

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

Progressive Rentals

Video Rentals

New view on an old standby



**IN THIS ISSUE
CES
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Tomorrow**



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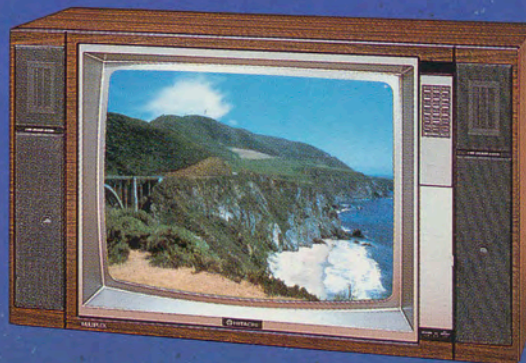
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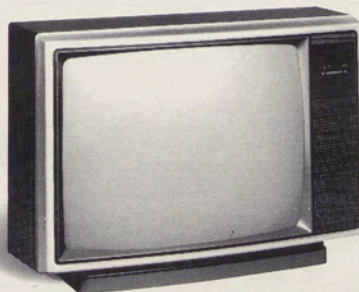
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Now it's more profitable than ever for you to carry the Philco Trim Sets. Because now these two popular sets are available at new, low prices designed to give your balance sheet a healthy glow. Philco Trim Sets deliver big screen performance in a slim, trim, compact cabinet . . . the furniture format more and more people are turning to when they want a 25" diagonal picture that's easy to find a home for.

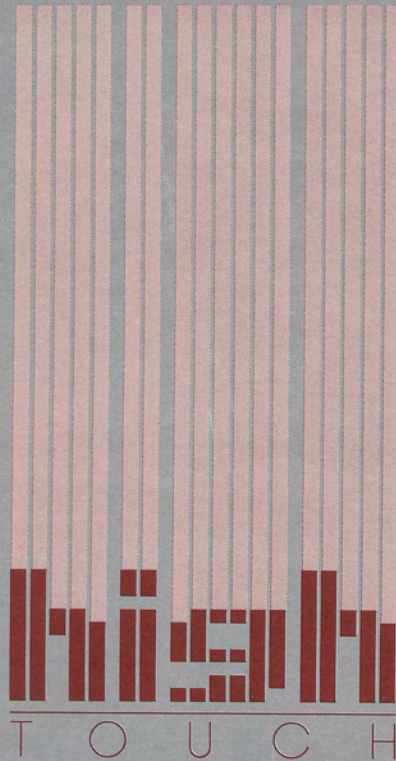


Model C4920W WA

Model R4930TWA comes with Infrared Remote Control, the feature your customers want most. Model C4920W WA utilizes a manual electronic tuner. Here are two color table models that are made to order for the rental business . . . big picture excitement combined with easy transportability and dependability. And consumers know and trust the Philco brand. Contact Ken Gay for details at (615) 521-4711.

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W E S E T I T .



ON THE COVER: Today, video in rental-purchase is far more than the base portables and base consoles that dealers used to carry. The product mix now runs the gamut from MTS high-resolution portables to four-head VCRs to big-screen projection TVs. The story on page 8 details how dealers are saying hello to hi-tech and how suppliers are responding to the expanding product line and the expanding customer base of rental-purchase.

COVER PHOTO BY:
Gary Russ

*Video equipment
furnished by Remco in
Austin, Texas.*

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8 BETTER RECEPTION THAN EVER

Video rental is changing rapidly to accommodate a higher-end product with upscale features. Here, the past, present, and future trends of this dynamic aspect of rental-purchase are analyzed.

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A listing of companies supplying the rental-purchase industry.

20 ADDING VIDEO SOFTWARE

The VCR has changed the viewing and entertainment habits of many Americans and has made the video software rental club a hot small business item. Points to consider when adding a video club to a rental store are discussed.

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Displays from many of the major manufacturers of home electronics greet the CES attendee. Walking down miles of aisles gives dealers the opportunity to make hands-on product comparisons. Here, dealers give advice on how to attend the winter show.

46 PROPOSED TAX CHANGES AND YOU

The President's federal tax proposals are undergoing scrutiny by Congress. There is the potential for great impact on both the personal and business tax structure. How some of the proposals could affect you is examined here.

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THE EDITOR'S DESK

Things are changing in the rental business—customers, dealers, products. A growing acceptance of the rental-purchase plan as a means to acquire an increasing variety of goods for home and personal use has made today's rental customer base significantly different from that of even five years ago. Used to be, the typical rental customer was in the bottom third of wage earners in the country. Where rental was once the *only* way for low-income consumers to acquire goods, and still is in many cases, it now bids fair to become the *convenient* way for a wider variety of consumer types.

Given a group with such divergent financial profiles and one caught up in the middle of vast economic and technological overhaul, it is difficult to point to a typical customer. There are five distinct demographical classifications that come to mind.

First, the foundation of the rental-purchase industry still rests with the low-income customer whose income is either not sufficient or stable enough to qualify for bank or retail financing. In most of these cases, rent-to-own is the only avenue to attainment of big ticket home necessities — furniture, appliances, and the like. Although a few diehard consumer advocates still prefer to list rent-to-own as the latest in consumer rip-off schemes, business remains virtually undaunted as full price disclosures are met with indifference by most rental customers.

Second, those consumers who have a tainted credit history which disqualifies them from traditional financing arrangements are accepted by rental-purchase dealers as viable customers. By virtue of the rental agreement, if the customer does not make a payment the understanding is that the merchandise will be picked up. Retailers are not equipped nor accustomed to reclaiming merchandise. The rental dealer goes out on a limb to service this group of consumers.

Third, a growing category of rental customers includes those young customers just getting started who have no credit history and no income history. These customers have worked well for rental dealers because they are regular with payments, generally rent to term and continue to rent other products until they become established. These customers are grateful for the opportunity to own and enjoy *while* they establish a credit history with regular rental payments.

The fourth classification of rental customers shows signs of increasing due to rapid advances in electronics technology. I am speaking of the "yuppie" consumer. The young urban professional prefers to remain on the cutting edge of technological advances and can afford to be choosy. Rental-purchase is viewed as something of a safe investment to this customer. A VCR purchased at retail twelve months ago would be virtually obsolete by yuppie standards today. A VCR rented twelve months ago, however, would have by now been traded in for the latest and greatest with rent applying to ownership which is, of course, optional. This customer type likes options—as many as possible. The recent onslaught of hi-tech sound and video with the myriad features and designs to choose from has the yuppie quite comfortable with the flexibility rent-to-own offers.

The fifth group of rental customers has always been around but has grown as our society has become more mobile. These are the transients whose business requires them to settle for a few weeks or months at a time in one locale, only to pack up and move when an assignment is completed. Moving a household each time doesn't make sense and rental is often the attractive alternative. The same is true for long term vacationers.

And what of today's rental dealer? The evolution has run apace with that of the rental customer. From the fiscal nabobs to the mom and pop operations, an increased sophistication in management techniques and sensitivity to customer needs is threading its way through the industry. This new awareness among dealers is part, parcel, and evidence of the industry's continued commitment to excellence and growth from within.

A major driving force necessary for continuing economic growth is the income flow generated by the productivity of the economy. Rent-to-own presently represents .05 percent of a \$4 trillion Gross National Product. The very existence of the rental-purchase industry has churned commerce where there might otherwise have been none. APRO estimates that rent-to-own employs over 30 thousand men and women with about 2 million units on rent across America producing revenues in excess of \$2 billion annually.

Sophistication of the players and products has changed the face of rent-to-own and made for greater profits and growing acceptance. But the good idea was always there and the validity of that marketing concept continues to be proven with the success of every new dealer entering the marketplace.

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As one of the most trusted names in consumer electronics, GE has served the rental industry for almost thirty years. We have been important in the growth of the rental industry because we have taken the time, combined with our experience in consumer electronics, to understand

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For more information, contact your local General Electric Consumer Electronics Business Representative. Call or write: J.P. Poto, Manager of Sales and Marketing, 1 College Blvd., Portsmouth, VA 23705, (201) 894-5875.

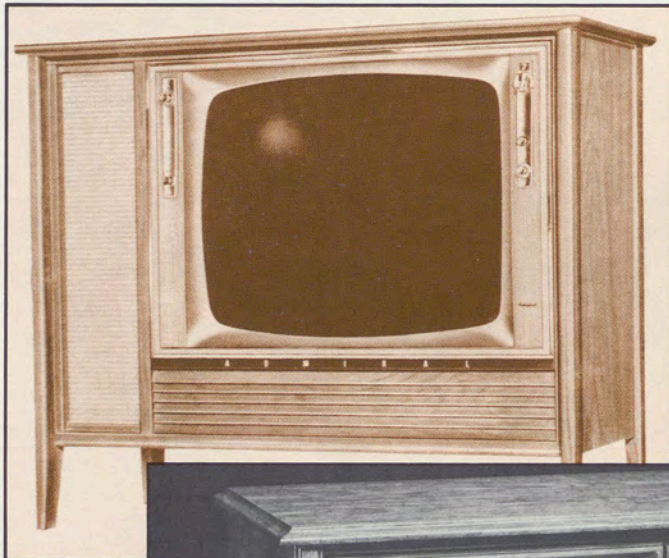
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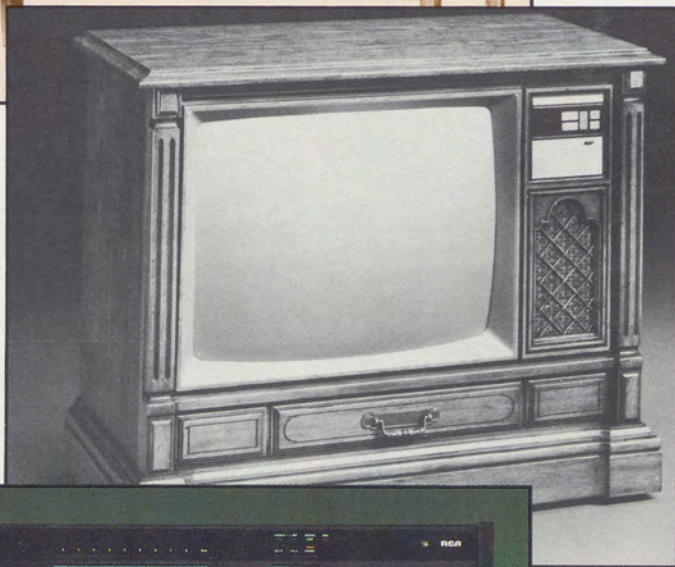
Better Reception Than Ever

More features and new designs mean a new view for video



In 1960, the big news in consoles was a bigger screen and wireless remote control.

Today's TVs have bigger screens, more functions, and a highly-developed picture tube system for better reception.



Tomorrow's TVs are being developed now with better stereo sound and computerized functions as some of the standard equipment.



The old brown goods just ain't what they used to be.

Ten years ago, portable color television sets comprised as much as 80 percent of some rent-to-own dealers' BOR. Plain-jane in features and small-screened, they were nevertheless the bread and butter of a young industry.

Today, it might be said that good things come in smaller percentages. TVs still capture the largest percentage of BOR in most stores, but because of the growth of other rental-purchase product lines, such as appliances and furniture, that percentage has dwindled to about 35 to 45 percent of the overall business. Video's actual units on rent remains a strong and important facet of the rental business.

