in the marketplace. The numbers and prognostications of the players clearly indicate as much. With one highly successful publicly-held company and others on the way, the industry collectively makes a statement of solid commitment to its marketplace that minor detractors and aggressive competitors alike will find increasingly difficult to chip away at.

— Editor

Publisher/Editor-In-Chief
Elizabeth T. Johnston

Executive Editor
Edward L. Winn III
Managing Editor
David Morgan Jones
Associate Editor
Carla Mathews
Assistant Editor
Shirley Greenly

Contributors
J. Samuel Choate, Jr.
Bud Holladay
Chris John
James Walker, Jr.
Glenn Zweiban

Art Director
Elizabeth T. Johnston
Production Coordinator
Vickie Williamson
Mechanical Art
Nancy Yohe
Photographer
Gary Russ
Illustrations
Mike Krone

Advertising Coordinator
Carla Mathews

Data Processing Manager
Mary Panak-McKelvey
Circulation Manager
Susan Hinkley
Financial Manager
Donna Singleton

Editorial Advisory Board

Lew Allen
Pilot Audio
Alan M. Dobzinski
The Rental Experts
Barry Gambini
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Lowry Shrader
Rent It Corp.
Charles D. "Chuck" Sims
Alphanomics
Norman Smith
Zenith Corporation
Larry Tinney
Royal Crown Leasing

Editorial and Advertising Offices
1866 InterFirst Tower
Austin, Texas 78701
(512) 478-6521

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GENERAL ELECTRIC

Trends in Audio Rental

Dealers report how audio affects the bottom line



Speakers with more watts and the higher performance output that customers demand are now reflected in dealer inventory.

Thanks to a glut of retail product diversification in the 1970s, audio is probably the most eclectic segment of the rental-purchase industry. Dealers have several major brands from which to choose, with a myriad of styles, components, and wattages available. After TVs and white goods, audio products are a rental-pur-

chase mainstay. According to statistics supplied by the Association of Progressive Rental Organizations (APRO), 1985 revenues from audio will top \$306 million.

In a random sampling of rent-to-own dealers across the country conducted by APRO, audio now comprises an average of 18 per-

cent of the business.

For most dealers contacted, the number of customers renting audio products to term has not changed appreciably over the last two years. Most reported a full-term percentage between 20 and 30 percent, with customers renting for an average of four to eight months.

Only one dealer reported audio representing over 20 percent of BOR. Betty Coolidge, owner of three Mrs. T's Rental stores in Connecticut, says she has augmented audio purchases by 10 percent in the last year to accommodate increased demand. She says it's too early to tell why audio has boomed to 41 percent of her business, which also includes televisions, appliances, and furniture. "I don't know why, unless I've saturated the area in TVs. (Audio) has just been going strong all year."

A full 70 percent of Rentown's customers in Cedar Falls, Iowa, and Cedar Rapids, Iowa, usually go full-term, says Mike Kerley, assistant manager.

"We'll hold the unit for thirty days if they can't make a payment for some reason, then give it back to them," Kerley says. "Once they get in the groove, it's simple."

Most dealers surveyed see no difference in rural and urban audio customers' inclination to rent to term. However, Kerley says his clientele is definitely more ownership-oriented. "The farm people out here are a little more conservative. They're very possessive. They want to keep it once they have it, whereas urban customers are more likely to trade something in after six months or fall behind in rent and go someplace else."

Warehousing—holding units until customers are able to resume contracts—and deferrals—leaving the unit in a home while allowing the customer to catch up on payments—are becoming more common in the industry, believes Lowry Shrader, owner of nine Rent*It stores based in Clarksville, Tennessee.

"I think we're becoming more lenient and that most people either warehouse or defer payments," Shrader notes. "It provides an incentive for someone to complete a contract. Of course, I want to know that the guy is not just trying to use a unit and not pay for it. We may do it once in a contract."

In spite of improved business and a shorter contract length, Coolidge has not noticed a greater number of audio customers renting to term. "We used to have a 104-week contract, but have dropped back to 78 weeks because of competition," she notes.

Audio customers, like other rent-to-own clientele, have improved in job stability but still remain in the lower to middle classes, dealers agree. Typical customers are blue-collar couples ranging in age from 18 to 35, with a household income of about \$22,000.

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BREAKDOWN BLUES

What goes wrong with audio products? Most often it's needles gone askew and unbalanced tonearms, say dealers. Less frequently, blown fuses and damaged circuitry are the problems.

Most damage is caused by customer abuse, either intentionally or through ignorance of how to operate a system.

"People messing with needles are our biggest problem," says Betty Coolidge of Mrs. T's. "They like to play with them and bend them. Needles aren't covered by our warranty. Manufacturers can't be responsible for that."

Young customers who like loud music but can't afford the higher wattages sometimes rent low-wattage systems and blow them out, explains David Shapero of Sir Rental. For this reason many dealers such as Shapero try to keep tabs on what units will be used for.

"We don't let it go out for a party if we can help it. If a customer asks if a unit will be loud enough for 600 people, our alarm lights go on," he says.

Sixty to seventy percent of Rent*It's repair calls from customers are the result of something as simple as an unplugged unit or detached speaker wire, says owner Lowry Shrader. Ideally, store managers try to diagnose a problem over the telephone before sending a repairman or picking up a unit, but it doesn't always work that way.

"The employees are eager to fix the problem and please the customer, so they say, 'Oh sure, we'll send someone right out. He'll be there this morning,' when all they may need to do is tell the customer to reconnect a speaker wire," says Shrader. "If we can teach the renter how to make a simple repair himself, and have him come into the store to get the part and take it back, that's another alternative." All of the dealers say they try to show customers how to use equipment, either at the store or in the home.

"I insist that my people demonstrate the products to customers because we want to eliminate damage and ensure the renter's satisfaction," says Rozanne Flatt, owner of three ColorTyme stores in Illinois.

Demonstrations are more necessary to sell a stereo than prevent equipment abuse at his stores, says Mike Kerley of Rentown. "We have a broken tonearm every three months," says Kerley. "Abuse is not really a problem."

Simpler units with fewer parts would keep repairs down, notes Joel Allen of TV Rental in Asheville, North Carolina. "I would like to see more manufacturers put out units designed for rental, something with fewer places for peanut butter to get stuck in. But if they don't have lots of bells and whistles, customer don't like them as much. Lower-end units don't require as many adjustments, for instance. That's good for the store, but a customer who knows about the extra audio features may miss them."

The small parts inherent in audio are also difficult to order, points out Allen. Since part numbers usually are not stamped on the smallest pieces, such as knobs and buttons, repairs can be frustrating.

"If part numbers were stamped on every small part, we wouldn't have so much trouble ordering them. Usually we have to do it by description, and we wind up getting the wrong part the first couple of times we order," he says.

David Shapero simplifies parts replacement by stocking only one brand. Having 600 units with interchangeable parts makes it easier for both the store and the customer, he says.

"If I have a piece go out, all the replacements are the same. It's easier to switch off with another set to give the customer what he needs. That way I don't have a lot of different components," Shapero states.

Service is a big determining factor in what dealers buy, says Bud Holladay, owner of ten ABC Rentals and ColorWorld stores in Texas and New Mexico.

"Service is a very important consideration in buying stereo units. The typical rental store service technician is not as well-versed in the current audio technology as he might be, due largely to the insulation he has from the trends of the retail market," says Holladay. "So the dealer typically tries to find a stereo system he can repair quickly and easily. As the units become more sophisticated, price must include turnaround service from the factory or the dealer has to come up with a better service shop to handle the new technology. So they use price as an excuse for not buying higher-end goods, when usually it is service."



REGULATING ADVERTISING

Several items of interest have crossed my desk since the convention. Some concern advertising. Dealers in the states with new statutes are complaining that their competitors are not advertising in accordance with the new statutes. They feel such liberties are giving the competitors an edge, and they do not like it.

The advertising regulations in Michigan, Texas, Georgia, and South Carolina are similar. Certain language in advertising will "trigger" disclosures that must also appear in the ad. For example, if a dealer advertises a monthly or weekly rate, he must also disclose certain additional information about the cost and duration of the transactions.

A few dealers already in the habit of advertising "trigger" terms have not yet reviewed their ads to bring them into compliance with the new laws. These dealers are at risk. All of the new state statutes contain minimum statutory penalties—in Michigan it is \$250 plus attorney's fees. Dealers not in compliance with the advertising sections of the new statutes are wide open for suits brought by hungry young lawyers. And there really are no good defenses once the statute is in effect.

Dealers who are playing by the rules have every right to be chagrined, but they should remember the risk their competitors are running. There is really no need to report violations as they are in the media and open to view by all. There are enough adversaries looking over the industry's shoulder to bring these few slow-reacting dealers into line. It will not do the industry any good in the long run for dealers to start taking cheap shots at one another over these new statutes.

The National Consumer Law Center (NCLC) has already come out with an attack on the new laws. Since the state legislators in the four states did not call us installment sellers and put us out of business, the NCLC condemns them.

The new statutes are all basically good statutes, regulating the industry fairly and practically.

As an industry, we need to stand firm behind these statutes and the legislatures that passed them. It means playing by new rules and helping all dealers get acclimated to the new controls on the business. Most violations stem from a lack of awareness of how the new statutes work. Dealers can do a service to the industry by spreading the word about the laws to other dealers and being patient as we all struggle to bring our businesses into compliance with the new rules.

Another advertising issue concerns retailers who have begun taking shots at our industry by mounting "anti-rental" ad campaigns.

In Radio Shack the other day, I saw tent signs on all their high-end stereos with the legend "Why Rent?" The signs explained Radio Shack's easy credit plan with approval in only two days. Such anti-renting advertising has not yet risen to the level of the Cola Wars, but in a certain sense, it does show we have truly arrived as a market force.

Opinions vary as to the effectiveness or advisability of negative advertising. Most companies refuse to do it at all. In industries where competitors have attacked one another in their advertising, rarely have the attacks endured for long. Indirectly, the very acknowledgment of the rental alternative in Radio Shack stores may well send customers our way. It may be momentarily unpleasant to suffer attacks from people who ought to be our colleagues, but it is not all bad, and it demonstrates to the consuming public just how far we have come.

On a personal note, I have recently stepped down as executive director of APRO. As most of you know, Elizabeth Johnston has effectively run the trade association, its publications, and programs now for several years and has ac-

cepted the position of executive director. We are proud of her achievements and have full faith and confidence that Elizabeth will continue to administrate in the professional manner to which we have grown accustomed.

Lest you become concerned that I will not be involved with the rental industry, please note that I am still general counsel to APRO and have the new title of executive vice-president to use in my role as spokesman for the industry. I am still vitally involved with this enterprise, and hope to continue my relationship with the organization and the dealers for a long time yet to come.

The long and short of it is that it ceased making good economic sense to have an attorney as the executive director of APRO—both for the attorney and for the organization. I am presently working "of counsel" to the Austin law firm of Kammerman, Overstreet and Hurren, at 1020 MBank Plaza, Austin, TX 78701, (512) 474-6436. I am two blocks from the APRO office and talk to them every day. I am still available to talk to you—the dealers—about whatever is on your minds, and I would miss not doing that. The only difference is that you can reach me at the law firm number.

I am also available now to dealers for legal work as needs may require. I do look forward to staying in touch with many of you. I am still on the APRO seminar circuit and am prepared to do anything necessary to help APRO continue the tradition of excellence that it has known during its first five years of existence.

Here's hoping that the fall is a busy and prosperous time for everyone.

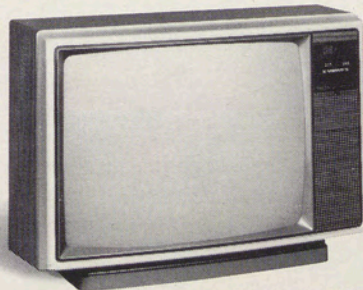
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PHILADELPHIA, PA

Peirce Phelps
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PHOENIX, AZ

Cunningham Distributing, Inc.
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PITTSBURGH, PA

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G & C Distributing Co.
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RICHMOND, VA

International Products
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ROANOKE, VA

Mason Dixon Distributors
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SALT LAKE CITY, UT

S.R. Distributing
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SAN ANTONIO, TX

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Amfac Electric Supply Co.
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Lee Distributing Co.
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Cain & Bultman, Inc.
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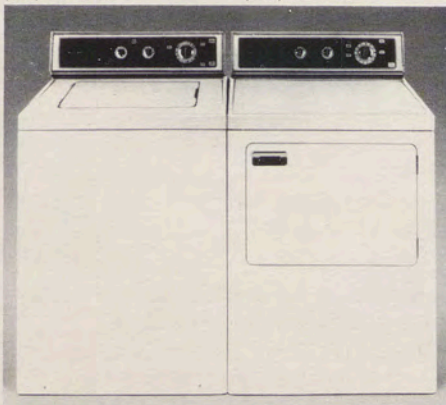
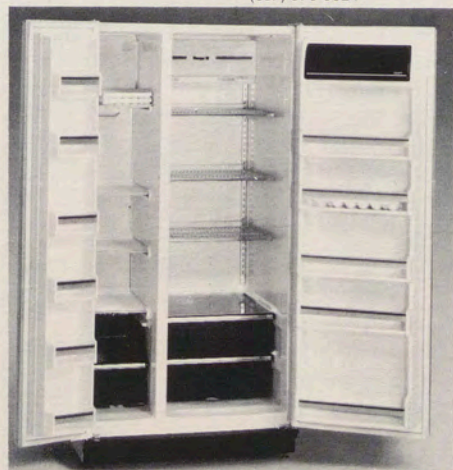
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WICHITA, KS


Hennigh's Inc.
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YOUNGSTOWN, OH

Dorrance Supply Co.
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Home Appliances

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Employee Misconduct

In the course of the day, there are many things employees can do to cause harm to the general public. The dealer's concern centers on his protection from the answer to this question: Does my business liability insurance protect me against claims of employee misconduct?