TVs are better built with more options and features than ever before, at a comparatively lower price than ever before. And if rental follows retailer trends, as it traditionally has done, the demand for basic color television portables, as well as hi-tech video products, will hold its own in the rent-to-own industry.

Hello Hi-Tech

For the first ten months of 1985, 13.2 million color TVs were sold wholesale, a slight increase over 12.7 million sold during the same period in 1984. VCR and projection TV sales shot up the most. During the first ten months of this year, VCRs saw a 55 percent increase, with 8.5 million units sold. Projection TV sales were up 28 percent over last year, with 188,272 sold through this past October. As they have been doing for the past several years, black and white sets lost ground, with sales at 2.7 million, down 27 percent.

The increased popularity of new video products, the promise of new features to come, and the tendency of video to componentize are the newsmakers in video this year.

Today's TV is more than a way to watch your favorite soap. Hooked up to personal computers, outside computer sources, and any number of devices that allow recording and playing programs, the TV has become an all-purpose video display terminal that allows viewer interaction.

Products on their way up in retail include videocassette recorders, players and cameras; monitor-receivers; and projection TVs. Sought after video features include remote control; square and flat picture tubes; tubes in sizes not previously offered, such as twenty-two-, twenty-six- and twenty-seven-inch screens; stereo audio capacity; all-digital signal processing for clearer pictures; quartz-synthesized computer tuning; and cable compatibility. Within two to three years, manufacturers are expected to produce more compact rear-projection TVs, and direct-view big-screen TVs with screens thirty-seven-inches wide. Larger screens may be possible with light-weight liquid plasma screens now being developed.

Industry watchers say that video is well on its way to becoming a component-oriented industry, much in the same way that audio is now. Tomorrow's modern home video system will include a display, which may be a true monitor (picture tube and associated circuits) with a separate tuner, or a monitor-receiver with the tuner built in; a stereo audio amplifier; and loudspeakers.

Video Meets Audio

How have these developments in the video industry affected rental-purchase? Not all of the latest hi-tech video improvements have filtered down to rental showrooms, but dealers are gradually sampling some of the new products.

Some rental dealers are finding a market for audio/video systems, that combine components of audio and video for a complete home entertainment center. Others are finding that a TV/VCR package is working well and increasing the rental term of VCRs.

Audio/video combinations are big in southern California where there's an emphasis on movies and home entertainment, notes Mark Brownstein, owner of six Rentco stores based in Santa Monica. Brownstein, who carries Zenith, Quasar, Hitachi, and Fisher TVs, plans to purchase several combination packages early next year. He currently only has thirty. "They've been terrific. Can't keep them in stock," he

SOUND AND VISION

"Seeing from afar" is one translation of the root words for television. When the first crude pictures were broadcast in the early 1920s based on a patent filed in 1884, no one foresaw that by 1985 the television, and a number of new inventions, would comprise a \$34 billion consumer electronics industry.

Stereo sound, digital pictures within pictures, and videotape are only some of the video innovations that are altering America's viewing habits. For dealers, the rapid introduction of product means learning new features. Here are some of the things you should know about the video revolution.

- **Televisions.** Today, TVs are really video display terminals that allow viewer interaction. Screen sizes now range from two inches to twenty-seven inches for direct view sets. Higher-resolution screens, square screens that give more viewing area in the same space as old sets, and cable-ready capabilities are some features to look for.

- **Component TVs.** These are assembled much in the same way as audio components. The system consists of a separate monitor, tuner, and loudspeakers. Add-ons include a VCR, videodisc player, teletext decoder, and a switching system to control them.

- **Monitors/Monitor-Receiver.** Monitors are equipped with jacks and high-quality video and audio electronics for direct connection with video sources. They do not receive signals from TV stations. Monitor-receivers have a built-in tuner to receive broadcasts from television stations. They also have jacks for direct input of auxiliary video devices. Direct input jacks ensure a better and clearer picture than receiving a signal through a standard TV's tuning circuits.

- **Projection TVs.** These sets, some as large as eight feet across, enlarge the image in the same manner as a movie projector. However, the TVs use three cathode ray tubes instead of a single light source. Projection sets may have either front- or rear-projection screens. New on the horizon are direct-view sets with screens of up to thirty-seven inches. The two sizes and types of sets will compete for the big screen market.

- **Videocassette Recorders.** There are changes in VCRs, too. The many features to choose from include cable-ready capability, picture search and scan, programmability, remote control, and special effects. How these features are combined has a direct influence on the price of a machine.

Portability is a new feature in VCRs. These units come in two pieces; the part that does the recording can be detached and used to record your own movies with the aid of a video camera.

- **VCR Hi-Fi.** Just as in TVs, the big news for videocassette recorders is stereo. Manufacturers claim that their stereo track on videotape produces a higher fidelity sound than that available from an audio tape recorder.

These hi-fi VCRs are completely compatible with all other machines and tapes of the same format; that is, a regular VHS tape can be played on a hi-fi VHS VCR. The only difference is that the regular VHS tape will not be in stereo.

There are two types of hi-fi VCRs, one that plays in stereo and one that plays *and* records in stereo. As more stereo programming is available from the TV networks and cable companies, the popularity of these stereo hi-fi units, which can be connected to any hi-fi audio system, will increase rapidly. Pre-recorded music videos are a very popular selling point for these new machines as well.

says. "It's a stereo and TV with VCR optional. We'll have a Christmas special for the home entertainment center and rent it for twenty-one months instead of eighteen."

Rentco's VCR/TV combo rents for \$110 a month; the chain's stereo and TV combination, in which the television uses the stereo's speakers, rents for \$101 a month.

Mike Kent, owner of National TV Rental in Fort Lauderdale, Florida, also is enthusiastic about audio/video com-

binations. His store rents two combos, one a TV and stereo package that comes in both console and rack styles, and the other a TV and VCR combo. A stereo and nineteen-inch TV combo starts at \$25 a week; the VCR and TV package rents for \$25 to \$29 per week or \$79 to \$99 per month, depending on brands.

"The combos are doing well," says Kent. "I think we are just now coming out with what the customer wants. I think the customers would have always wanted this system."

Video Supplier Who's Who

Video products are the mainstay of the rental-purchase industry. High-end and hi-tech are just some of the buzzwords that underscore the range of products available and the competitiveness in the video industry. The following is a detailed list of current video suppliers to the industry.

Akai
800 W. Artesia Blvd.
Compton, CA 90224
(213)537-3880
VCRs

American Family Video Corp.
18827 Pacific Hwy.
West Linn, OR 97068
(503)635-2310
Video store franchises

Brockwood
2033 Southwide Blvd.
Little Rock, AR 72202
(501)372-7991
TVs

Commtron
3211 W. MacArthur
Santa Ana, CA 92704
(714)751-9011
Prerecorded videocassettes

Fisher
21314 Lassen St.
Chatsworth, CA 91311
(818)998-7322
TVs, VCRs

General Electric
1 College Blvd.
Portsmouth, VA 23705
(804)483-5000
TVs, VCRs

General Video
2075 E. 65th
Cleveland, OH 44103
(216)391-3452
Adult prerecorded videocassettes

Gilbert Electronics
3303 N. Main
Houston, TX 77009
(800)392-3657
Parts for GE, RCA, Panasonic, Quasar, Magnavox, Philco, and Sylvania products

Goldstar
1050 Wall St. W.
Lyndhurst, NJ 07071
(201)460-8870
TVs, VCRs

Hitachi
401 W. Artesia Blvd.
Compton, CA 90220
(213)537-8383
TVs, VCRs

Ingram Video
347 Reedwood Dr.
Nashville, TN 37217
(800)251-5902
Prerecorded videocassettes

JVC
41 Slater Dr.
Elmwood Park, NJ 07407
(201)794-3900
TVs, VCRs

Magnavox
P.O. Box 14810
Knoxville, TN 37914-1810
(615)521-4316
TVs, VCRs

Marantz
20525 Nordhoff St.
Chatsworth, CA 91311
(818)998-9333
TVs

Mitsubishi
5757 Plaza Dr.
P.O. Box 6007
Cypress, CA 90630-6007
(714)220-2500
VCRs, big screen TVs

National Parts Center
10703 Stancliff
Houston, TX 77099
(713)869-0632
TV and VCR parts

National Video Clearinghouse
100 Lafayette Dr.
Syosset, NY 11791
(516)364-3686
Publishes catalog listings of current videocassettes

Panasonic
1 Panasonic Way
Secaucus, NJ 07094
(201)348-7000
TVs, VCRs

Philco
P.O. Box 14810
Knoxville, TN 37914-1810
(615)521-4316
TVs, VCRs

Pilot
101-10 Foster Ave.
Brooklyn, NY 11236
(718)257-7000
Audio/video HECs

Pioneer
5000 Airport Plaza Dr.
Long Beach, CA 90815
(213)420-5700
TVs, VCRs

PortaVideo
1930 N. Third St.
P.O. Box 22130
Tempe, AZ 85282
(800)528-3350
VCPs, VCP-monitor systems

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

RCA
600 N. Sherman Dr.
Indianapolis, IN 46201
(317)267-5535
TVs, VCRs, HECs

Samsung
301 Mayhill St.
Saddlebrook, NJ 07662
(201)587-9600
TVs, VCRs

Sansui
1250 Valley Brook Ave.
Lyndhurst, NJ 07071
(201)460-9710
VCRs, monitors

Sanyo
1200 W. Artesia Blvd.
Compton, CA 90220
(213)537-5830
TVs, VCRs

Sears
3825 Forsyth
Winter Park, FL 32791
(305)678-6651
TVs, VCRs

Sharp
10 Sharp Plaza
Paramus, NJ 07652
(201)265-5600
TVs, VCRs

Sony
9 W. 57th St.
New York, NY 10019
(212)371-5800
TVs, VCRs

Soundesign
34 Exchange Place
Jersey City, NJ 07302
(201)434-1050
TVs, VCRs

Source Video
1100 Hillsboro Rd.
Franklin, TN 37064-7000
(800)962-0222
Prerecorded videocassettes

Star Video
550 Grand St.
Jersey City, NJ 07302-4112
(201)333-4600
Prerecorded videocassettes

Sylvania
P.O. Box 14810
Knoxville, TN 37914-1810
(615)521-4316
TVs, VCRs

Teknika
353 Rt. 46 W.
Fairfield, NJ 07006
(201)575-0380
TVs, VCRs

Thomas
5-D Joanna Court
East Brunswick, NJ 08816
(201)238-6862
Audio/video HECs

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

Video Aid
135 North St.
Middletown, NY 10940
(800)431-5843
Extended warranties on video appliances

Video Latino
431 N. Figueroa St.
Wilmington, CA 90744
(213)549-4490
Spanish and Mexican prerecorded videocassettes

Videopulse
2434 E. Fender
Fullerton, CA 92631
(714)441-0900
Prerecorded videocassettes

ZBS
701 Beta Dr.
Mayfield Village, OH 44143
(800)321-8774
Prerecorded videocassettes

Zenith
1000 Milwaukee Rd.
Glenview, IL 60025
(312)391-8231
TVs

America chain in Pennsylvania. "It's hi-tech looking. Customers love the look even if they don't need all the equipment."

Like many dealers who have had success with packages, Hazam has found he doesn't need to advertise them. The combos have sold themselves so well, he has rented about 400 since he began offering them.

This Year's Model

Although sales of furniture console models held their own in 1984, manufacturers currently are emphasizing more tube and less cabinetry in the new TVs. Direct-view screens are now designed with square corners and a flat surface instead of the rounded, convex screen of old. And, they are coming in more sizes than ever before. Twenty-five, twenty-six and twenty-seven-inch tubes are gaining popularity, with the promise of direct view eventually becoming available for the projection sizes of 35 to 45 inches. The fastest growing model type in retail in 1984 was the twenty-five-inch model that fits in the same space as the conventionally designed nineteen-inch TV.

Rental mirrors some of the manufacturers' infatuation with new sizes. Hayes rents a twenty-five-inch cube TV for \$19.95 a week. He also rents a twenty-seven-inch for \$20.95 per week.

Hazam uses a square TV in an audio/video package. "I'm planning a Zenith system of a cube TV and VCR combined with a Fisher stereo. The same remote control unit can operate the TV and VCR," he says.

Remote controls are at the top of renters' wish lists this year, according to dealers. Long a convenience associated with TV watching, remotes are now a popular option for stereos and VCRs as well. In 1984, more than one-third of the televisions sold wholesale had remote controls.

Projection TVs, some of which have attained proportions of as much as eight feet across, have piqued the interest of rental dealers, but that's about all. Unlike some products which begin as luxury items but eventually see dramatic price reductions, the big screens, first introduced in the late 70s, are still beyond the reach of most consumers, and therefore are impractical for dealers.

The bulky size and weight of big screens are a further delivery consideration for dealers. Big screens are impressive, however, and some dealers have one or two on their rental floors

Many dealers are wary of the high cost of offering combinations, both for customers and the store.

"We've tried integrating to make packages, but the cost is prohibitive and the amount of equipment to move around and keep track of makes it difficult, too," notes Peter Hayes, owner of seven Hayes TV Rental stores based in Lockport, New York. Hayes TV and VCR

combinations rent for \$19.95 to \$24.95 a week, depending on the equipment.

Most dealers, however, agree that combos can be worth the interest they generate as a showroom centerpiece, even if the dealer has not jumped into the market with both feet.

"The package is nice to have in the center of the store," says Chad Hazam, president of the twenty-store Rent

to dazzle customers.

"We have played around with large-screens—not the super big screen but the forty-one-inch to forty-five-inch ones," says Hazam. "If they get the price down, we'll look into it some more. We have a few on long-term rental and others on short-term. They might be something in the future."

All of Rentacolor's big screens go to commercial customers says John R. McNickle, vice-president of twenty-two Connecticut-based stores, which carry only TVs and VCRs.

"We rent TVs from the thirteen-inch portable to the big screen. We have only a few big screens, but we do keep them out on rent to commercial clients," he says. Rentacolor began as a rent-to-rent operation twelve years ago and has provided the rent-to-own option for two years now. The bulk of the chain's business which consists of over 30,000 units still is in rent-to-rent.

Having both rent-to-rent and rent-to-own TVs and VCRs gives customers more choices, McNickle believes. "There's a market for both businesses. You just have to find out what the customer's need is," he says.

SINCE THE INTRODUCTION OF APRO, THERE'S MORE OF A UNIFIED INDUSTRY OUT THERE. RENTAL HAS SOPHISTICATED ITSELF IN ITS LEGALITY, ITS ADVERTISING, AND ITS MARKETING.

Rent-to-rent customers usually are not sure of what product they want, and they like the short-term obligation and lower cost of rent-to-rent, McNickle says. Rentacolor's rent-to-rent items rent for about half as much as rent-to-own.

TVs may run the gamut of sizes, but many customers still are interested the most in color portables, according to several dealers.

"Our color portable line is more popular this year," says Mike Kent. "It has a lot to do with price. People aren't as interested in one big console. They still want a nice set but portability is important and they want two or three small sets instead of one big one. We're renting more multiple sets to customers now than in the past," he says.

Bill Bixel, owner of four Justice TV Rental stores based in Dallas, encases

HI-TECH TERMS

Walking into a video or rental store these days is almost like strolling through a bowl of alphabet soup. There are so many acronyms and new terms to decipher, the average customer may wonder how to turn on a TV, much less know which one he wants to rent. Here's a quick reference guide to some of the newest video terminology.

Adaptors: device used on recent-model TVs. It is used to connect the TV to any stereo amplifier and convert the TV to MTS sound.

Cable-compatible/Cable-ready: indicates that the TV may be able to receive directly the cable company's signal without a converter box. Of course, the household must still subscribe for the cable service. A set described as cable-ready/compatible still may not be able to tune in the channels of your local service. Always check with the cable company first before buying the equipment.

Direct View: the traditional form of picture projection in any television that is not a big-screen projection set. The television picture is relayed directly from one cathode ray tube.

Hi-fi: colloquial term for high-fidelity used to describe TVs, VCRs, and Beta and VHS videotape that can receive and/or send stereo signals.

Jacks: built-in in/out terminals found on monitors and monitor-receivers that allow easy hookup of auxiliary equipment, such as a VCR.

MDS (Multipoint Distribution System): a programming service that transmits TV signals to urban subscribers via a microwave beam.

MTS (Multichannel TV Sound): indicates that stereo has come to television broadcasting. In 1984 the Federal Communications Commission authorized the addition of a stereo signal and a second audio program (see SAP) signal to the broadcast band. Both signals include a noise-reduction system for maximum high-fidelity sound. A new-model TV may be solely MTS capable, SAP capable, or able to receive both signals. Find out before you buy.

Projection TVs: the large-screen sets, usually forty-five inches and larger, that use three cathode ray tubes to project the image onto the TV screen in the same manner as film is projected in a movie theater.

SAP (Second Audio Program): an alternative sound channel that broadcasters may use for any purpose. Most will be using it to carry a second language translation of a TV program's soundtrack or a separate commentary for educational or sports programs. TVs with both MTS and SAP have a switch the viewer can use to choose soundtracks.

Signal Splitter: a device that enables a cable subscriber to watch a television program on one channel while recording a program off a different channel. Most VCRs are equipped to split signals. If one is not, the subscriber must devise his own with a signal splitter, an A/B switch and some extra VCR cable lengths purchased from an electronics store.

his portable TVs in stands that make them look like consoles. "(The stands) keep the price in line and help with cutting down on theft," he notes. "The stand completely encases the nineteen-inch model so it looks like a console. That makes it appear difficult to carry away. It also keeps the merchandise in better shape, by preventing customers from putting cigarettes on it, spilling drinks into it, or banging it up," he says.

VCR Mania

Of all the new video products to hit the rental industry, videocassette recorders have taken over the largest percentage of BOR in the shortest time. VCRs are now the fastest growing segment of the industry, currently at approximately 10 percent and climbing.

They debuted as fast turnover items, but are staying out longer now, dealers note.

"We started out with VCRs having a high return rate," confirms Mike Kent. "They went out, but they came right back in. Over the last year, VCRs are going out and staying out. I think people are using the equipment more and enjoying prerecorded movies more. Plus, those local tape rental companies rent a VCR for one day for what we rent for one week." Like many dealers, Kent gives away a free blank tape with every VCR he rents.

However, VCRs still are not as stable an item as some dealers would like for them to be. TVs continue to hold the upper hand on staying power.

Hayes calls VCRs "an unpredictable thing. We do rent VCRs and TVs as a

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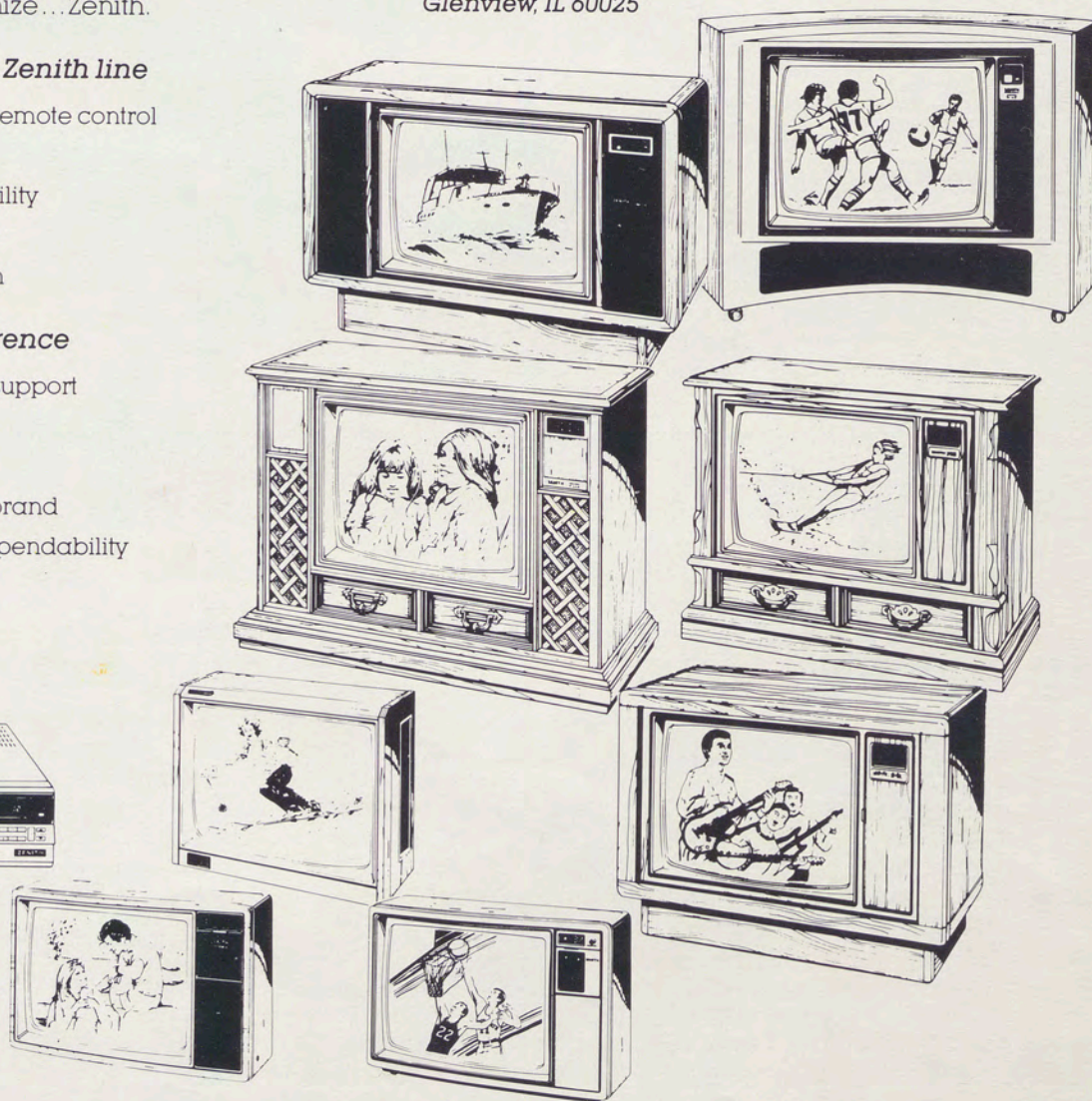
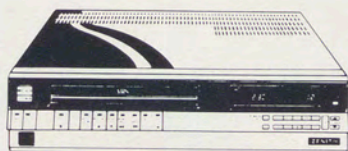
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package, but the VCRs have no bearing on the TV market. Customers rent the package and find out that they don't use the VCR as often as they thought. They fade away from it, and we usually end up getting it back. We give them credit for what they've paid on the package."