The answer lies in how the misconduct is characterized. It must be decided if the employee's conduct was negligent and/or intentional.

Everyday activities are filled with possible mishaps. We might fail to clean up a spill of some kind and a customer could slip and fall. We might injure a customer during some maintenance procedure, such as cleaning or re-arranging inventory. The possibilities are numerous. And outside the store, driving a delivery truck and entering a customer's home to deliver and set up a television poses obvious hazards.

Although these risks are difficult to predict, they share a common element—the unintentional injury to a member of the general public. Insurance companies are willing to take the risk, based on statistical probability, that certain injuries will not occur enough times to create a serious loss problem. The insurance company receives premiums for agreeing to share the risk with the client, a profitable undertaking.

Consequently, any claim filed with the insurance company is examined carefully to see if it falls within the scope of the assumed risk. It is usually most difficult to state categorically that a particular claim is a consequence of an intentional act by an employee. Because our employees work with the general public in anticipation of certain conduct from the public, we understand that conduct is not always what it should be. From time to time, an otherwise conscientious employee may lose patience with a customer. This is an intentional

IT IS USUALLY MOST DIFFICULT TO STATE CATEGORICALLY THAT A PARTICULAR CLAIM IS A CONSEQUENCE OF AN INTENTIONAL ACT BY AN EMPLOYEE.

act that is a consequence of the ordinary course of business.

Types of claims in this gray area include altercations between employees and customers, repossession disputes where employees are alleged to have acted without authority in entering a customer's dwelling, and threats to customers that exceed the bounds of legitimate collection practices.

Under these circumstances, the insurance company usually questions the liability of such conduct. The dealer involved should always urge that the incident arose during the ordinary course of business. Even though the act may have been intentional, it was foreseeable within the general day-to-day circumstances of the business.

When an insurance company seriously disputes a claim, it is likely it will defend the claim until its final conclusion. By asserting its "reservation of rights" to defend against liability of the claim, the insurance company provides a lawyer to help avoid a liability judgment against the dealer. However, at the same time, the insurance company reserves the right to refuse to pay the claim if it is ultimately decided against the dealer.

But within the reservation of rights clause, there is an important benefit to the business owner. There are two possible parties to responsibility in any claim situation. One possibility for the claim is against the business, the other possibility is against the employee only.

An example of the latter situation is this: an employee might be involved in a bar fight with a customer after working hours over a matter unrelated to his employer's business.

This is an extreme, hypothetical situation, but the customer could never assert a claim against the business over the conduct of this employee. The customer certainly does have a claim against the individual employee, however.

The insurance company does analyze a claim to determine if the injury was caused by an agent of the company acting within the scope of his employment. It is true that employers are generally responsible for anything the employee does, but there is a point when the employee begins to act for himself and not his employer.

The difficulty in these cases is where to draw the dividing line between company responsibility and employee responsibility. Here, the insurance company must decide how to handle the claim. The reservation of rights system gives the insurance company a chance to beat the claim before deciding the claim requires coverage under the policy.

It is also important to note that the cost of defense provided by the insurer, in many cases, is as much or substantially more than the claim itself. For this reason, the dealer should be very careful to notify the insurance company of any claim where it appears liability may result. The failure to notify may later operate as a waiver to cover any claim resulting from the incident. **PR**

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

VIDEO DISPLAY TRACKS

SET UP YOUR OWN PROFESSIONAL VIDEO DISPLAY TRACKS IN JUST A FEW HOURS FOR \$400-\$600 (1,000 TITLES)



Easy to install — just Staple, Nail, Glue, or Screw into Any Surface • Each Track (Single or Double) is Four Feet Long and Cuts Easily to Fit Any Space • Each Single Track Holds approx. 12 pieces (Doubles hold approx. 24) • Red, Ivory, Blue, Black or Brown • Pre-packed 20 pcs per Carton, Singles or Doubles • Special Tilt of Track Prevents Box Fall Out

\$5.00 SINGLE WIDTH
\$8.00 DOUBLE WIDTH
\$100.00/CASE **\$160.00/CASE**

Display Tracks for Slat Walls

For Video Cassettes, Computer Software, Audio Discs. Each Track is 48" Long. Packed 20 Tracks per case. Red, Ivory, Blue, Black, Brown.

Single Width \$7.00 each
Triple Width \$12.00 each
\$140.00 per case

Revolving Movie-Go-Round \$289.95

Depending on How It is Assembled, Holds from 72 to 216 Movies ALL FACE FRONT

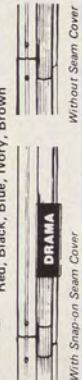
- Ships UPS in only 3 Cartons
- Easy to assemble, requires no tools
- Consumes only 36" of floor space
- Special design accommodates BETA or largest
- BETA or largest X-rated box to fit in the same space without flopping around in rack
- Comes with One Movie Rentals Category Sign (Movie Rentals) Header, Back, Side, and Center Pole with Snap-on "Strap-on Sign Kit" and "Hook and Pull Tag System" for multiple copies

144 to 96 to 108 to 72 to 216 pcs 144 pcs 162 pcs 108 pcs

• Hooks simply snap on to Video Display Tracks
• Each Hook holds up to ten Tags
• TAGS (one for each copy) hang on Hook
• BETA or VHS labels available
• Adapter Strips easily attach to existing shelving
• This system eliminates the need to show multiple copies of a Title and increases the number of Titles which may be displayed. The customer pulls the TAG instead of the Video Box which, consequently, remains on permanent display. When all the Tags have been pulled, the Title is "out on rental."

Category Divider/Seam Cover

A Matching Seam Cover in between Tracks will add strength at the point where two Tracks meet. A contrasting color also serves as a Category Divider. \$5.00/Pack of 20 — Red, Black, Blue, Ivory, Brown



With Snap-on Seam Cover Without Seam Cover

Transparent Movie Box

Clear, Semi-Hand Plastic Boxes Protect Valuable Movie Display Boxes. Tapes always look as good as the first day you put them up. Put Labels and Stickers on the Protectors and Never Damage the actual Display Box. Packed 100 pieces per size (lids and trays packed separately).

- Size 1 — BETA Sleeve Type
- Size 2 — VHS Sleeve Type
- Size 3 — Fox, Playboy, MGM Old Type
- Size 4 — Thorne, Vestron, Amarty Type
- Size 5 — Family Home, USA Video Games, Moxit X's
- Size 6 — Warner, MGM, CBS UA, Disney Book Type

60.00 each per case

Movie Marquee Category Signs

4-1/2x17-1/4" Laminated on both Sides in a Heavy Gauge, Hard Clear Plastic

- ACTION
- DRAMA
- MUSICALS
- CONCERTS
- MARIATL
- ADULT
- ARTS
- HORROR
- COMEDY
- CHILDREN
- WESTERN/WAR
- BUDGET RENTALS
- DOCUMENTARY
- FILMS
- EDUCATIONAL
- CLASSICS
- NEW RELEASES
- MISCELLANEOUS
- NOT IN SNAP ON SIGN KIT
- ACCESSORIES
- WORTH SEEING
- SALE TITLES
- CHECK-OUT
- COMING SOON
- NEW ARRIVALS
- GENERAL
- SPANISH
- TOP 20
- VIDEO GAMES
- VIDEO RENTALS
- BUDGET RENTALS
- VHS
- EDUCATIONAL
- MISCELLANEOUS
- NOT IN SNAP ON SIGN KIT

Side 1 — Black Letters, White Background
Side 2 — Black Letters on Day-Glo (4 assorted colors)

75-pc Snap on Sign Kit \$59.95

Kit contains 25 black plastic sign holders and 50 slide in signs (two each of 25 different categories, as shown under "Movie Marquee" signs). Side 1 — Black with fluorescent letters (four assorted colors); Side 2 — Black with White letters. Sign Holders easily snap on to Video Display Tracks or may be affixed to existing display with tape, staples, or tacks.

Security Labels

Labels Read: **WARNING - Full Retail of this Product will be Collected if Seal is Altered or Removed**

TYPE A — MYLAR
Clear with Gold Print
1 1/2" x 1 1/4"
\$30.00 per roll of 1,000
Theft Deterrent

TYPE B — VOID TYPE
5/8" x 1 1/4" — Silver Foil w/Black Print
\$45.00/Roll of 1,000

Promotional Labels

1-1/2" Round — \$25.00/roll of 500
TYPE A — TOP 20
Fluorescent Yellow
TYPE B — TOP 50
Fluorescent Green

1-5/8" Sunburst — Removable
\$20.00/Roll of 250
TYPE A — NEW RELEASE
Gold Foil w/Black Letters
or Fluorescent Yellow
TYPE B — NEW ARRIVALS
Gold Foil w/Black Letters
or Fluorescent Orange

1-1/4" Explosion
\$20.00/Roll of 500
TYPE A — WORTH SEEING
Fluorescent Red
TYPE B — DON'T MISS
Fluorescent Orange

1-1/2" Square
\$30.00/Roll of 500
TYPE A — USED MOVIE SALE
Fluorescent Yellow
TYPE B — THIS MOVIE FOR SALE/RENT
Fluorescent Pink

1-1/2" Square — Removable
\$30.00/Roll of 500
RED OR BLACK (Use one color for VHS and the other for BETA)

Special Rental Labels
1-1/2" Round — Removable — \$25.00/Roll of 500

Rating Labels
1" Round — White w/Blue Print
(G) General
(PG-13) Parental Guidance over Age 13
(R) Restricted
(X) X-Rated
\$10.00 — Roll of 250
\$55.00 — 6 Rolls, Assrd
\$100.00 — 12 Rolls, Assrd

Rewind Labels
3/4" Round
\$20.00/Roll of 1,000

REWARD
\$1 CHARGE (1 tape is not REWOUND)
ORANGE
REWARD
\$1 CHARGE (1 tape is not REWOUND)
YELLOW

Miscellaneous Labels

PLAYBACK PROBLEMS? — 2x3" — Black on White
\$60.00/Roll 1000

WARNING
Heat and Sunlight damage
Tapes. Replacement is
Customer's Responsibility

Sunlight Warning!
5/8x1-1/4"
Black Print on White
\$30.00/Roll of 1,000

EZ-ID Inventory Control System

(500 Titles): \$159.95
THE SYSTEM INCLUDES THE ITEMS BELOW WHICH MAY BE PURCHASED INDIVIDUALLY:

- \$40.00 — 1,000 Classification Labels
- \$40.00 — 1,000 Title Labels
- \$60.00 — 500 Rental History Cards
- \$10.00 — 50 Customer Reservation Cards
- \$50.00 — Instructions

Movie Rental Boxes

RIGID, Heavyweight Plastic with Deep Leather Grain Finish reduces Marking and Scuffing! Positive Locking System will not pop open when dropped. Made in the USA of 100% Virgin Vinyl. Available with or without Wrap-around Sleeve. Black, Brown or Semi-Clear (see through). Order by the Case only (48 pieces).

48+ 1,000+
With Pocket (price each) 80¢ 75¢
Without Pocket (price each) 75¢ 70¢

Giant Outdoor Banners

3' x 10' — With Re-enforced Ties — \$49.95 each
WEATHER RESISTANT POLYESTER VINYL

MOVIE/VCR RENTALS

Fluorescent Orange with Black Letters
Style A — Grand Opening
Style C — Movie/VCR Rentals Sales & Rentals
Style B — Movie Rentals

Giant 36" Long Window Signs

READABLE UP TO A HALF MILE
VCR RENTALS
MOVIES-TO-GO

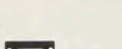
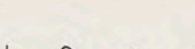
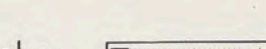
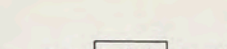
• Giant 36x12" Sign sticks directly to glass with static cling
• No Glue — No Residue, Remove and Reuse
• Fluorescent Red & White, or Fluorescent Red & Yellow
• \$19.95 each or, two for \$35.00, three for \$50.00

Title Boards

18" x 24"
White Board
Black & Yellow Border
Pre-Drilled w/Suction Cups
Includes Dry Erase Pen
\$29.95 each — Two for \$55.00

SLIDING OPEN-CLOSED SIGN

14x20"
High Impact Styrene
Sliding Panel
630 Changeable Letters/Numerals
Mounts Inside on Glass w/Suction Includes Counter Easel Marquee
\$39.95



Promoting Compact Discs

As audio technology advances, rental dealers must determine whether they will offer the sometimes complex new products it creates. Helping the customer make sense of newfangled buttons, knobs, and lights requires promotion and knowledge of new equipment.

For instance, the compact disc player, a new addition to the audio equipment family, is quite different from the standard stereo components many customers expect. While some customers already are requesting the CD player, many still do not know it exists.

Lowry Shrader, owner of nine Rent*It stores in Tennessee and Kentucky, has been renting CD players for the past year.

"We want to bring a new image to rental," he says. "Rental customers should be able to go to the rental store and learn as much about new products as they would at a retail store. We want to show our customers that we know what we're talking about where new appliances are concerned."

Shrader offers Fisher and Technics CD players and notes that, although they are a high-priced option, they are moving fairly well.

"I decided to rent CD players because they are new, exciting, and have superior technology behind them," Shrader says. "I would absolutely recommend that other dealers carry them as well. Just as the cassette deck replaced eight-tracks a few years back, the CD will replace record albums."