Offshoots of the VCR—the videocassette player (VCP) and videocassette camera, or camcorder—have found little favor in the rental market, but may gain in popularity. Dealers are using VCPs, introduced just last year, primarily for their movie clubs, but may begin renting them independently if the wholesale price comes down significantly.

"We don't rent them (VCPs)," says Hazam. "It's the price. Why pay \$175 for a VCP when there's a VCR—and a pretty good one at that that you can get for \$200? If VCPs go to \$125, then we can try them as rental items."

Dealers are reluctant to offer camcorders because of their newness. Those who do say it's a very small percentage of business. Peter Hayes' six camcorders "sit idle most of the time" because they are not really suited for rent-to-own, he believes. He bought the units five months ago after hearing of video stores' success with the machines.

"Video stores have them and they usually have a waiting list, or so I hear," relates Hayes. "Someone calls in and says he needs one for a particular weekend and makes a reservation for it."

Hayes' camcorders don't go out much, except for holidays, when everyone seems to want the \$99-a-weekend machines. None of his customers have wanted to rent-to-own a camcorder. If they did, it would probably rent for about \$200 a month, says Hayes. The camcorders sell for about \$1800 apiece.

IT USED TO BE WE RENTED
BASE PORTABLES AND
BASE CONSOLES, BUT
NOW WE RENT TOP-OF-
THE-LINE OR CLOSE TO IT.

More Features

Dealers have become accustomed to some hi-tech video features, such as cable-readiness and quartz-synthesized computer tuning. It is estimated that half of all televisions now sold to retail dealers are cable-ready, which means that consumers are saved the hassle and complexity of connect-

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ing a converter box to view cable programs.

Some of these hi-tech features are part of a general upgrading of products that rental is experiencing, indicates Chad Hazam. "It used to be that we rented base portables and base consoles, but now we rent top-of-the-line or close to it. Most of what we buy are remote control, all are cable-ready, and they have 140 channel-plus capability. We no longer carry second-line brands. People are more name conscious. It's no longer, 'Is it a portable?' but 'Is it a Zenith or a GE?'"

A hi-tech feature that is expected to be requested more often is stereo. Dealers expect interest to pick up once more television programs are broadcast in stereo and consumers want sets that can both receive and play stereo broadcasts.

The advent of stereo sound added to TV impacts on VCR rentals. A customer enamored of better sound for his TV viewing will want better sound when he's using a VCR. Stereo VCRs are available that play stereo video cassettes, and that also record in stereo. With this better sound now coupled with better TV screens, a sound and vision renaissance is happening in video.

Dealers cannot be too interested in hi-tech or they may price themselves out of their customers' reach, warns Mark Brownstein. Though he sees promise in combos, he tries to stay away from high-end products.

"Hi-tech is not for our particular marketplace," he maintains. "It's not really for rental. The hi-tech product will go to someone who rented three or four years ago and wants an upgraded product. Hi-tech makes payments too high. We've found with stereos, for instance, that customers want the most expensive model but can't afford it. We have to be very careful how much our customers spend. When the payment is \$18 to \$20 per week, but the hi-tech is \$25, that \$5 difference is a big one for some of our customers."

Market area plays a big role in structuring an acceptable pricing figure. Some dealers will jump into higher-end products immediately, while others will gradually switch over. Lowry Shrader, owner of nine Rent*It stores in Tennessee and Kentucky, enjoys being on the forefront of hi-tech. Though the dbx stereo TVs he is renting "will not really start moving" until more stereo TV is broadcast, renting the units "is a part of our progressive philosophy," he notes. In-

evitably, retail and manufacturer competition will start to bring the wholesale price down.

Other video innovations, like the satellite dish and videodisc player, are still too much on the fringes of retail to infiltrate rental. Satellite dishes are pricey and difficult to maneuver from the store to the customer's home. Here too, miniaturization may change this drawback as smaller, but more powerful receiver dishes are nearing production. The videodisc player, now that the laser system has established superiority, might be used as part of a movie rental package. Some dealers still have an eye on these devices.

Though satellite dishes are now "out of the question," Hazam predicts that "a compact and more powerful system could be in the rental future. It has to be more of a remote unit that can be installed and picked up quickly."

Novelty video items, such as the four-inch black and white "pocket" televisions, are not found in great numbers in rental, but customer demand may dictate an increase.

Advantage Rentals' two stores in Austin, Texas, have rented thirty-six of a four-inch black and white cable-ready set combined with a built-in, touch-

MANUFACTURERS VIEW RENTAL-PURCHASE AS MORE OF A VIABLE MARKET THAN EVER BEFORE AND THAT THE INDUSTRY AND THEIR INTEREST IN IT SHOULD CONTINUE TO GROW.

tone telephone, AM-FM radio, and alarm for \$30 a month. The combo unit has done surprisingly well, says store manager Al Shankle. "When we first set it out people thought it belonged to management, so I put a sign on it showing the monthly rental fee," says Shankle. "We have about twenty-four out on rent right now."

The video accessory most often offered by dealers is the blank cassette tape. Many find it is good business to throw in a free tape with rentals; other dealers offer them strictly for sale. Few dealers offer any other type of accessory, such as head cleaners or cables. They prefer to keep equipment in good running condition themselves by trust-

ing routine maintenance to trained store personnel.

All these new video wonders have different lights and buttons to learn. There are complicated user instructions, too, that employees must decipher and assimilate in order to easily explain them to customers. Short instructional films are the best way to train employees in the ways of video, dealers concur. Those who do not have training films plan to make one.

"We make sure that employees understand the products we're offering by getting reps from the suppliers to come and explain to our managers in detail the operations of equipment and what's new in the field," says Hazam. "I'm not satisfied that's enough. We're looking at preparing an instructional videotape. These meetings with reps have been good, but I think we can do more."

The Supply Side

The future of video in rent-to-own from the manufacturers' point of view follows dealers' sentiments fairly closely. Color portables with remote control, stereo, and quartz-synthesized tuning are popular, as are the new screen sizes and configurations. Most

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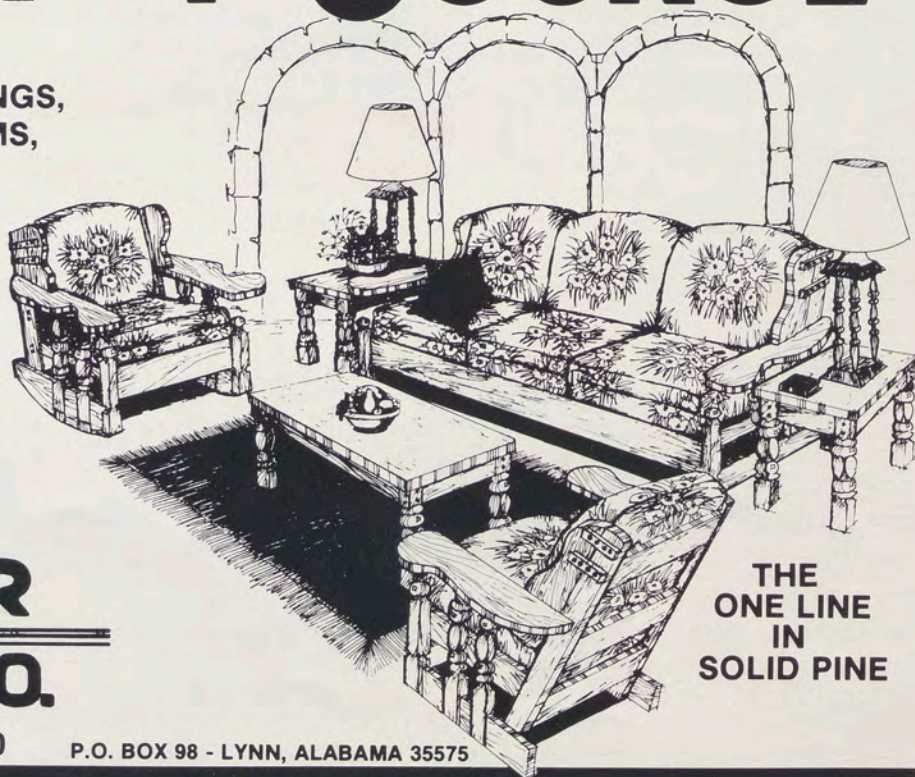
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manufacturers agree that VCRs are booming, and that VCPs are a marginal item best suited so far for commercial use in video clubs.

"I don't see a real market for VCPs other than that tied to software rental," comments Kim McCusker, manager of special markets for GE. "The VCR has deteriorated in price so much that there's very little difference in the cost of a VCP versus a VCR. If the VCP drops to a range that it can be competitive with VCRs, the rental price would go down and then there could be a market."

Les Brettman, national manager of special markets with Quasar, notes, "If we or one of our competitors are successful in driving prices down where there's a significant price difference, we believe our rental customers will be one of our biggest purchasers of VCPs."

Brettman also believes that VCRs have not been a big factor in rental. "I don't see much activity there due to predatory pricing by leader items at retail. VCRs are less of a viable item to rental. But some dealers I hear of are renting quite a few, especially when tied in with tape programs," he says.

Most manufacturers, however, are optimistic about VCRs' growth. Eric Kamayatsu, national sales manager at Hitachi, predicts, "VCRs are a long way from peaking. They're now up sixty percent on a monthly basis in retail compared with last year. Our concept is that rental still lags retail, but it's closing the gap fast. Rental has not even come close to its peak in saturation in VCRs. The VCR growth rate is phenomenal. They're selling at a rate of 12 million a year and a big chunk of that is rental."

Manufacturers don't see projection TVs becoming a big rental item any time soon, not only because of the price but because of the bulkiness.

"The heaviest part of a TV set is the picture tube," notes Mel Hunger, vice-president of marketing for Teknika. "A nineteen-inch portable picture tube weighs thirty-five to forty pounds. Even with a twenty-five-inch or twenty-six-inch set, the weight goes up dramatically, so a thirty-five-inch will be heavy. I don't know if it will be maneuverable by one man. To be used in rental, it may require specialized equipment, like power tailgate trucks."

Manufacturers are supplying projection TVs to rental dealers mainly for commercial and industrial users. "There is little penetration into the home market," says Kamayatsu. "Several of our rental accounts have purchased projection TVs just for dis-

play. It's an eye catcher."

Audio/video combinations are big business for Philco, reports Ken Gay, director of national accounts. Seventy percent of the company's vertical combos are purchased by rental. The unit is designed especially for rental, light enough for one man to deliver it, with a slide-out rack for a VCR.

Tim Shannon, manager—rental accounts for RCA, sees audio/video systems, especially those using a monitor-receiver and a VCR, as a strong rental item of the future. "I see this as a strong and viable offering for the rental customer. It's a natural for rental to have this in one package at one price," he says.