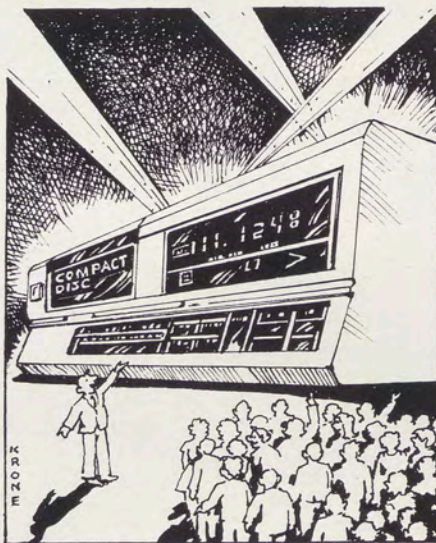
Shrader also is dabbling in high technology by renting stereo televisions.

"We are offering the dbx stereo television," he says. "Although they will not really start moving until more stereo TV is broadcast, we know they eventually will be popular. This is a part of our progressive philosophy. We are renting top-of-the-line, modern products in all areas, even furniture."

Mike Kerley, assistant manager of two Rentown stores in Cedar Falls, Iowa, and Cedar Rapids, Iowa, rents Fisher CD players as a part of a 100-watt stereo package.

"The CD players make high-wattage stereo systems more attractive," he says. "Right now most of our CD players are

being rented to audiophiles who are already knowledgeable of the player's operation. We point them out to customers who have never heard of a CD before, and although some have not been too impressed, customer demand and awareness is building."



Guidelines

Sales personnel can use several basic but effective techniques to rent new products to customers. The following guidelines are suggested by Shrader to rent CD players, but can be modified for promotion of any new product:

- *Draw attention to the unit.* Put the item on a pedestal, attach an eye-catching sign, and focus a spotlight on it.

- *Lead customers to the merchandise.* When a customer enters the store and asks about stereos, sales personnel should query, "Have you seen the new CDs and CD players? Let's take a look at them."

- *Demonstrate and explain.* Demonstrate the unit's hi-tech features, then explain what they will do for the customer. For example, tell him that the disc is played by a laser instead of a needle; therefore, the disc cannot be scratched during play. Then turn the sound up so he can hear for himself how the laser produces very clear sound, even at high volume.

- *Show the customer a disc.* Describe its

differences from a record album. Discs, with normal upkeep, have an almost indefinite problem-free playing life. Note that discs will not need as much storage space as albums, and comment on the availability of digitally recorded discs that provide even clearer sound. Mention that because recording is only on one side of the disc, there is no need to get up and turn it over.

- *Throw in a shocking statement.* Shrader's sales personnel follow their demonstration pitch with the statement, "But the best thing about a CD player is the silence." Having grabbed the customer's attention, the salesperson then demonstrates the lack of static and other extraneous noise between songs on the disc.

Making the Sale

Shrader notes that by this point the sale is often made. But even if a player has not been rented, the dealer may still benefit from time spent with a customer.

"Demonstrating items with high-end technology will not necessarily bring an immediate sale," says Shrader. "However, store traffic can definitely be generated this way. These customers will tell their friends about the great new item over at the rental store, and their friends may very well come in and rent one."

Shrader has used several methods of advertising CD players, but feels the in-store demonstration is the best way to win customers.

"I have advertised CD players in newspapers as part of the overall store ad," he says, "but in-store demonstration is the key. You can advertise CD players all day long, but the demonstration is what gets customers."

Mike Kerley promotes CD players through newspaper and flyer advertising, but mainly depends on word of mouth among customers.

When renting new items, be certain that sales personnel are thoroughly knowledgeable about how the products work. Salespeople are the key to the customer's desire to rent the new item.

continued page 41

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-
- IBM hardware – unsurpassed for support and service
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 - STAR DEALER is composed of compiled programs **NOT** written in a data base language. Therefore, the system will **NOT** “slow down” as you add customers
-



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Handling Customer Complaints

Certain important laws of business conduct, if obeyed, bring many satisfied customers through repeat business, as well as referral business. The moment the staff breaks these laws, we invite trouble.

One cardinal law of business conduct is: *Always make the customer feel important and maintain the customer's self-esteem.* The desire and need to feel important is the deepest urge in human nature.

Most people want the approval of those with whom they come in contact. They want recognition of value, not cheap or insincere flattery. Once a person perceives that his self-esteem is threatened or challenged, then natural instinct takes over and the behavior that results is not always logical or reasonable.

Trouble Costs

Wherever people live or work together, complaints are inevitable. Complaints can be channeled into constructive results, or complaints can destroy customer relationships and business reputations. Destructive conflict not only can cause a business to lose profits and miss opportunities, but it eventually can destroy the business.

Traditions, past practices, prejudices, insensitivity, and ignorance on the part of business people usually are the cause of poor policies and practices. Poor employee selection, improper training or no training, insensitivity, and insecurity often mean businesses incorrectly apply their policies. From these conditions, complaints arise.

Guidelines

The way complaints are resolved in your store has great impact on your business. Here are several guidelines to follow in establishing an effective, and protective, complaints procedure.

1. *Make it easy for customers to come to you.* You don't have to be overly

chummy, but you shouldn't be cold and distant with your customers. You must make the customer feel that bringing a complaint to your attention does not insult or antagonize you.

2. *Get rid of red tape.* Don't clutter up your complaint procedure with cumbersome rules and regulations. Keep it simple. Your goal is to get to the problem and its solution in the least possible time.

3. *Explain your complaint procedure to everyone.* An open-door policy for your customers is worthless unless they know it's open. Pass the word along; keep them informed. State clearly how a customer should present his grievance and what will happen when he does.

4. *Help the customer voice his own complaint.* Sometimes a customer may be unskilled in expressing his grievance. If a customer feels the successful correction of his complaint depends on his verbal ability, he may give up and hide his discontent.

5. *Always grant a hearing.* No matter how trivial the complaint might seem, always grant the customer a hearing to air his gripe.

6. *Practice patience.* Yes, you are busy and you have many things to do, but be patient. Hear the customer out. If you don't, chances are he will go straight to the competition.

7. *Ask the customer what he wants you to do.* Here, you can turn a complaint into a profitable meeting for you. This one tactic can do much to oil a rusty relationship between your business and the customer.

8. *Don't make a hasty or biased judgment.* Even though you're a dealer or store manager, make your decisions with the wisdom of Solomon, not with a biased viewpoint as an entrepreneur or manager. Never make hasty or snap judgments. If more time is needed to get additional facts, take the time. A wise decision is more important than a rapid one.

9. *Get all the facts.* Remember, more than one side of a story may need to be considered before making a decision. If necessary, do it, no matter how much time it takes.

10. *Explain the decision to the customer.* Tell the customer yourself. If a subordinate reports the decision, the customer will know you weren't very interested after all.

11. *Double-check your results.* After time, check back with the customer to make sure the complaint has been taken care of to his complete satisfaction. This publicly expresses your interest in customer satisfaction.

12. *Be concerned.* There's not much use in listening to complaints unless you honestly do care about resolving them. People are not as easily fooled as you may think.

Be Alert

These guidelines cannot solve all of the personal problems of your customers. Merely listening to the complaint is not a solution either. You must pay close attention to the customer to improve his attitude toward you and your store.

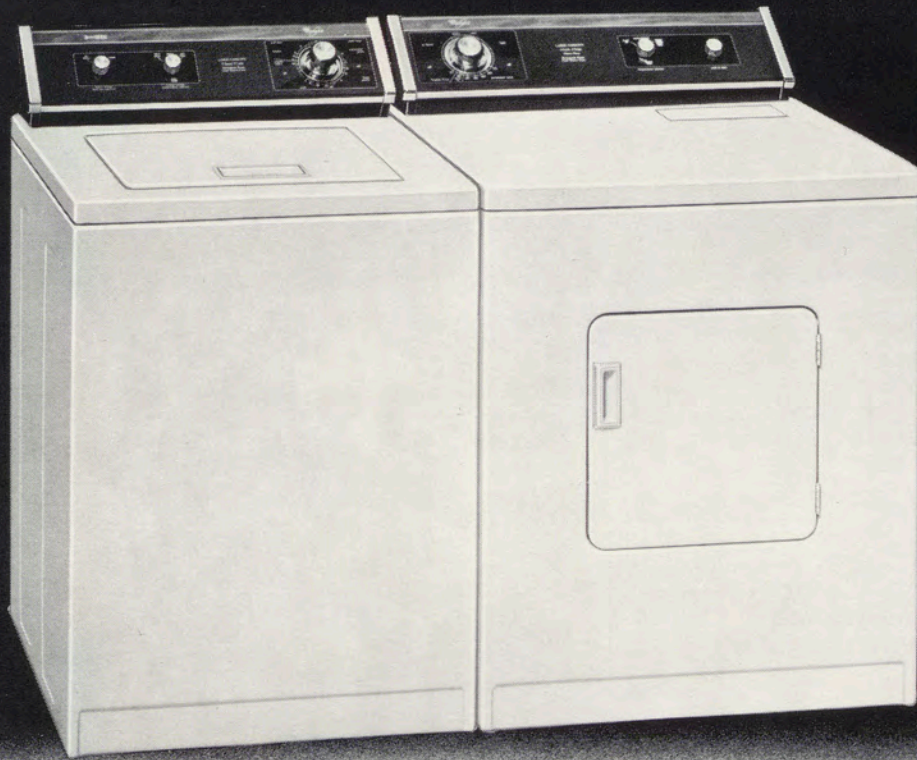
When you give casual attention to your customers, you reject them. Rejection does damage; attention repairs.

Experience has shown that when little or no information can be secured about the customer or complaint, the sound basis for action is to assume that the customer is sincere, honest, truthful, and anxious to resolve the complaint.

The exceptions to this rule are comparatively few. Even the individual who is inclined to cheat will in most cases react favorably if you make him feel you consider him honest and fair. **PR**

Glenn Zweiban is a trainer in the Training Department of ColorTyme, headquartered in Athens, Texas.

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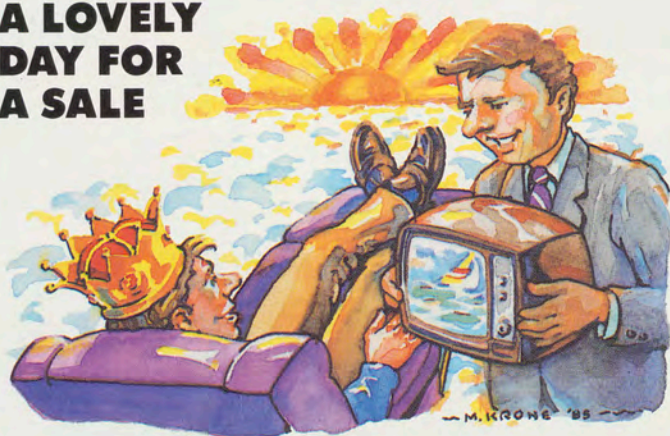
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Untapped sources of salesmanship are abundantly available to rental-purchase dealers. For example, there is a holiday, special event, or festival for nearly every day, week, and month of the year. Dealers can choose among these celebration days according to location and then offer specials appropriate to the day. A Father's Day Special might be a combination of a TV and an easy chair, such as the one a southeastern dealer offered recently to great advantage.

Compiled by William D. Chase and Helen M. Chase, *Chase's Annual Events: Special Days, Weeks,*

and Months can pinpoint other unique celebrations. Order from: Contemporary Books, 180 North Michigan Avenue, Chicago, IL 60601. The book lists the details of over 450 special events, and currently retails for \$14.95, plus \$2.50 shipping and handling.

APPLIANCE FACTS AND FIGURES

The Association of Home Appliance Manufacturers (AHAM) has published its first annual *Major Appliance Industry Facts Book*.

This 52-page book uses tables, charts, and graphs

to explain the home appliance industry, its products and markets. Statistics on industry equipment, productivity, import and export markets, appliance ownership, and appliance value are included also.

To order, send \$15 to: AHAM, 20 North Wacker Drive, Chicago, IL 60606.

NUMBERS TELL THE STORY

Electronics industry highlights for 1984 are now available from the Electronic Industries Association (EIA). The final tally shows total U.S. sales of electronics reached \$172.5 billion last year, increasing 17 percent over 1983. Exports of U.S. electronic products rose 19 percent to \$31.8 billion in 1984, and U.S. imports increased 46 percent between 1983 and 1984, to a total of \$40.3 billion.

Color televisions continued to be the biggest selling consumer electronics product in 1984, with factory sales of just over \$5.5 billion. VCR factory sales

rose to \$3.6 billion from \$2.2 billion in 1983. Overall, U.S. factory sales of consumer electronics products topped \$17.8 billion, climbing 22 percent over last year. These trends are expected to remain in force for 1985.

PARTNERS IN HEALTH

The Bureau of Labor Statistics' 1984 survey of employee benefits in private firms reveals a growing trend for employees to share the cost of health insurance with their employers.

The extensive survey covered approximately 21 million full-time workers. Of these, 21 percent having major medical coverage paid the initial \$150 or more of medical expenses, before being reimbursed by the insurance company.

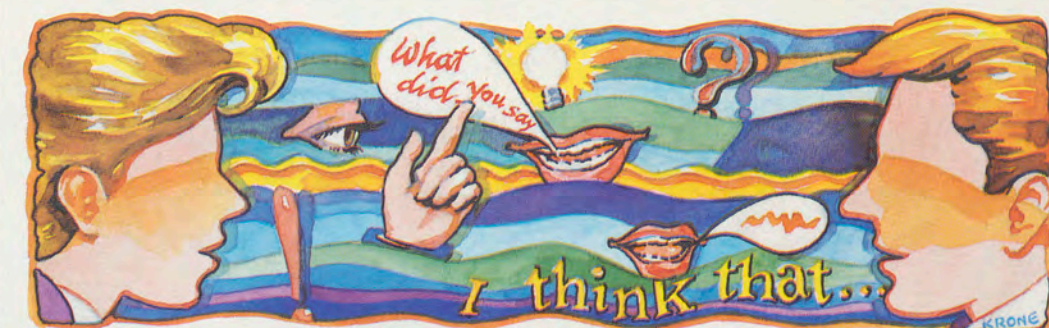
In 1983, 12 percent of employees paid this amount, while in 1982, only 7 percent paid. Nearly half of all workers covered by a health plan in 1984 paid deductibles of \$100.

TO LISTEN IS TO KNOW

Do you or your employees ever have trouble effectively communicating with others? Do you sometimes come away from a conversation not really understanding what was just said? If so, perhaps a little training in the art of listening would be helpful.

The *Dunhill Searcher*, a newsletter for executives and managers, published guidelines recently for becoming a good listener.

- Listen to *what* is said



rather than *how* it is said.

- Ask thoughtful questions to show interest and support and to eliminate misunderstandings.
- Make use of extra time in a speech or conversation to mentally summarize its

main points.

- Remain open to new ideas.
- Maintain eye contact.
- Listen for ideas, rather than being unduly concerned with data.
- Don't interrupt or mo-

nopolize a conversation. Pay close attention to the contributions of others.

- Understand body language. Much about a person's attitude can be realized by observing facial and body signals.



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- The RSSS Software will be available to see at the July APRO Convention in Ft. Lauderdale at booths 802 and 803.
- For information and availability in your area, Call collect to Rental Sales Software Systems.

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Investment Flexibility

Did you ever get the feeling that life is getting just a little complicated? It used to be that working hard, taking care of your customers, and watching the bottom line was all that you needed to do in order to be successful. But today working harder is not enough, *you have to work smarter!*

Working smarter means having a financial plan of action, diversifying your wealth, and taking advantage of every legal break to which you are entitled.

For example, cash flow is vitally important in the rent-to-own business. The question for many is, How do I make my money work as hard as I do, and still have the liquidity I need to run my business? This month's topic, mutual funds, is an excellent answer to that question, especially within the context of a financial plan.

Goals

Developing a financial plan can simplify your life and give you a framework for making financial decisions. Financial planning should be done in stages.

First, successful financial planning means goal setting. Divide your goals into business and personal objectives. For example, a business goal might be to develop an energetic, committed management team to run your business, giving you more leisure time. That, in turn, could allow you to pursue important personal goals (i.e., traveling, building a vacation home, etc.).

The second step is to evaluate the tools that will help you accomplish your goals. These tools include various tax, investment, and insurance plans. The idea is to maximize the return on your money with a reasonable degree of risk.

Thirdly, implement and monitor your strategies. Make sure your financial plan is doing what you want it to do. Your financial planner can help you organize the entire system.

Mutual Funds

One effective investment tool is mutual funds. There is a fund to fit nearly every investment objective. Businesses, individuals, or pension plans can invest in mutual funds.

A mutual fund is a financial service organization which tries to invest its shareholders' money for maximum returns and growth. The fund also agrees to pay the stockholder cash on demand for the current value of his or her investment.

Mutual funds offer flexibility. Specific fund products may be selected and then exchanged for other products within a fund complex. Diversification and professional management ensure that the investor's objective is pursued under the best possible circumstances.

Some companies aim for long-term growth of capital and income, others stress current income, and some put capital and stability first. Individual investors can choose funds with objectives that best match their needs. The fund's objectives, and other important information, can be found in the prospectus which should be read carefully before investing. Some typical funds and their objectives are discussed below.

An *aggressive growth* mutual fund seeks maximum capital appreciation through methods that incur greater than average risk, such as borrowing money to provide leverage, short selling, hedging, options, and warrants. A *regular growth* fund aims for a long-term growth of capital by investing principally in common stocks with growth potential. A *growth and income* fund combines objectives of income and long-term growth. The primary aim of an *income* fund is current income rather than growth of capital. It concentrates on stocks and bonds that usually pay higher dividends and interest.

The purpose of an *option/income* fund

is to seek high current return by investing primarily in dividend-paying common stock in which call options are traded on national securities exchanges. The return typically consists of dividends, premiums from expired call options, net short-term gains from sales of portfolio securities on exercises of options or otherwise, and any profits from closing purchase transactions.

The portfolio of a *corporate bond* mutual fund consists mainly of bonds, and the fund is directed towards income rather than growth. Tax-exempt government bonds enable *municipal bond* funds to pay interest which is passed through to shareholders free of federal tax. *Short-term municipal bond* funds or *tax-exempt money market funds* invest in municipal securities with relatively short maturities.

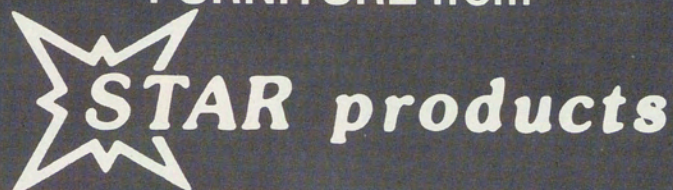
A *balanced* mutual fund balances its portfolio by including such investments as bonds, preferred stocks, and common stocks. High investment safety and immediate income are offered in the *money market* fund. This is accomplished through the purchase of high-yield money market instruments such as U.S. Government securities, bank certificates of deposit, and commercial paper.

Recent trends show that investors have become increasingly aware of the variety of services available to them in mutual funds and are taking advantage of this diversity in their financial planning. Contact your financial planner to discuss which mutual fund best suits your financial objectives. **PR**

Chris John is vice-president of The Resource Financial Group of Austin, Texas which specializes in financial planning for professionals and executives. Additionally, Mr. John is a registered investment advisor and a life insurance counselor.

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T A L S



The 800-Unit Route Manager

Constant debate and argument centers on how many units (or customers) the good route manager can handle: is it 250, or is it 750, even 800? The answer impacts on the profits and the overall efficiency of your rental store.

The typical route manager should be seen as a manager in the field. He takes payments, counsels customers, installs the product, and explains the contract to virtually all your customers. And—if you include the cost of his vehicle and the value of inventory he controls—his job easily can be worth \$250,000 to your store. The number of customers he has and the geographical area he must cover are of vital importance in planning store operations.

Assessing Areas

Several factors must be considered when distributing units or assigning areas to your route managers. If all these factors are properly assessed, the particular skill-level of any one man becomes less important.

First, locate each customer on a "mapsco" or other device that plots your city or market into equal grids. Use colored stick-on dots to represent the number of customers within each grid. The number of units is not important—when he's collecting, your route manager talks to people, not TV sets. The dots give you a clear picture of where in the city your business is.

Now examine your customer map for such natural and man-made obstacles as rivers, industrial parks, limited-access freeways, rail yards, etc. These obstacles prevent the easy flow of traffic, so consider them when assigning routes. If your man can't travel easily into and within his area, then he can't handle many customers there. Much of his time (*your* payroll dollars) will be spent behind the wheel as unproductive hours.

Now determine the major traffic arteries into and out of the area. There

THE DAYS OF THE 250-UNIT ROUTE MANAGER SHOULD BE OVER; TODAY'S RENTAL STORE JUST CAN'T AFFORD THEM.

should be two that intersect near the middle of the area, and at least one artery should run directly from your store location. Now that you've located the customers, drawn the lines of easiest access to each cluster of customers, and identified the possible traffic obstacles, it's time to figure out just how many customers each route manager should handle.

Route Analysis

If you know that your store has about an equal mix of weekly and monthly customers, then assume an equal distribution throughout each route. Although higher-income areas are likely to have more monthly accounts, these areas also may cross over into other income groups within one route.

In lower-income areas, assume that more people can be found at home during the day, due to fewer wage earners per household. A route manager working this area can do more work in the afternoon, whereas a manager in a high-income area finds his customers are home only after 5 p.m. when he's hindered by rush hour traffic.

These factors must be considered when planning routes, yet they are usually ignored. Consequently, route managers find themselves driving all over town, waiting for customers to get home, or trying to get across town in time to catch other customers. Your route managers probably pass each other on their routes more than once a day.

Of course, the route that has the *most* square miles to cover should have the *fewest* number of customers to handle.

It's possible your grid may reveal a small, densely-populated route near your store that an assistant manager or a part-time route manager can handle. That's a more productive use of an assistant manager's time than attempting to coordinate scattered route managers.

More Units

Unplanned routes burn up company gas and time, which wastes the company's profits. Too often, managers design routes of equal mileage mistakenly believing they have produced fair workloads. Some use zip codes, believing that the U.S. Postal Service has already figured things out. Believe that if you like your mail service.

With your new grid, an average route manager working with an even mix of weeklies and monthlies should be able to handle at least 500 customers in a 45-hour week. Superior route managers can handle 750 to 900 customers by encouraging more monthlies, pushing mail payments, and making complete deliveries.

The days of the 250-unit route manager should be over; today's rental store just can't afford them. Consider this: the average 250-unit route has 25 pickups and about 40 deliveries in 26 work days. If 10 percent of the route's potential is collected at the doorstep, then this route manager is handling about 90 customer transactions per month. That's about 4 per day. What's he doing out there all day?

Store managers who understand that employee time truly is your money do more than simply aim a greasemarker at a wall map when planning routes. The information for properly distributing routes is already in their hands and so is your profit. **PR**

Bud Holladay, president of ABC Rentals in Arlington, Texas, is the president of APRO's Board of Directors and a frequent contributor to PROGRESSIVE RENTALS.



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Audio Suppliers Talk

Suppliers assess their performance in rental-purchase

Take several of the major audio suppliers, ask them about audio's current and future role in the rental-purchase industry, and what results is a chorus of optimistic commentary. Most have entered the rent-to-own market within the past five years, and all agree that the years to come look very bright for the rental industry's audio equipment segment.

Some of the audio manufacturers featured herein note that sales to rental organizations have doubled, even tripled, in the past three years. Rental's percentage of suppliers' total audio sales is increasing, and the suppliers are accommodating this boom by assigning sales staff to the rental market. Special audio models are being designed for the industry, and existing models are being modified for better rental performance.

Data provided by the Association of Progressive Rental Organizations (APRO) indicates that stereos comprised 15 to 20 percent of all rental industry revenues at the close of 1985. Considering the dedication to rental that suppliers are currently demonstrating, audio may command an even higher percentage of industry sales in the next few years.

Following are the comments of prominent audio manufacturers on the current and future status of rental-purchase audio.

AKAI

Ken Emmer
Manager National Accounts

Akai entered the rental industry by selling to several local California rental companies. As the rental industry grew, Akai's role grew as well.

"We've been supplying rental-purchase for five years," says Ken Emmer, manager of national accounts for Akai. "In that time, we've noticed that rental dealers are looking for better quality merchandise because it has to stay in service so long. We have taken this need into account."

Akai's product line includes audio component systems and portable audio equipment. Akai makes component identification in the warehouse simple by using color-coordinated packing cartons. For instance, a dealer putting together a system will know that all the components for one unit are in orange boxes and components for another will be in yellow boxes.

Two California Akai employees work strictly with rental accounts. Akai sales representatives, selling to rental and retail, are situated throughout the country. The company's products are available manufacturer-direct and through distributors. Entertainment Marketing, an independent sales organization, promotes Akai products and has three staff members exclusively pursuing rental markets.

The audio product most often sold by Akai to rental dealers is a 100-watt rack system. Emmer notes a dramatic increase in Akai's sales to rental during the past three years.

"Our sales from 1983 to 1984 were up 300 percent," he says. "Of course, when your sales go from zero to anything in a couple of years, percentages will be high. Sales to rental from 1984 to 1985 increased by about 40 percent, and we expect rental-purchase to continue to grow."

FISHER

Dick Hultine
National Sales Manager
Television and Audio

"Our sales volume to rental-purchase has increased dramatically since we started selling to the industry," says Dick Hultine, national sales manager of television and audio for Fisher. "Not a large percentage of our sales are to rental, but we expect that to increase in the future."

"Wear and tear on products seems to be a major concern of rental dealers," he adds. "Although we have not designed

any particular models for the industry, we have created a derivative model stereo, using stepped-up speakers with higher power handling capacity, to combat the wear and tear problem."

THE APRO SHOW IN ORLANDO WAS OVERWHELMING IN OUR OPINION, AND WE ARE VERY EXCITED ABOUT THE GREAT NEW POTENTIAL THIS INDUSTRY HAS PRESENTED US WITH.

Fisher's biggest selling rental item is the vertical stereo rack system. Second in popularity (although not an audio item) is the VCR, and third is the compact integrated audio component system. All Fisher sales are factory direct.

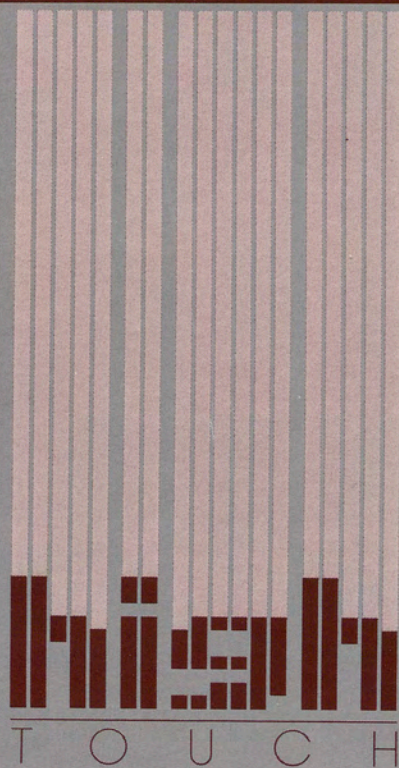
Hultine notes that Fisher is interested in rural rental markets, as well as urban. "Rural areas receive attention in the development of our merchandising and our dealer network," he says. "We want to develop representation in markets across the country."

"Possibilities for rental-purchase are excellent," Hultine comments. "The future looks outstanding. However, there is some concern that too many merchants will go for the same piece of pie, creating a larger concentration of stores than an area can support, especially metropolitan areas across the nation. We are going to watch as best we can to make sure our product isn't spread too thinly."