On the traditional side, consoles are also a big percentage of Philco's business. Though the emphasis now is on nineteen-inch and twenty-five-inch portables, rental customers still go for

THERE'S STILL A LUCRATIVE BUSINESS IN BASIC PRODUCT, BUT THERE'S A BETTER KEEP RATIO FOR THE PRODUCT WITH MORE BELLS AND WHISTLES BECAUSE THAT'S WHAT THE CUSTOMERS WANT.

cabinetry, Gay believes. "The rental customer is still enamored with the bigger piece of furniture. Contrary to retail, the rental customer is by far more interested in the wood sets," he says. Philco manufactures a slim-line thirty-six-inch console for retail and a forty-three-inch twin-sided (grill work one each side of the screen) set for rental.

"Consoles in rental have always held up well," says Gay. "I think that Philco has done so well because of our cabinetry. We have a selection of 110 different cabinets with all three of our brands considered (Magnavox, Sylvania, and Philco.) We are much stronger in consoles than in portables."

Zenith has manufactured a series of twenty-five-inch consoles designed for rental, says Norm Smith, national manager of rental accounts. The five sets are priced identically but with different cabinetry in order to give customers a choice in the same price range. "Our basic tenet is that customers will rent something they would buy if they had the cash, so we try to give them as many choices as possible to rent something they can afford," says Smith.

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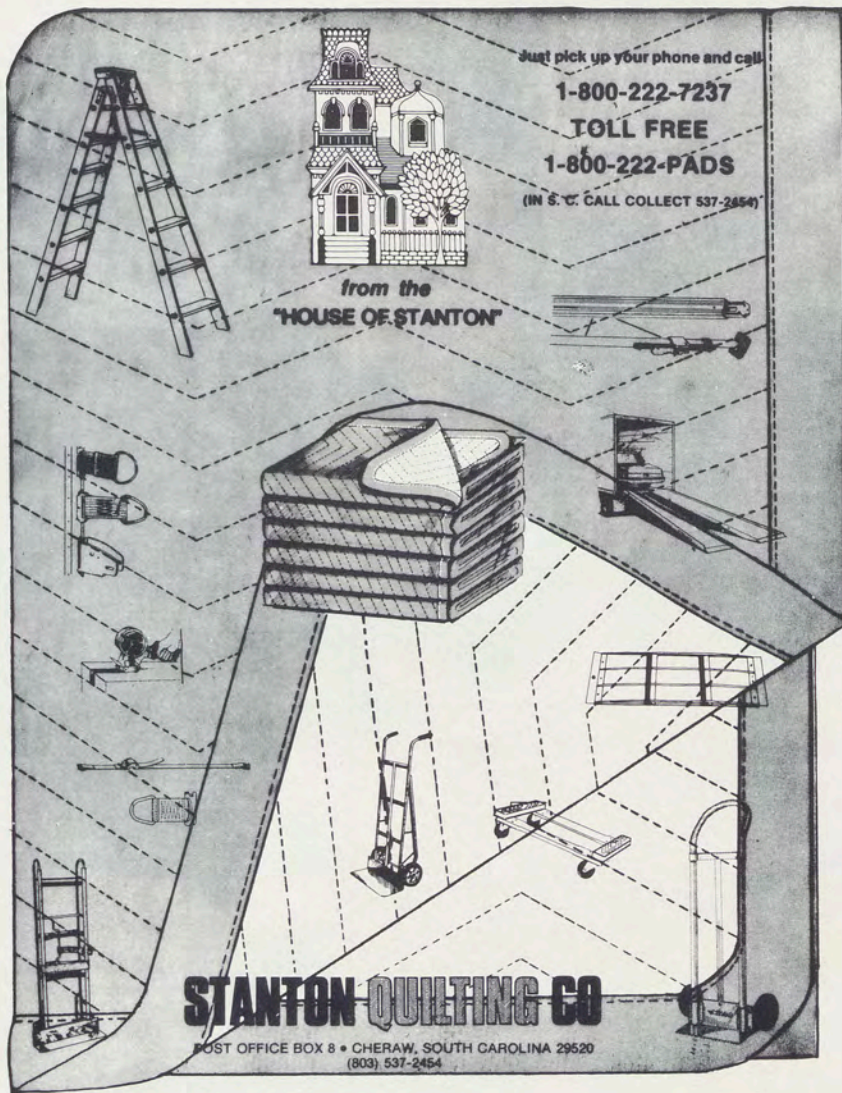
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tomer is looking for feature-laden products. "I think the industry can play toward these people," he says. "Rental dealers have the flexibility to make this group an ideal opportunity for them—to step in and fill this need the way they did with the VCR."

THE RENTAL BUSINESS HAS CHANGED OVER THE LAST FIVE YEARS TO INCLUDE A WIDER DIVERSITY OF PRODUCTS FOR A WIDER CUSTOMER BASE.

Better Reception

New products and new technical innovations spur interest and talk among customers. The video arena is experiencing a number of exciting and innovative design changes. Rental dealers know that their customers want to see and judge the value of such things as square screens and stereo sound for themselves. For that reason, many dealers are quick to carry some of the new video items because they are impressive on the show floor.

People are looking for a change in the traditional TV set and the traditionally-sized set. Customers are comparing products for quality of design and quality in styling. They are demanding that video products—and other major electronics items—be more attractive, more dependable, and take up less space.

As Kim McCusker notes, "The best deal in the country today is a color TV, and increasingly the VCR. If adjusted for inflation and based on 1967 dollars, a color TV would today wholesale for around \$1900. Plus, the products have gotten better. There is no comparison between a 1967 model and today's models."

The rental business has changed over the last five years to include a wider diversity of products for a wider customer base. The upgrade of products carried by dealers is due to the knowledge that brand names make a difference. These same brands are now eager to participate in the rental industry. A look at video rentals three to five years from now will show an acceleration of this interest bringing a further increase of multifeatured products to the rental store.

PR

Carla Mathews is Associate Editor, and David Morgan Jones is Managing Editor of PROGRESSIVE RENTALS magazine.

Manufacturers say that they view rental-purchase as more of a viable market than ever before and that the industry and their interest in it should continue to grow.

"We see a steady, strong, and healthy growth for the industry," says Kamayatsu. "We're targeting toward it. We're out there developing individual rental dealers. Rental is a separate listing with a separate staff for Hitachi."

Tim Shannon points out that the rental industry is more unified now than in the past and that products offered have been upgraded.

"I guess in the beginning, it was more of an independent effort in each location, with no pattern tying the industry together. Since the introduction of APRO, there's more of a unified industry out there. Rental has sophisticated itself in its legality, its advertising, and its marketing. Dealers are more organized in researching new markets before they enter them."

Shannon and other suppliers also marvel at the changes over the last five years in the products offered by rental.

In the past rental offerings were limited to the very basic models of a line, such as mechanically tuned TV sets.

"The rental dealer felt obligated, and rightly so, to stay in a certain price range," says Shannon. "Through new technology in the electronics industry, because of increased competition in rental, more features are now available at a lower price. This product actually works better in the rental scheme. There's still a lucrative business in basic product, but there's a better keep ratio for the product with more bells and whistles because that's what customers want."

Mel Hunger points out that higher-end products may mean a change in rental pricing structures. "I think dealers are looking for the higher ticket items. Before there was always a barrier beyond which the dealer would not price a rental item. As video is affiliated with audio, that brings the ticket up. That rental barrier may have to be redefined."

These high-ticket items bring upscale customers, believes Hunger. This cus-

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EVOLUTION OF A GOOD IDEA

Not so long ago, some of us connected with the rental industry worried that our detractors would be successful in convincing judges and legislators that the rent-to-own concept should be outlawed. Rent-to-own dealers—developers of a unique marketing tool—took the heat from many sources, but time after time dealers proved the validity of the idea.

Of course, the dealers always knew that the criticism did not come from the customers who took advantage of rent-to-own programs. It has been an expensive, wearying battle for all concerned, but that is often the case when new ideas are being tested. Perhaps the battle itself is useful to prove or disprove the validity of a new idea.

In what we all hope is the twilight of this struggle, it is interesting to note what has happened to the marketing concept that TV and appliance dealers originally forged. Today the industry is rapidly changing so that the consuming public can rent-to-own almost anything. We see ads every day across the country for rental-purchase plans on condominiums, houses, automobiles, furniture, cellular phones, tires, and even jewelry, maple trees, and maternity clothes. I have a feeling this is just the beginning of the list.

The reason for this, of course, is that the rent-to-own concept is a good idea for which there is a legitimate need in the marketplace. It is *not* a concept that appeals exclusively to disenfranchised consumers who have no credit and, therefore, no choice.

The rent-to-own concept as applied to medical equipment provides a good example. An injured individual in need of a wheelchair or a hospital bed in his home may have no desire to purchase such equipment outright, regardless of his financial condition. He is hoping for a quick recovery, so let him rent that equipment for as long as he needs it. At

some point, however, it makes great and good sense to have the rent, or a portion of it, apply toward ownership.

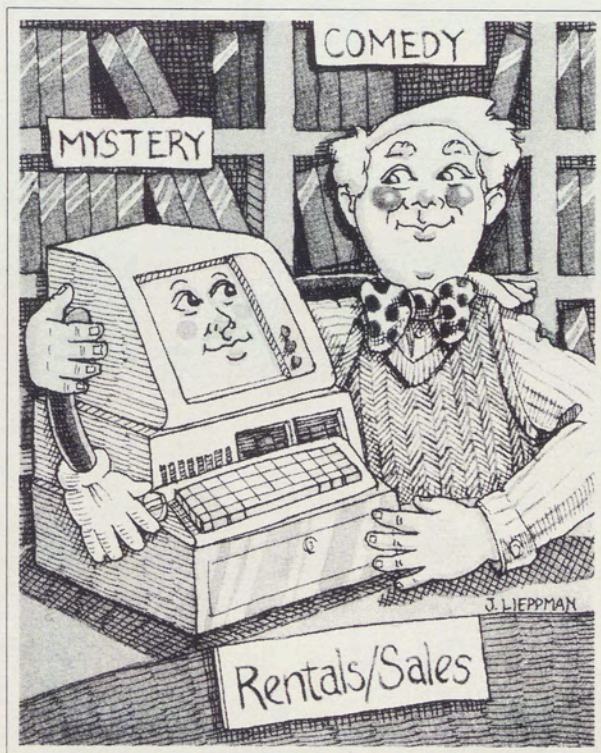
I believe that we are just beginning to see the innovative application of the rent-to-own concept in the American marketplace. Sporting goods, art, and plants are just a few of the "naturals" for a rental-purchase program. "Try It Before You Buy It," a Remco trademark, is one of the reasons why rent-to-own covers such a wide-range of durable goods and products that consumers want. As businesses in different industries "discover" rent-to-own as a means of carving out a niche for themselves in the marketplace, watch for the ideas to grow.

There will be a sense of satisfaction felt by the TV and appliance rental dealers who ran interference and cleared the way for the concept to develop. Beyond the sense of satisfaction, however, there will also be a greater security for TV and appliance rental dealers. Critics who argue that the concept should be outlawed soon will have to confront a large portion of American business—and most American consumers who use rent-to-own in one guise or another.

Congratulations, TV and appliance dealers, you had a good idea and you have sold it in the marketplace of ideas. It is cause for celebration to see a good idea spread, especially when we can say with pride, we were there during the tough times and survived.

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Adding Video Software

Dealers say movie rentals are a natural

The magic of viewing and collecting movies on videotape has become a passion for the American consumer. Witness the tremendous sales and upsurge in rentals of VCRs. Renting prerecorded cassettes is changing the viewing and entertainment habits of a great cross section of people. To fill this new need, entrepreneurs have rushed in and have created the movie rental club.

According to statistics from the American Video Association (AVA), there are nearly 20,000 video rental outlets currently in business, and that figure is expected to reach 30,000 by 1990. Many of these businesses are devoted exclusively to video rentals; however, an increasing number of rental-purchase dealers are adding movie clubs to their existing stores.

Since VCRs are now about 10 percent of total rentals and the units are staying out on rent longer than ever before, video software may be the next big leap for rental dealers. But opening a movie club in a rent-to-own store requires a sizeable financial investment and plenty of time and labor to keep happy, smiling customers. The result could be an increase in profit and customer traffic flow.

Don and Debbie Carpenter, owners of two Paine-Carpenter Rentals stores in Natches, Mississippi, have operated movie clubs since February of this year. "We started our movie clubs to be more competitive," Debbie says. "So many stores in our area have movie clubs, and we figured having one ourselves would be a good way to increase business. So far it's working."

"Our incentive for beginning a movie club was to get more customers to rent and buy other items from us," comments Bill Black, owner of five Curtis Mathes stores in Michigan. "We've been operating clubs since September of 1981 and they have certainly increased our sales and made us more competitive in our markets."



Photo by Debbie Carpenter

Movie club software makes an appealing mix with RTO merchandise.

Herein, rental dealers and others associated with the video rental industry share their experiences and offer advice on combining a movie club with a rent-to-own store.

Getting Started

Although the investment dealers must make to add a movie club pales in comparison with that needed to begin a rental-purchase store, dealers will need cash to start. Finding a dependable movie distributor and learning the basics of club operation are also imperative.

"We initially invested \$14,000 in inventory to start the clubs in the three stores we had at the time," says Black. "That was about \$5,000 per store. Now we average \$25,000 per store in monthly movie club volume, and have \$200,000 to \$300,000 in inventory per store."

Black notes that finding a good distributor is one of the most important aspects of beginning the club. "A good distributor with knowledgeable sales people is crucial," he says. "We've had five or six distributors in our time of operation. Dealers should find someone who also offers a good line of credit and will take back defective movies, too."

In order to help dealers wisely choose movies, Black says a distributor's salespeople should know about and be able to describe the titles they offer, know which movies are the best renters, and which older titles are popular.

Debbie Carpenter initially invested \$40,000 in her movie clubs. "That's not much compared to starting a rent-to-own store," she notes. "We also benefited from our APRO contacts in Mississippi. Because we knew people

operating clubs in our state, we were able to visit their stores and ask questions about starting our own."

Carpenter, as a rental dealer had the basic tools to operate a movie club. She emphasizes that these tools include:

- knowing how to write rental contracts;
- a working knowledge of computers;
- store space in which to operate the club;
- working capital;
- a desire to be competitive;
- a large customer base;
- trained employees;
- experience in dealing with people.

Finding space in the store to display tapes, and devising a method of featuring them to customers is a prime consideration for the new video club proprietor. VHS and Beta tapes are of different sizes, and the quantity of tapes necessary to have a well-rounded selection means that lots of wall space is needed. However, an added benefit is the splash of color the tape boxes give to the store. There are specialty video rack companies with various display ideas at high cost, but enterprising dealers can scout out display alternatives.

Bill Black lends one innovative rack idea. "Greeting card racks are a good display idea. We found a Hallmark card distributor selling old racks for \$50 to \$75 apiece, and we had 300 of them at one point. Custom made, these racks can cost from \$150 to \$200 each."

Knockdown furniture stores often sell white laminated bookshelves in quantity for special prices. Dealers might try this display alternative, or check with other video stores for other display alternatives.

With money in hand and all logistic decisions carefully made, the next step is seeking the right distributor. It is not unlike seeking a distributor for other rental items.

Choosing a Distributor

Debbie Carpenter notes that she has changed movie distributors several times. "The distributor's location is very important," she says. "We had a distributor in California for awhile and it was taking two weeks to get movies. Now we have one in Nashville and we get our movies much faster."

Carpenter and Black suggest that dealers ask potential distributors these questions:

- What is their fill rate (the percentage of movies ordered that are actually delivered)?

- What is their shipping time?
- Do they provide POP materials?
- What are their payment terms?
- Will they provide a listing of top-renting movies?

• Do they offer co-op advertising? (Here, a dealer buys an ad on TV, radio, or in the newspaper and sends the bill to the distributor. The film studio then reimburses the dealer.)

- Will they assist dealers in laying out ads?

John Martzoff, of Video Express, Inc., in Derby, Kansas, supplies movies to Poppingo Video locations. "Our most popular films are adventure, drama, and children's titles," he says. "We also see a definite move from the Beta format tapes toward the VHS format tapes."

Tape rental is quick and easy in the computerized rental-purchase store.



Photo by Debbie Carpenter

Martzoff notes that the "movie club" may be nearing extinction, and believes the trend is toward stores renting movies without requiring a membership fee.

"With the level of competition among video stores as it is," he says, "owners are having to rent tapes without the movie club structure. People just won't pay a membership fee when they can go down the street and rent tapes without an initial fee."

If that's the case, dealers have to become adept at renting more tapes and relying less on club initiation fees. A computerized system is a must to handle video software.

The Computerized Club

"Our movie clubs have been on computer since August of 1983," says Black.

"Any dealer purchasing more than 100 movies, and it's ridiculous to get in the business with less than 500, should computerize."

Debbie Carpenter chose a separate program for her movie club, as opposed to using the one she had for the rent-to-own business. "Our original system," notes Carpenter, "could accommodate video in some ways, but video ties up the computer so much. We felt it was best to get a new computer and software for the club. The total investment in computerizing the club was \$5,000."

A number of programs for video clubs are available, which means it's the old compare-the-features game. Before buying, dealers should make note of their requirements and canvass the

market thoroughly to ensure they purchase the best software for their situation. Dealers who have computerized their other rental operations will find this search to be a similar process. (For information on computerizing your store, see the June issue of PROGRESSIVE RENTALS.)

Ellison Crider, movie club manager for Rental and Sales Software Systems (RSSS) in Corpus Christi, Texas, explains the features of RSSS movie club software.

"Our program keeps track of all the movies a dealer has," Crider says, "and it tells them how much income each movie has produced. This can be an overall figure for all stores, or it can be categorized for each store location. By using this information, dealers can put their movies in the locations where they feel they will rent the best."

Crider says his company's system also keeps track of customers by telling how much money each has paid into the movie club in the last month, quarter, year, or overall. Dealers can then send mailings to customers who have not been very active. The RSSS system is compatible with IBM and Texas Instruments computers, and several others.

Jack Edgerton, director of marketing for Microfast, Inc., describes his Micro Movie Club, an integrated system for rentals and sales of movies and video accessories. "The system was introduced in 1982 and we have 600 installations in the United States," he says. "It is a single-user system requiring a 10 megabyte computer such as the Kaypro 10 or IBM XT. It has the capacity for 8,000 to 9,000 movie club members and movies in stock."

The Micro Movie Club uses a computer, a printer, and the store's cash drawer. The customer's name or identification code is entered into the system, the transaction takes place, and the system prints out a receipt and stores the transaction information. Dealers can use the system for report generation on revenues, inventory, accounting, depreciation of assets, and taxes.

There are other systems available. Here, as in so many other aspects of business, shopping systems and taking the time to compare them is your best bet.

RENTING PRERECORDED CASSETTES IS CHANGING THE VIEWING AND ENTERTAINMENT HABITS OF A GREAT CROSS SECTION OF PEOPLE.

Staffing the Club

"We did have to hire additional people to staff the movie club once it got going," says Carpenter. "We have one person working with each club during the week and two on weekends."

Carpenter notes that her movie club and rent-to-own employees (except managers) are paid on the same pay scale. She adds that although employees mainly work in either the movie club or the rent-to-own area, they are trained in both facets of store operation so that, for instance, a movie club employee can fill in for an absent rent-to-own employee.

DISTRIBUTOR TIPS

Fred Phister, director of marketing for Source Video in Franklin, Tennessee, offers a checklist from a distributor's point of view for dealers choosing a video software distributor. The company should:

- ship the product on the day of the order;
- have high fill rates;
- have free POP materials;
- frequently distribute catalogs and newsletters listing inventory and special offers;
- have free promotional films from studios;
- have its inventory on and fulfill its orders through computer;
- have a restricted number of buyers per each sales representative;
- have a good record of delivery;
- have good telemarketing services;
- give discounts to consistent buyers;
- rapidly process returns.

Bill Black has instituted a commission plan for his movie club employees. He has four employees per store that work full time with the movie clubs. The club employees are paid minimum wage, or slightly higher. To keep them enthusiastic, Black pays a 17 percent commission on any accessories they sell, such as blank tapes and head cleaners. Black notes that accessories are high mark-up items and that this system gives his employees a good incentive to sell.

What to Offer

VHS format video movies appear to be winning the popularity battle in rental as well as retail, with Beta format films accounting for very little business. "We don't rent Beta format tapes," says Carpenter. "VHS is by far the most popular format in our area, and virtually no one requests Beta tapes."

Beta and VHS VCR systems are incompatible. The two formats are different in the type and size of cassettes used, and the VCRs to play each system have different electrical and physical characteristics.

Says Black, "We have one large market where we rent Beta and VHS, mainly to get the Beta customer into our store. In the other four stores we have had very little interest in Beta and rent only VHS."

Dealers advise that the decision to carry Beta and VHS tapes, or only VHS, should be based on the store's particular market. Beta players are popular in some areas and virtually nonexistent in others, so dealers would be wise to conduct market research before stocking their clubs.

What about the so-called "blue" movies, or adult features? AVA statistics show that 75 percent of all video dealers

offer adult tapes, and a survey conducted by the Video Software Dealers Association (VSDA) indicates that X-rated films account for 13 percent of all video rentals. There also exist a number of movie distributors offering adult titles exclusively. Rental dealers possess differing opinions on the rental of this film genre.

"We rent adult tapes and have found them to be a good profit center, although they cost us a little more," reports Black. "They represent about 13 percent of our business, but account for 15 percent of our total movie expenditures."

"We do not rent adult movies," says Carpenter. "We want to be known as a family oriented store. As a matter of fact, we have found that our Walt Disney and family-type movies are by far most popular with our customers."

Black displays his adult tapes in a room separate from his general audience films. He offers "hardcore" and "softcore" selections and requires sales personnel to be eighteen years or older to work with the adult films. All customers must be at least eighteen to join the movie club.

Marketing Strategies

Marketing two stores in one location has resulted in a trial and error advertising strategy for some dealers, but techniques have been developed allowing the two stores to play off one another in the race for customers.