"We want to be certain that the consumer is served in his best interest as far as dealer service is concerned," he explains. "Not every dealer will be an authorized Fisher dealer. Working with a limited number of stores allows us to provide better service to dealers and customers."

continued page 30

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W E S E T I T .



Kim McCusker, GE

GENERAL ELECTRIC AUDIO

Kim McCusker
Manager of Special Markets

"We began doing business with rental-purchase dealers *years ago*," says Kim McCusker, manager of special markets for General Electric Audio. "We've been involved with rent-to-own since its inception. We saw the potential of the industry. We give rental a great deal of attention, and although we don't have sales representatives working strictly with rental, each rental account always deals with the same representative."

McCusker says GE's rack system is its most popular item with rental dealers because it offers all stereo components in one package. GE sells the same system to rental as it does to retail, and has not created any lines specifically for the rental market.

GE's audio sales volume to the rental-purchase industry has grown considerably since the manufacturer entered the market, and McCusker believes it will continue to increase. He also notes that GE provides special marketing services for rental dealers.

"We provide point-of-purchase materials for the industry," he says, "such as mobiles and hang tags. The hang tags list all features of a product. This helps the dealers' sales staff because customers can read the tag and begin learning about a product when the employee cannot reach them as they enter the store."

GE's audio products are all sold directly through GE sales personnel, and the company operates a network of distribution centers that house goods for rental only.

"We have thirty-four warehouses exclusively for rental," says McCusker, "with another opening soon in Boston, and they are located throughout the country."

"We will absolutely continue exhibiting audio at APRO shows," he says. "The industry is growing tremendously. That's why we're so involved in it."

H. H. SCOTT

Bob Bonefant
Eastern Regional Sales Manager

"We have been selling to rental-purchase dealers for three years," says Bob Bonefant, eastern regional sales manager for H. H. Scott. "Sales volume has increased substantially since we began."

"We haven't geared any models specially for rental-purchase," he continues, "however, our products are rigidly constructed and wear well under the heavy use rental items receive."

Scott manufactures a complete line of audio products, but Bonefant says the rack stereo system is most popular among dealers. Bonefant notes that the bulk of Scott's sales are manufacturer-direct, although some selections are available through distributors.

Bonefant notes that an advertising allotment is provided to dealers ordering Scott equipment. "We give dealers direct ad allotments with their purchase," he says. "This funding is to be used for promoting Scott products and the dealer's store." Size of the allotment depends on the number of units ordered.

"We feel absolutely certain that our business with rent-to-own will grow in the future," he concludes, "just as the industry itself will grow."

HITACHI

Eric Kamayatsu
National Sales Manager

"We first learned about the rent-to-own industry through publications, namely the *Wall Street Journal* and *Consumer Retail News*," says Eric Kamayatsu, national sales manager of Hitachi's audio/visual, military, and computer divisions. "We had been doing a small amount of rental sales in past years, but last year marked our first showing at an APRO convention. Our sales volume to rental-purchase has substantially increased since we first entered the market."

Kamayatsu notes that Hitachi has two representatives specifically dedicated to the rental-purchase market and expects growing emphasis to be placed in the industry by his firm.

"Our percentage of sales to rent-to-own is nominal at present," he comments, "but we anticipate it to make up an ever-increasing percentage of overall sales. The rental industry is a very serious part of our business."

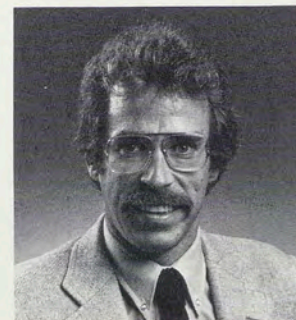
Hitachi manufactures everything from hydroelectric dam turbines to

household rice cookers, and its offerings to the rent-to-own industry include audio component systems, televisions, VCRs, microwaves, and complete audio/video home entertainment centers.

"We have designed a hi-fi system specifically for rental-purchase and are now testing a console television for the industry," Kamayatsu says.

He also notes that Hitachi sells directly to dealers in most cases, but works through secondary distributors in remote sections of the country.

"We will customize our distribution system as the rental market grows," he comments. "Dealers will dictate what happens. Lots of small, independent dealers are franchising and the larger ones are combining into buying consortiums. This influences us, and our manner of distribution will depend on what direction the industry takes."



Rocky Caldwell, MARANTZ

MARANTZ

Rocky Caldwell
Manager of Marketing and Promotions

"We learned about rental-purchase through some of our distributors," says Rocky Caldwell, Marantz manager of marketing and promotions, "and we are pleased with the increase in our sales volume since we entered the rental market. We have exhibited at the past three APRO conventions and have been quite satisfied with the dealer response."

"We have not designed a line especially for rental-purchase," he notes, "because we feel our current audio line is particularly well-suited to rental. Dealers want the customer to rent until he *owns* the product and we think our audio systems, with their furniture-quality cabinets and design, fit right in with that objective."

Marantz offers a complete line of audio component systems, many featuring wood grain, cabinet-style enclosures. A network of independent sales representatives devoted to rental is coordinated by Marantz, and products are primarily available through these representatives.

The supplier has organized purchasing programs with large rent-to-own groups such as ColorTyme and Remco. Sales to smaller dealers are solicited directly by Marantz's sales representatives.

Caldwell says rental-purchase does not constitute a major percentage of the company's sales at present, but expects their line of audio systems to gain an increasing portion of industry sales.

"Rental-purchase is growing and we're going to grow with it," he comments. "So far, it's been a very gratifying experience."

PHILCO

Ken Gay
Director of National Accounts

"We've been involved with rental-purchase a long time," comments Ken Gay, director of national accounts for Philco. "We've been at it at least ten years."

Philco offers a wide selection of audio equipment and their vertical stereo rack systems are the company's most purchased item by rental dealers.

Gay, who works with rental and retail accounts, notes that sales volume to rental has been increasing steadily. "The rental industry is very strong, and growing stronger all the time," he says. "We consider the rental dealer to be just as important as the retail dealer when it comes to sales potential."

Philco's products are sold through distributors as well as manufacturer-direct. Philco provided point-of-purchase materials to rental dealers in the past, but has discontinued the practice due to recent cuts in funding.

"Dealers are looking for higher wattage stereo units," comments Gay. "They want at least 20 watts and a dual cassette player/recorder. We are providing the industry with both. Many dealers are looking for 100-watt systems, but not all audio units suitable for rental-purchase have that kind of wattage."

Philco has high hopes for audio rental. "Rental is one of the fastest growing industries in the country," Gay concludes. "We are definitely focusing on its possibilities for the future."

PILOT AUDIO

Gerald Zarin
President

"We first became involved with rental-purchase in the early seventies, when we were selling to ABC and Mr. T's Rentals, and our business has been



Jerry Zarin, PILOT

increasing ever since," says Gerald Zarin, president of Pilot Audio. "We were one of the first to work with rental-purchase and the growth in sales has been tremendous. It sounds incredible, but in the last three years our sales to rental have grown by 200 percent each year."

Zarin notes that sales are now beginning to level. "There has been a reasonable flattening in sales this year, but it is still increasing," he says. "We're looking for a fairly normal increase of 20 to 30 percent each year for the next three years."

Pilot's customers include small and large dealers, and the manufacturer offers a complete line of audio equipment, including the popular rack system containing a receiver, turntable, cassette player/recorder, and speakers. They have customized many existing models to meet the unique demands of rental-purchase.

"The models we have designed for rental are too numerous to list," notes Zarin. "Of our total sales volume, 30 to 40 percent is sold to rental dealers, so we have added features to current models that will appeal to the rental market. For instance, we were the first to put casters on our audio systems so they could be easily moved in and out of customer's homes. We have also put mesh over stereo speakers to prevent punctures and we ship our products fully assembled, saving dealers time and money."

Zarin says Pilot sells merchandise directly and does not use distributors because of their increased costs to dealers. The company provides dealers with point-of-purchase materials, including adhesive backed "Rent Me!" signs to be placed on merchandise, and in-store wall banners. Advertising slicks formulated exclusively for rental-purchase are also available. The slicks are designed so dealers can add their prices and locations, then submit the ad directly to a newspaper.

The middle to upper-end models of Pilot's audio equipment lines are most

popular among rental dealers, notes Zarin. He adds, "We offer horizontal and vertical rack systems and both do well. Our audio/video home entertainment centers are also becoming very popular with dealers. We began seeing a big increase in this area last spring. They are nice for a dealer's sales pitch because everything the customer wants is included in one package. They are less expensive to manufacture than individual units since less cabinetry is involved, so the dealer gets a better price, and the customer gets a better price, too."

Zarin sees great possibilities ahead for the audio industry's involvement in rent-to-own. "So far, sales have been outstanding, and I see no reason for this not to continue for at least the next five or six years."

PIONEER

Mike Fidler
Brand Manager

"Pioneer began actively pursuing rental-purchase accounts about four years ago," says Mike Fidler, brand manager for Pioneer. "We were developing rental plans for Remco and ColorTyme through our Texas sales representatives, and from that point increasing our rental business was a natural extension."

Fidler says the 100-watt rack system is requested most often by rental dealers. The company has modified several of their existing models to weather rental's heavy customer usage.

"We have put glass covers on the top of our rack systems," Fidler notes. "This eliminates the need for plastic tops, which are often scratched, on turntables. Our speakers for rental have self-restoring circuits, making them more durable."

Pioneer has no sales personnel devoted strictly to rental-purchase, and Fidler says rental accounts are solicited no differently than those of retailers. Pioneer products are distributed through several channels.

"In our primary market areas, where dealers purchase consistent volumes, our products are available through sales representative organizations," says Fidler. "About 50 percent of these organizations are run by Pioneer, and the remaining 50 percent are independents." Independent distributors also sell Pioneer products to small rental operations and those dealers in remote or secondary markets.

"Our sales to rental have increased
continued

Audio Supplier Who's Who

The status of audio in rental-purchase is underscored by the number, scope, and reputation of audio suppliers now working with the industry. The following list of current suppliers details not only company addresses and phone numbers, but products supplied as well.

Akai

800 W. Artesia Blvd.
Compton, CA 90224
(213) 537-3880
Turntables, receivers,
speakers, rack systems,
tape decks

Denon

27 Law Dr.
Fairfield, NJ 07006
(201) 575-7810
Tape decks, CD players,
amps, tuners, receivers

Fisher

21314 Lassen St.
Chatsworth, CA 91311
(818) 998-7322
Receivers, speakers, turn-
tables, CD players, tape
systems

General Electric Audio

Electronics Park
P.O. Box 4840
Syracuse, NY 13221
(315) 456-3396
Audio entertainment sys-
tems of all types

Hammond

433 Scotsdale
Dallas, TX 75227
(214) 388-0523
Stereo speakers

Hitachi

401 W. Artesia Blvd.
Compton, CA 90220
(213) 537-8383
Rack systems, tuners,
amps, receivers, CD
players, speakers, turn-
tables, tape systems

JVC

41 Slater Dr.
Elmwood Park, NJ 07407
(201) 794-3900
CD players, receivers,
turntables, tape decks,
speakers, amps, tuners

Kenwood

1315 Watson Center Rd.
Carson, CA 90745
(213) 518-1700
Complete line of audio
equipment

Kingspoint

106 Harbor Dr.
Jersey City, NJ 07305
(201) 432-7707
Portable AM/FM stereo
and cassette players,
compact stereos, rack
systems

Magnavox/Philco

P.O. Box 14810
Knoxville, TN 37914-1810
(615) 521-4316
Receivers, CD players,
tape decks, turntables,
speakers

Marantz

20525 Nordhoff St.
Chatsworth, CA 91311
(818) 998-9333
Complete line of stereo
component, cabinet, and
rack systems

Mitsubishi

5757 Plaza Dr.
P.O. Box 6007
Cypress, CA 90630-6007
(714) 220-2500
CD players, tuners, amps,
receivers, turntables,
tape decks, speakers

Panasonic

One Panasonic Way
Secaucus, NJ 07094
(201) 348-7000
Stereo component systems

Pilot

101-10 Foster Ave.
Brooklyn, NY 11236
(718) 257-7000
Rack systems, cassette
players, 8-tracks,
speakers, turntables,
receivers

Pioneer

5000 Airport Plaza
P.O. Box 1720
Long Beach, CA 90815
(213) 420-5700
Tuners, speakers, CD
players, turntables, tape
decks, amps

RCA

600 N. Sherman Dr.
P.O. Box 1976
Indianapolis, IN 46201
(317) 267-5535
Audio/video home enter-
tainment systems

Sansui

1250 Valley Brook Ave.
Lyndhurst, NJ 07071
(201) 460-9710
Amps, equalizers, tuners,
headphones, turntables,
speakers, tape players,
receivers

Sanyo

1200 W. Artesia Blvd.
Compton, CA 90220
(213) 537-5830
Rack systems, CD players,
turntables, speakers,
tape decks, receivers

Scott

20 Commerce Way
Woburn, MA 01888
(617) 933-8800
Turntables, receivers,
amps, headphones, tape
players, speakers

Sherwood

13845 Artesia
Cerritos, CA 90701
(213) 926-6337
Speakers, turntables,
receivers, tape players

Sony

Sony Drive
Parkridge, NJ 07656
(201) 931-6234
Receivers, turntables, tape
systems, speakers, CD
players

Soundesign

34 Exchange Ln.
Jersey City, NJ 07302
(201) 434-1050
Stereo component sys-
tems, portable stereos

Teac

7733 Telegraph Rd.
P.O. Box 750
Montebello, CA 90640
(213) 726-0303
Receivers, turntables,
speakers, CD players,
tape players

Technics

One Panasonic Way
Seacaucus, NJ 07094
(201) 348-7000
Audio rack systems, audio
component systems

Teknika

353 Rt. 46 W.
Fairfield, NJ 07006
(201) 575-0380
Audio components

Thomas

5-D Joanna Ct.
East Brunswick, NJ 08816
(201) 238-6862
Stereo systems

Toshiba

82 Totowa Rd.
Wayne, NJ 07470
(201) 628-8000
Receivers, turntables, tape
decks, equalizers

Welton

2533 Royal Ln., Bldg. 505
Dallas, TX 75229
(214) 243-5602
Audio entertainment
systems

Yorx

405 Minnisink Rd.
Totowa, NJ 07512
(201) 256-0500
Tape players, turntables,
equalizers, receivers,
speakers, rack systems

tremendously," Fidler comments, "and with the nation's current economy, and employment situations as they are at present, we feel that rental-purchase will continue to grow."

RCA

Duane Stephen
Vice-President, Special Markets
Timothy Shannon
Manager, Rental Accounts

RCA is staging a re-entry into the audio arena due to the consumer requiring more of a choice in his audio/video home entertainment purchases. Despite its absence from audio, RCA has been involved with other aspects of rental-purchase for more than ten years, and has three employees working exclusively with the industry.

"The coming changes in television are why we're getting back into the audio business," he notes. "We're not coming from the same direction as others. We're back into audio because it's now a part of television. We will not be producing a \$500 stereo rack unit."

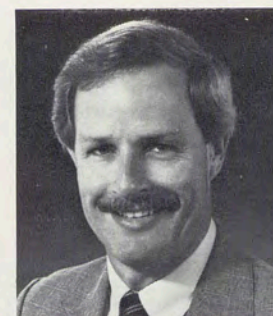
RCA products are available through a distribution network of 60 factory branches and independent distributors that supply both rental and retail dealers across the nation.

RCA's approach to rental-purchase audio carries a video twist, but their attitude toward the industry's future is as optimistic as that of the audio-only suppliers.

"We think the future of rental-purchase looks very good," comments Shannon. "It is a progressive industry, very serious about where it wants to go. For that reason, we are very pleased to

be associated with rent-to-own."

Stephen agrees. "Rent-to-own is a part of the overall electronics business, and we are a part of that. It's a business where its participants are professional, and it's a growth industry. We want to be a participant in a business of this size. We see the potential."



Tim Shannon, RCA

SANSUI

Mike Smith
General Manager

"We became involved with rent-to-own five or six years ago," says Mike Smith, general manager of Sansui's Dallas office. "We learned about the industry by working with Color-Tyme and Remco.

"We are taking a different posture toward rental than most suppliers," Smith continues. "Sansui deals mainly with large rental organizations, and we focus our attention on a limited number of companies so we can provide quality service and ensure that orders are delivered on time."

Smith notes that Sansui's most widely requested item among rental dealers is a 30-to-50 watt stereo rack system. "The 30-to-50 watt system is very popular," he says, "but we are noticing a trend toward higher wattage systems."

Sansui has modified its amplifiers and speakers to stand up to heavy usage by installing protective circuitry in these components. The company also provides rental dealers with a wide range of point-of-purchase advertising materials, including lighted signs, banners, frisbees, and shopping bags.

Sansui does not employ sales personnel to deal exclusively with rental accounts. The company's products may be purchased manufacturer-direct or through distributors. "Typically, although not always, distributors are used in the South rather than the North," says Smith, "because rental-purchase and distributors seem to be strongest in that area of the country."

SANYO

Isaac Levy
National Merchandising Manager
Home Audio

Although Sanyo has sold to rental-purchase on a limited basis since the early 1970s, it was only this year that the company began actively pursuing rental accounts. And they are more than pleased with the results, according to Isaac Levy, national merchandising manager for retail and rental home audio.

"We were never really quite aware of the potential of rent-to-own," says Levy. "This year, though, we did some research and found a whole new dealer base out there. It's amazing."



Issac Levy, SANYO

Levy says a marketing consultant working with Sanyo conducted the company's rental research. "It was not an official report," he comments. "Basically, we figured how many rental dealers were in business and just how much business they were doing. We then realized that Sanyo could play a much larger role than it currently was in the rental market."

Sanyo produces an extensive line of home and personal entertainment equipment. Their products include horizontal and vertical audio rack component systems, audio/video home entertainment centers, televisions (including stereo television), compact disc players, and portable stereos.

Sanyo has not created audio models geared specifically to the rental industry; however, they have modified existing lines to make them more suitable for the wear and tear of repeated rental.

"We have installed circuit breakers and special ventilation systems in our rack units over 50 watts," Levy mentions. "Heat can build up in the rack after long-term, constant use, and these additions alleviate possible system outages and prolong the life of the product."

Sanyo products are sold manufacturer-direct through a team of 18 sales representatives working with rental and retail accounts.

"Rental-purchase is a whole new opportunity for us to do business," says Levy. "The APRO show in Orlando was overwhelming in our opinion, and we are very excited about the great new potential this industry has presented us with."

SOUNDESIGN

Robert Winer
Executive Vice-President

"We have dealt with rental dealers on a very limited basis for a number of years," comments Robert Winer, executive vice-president of Soundesign. "We now want to approach the industry on a much larger scale."

Soundesign manufactures a wide range of products, including complete audio/video home entertainment

centers and the popular stereo rack system. The manufacturer is currently formulating a special purchasing program for the rental industry, however details have not yet been finalized. The program is expected to be implemented in 1986.

"We will do what the industry requires," says Winer, "and we'll provide what they are used to. For instance, if they want point-of-purchase materials, we will provide them. We will also continue to exhibit at the APRO shows."

Winer says Soundesign's audio equipment is primarily available direct from the factory, although distributors represent a small percentage of sales.

Soundesign solicits rental business through a team of executive sales managers, each of whom supervise 18 sales representatives. Managers are informed of potential rental accounts and then instruct sales representatives to actively pursue the markets.

"Right now our most popular product among rental dealers is the new audio/video home entertainment system with a receiver, 19-inch color television, record player, and cassette deck all in a nice cabinet," Winer says. Vertical rack stereo systems are also popular among Soundesign customers.

"We have not devoted nearly the emphasis to rental-purchase that we should have," Winer comments. "The industry is one of tremendous opportunity and we will be emphasizing it in the future."

TECHNICS

Mike Aguilar
General Manager

"We discovered the rental-purchase industry through word of mouth and by visiting rental dealers," says Mike Aguilar, general manager of Technics. "Technics has been selling to the industry since 1983."

"The 100-watt system is very big with rental dealers," reports Aguilar. "Systems with lower wattages are not moving well. We make the rack systems attractive to dealers by packaging them in as few boxes as possible, for easier set-up and component identification."

Technics sells its products through sales representatives working from regional offices throughout the country. The company does not have personnel assigned only to rental accounts.

"We have catered to the demands

continued

of rental by modifying our products," Aguilar notes. "For one rental customer, we removed the stereo systems' original speakers and upgraded them to top of the line. They hold up longer and produce great sound. We also provide any kind of point-of-purchase advertising a dealer could want."

Aguilar says Technics' sales to rental-purchase dealers have increased significantly in the past two and one-half years. He believes compact disc players will play a large role in increasing future audio sales to rental.

"With the advent of the compact disc, rental audio will keep growing. Compact disc players make systems substantially more expensive, and the only way many people will be able to obtain such a system is through rent-to-own," he concludes.

WE HAVE DESIGNED A HI-FI SYSTEM SPECIFICALLY FOR RENTAL-PURCHASE AND ARE NOW TESTING A CONSOLE TELEVISION FOR THE INDUSTRY.

WELTON SOUND SYSTEMS

Yale Sherman
President

"Welton Sound Systems has been in operation since November 1984," says Yale Sherman, Welton president. "However, we have been associated with rental-purchase for the past seven years, by manufacturing and supplying audio and video equipment to the industry, and by owning and operating rental-purchase stores."

Sherman says Welton's audio line has been designed with the rental industry in mind, and notes that 75 percent of the company's sales are to rental-purchase stores.

Welton offers a complete line of stereo rack systems with matched components in fully assembled cabinets, and will customize products to the specific needs of dealers.

"Our products are sold only direct from the manufacturer," says Sherman. "This ensures fast delivery to dealers."

Although the company does not have sales representatives assigned exclusively to rental-purchase accounts, Sherman says that each Welton sales representative is

"THANK YOU!"

He's wild. He's crazy. He blows markets apart with his piercing voice, white-on-white-from-the-ground-up attire and famous last East Texas Shuffle.

If you advertise a little or a lot you can quadruple your bang for the buck when you put the incomparable T-Buffer on your marketing team.

He can do 10 TV commercials an hour. He cuts

explosive radio commercials over the phone. He can paint 40 point of purchase signs an hour. T-Buffer is a full production staff compressed into one dynamic human being.

For 25 years T-Buffer has been making positive things happen for aggressive marketers all across the nation. His unique piercing voice and crazy delivery creates an instant rapport with televi-

sion and radio audiences. We can safely say that one T-Buffer commercial has the impact of 4 normal ones. Response is instant. He has the credentials to back him with a proven record of success stretching coast to coast.

If you're trying to operate within a budget of 6% or less, but need the impact of twice that much contact T-Buffer today!



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Buffington Enterprises
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Texarkana, Texas 75501

required to possess a basic understanding of the rent-to-own industry.

"Our most popular product with rental dealers is the assembled stereo rack system," notes Sherman. "By purchasing factory-assembled equipment, dealers do not have to bother with putting knock-down systems together."

Welton offers dealers a variety of point-of-purchase advertising materials, and the company's products carry a four-year defective parts replacement warranty.

"The future of rental-purchase is viewed by us as an expanding industry," concludes Sherman. "We believe continued growth will come from the middle income segment of the population."

FOR THE RECORD

The opinions are unanimous: Audio suppliers who have entered the rental industry have taken notice of the return on their investment. Americans are fascinated with electronics. Hi-tech audio and more powerful audio systems are centerpieces in many households. Rental customers are no different in their desire for the latest and the best.

Motown Records, a company that grew from nothing to a phenomenal success, used the slogan in the mid-sixties: "The Sound of Young America." Today, the slogan for rental-purchase audio just might be: "Hear the Sound of Success."

PR

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS.

October / PROGRESSIVE RENTALS

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4 - 6 Stores	=	20.00 per Store
7 - 12 Stores	=	15.00 per Store
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Optional Software Modules Available

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Trends in the Rental Marketplace

N. W. Ayer, Inc., has recently concluded a study of 35 critical trends in the United States according to the January 1985 issue of *Management Review*. These trends are destined to have an enormous impact on the 1980s marketplace. Some of the trends have broad implications for the rent-to-own industry.

The first "macro force" noted by Ayers is pervasive competition in every area of the marketplace. This is certainly the case for rent-to-own as APRO predicts a steady 30 percent growth rate for the rent-to-own industry for each of the next five years. This anticipated growth means a change in the economics of rent-to-own, which means a change in our thinking and our business methods.

Small Markets

Dealers in established markets—major cities in the Southeast and Southwest, for example—claim their markets are saturated with rental stores and can only grow as the population grows. Dealers everywhere are racing into smaller markets once thought to be unable to support a rent-to-own store. Longtime dealers lament the loss of "cherry markets"—cities and towns with good rent-to-own demographics, no rent-to-own stores, and presumably thousands of customers eager to rent TVs, appliances, and furniture.

THE RENTAL-PURCHASE CONCEPT SPEAKS TO MANY OF THE SOCIAL TRENDS THAT ARE SHAPING THE SOCIETY AND THE ECONOMY.

Dealers in major markets are beginning to see price cutting in the rental business. This same trend was ruinous to many TV and appliance retailers during the 70s and the trend for rent-to-own may be inevitable.

In any case, it seems evident that dealers everywhere will be seeing an increasing number of competitors in their markets and increased competition for their customers' dollars.

Good News

On the bright side, the Ayers study also found that the U.S. consumer is choosing immediate, rather than deferred, gratification by adopting a philosophy of "more is better...now. They want rich, full lifestyles, and they don't want to wait to enjoy them. Leisure spending alone accounts for almost one-fifth of the United States gross national product," according to the Ayers study.

DEALERS EVERYWHERE ARE RACING INTO SMALLER MARKETS ONCE THOUGHT TO BE UNABLE TO SUPPORT A RENT-TO-OWN STORE.

It is exactly this philosophy to which the rent-to-own concept caters. As much as anything, rental dealers are selling convenience and all that the notion implies. If the consuming public wants immediate gratification, the chances are that a rental dealer will be close by to gratify many of those consumer desires the instant they strike.

Part of the impetus behind this philosophy is an insecure future. There is widespread economic insecurity due to recent economic fluctuations. As long as economic insecurity exists in the minds of consumers, rental-purchase is a natural and desirable alternative to long-term obligation. This should mean that as economic insecurity persists, rental-purchase dealers, if they are successful in marketing their concept, will capture an ever-increasing slice of the TV and appliance retail pie.

Ayers also reports that the cost of acquiring basic necessities is rising one-third faster than income. The result is that people are having to make quality/price trade-offs.

To the extent that rental-purchase offers the *use* of quality products at a reasonable price, dealers should be able to capitalize on this trend and offer rental-purchase as an alternative to having to buy down, the traditional response to quality/price trade-offs.

Other Trends

Another trend Ayers recognized is the increased fractionalization of society. Women and minorities are growing in economic, political, and social power. The notion of who is a breadwinner is evolving, and with it radical changes are coming in the attitudes and spending patterns of much of the population. Far-sighted rental dealers are already studying these changes and making efforts to market their products to these diverse groups.

Senior vice-president at Ayers, Fred Posner, told *Management Review*, "America is going through what I term an *affiliation* crisis... Economic dislocation, lack of trust in institutions, and the instability of personal relationships have all added to this feeling. To fill the void, I think it is important to establish greater empathy, association, and rapport between customers and the products and services we market."