"We will have a promotion where customers renting a VCR obtain free membership in the movie club," says Carpenter. "Or we'll offer 50 cents off of a movie rental each time a rent-to-own customer makes his payments on time."

COMPUTER CHECKLIST

The video club lives and dies on its computer software inventory control system. A good system must assist the dealer in managing the inventory. Consider a system with the following:

- a basic movie check-in and check-out capability;
- a reporting system informing the dealer of which movies, or customers, are idle;
- movie list printouts of movies by category, rating, run time, and stars;
- inventory updates—what is in, what is out;
- printout of what movies are due in on a certain day;
- customer listings of who has what movie, and which customers owe additional rent.

"Having the movie club has helped our VCR rentals quite a bit," she adds. "During our first six months our movie club was in operation, almost every item we rented was a VCR. The club also increased temporary rentals of VCRs. Right now about 80 percent of our VCR rentals are temporary and 20 percent are rent-to-own."

Carpenter also notes that her stores initially advertised the movie club and the rental-purchase operation separately, but now take advantage of rental-purchase customer traffic by promoting everything in the same ad.

Bill Black indicates his overnight and monthly rent-to-rent VCR business has increased since he began the movie club. "With almost every TV we rent," he points out, "a VCR goes out with it." Black promotes the two businesses by advertising in the newspaper's TV magazine and in the entertainment section. To generate interest, he has half-price movie rentals on Tuesday and Wednesday, and he also will offer specials on memberships if his growth curve for the club begins to slide. Black believes merging his rental-purchase operation with a video club has created additional customer loyalty and contributed to the longevity of his business.

THE DECISION TO CARRY BETA AND VHS TAPES, OR ONLY VHS, SHOULD BE BASED ON THE STORE'S PARTICULAR MARKET.

"When a customer is renting movies on a regular basis," emphasizes Black, "that customer is more likely to keep his rental item to term. Our movie club was instantly successful, there are minimal service and collection problems, and it is very profitable."

Carpenter agrees, "A movie club is simple to operate, and we get a lot of customer traffic for our rent-to-own business because of it. Overall, I'd say the club is nice, easy, and fun to operate, and the additional customer traffic for rent-to-own makes it worthwhile."

The Reel World

But, as in any business, video club owners will face unexpected pitfalls. AVA statistics indicate that 2,000 movie clubs failed in the past eighteen months. The association also reports that a decreasing price structure in movie rentals is prompting dealers to expand profits by offering video accessories and hardware. The AVAs average nightly rental rate is \$2.59, and a continued drop in this rate could result in frighteningly low profits for dealers offering movie rentals only. Other problems also face movie club owners.

"We have had problems with the provision of adequate parking space for all the customers generated by the two stores in one," says Black. "We have lost some rental and retail business because of the high traffic for movie rentals."

Black says he has lost 65 movies due to non-returns in the four years he has operated the movie club. But most were collected in small or regular claims court. Black's rental application asks for the customer's driver's license number, social security number, employer, and personal references. He tries to "get enough information on people that they probably won't do anything to us," he says.

"Non-returns almost never happen," comments Carpenter. "We have had two since we first began, and our route man has picked those up. A \$7 trip charge for this is written into our movie rental contract to cover costs if we have to get the tape back ourselves."

Black suggests that dealers entering

the movie club business keep three points in mind. "Take into account parking and store space availability," he says. "Be sure you have enough of both. Secondly, carefully choose a movie distributor, and by all means consider computerizing the movie club."

"Watch how much floor space your movies are taking up," advises Carpenter. "and note how much money is going into movie inventory. Dealers need to keep the store's selection fresh, but it can become expensive. We are considering swapping movies with another club to provide our customers with a good selection, without having to invest additional funds."

Carpenter notes that customers can damage tapes in a number of ways. Food and drink are spilled on them, they are viewed on players with dirty heads (resulting in Carpenter's tapes serving as head cleaners), and they are often ruined by faulty VCRs.

"Winter is the best period for video rentals," adds Carpenter. "But dealers should plan their vacations for September—that month was horrible."

Carpenter says dealers need to buy the tapes, the shelving, a computer and its software, tape rewinders, tape cases, a shrink-wrap machine, signs, and forms, to name a few necessary items that can quickly raise start-up costs.

"Rental rates are going way down, competitors are undercutting us, and you can rent a tape at nearly every gas station, grocery, and liquor store in town," she concludes. "The jury is still out on whether a movie club is worth it or not profit-wise."

Networking, as Carpenter does, is a good idea. Dealers can use it to get fresh marketing concepts, or to get tabs on new products and new distributors. Rental dealers will dramatically increase their chances of video club success by researching their potential markets, talking to other dealers who rent software, and making financial and promotional decisions. Events in the video movie rental business occur rapidly, and this is one way to stay on top of the changes. **PR**

Shirley Greenly is Assistant Editor of PROGRESSIVE RENTALS magazine.



Shopping for a System

The last five years have witnessed a great deal of frustration by rental dealers on the decision to computerize their stores. Once that plateau is reached, the frustration level goes higher when such questions as which computer should be purchased and which software is the best are considered.

These feelings of confusion, fear, and anxiety are normal. Interestingly, these concerns haven't changed much since 1958 when I first became involved with computers. Surprisingly, the decision process that companies used in 1958 to answer these questions is the same one that should be used now.

Establish Needs

The first step is to determine if your company has needs that definitely will be assisted or met by a computer system. Answering the following questions will outline your thinking.

- What information do I use *today* to measure and evaluate the performance of my business?
- How often do I receive this information?
- Do I need it more frequently?
- How current is this information? How current should it be?
- Do I need more information? Do I need different information?
- How much information can I really handle?
- How did this information become information?

Answer as completely as possible, so that later analysis runs smoothly.

Information from computers is the result of taking bits of data, performing some mathematical sequencing and totalization process with that data, and then writing the results in a meaningful format. A good example of this is a dealer's daily store activity summary reports. These reports contain a total for

DON'T GET STUCK WITH
LOW-PRICED HARDWARE
BY AN OFF-BRAND
COMPANY THAT MAY
DISAPPEAR TOMORROW.

BOR, value, net change, yield, and other data. To process it into a meaningful format, employees get the information from counting cards, performing addition or subtraction, and summarize their findings the way you have trained them.

Data Processing

You should begin to consider a move toward computer processing when these questions arise: Does my present volume of activity allow my staff to process the store data in a useful time frame? Do I expect that volume to increase? If I expand, will there be sufficient time for all stores to generate this information?

Testing your store reports is just as important as coordinating the results. Your information must be validated; if not, that information is useless. Validation is achieved by working backward from the totals to the detail source, which is the customer transaction files. Test the data as often as you feel necessary to have accurate reports.

How will computers help? Computers process large amounts of data quickly and are especially helpful in manipulating the kinds of reports you need to make a profit and successfully compete.

As helpful as computers are, once you make the decision to acquire them, certain fears may creep into your thinking: Will I lose control of my business? Will I not get the information I need when I use this new method? Will I

need computer consultants, operators, and specialists? Will I not be able to communicate with computer people? Will I be replaced by the computer? Will my staff be able to handle the computer? Will I have the time needed to convert?

Rest easy. A properly designed software system, operating on an acceptable computer with properly trained management and store personnel, will give you accurate and timely information; more knowledge of actual business activities; better customer service; and more control.

Software

The first item you select is the software. Keep a notebook of your information needs by identifying present transactions and files that generate this information.

Create a checklist of companies and programs you review. Consider tracking a comparison of what each software package offers, and doesn't offer. Evaluate the reports the packages generate against what you need for your business. Notice also the number of steps it takes to accomplish a task with the computer. Any screen content should use phrases with which you and your staff are familiar.

Software should accomplish its task in as few steps as possible. The fewer the steps, the easier for your personnel to use it, which makes training and conversion smoother. Always visit or call current users of each system and question them on how it works and what problems they have encountered.

Customer support provided by the vendor is of utmost importance. Make sure you know what happens if there is an error in the programming. Does the vendor fix it? How long will it take? Is there a charge for repair?

continued page 41

Nuts & Bolts



DOING IT RIGHT

Collections is a sometimes difficult but always vital part of the rental-purchase

business. Here are some telltale signs that you're doing it right.

- You charge off less than 3 percent of sales due to bad debts, stolens, skips, or

uncollectables.

- You get 95 percent to 97 percent of all rent revenues due based on the number of units on rent during any given period.

- You have account managers who do their job in less than forty-five hours (less than forty in many cases) and go home at night before 8:00 p.m.

- You collect 97 percent of all rental payments in the store in person or by mail—only 3 percent collected at the customer's doorstep.

- You can average at least a 10 percent return on assets and a 30 percent return on investments, and increase owners' equity five-fold.

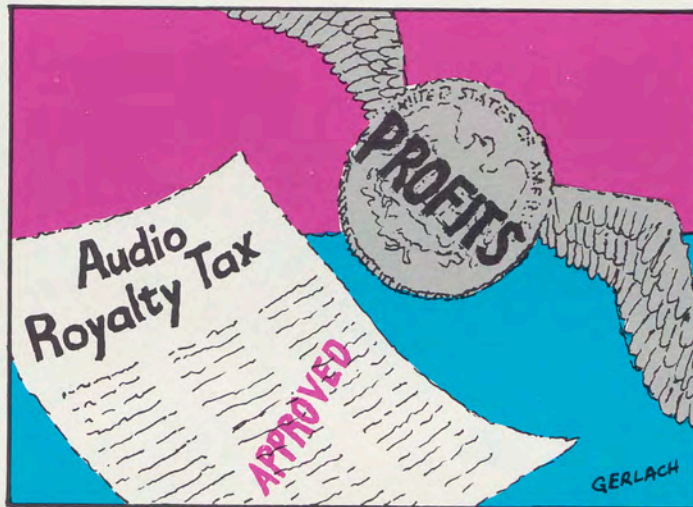
THE WAYS OF RENTAL

How far should you go to disclose certain facts about a rental-purchase transaction?

Even if you do business in a state that has not passed rent-to-own disclosure laws, it's always a good idea to make sure a potential customer knows everything he needs to know to make an informed decision. Misunderstandings can result in lawsuits, even if you are in the right.

You should always:

- Disclose what the customer will spend on an item if he rents it long enough to own it.
- Disclose whether or not the unit is new or used.
- Outline the advantages the customer is paying for during a rental period, such as free maintenance, pickup and delivery, loaner units, and the freedom to return a unit or choose another one with no obligation.
- Make sure the customer knows he is paying only for a week or a month at a time and that unless he has rented to term, missed payments will result in the return of an item with no refund.



THE LOOMING ROYALTY TAX

Audio products and videocassette recorders together comprise about 30 percent of rental-purchase profits. That's why dealers have a stake in the outcome of two bills currently in Congress that could result in an audio royalty tax.

The bills apply to any audio recording equipment and blank tape. Though the bills do not specifically mention VCRs, they are worded so that they might apply to any device capable of recording sound. The bills are an attempt by the recording and movie

industries to recoup revenues they say they have lost as a result of private home recordings.

Under H.R. 2911, introduced last June, all manufacturers must pay a tax of 10 percent of the sale price of each audio recorder, 25 percent of the sale price of dual-cassette recorders, and one cent per minute of playing time on all blank tape. S. 1739, introduced last September, specifies the same tax percentages except for single-cassette audio recorders, which would be taxed at 5 percent. S. 1739 also differs in that it dictates that only high-quality tape be taxed and that certain exemptions be exercised in

the kinds of machines that can be taxed.