Posner was giving advice to large, often impersonal conglomerates, but the message is equally instructive to rental dealers. Where can merchants be more empathetic than in the friendly neighborhood rental store. Dealers often see individual customers on a weekly basis. Rental dealers have an opportunity to visit with customers every time they come in the store. Many dealers speak of long-term relationships with customers, spanning years and several products that customers have rented to term.

If the times are tough, the opportunities for advancement have never been greater for rental-purchase dealers. The rental-purchase concept speaks to many of the social trends that are shaping the society and the economy. It takes forethought and insight to plug into what is happening. Those dealers who take their business seriously and work continually to get a clear view of the big picture can profit as never before.

PR

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

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The Association of Progressive Rental Organizations (APRO), publisher of PROGRESSIVE RENTALS, was founded in 1980 as a not-for-profit trade association. Its more than 486 corporate members representing 2005 stores, and its 77 associate members, are directly associated with the home entertainment, appliance, and furniture rental-purchase industry in the United States and Canada. Membership provides opportunities for the exchange of ideas regarding the state of the industry between industry professionals, as well as opportunities to participate in educational seminars, an annual trade show and national convention, and the opportunity to receive informative publications and other benefits.

APRO seeks to promote a spirit of cooperation between its members, and in a lawful manner, to promote the development, preservation, operation, maintenance, and general welfare of the industry. APRO keeps members abreast of important legislative proposals, administrative agency activities, and tax rulings. Membership questions should be directed to the Director of Member Services, Susan Hinkley.

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GOVERNMENT RELATIONS

An Issue of Compliance

BY EDWARD L. WINN III

Since the last issue of PROGRESSIVE RENTALS, there has been relatively little new in the area of government relations. A couple of lawsuits have sprung up in different places—a big deal for the dealers involved—but less so from an overall industry point of view.

With the exception of lawsuits pending in Pennsylvania and Connecticut, there are no recent suits challenging the very legality of rental-purchase transactions. Likewise, with the summer adjournment of most state legislatures, there is no state legislation pending currently. There is the possibility of activity later this fall. For example, legislative discussions are ongoing in Wisconsin; however, the legislative outlook for the rest of 1985 is good.

What the industry does have is four new statutes to contend with. At first glance, these statutes all appear simple enough. The statutes regulate certain terms in rental-purchase agreements, as well as certain terms in rental-purchase advertising. They are all statutes that the industry has supported through state coalitions. The industry actively participated in the drafting and passage of all the new statutes. One might suppose that with enactment of the new statutes, the worst is over for dealers in those states.

Whether the worst is indeed over depends upon the issue of compliance. Compliance is the issue of whether dealers can and will bring their business practices—contracts, advertising, and the like—into conformity with the law. Most dealers will make the attempt. The few rebels who intentionally ignore the new laws will ultimately get sued out of business, and, let us hope for the sake of the industry, the sooner the better.

If the road to hell is paved with good intentions, so also may be the road to statutory compliance. Even the best of laws raise compliance issues. The federal Truth-in-Lending Act, for example, has been in existence since 1968 and has been modified periodically with input from all interested parties to iron out the wrinkles. One might suppose that banks and savings and loans make every attempt to comply with the Truth-in-Lending statute. Nonetheless, the

THE RENTAL-PURCHASE STATUTES WERE ALL ENACTED QUICKLY AND SUFFER ALL OF THE VAGARIES, INCONSISTENCIES, AND AMBIGUITIES INHERENT IN REGULATORY STATUTES.

Federal Reserve Board reported that during 1984 alone, nearly 400 banks and S & Ls were found to be in violation of the statute and were forced to return over \$2.5 million in overcharges and penalties to nearly 15,000 customers.

The rental-purchase statutes were all enacted quickly and suffer all of the vagaries, inconsistencies, and ambiguities inherent in regulatory statutes. Part of the problem of statutory compliance stems from the nature of the legislative process itself.

Most legislation is the result of compromise. Some consumer protection advocates wanted legislation that turned rental transactions into credit sales. Dealers, overall, argued for as little government interference into the ways they do business as possible. Neither side got exactly what it wanted and the resulting language occasionally lacks precision. Nor could industry representatives call time out in the legislatures to poll dealers about the implications of every single change in the statutory language. The result may be language in the statute which causes difficulties for dealers, even though the difficulty could not have been foreseen.

For example, in Texas there is a requirement that the disclosures be made in 10 point bold type on the contract. The intent of consumer advocates was to ensure that the disclosures be suffi-

THE FEW REBELS WHO INTENTIONALLY IGNORE THE NEW LAWS WILL ULTIMATELY GET SUED OUT OF BUSINESS, AND, LET US HOPE FOR THE SAKE OF THE INDUSTRY, THE SOONER THE BETTER.

ciently prominent on the page to get the attention of the reader. The result, however, has caused Texas dealers to change the size of their rental agreements with all the accompanying storage, computer, and printing problems. In addition, several dealers have discovered that, when all of the disclosures are printed in bold type, they are actually harder to read than if printed in regular 10 point type.

During the legislative battle which was begun and completed in less than 90 days, there was never the opportunity to draw up a mock agreement, meet with printers and see what kinds of problems the 10 point bold requirement might raise. Rather, the 10 point bold language was enacted as part of the package and dealers must now live with it.

Concerning advertising, all four statutes focus on price as a triggering term requiring other disclosures. Some items in an ad are clearly prices, "\$10 per week delivered," for example. Some things are not so clear. Is "50% off second month's rent" a price? Is "Two weeks for the price of one" a statement of the amount of a payment?

THE INDUSTRY WILL BE BETTER SERVED IF DEALERS APPROACH THE NEW STATUTES IN GOOD FAITH WITH A BIAS FOR DISCLOSURE.

Advertising strategies are limited only by the imagination of ad agencies. There is no way to predict and plan for the next rental-purchase ad campaign in the legislative context. The result is that dealers are immediately confronted with issues of statutory compliance that are in the gray area, neither clearly permissible, nor clearly impermissible by the terms of the statute. The way that gray issues of statutory compliance get resolved is in court.

Judges use two legal principles when interpreting statutes: the plain meaning rule and legislative intent. The plain meaning rule maintains that statutes mean exactly what the words on the paper mean, no more, no less. Legislative intent holds that statutes must ultimately mean what the legislators who voted the bill into law meant, even if the

intent contradicts the words on the page.

Legislative intent is often difficult to discern. Occasionally, legislators will attach a memorandum of their intent to a statute to attempt to head off interpretive problems. Most often, judges must return to testimony at public hearings, speeches the legislators made during debate, and whatever written records surrounding the statute there may be.

Legislative intent is all the more difficult because legislators vote for bills for different reasons. Some legislators voted for rental-purchase legislation to protect consumers from harmful business practices. Others voted for the same bill because they realized the new statutes would protect dealers from the credit sale argument.

If statutory interpretation sounds complex, it's because it is complex. One thing, however, remains clear insofar as rental-purchase legislation is concerned. Critics of the industry still abound in those states where the laws have been passed. The National Consumer Law Center most recently condemned all four new statutes essentially because they did not put rental dealers out of business.

A certain number of dealers confront-

ing issues of statutory compliance will cut it as close to the line as they can. They will rely exclusively on the plain meaning of the statutes and, in effect, remain as unregulated as possible. This attitude will merely fuel the argument that the rental industry really does have something to hide and needs more and more regulation to keep dealers from taking unfair advantage of their customers.

A far more reasonable approach to the new legislation is to recognize it as an attempt to require rental dealers to disclose important information about the nature and costs of a rental-purchase transaction. Rather than call rental agreements credit sales, which the states could have done (and which some may yet do), legislators agreed with rental industry representatives that separate legislation was the way to go. Industry representatives responded that reasonable legislation passed in good faith would be complied with in good faith. Remember, the industry has been accused of specifically trying to avoid credit sale laws. If the industry appears now to be trying to avoid the very rental-purchase laws it helped pass, then it gives credibility to the argument that the industry can only exist by slid-

ing around and evading consumer protection laws.

If that is the reaction to the new statutes, then the industry can look forward to more and tougher regulations in the future. The industry will be better served if dealers approach the new statutes in good faith with a bias for disclosure. "When in doubt, disclose." That sort of approach will go a long way toward convincing those who may still have doubts that ours is a responsible, law-abiding industry, taking its rightful place in the mainstream of American commerce. **PR**

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

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Washington Report

BY J. SAMUEL CHOATE, JR.

The prospects for passage of the industry-related amendment to the Consumer Leasing Act, drafted by the Federal Reserve Board and supported by APRO, continue to look bright.

Congress began working on this and other matters after its return from the Labor Day holiday; however, while Congress recessed during the month of August, APRO representatives in Washington worked with staff members of all congressmen seated on the House Subcommittee on Consumer Affairs of the Banking Committee. APRO representatives report favorable reaction from all who have been contacted concerning APRO's efforts on behalf of this important industry legislation.

Yet a critical compromise between Congressman Bruce Morrison's (D-CT) bill with Congressman Doug Barnard's (D-GA) bill H.R. 2322, which was drafted by the Consumer Affairs Staff of the Federal Reserve Board, must still be effected. Industry representatives are carefully analyzing Congressman Morrison's bill and plan to meet with members of his staff to see if a com-

promise package can be worked out.

Although Morrison's bill would require more disclosures than are proposed in Barnard's bill, most of those disclosures are currently being made in those states that have enacted legislation in the last year. Industry experience in those states bodes well for our ability to effect a workable compromise.

The House subcommittee planned to hold hearings at the end of September with lease-purchase as an item on the agenda. APRO's Washington representatives remain hopeful that an acceptable compromise position can be reached with Congressman Morrison, and that the resulting legislation will have a speedy passage through the House of Representatives.

APRO REPRESENTATIVES
REPORT FAVORABLE
REACTION FROM ALL
WHO HAVE BEEN
CONTACTED
CONCERNING APRO'S
EFFORTS ON BEHALF OF
THIS IMPORTANT INDUSTRY
LEGISLATION.

In the Senate, the bill's fate is somewhat problematic depending upon the fate of the Barnard-Morrison compromise in the House. Senator Jake Garn (R-UT) continues to consider the industry as he puts together his financial institution deregulation package. But passage of a House bill would probably find APRO seeking Garn's support to attach that bill to some Senate legislation, other than his own, for quick passage in that chamber.

The next 30 to 60 days are expected to involve many negotiating sessions between all parties. It is vital for APRO members to write or visit their representatives either in Washington or in their home districts when asked to do so. Direct contact at the appropriate time with your congressmen is one of the most beneficial contributions APRO members can make toward our legislative efforts.

Members wishing to receive a copy of any legislative proposal that has been introduced concerning this vital issue should contact the APRO office in Austin. **PR**

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



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COMPACT DISC

continued from page 16

This requires taking a day or two to train employees, but it ensures that new products do not stagnate on the showroom floor.

THE HI-TECH BOOM IS HERE TO STAY AND IF CUSTOMERS ARE NOT NOW REQUESTING SOPHISTICATED ELECTRONICS THEY PROBABLY WILL BE IN THE FUTURE.

Deciding to Rent

Some dealers are deciding not to enter the hi-tech rental market. Are they waiting for a better time, or foregoing it altogether?

"The price of CD players is coming down so rapidly that many dealers are afraid to buy them," says Kerley. "Those that were \$400 six months ago are \$300 now, and they probably will be even lower in six more months."

Shrader believes a difference in rental

RENTAL CUSTOMERS SHOULD BE ABLE TO GO TO THE RENTAL STORE AND LEARN AS MUCH ABOUT NEW PRODUCTS AS THEY WOULD AT A RETAIL STORE.

philosophies is behind the choice not to rent hi-tech goods.

"There are two philosophies in rental," he says. "The older one believes rental is a different marketing scheme from retail, and these dealers feel they don't need to compete with retail's new, innovative products. We, however, are positioning ourselves on the edge of technology, offering our customers everything they could find in a retail store."

The hi-tech boom is here to stay and if customers are not now requesting sophisticated electronics they probably will be in the future. Dealers incorporating hi-tech appliances into their inventories can make the transition smoother by educating sales personnel on the products' operation and developing concise promotional guidelines. **PR**

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS.

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AUDIO RENTALS

continued from page 9

Stereo Racks

What most audio customers are looking for today, and what stores are giving them more than any other product, are basic rack systems comprised of a turntable, AM/FM radio, amplifier, speakers, and cassette player in a tower cabinet.

Depending on wattage, brand, and special features, weekly rental prices for racks on an average 18-month contract range from \$7 to \$27. Brands stocked by stores contacted included Magnavox, Pilot, Thomas, Fisher, Quasar, Panasonic, Akai, Sansui, Pioneer, JVC of America, Technics, Marantz, and Sanyo.

Dealers indicate that brands consistently popular with customers offer good looks and affordable wattage. A particular brand may be carried by a business for its name recognition alone. Most stores offer three to four brands of audio systems, finding that a better selection helps business and allows them to pick up on more manufacturers' sales and special offers.

Manufacturers usually offer sufficient audio point-of-purchase materials

support, especially if asked to, according to most dealers.

"It depends on who your sales rep is," says Dennis Palmquist, owner of five Quality Rental stores in Austin, Texas. "If they're really good, they'll ask what you need and see that you get it. If they're not that good, they won't ask because they figure POP materials are too expensive to offer to everyone."

Shrader's supplier is always short on the materials he wants, so he often goes to outside artists, printers, and specialty companies to get audio shelf talkers. "We get some materials, but not as much as we'd like. They seem to always have a shortage," he says.

POP supplies aren't important to Coolidge. "I've never gone in for posters and banners and that sort of thing. I've never been offered many anyway. It just looks like a cluttered mess to me," she admits.

Other audio products make a poor showing behind rack systems. The home entertainment center (HEC), usually a large horizontal one-piece console that houses a stereo with a TV, has been out of favor for several years with dealers because of its bulk and low wattage. However, the new HECs that suppliers are offering in the form of rack systems with extra shelving for TVs and

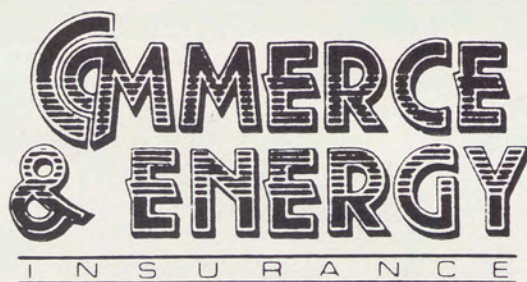
VCRs have not yet carved a significant niche with the dealers surveyed.

"In my market, I haven't had any luck with these," says Stephen Grauel, Sr., owner of 36 Mr. sTve's stores in Oklahoma, Texas, Louisiana, Indiana and Colorado. "I've heard that other companies are doing just phenomenal business with them, but I haven't found the market for it."

Though Grauel has bought several new HEC rack systems, which he rents for \$28.95 a week, he prefers to bundle his own combinations with what he says are better-quality components. "I might take an Akai stereo and put it with a Quasar TV. It's about \$700 for one of the new upright television/stereo combos and that's with a poor-quality stereo," he says.

James Burnett, part-owner of ten South Carolina Ace TV. Rental stores, agrees that the new HECs are too expensive for rental. He has two on retail display only. "They were popular when Magnavox made them," he says of the home entertainment centers. "We were buying them for \$800 to \$900, but now they're too expensive. In retail, they sell for as much as \$6,000."

Few stores carried compact or tabletop stereos, citing a lack of requests for the small portable units, usually



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comprised of two speakers, an AM/FM radio, cassette deck, and turntable.

"If they have a choice between a low-wattage tabletop unit and a more expensive living room unit, they'll go for the more expensive if they can afford it at all," notes Joel Allen, manager of four TV Rental stores in Asheville, North Carolina. "Racks sound better. Customers like something that will blow their socks off."

Shrader sees a possible turnaround in tabletops, however. He says that manufacturers, such as Fisher, are making quality compact systems—with higher wattages and sturdier components—for the people who occupy today's shrinking homes, but who still want a nice stereo. "It seems to be going the other way, with an increasing number of people wanting quality tabletops. That's what's happening in retail. I haven't found a great trend in my business yet, but it could trickle down."

Even fewer stores carried boom boxes, mainly because of their skip and damage potential. Those who did said they required a more detailed application from renters. A few dealers said they would consider using them as giveaways or promotional items only.

Rozanne Flatt, owner of two Color-Tyme stores based in Bloomington, Illinois, says boom boxes are a small percentage of her BOR but are not a high-risk item for her.

"Boom boxes have no worse loss potential than VCRs," she maintains. "The rental-purchase industry wouldn't exist if most people weren't fundamentally honest. The boomers have been a nice extra item for us; kids ask the folks for them. We put them out for a 12-month term to keep the yield up."

Watts Noteworthy

Wattage is of primary concern to audio renters today, with the more the better. Although system wattage for

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most of the businesses contacted ranged from 7-1/2 watts per channel to 100, 50 watts and over are deemed most popular with clientele. Units with up to 200 watts per channel are in the field now, but are considered by most stores as too expensive to offer.

Two-hundred-watt channels "are for the real stereo fanatics," says Palmquist. "Customers' houses wouldn't stand up to the speakers. They'd blow the windows out."

Rent*It has successfully placed 150-watt systems for \$140 a month, says Shrader. Most of his customers won't consider anything under 100 watts.

With the rise in average watts during the last decade, rent-to-own customers can get more sound for less money,

dealers claim. "The average wattage has gone up appreciably. Even low-end units have more power than high-ends did ten years ago," says Grauel. Power transistors and integrated circuits have overridden heat problems previously caused by high wattage, he says.

Customers of the nine Home TV and Appliance Rental stores in Nevada and Arizona want high, but affordable, wattage, says chain president Robert Palko. "We find the 50- to 100-watt per channels are the most popular. We don't rent below or above that," he says.

The change in wattage expectations in just the last few years has been a little surprising, admits Coolidge. "A couple of years ago they weren't looking for

continued



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more than 50 watts," she says. "Now they shy away from anything that doesn't have at least 50 watts."

From the Audio File

Like most rent-to-own products, audio favors definite seasons. Fall and holidays were cited most often by proprietors as being the best time for

audio. Summer is the worst time for most stores because potential customers are too busy enjoying outdoor activities.

"Summer is the hardest time to rent. Twenty-five to thirty percent of my stereo inventory winds up sitting in the shop during the summer," says David Shapero, owner of two Sir Rental stores in Louisville, Kentucky.

It's a different story for Austin-based Quality Rentals, whose *best* audio season is summer. Austin customers also are outside, but they like to take their music outdoors with them, explains Palmquist. "It's a beautiful weekend and they decide to have a backyard party. They rent a big system and set the speakers out in the yard and invite the neighbors over. You notice the same thing with your advertising. People watch less TV in the summer, they're listening to the radio, so we budget more advertising for radio in the summer."

Hi-tech improvements in the last five years have affected audio, but some of the latest gadgets have not yet hit the rent-to-own industry full-force, say dealers.

Higher wattage, dual cassettes, graphic equalizers, quartz-locked tuning, and digital readouts are those fea-

tures that have gone from inclusion in only the upper-end units to being standard equipment today.

Compact disc players are being offered by 20 percent of the rental dealers in a recent APRO survey. As demand picks up and prices come down, many dealers predict that they will include the players as standard inventory.

Though he jokes that Iowa is "about a year behind the rest of the world," Kerley's Rentown stores are among the most aggressive in pursuing the compact disc player market. They are including the players in their top-of-the-line 100-watt Fisher units, with plans to soon place them in 50- and 30-watt units as well. "We've had some requests for them; that's why we got them. People are looking for wattage, speakers, and special features, especially the compact disc player," says Kerley. The CD players add \$30 a month to the 100-watt systems' rental. They rent for \$38 alone, but so far no one has rented a CD player by itself, says Kerley.

Shrader has offered CD players for over a year. He started with one demonstration player for every store as a stereo promotion. "We found it was a good piece to attract people to stereos. You could rent almost at whim any stereo you wanted because people could see

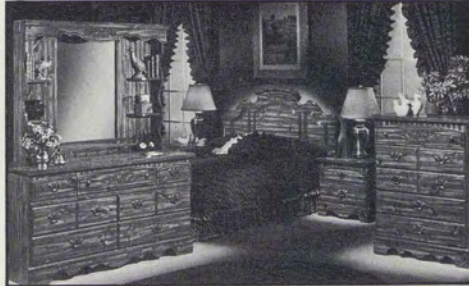
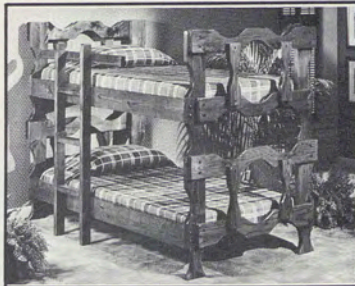
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its potential with a CD."

CDs remain only five percent of Shrader's audio business, but he enjoys being a leader in offering the new equipment and expects requests to increase this fall. "We like to be on the cutting edge. It's not a big number for us yet, but in the next year it may be as strong as cassettes or turntables."

Few customers have shown an interest in the audio aspect of hi-fi VCRs, say dealers, but this, too, may catch on in the rental-purchase industry.

"It (hi-fi) is starting to come in. It's not a percentage of the market yet, but it's there," predicts Grauel.

"I think it's going to go like crazy this winter," agrees Kerley, who is stocking up on hi-fi VCRs. "The sound is so much better. Stereo helps, but it's the hi-fi that really makes the difference. If you put hi-fi on even a two-head VCR, it really sounds good."

Others aren't so sure. James Burnett says, "I don't think that hi-fi is going to be a big factor in rental. They're buying and renting VCRs to watch TV, not for the sound."

Audio rent-to-own products have come down in price because of hi-tech advances in manufacturing, observe dealers. Products also look better, with attractive cabinetry and more glass features. More dealers are sticking with well-known brand names. And once indiscriminating customers are now expecting bigger stores, nicer displays, and better equipment.

"We started out with 1200-square-foot stores. Now most of our stores are 5,000 square feet. We won't even consider outlets under 3,500 square feet," says Burnett. "In my stores, it used to be that customers didn't care what you had. They didn't care what they rented. Today the displays are nicer. People are looking for quality."

Bells and Whistles

What's in store for audio? Probably even higher wattage and more bells and whistles, say dealers.

"Lots of bells, lights, and whistles. That's what I see," chuckles Mike Kerley. "Lights that blink at them. Customers like that. A lot of them may never learn anything about a unit, but they like those features."

Manufacturers concur. "The more buttons and bells the better," says Wayne Lovelace, Southwest sales manager for Pilot Audio Systems.

"You're going to see low-end stereos with a lot more graphic equalizer bands, for instance. Right now low-



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ends have three to five bands. In January they will have seven to ten. When you move the band, more lights will come on to indicate treble, bass, woofers, and tweeters," he says.

Even with the improvements, the price of low-end stereos will remain the same, says Lovelace. "Prices are coming down so that a unit having a single cassette now will cost the same with a double cassette."

Because audio products are not necessity items in the same sense as refrigerators or washers and dryers, most customers, particularly families, would sooner give up a stereo than a

practical appliance if they had to cut rental budgets, say dealers. Yet there are die-hard audiophiles out there, at least one or two to every store.

Says Burnett: "If we put six products in a customer's house—let's say a TV, stereo, refrigerator, washer, bedroom suite, and living room suite, first thing he'll give up is his bedroom suite, then washer, then living room furniture, his TV, and then the refrigerator. The last thing he'll give up is his stereo." **PR**

Carla Mathews is Associate Editor of PROGRESSIVE RENTALS.



Audio Still Big News

Rental of packaged audio systems and audio/video home entertainment products continues to be a growth category for rental dealers.

On the average for APRO member stores, 40 to 45 percent of dealer rentals come from renting televisions, while stereos make up another 15-20 percent of the average dealer's total rental. Combining audio with video to make one home entertainment system is a natural outgrowth of the popularity of audio and video in rental. The marriage of audio and video in a home entertainment system could increase the average rental sale by 30 percent.

Big News

The big news from the Consumer Electronics Show (CES) last June in Chicago was the new excitement in audio. The advent of the compact disc player and its widening consumer acceptance of the product is being felt throughout the industry. New programmability for turntables and tape decks, combined with high-powered speakers, keep the consumer interested and aware of the bells and whistles now available to him. Products for rental-purchase keep pace with this trend, as do rental-purchase consumers.

Quality products and new innovations keep the customer renting. And we must note, also from the CES show, that the development of hi-fi VCRs, stereo broadcasting for hi-fi television reception, and digital audio for TVs is further evidence of the dramatic blending of audio with video. A growth of 12 to 15 percent over the next few years is the projection of industry experts for audio and video products.

Audio Appeal

The appeal for rental of audio and video products by the consumer continues to lie in the areas of service and warranty. A leading consumer publication cited customers like Jim Bayird of San Francisco, California, who earns

over \$35,000 a year and has a good credit record. Mr. Bayird has paid out about \$1,500 for a television and stereo through a rental-purchase plan.

"I pay a little more for the services and warranty, but it's worth it," he told the reporter.

Not only are consumers such as Bayird becoming aware of the benefits of renting-to-own audio and video products, but manufacturers and suppliers are increasingly aware of the amount of product used by rental dealers.

"If you call an audio manufacturer and tell them, 'We need 25 stereos this afternoon,' you'll have them," observes a leading dealer making a go at the rent-to-own market. Manufacturers are now acutely aware of the way product moves in rent-to-own. Manufacturers are looking for new ways to supply the industry, and also are developing product exclusively for the industry. This makes electronic products very attractive to the rental dealer.

More Growth

The desire to own the latest state-of-the-art home entertainment is a strong motivator for the consumer, which ensures a healthy growth factor for the rent-to-own industry. Innovative, quality products now mean, and will continue to mean, that the consumer electronics industry is one of the fastest growing segments of our American economy.

Rental figures keep going up well above all industry projections. Dealers know that when a good advertisement—one that shows the best and latest products and lists the benefits of rental-purchase—is run, the telephone rings.

Consumers are eager for rental-purchase while suppliers solidly support rental-purchase. The appeal is almost irresistible.

Jerry Zarin is president of Pilot Audio/Video Systems of Brooklyn, New York.

VOLUME



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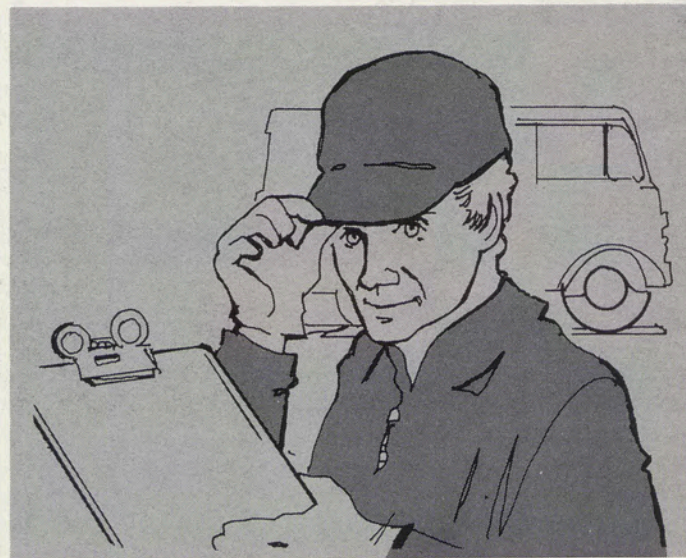
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