Industry watchers say that the promise of exemptions is too vague to be enforced, and that either bill could pass along to the customer additional costs of as much as 30 percent more for blank tape and \$40 to \$100 more for VCRs.

For more information on the pending legislation and what you can do to prevent it, contact the Home and Audio Recording coalitions at (800) 282-TAPE.

PARTS AND SERVICE

The Consumer Electronics Group of the Electronic Industries Association (EIA) offers a free directory of sources for replacement parts and technical service literature.

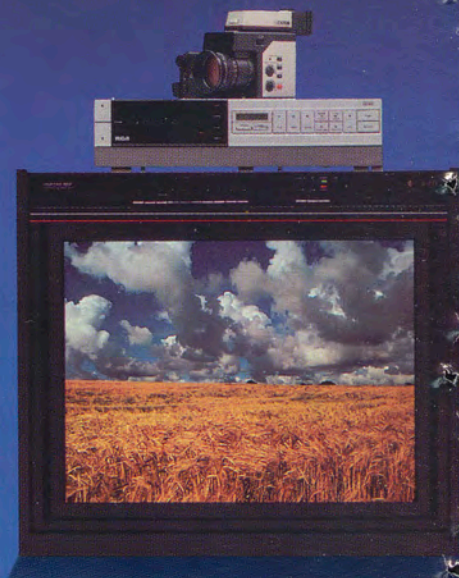
The Consumer Electronics Replacement Parts Source Book lists alphabetically sixty-seven sources of parts and technical information. To order, send one dollar for postage and handling to EIA/Consumer Electronics Group, Product Services Department, 2001 Eye Street N.W., Washington, DC 20006.

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GIVE YOUR RENTAL CUSTOMERS AMERICA'S
FAVORITE NAME IN VIDEO EQUIPMENT: RCA.

RCA is the most popular brand of video equipment in America. Which makes it the brand your customers will be looking for most often in your showroom. RCA makes it easy to satisfy them, with an incredible range of products at every price point. There are small black and white televisions, sophisticated monitor receivers, and everything in between. RCA offers a variety of different VCR models, with practically every combination of features imaginable. There's even a variety of video cameras, with five different models, from basic cameras to innovative hand-held units. And everything RCA sells is backed by a service network that covers the country coast to coast. All it takes is a phone call to find out how to put RCA's products to work for you. Call 1-800-32-VIDEO and ask for information about rentals. We'll help you put an extra gleam in your customers' eyes.

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SEE US AT THE C.E.S. SHOW, BOOTH 283 - MAIN FLOOR, CONVENTION CENTER

Promotional Labels

TOP 20 **TOP 50**

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

1-5/8" Sunburst - Removeable
 \$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

Worth Seeing **DON'T MISS**

USED MOVIE SALE **THIS MOVIE FOR**

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

Rewind Labels

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

PLEASE BE KIND & REWIND
 YELLOW

50¢ CHARGE if tape is NOT REWOUND
 ORANGE

\$1 CHARGE if tape is NOT REWOUND
 RED

Beta/VHS Labels

TYPE A - 1" SQUARE
 Available in BETA (Pink)
 Available in VHS (Green)
 TYPE B - 3/4" x 1"
 BETA (Pink) - VHS (Green)

Roll of 500 - \$20.00

AVAILABLE IN **BETA** **BETA**

On Rental Labels

1-1/2" Square - Removeable
 \$30.00/Roll of 500
 \$50.00 Two Rolls
 RED OR BLACK (Use one color for VHS and the other for BETA)

OUT ON RENTAL

Security Labels

WARNING
 Full Retail of this Product will be Collected if Seal is Altered or Removed

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

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

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

Miscellaneous Labels

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

PLAYBACK PROBLEMS?

- To correct grainy or blurry picture, distortion or burnout across picture. Adjust the tracking control on your Video Recorder.
- To correct rolling picture, distorted tops, or picture flip over. Adjust the Horizontal or Vertical hold on TV Set.
- To correct No Picture or No Sound. Check Center Wire on Screw on Connector to be sure this Center Wire is in the Hole and not bent off to one side. Next, check to see if 75-300 OHM Adapter is connected to VHS Tapes on TV. Also, check to see if TV is tuned to Channel 3 (4).
- Check to see if Selection Switch on VCR is in the TV or VCR Mode.

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

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

Special Rental Labels

1-1/2" Round - Removeable - \$25.00/Roll of 500

SPECIAL 99¢ Rental **SPECIAL \$1.00 Rental** **SPECIAL \$1.50 Rental** **SPECIAL \$2.00 Rental** **SPECIAL 2 for 1 Rental** **SPECIAL Rental**

YELLOW ORANGE RED GREEN PINK PINK

Rating Labels

1" Round
 White with Blue Print

PARENTAL PG 13 GUIDANCE **HARD XXX**

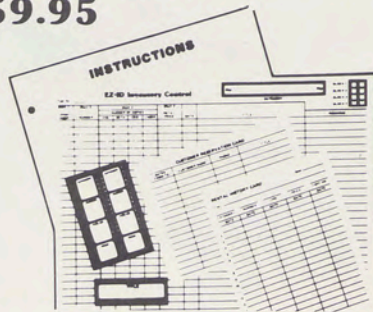
(G) General
 (PG) Parental Guidance
 (PG-13)..... Parental Guidance
 Over Age 13
 (R) Restricted
 (X) X-Rated
 (XXX) Hard XXX
 (NR)..... No Rating

\$ 10.00 - Roll of 250
 \$ 55.00 - 6 Rolls, Assrtd
 \$100.00 - 12 Rolls, Assrtd

EZ-ID Inventory Control System (500 Titles): \$159.95

The System includes the items listed below which may be purchased individually:

- \$40.00 - 1,000 Classification Labels
- \$40.00 - 1,000 Title Labels
- \$60.00 - 500 Rental History Cards
- \$20.00 - 50 Inventory Control Sheets
- \$10.00 - 50 Customer Reservation Cards
- \$50.00 - One Set Instructions



Giant 36" Long Window Signs

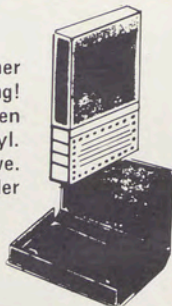
READABLE UP TO A HALF MILE



- Giant 36x 12" Sign sticks directly to glass with static cling
- No Glue - No Residue, Remove and Reuse
- Florescent Red & White, or Fluorescent Red & Yellow
- \$19.95 each or, two for \$35.00, three for \$50.00

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¢

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



Giant Outdoor Banners

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

MOVIE/VCR RENTALS

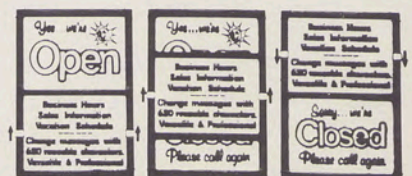
Fluorescent Orange with Black Letters

Style A - Grand Opening Style C - Movie/VCR Rentals
 Style B - Movie Rentals Style D - Movie/VCR Sales & Rentals

SLIDING OPEN-CLOSED SIGN

14 x 20"
 High Impact Styrene Sliding Panel
 630 Changeable Letters/Numerals
 Mounts Inside on Glass w/Suction
 Includes Counter Easel Marquee

\$39.95



VIDEO DISPLAY TRACKS

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

48 INCHES (4 FEET)

DRAMA

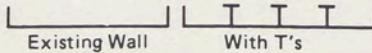
BOOK STYLE BOX STYLE

DRAMA

\$5.00 Patent Pending
SINGLE WIDTH
\$100.00/CASE

\$8.00
DOUBLE WIDTH
\$160.00/CASE

OUT OF SPACE?
DOUBLE YOUR INVENTORY
BUILD T-SHAPE WALLS



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

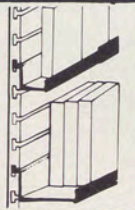


Display Tracks for Slat Walls

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
\$140.00 per case

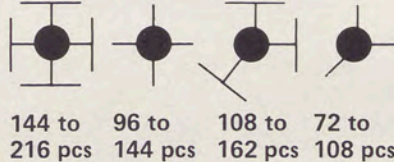
Triple Width
\$12.00 each
\$240.00 per case



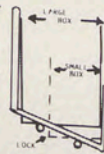
Revolving Movie-Go-Round \$289.95



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

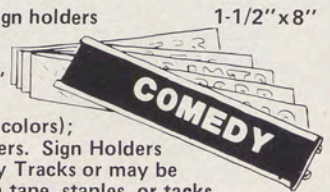


- Ships UPS in only 3 Cartons
- Easy to assemble, requires no tools
- Consumes only 36" of floor space
- Special design accommodates both smallest BETA or largest X-rated box to fit in the same space without flopping around in rack
- Comes with One Movie Marquee Category Sign (Movie Rentals) Header
- Black Base and Center Pole with Gold Wire Cassette Racks
- Optional Accessories: "Snap-on Sign Kit" and "Hook and Pull Tag System" for multiple copies



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 assrtd 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.



Movie Marquee Category Signs

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



- | | | | |
|--------------|--------------|-----------------|--------------------------|
| ACTION | MUSICALS | WORTH SEEING | *ACCESSORIES |
| DRAMA | CONCERTS | OSCAR WINNERS | *CHECK-IN |
| MARTIAL ARTS | MUSIC VIDEOS | SALE TITLES | *CHECK-OUT |
| SCI-FI | ADULT | ADVENTURE | *COMING SOON |
| HORROR | FOREIGN | SPORTS | *NEW ARRIVALS |
| COMEDY | SELF-HELP | MYSTERY | *ROMANCE |
| CHILDREN | RELIGIOUS | *VIDEO GAMES | *GENERAL |
| FAMILY FILMS | WESTERN/WAR | *MOVIE RENTALS | *SPANISH |
| CARTOONS | DOCUMENTARY | *BUDGET RENTALS | *TOP 20 |
| CLASSICS | VHS | *VCR RENTALS | *TOP 50 |
| | BETA | *EDUCATIONAL | |
| | NEW RELEASES | *BUSINESS | *NOT IN SNAP ON SIGN KIT |
| | | *MISCELLANEOUS | |

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

1 — 11.....	\$6.00 each
12 — 24.....	\$5.00 each
25 or more....	\$4.00 each

New Pull Tag System

HOOKS Pack of 100 \$35.00

PLASTIC TAG Pack of 100 \$25.00 Yellow or White

LABELS Roll of 500 \$50.00 VHS or BETA

ADAPTER STRIP Pack of 20 \$40.00 Black or Brown

1. Hooks simply snap on to Video Display Tracks
2. Each Hook holds up to ten Tags
3. TAGS (one for each copy) hang on Hook
4. BETA or VHS labels available
5. 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."

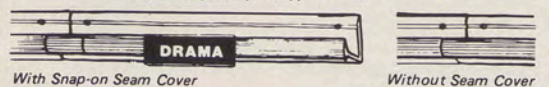
Transparent Movie Box Protectors

Clear, Semi-Hard 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).

-
- .60 each
\$60.00 per case
- Size 1 — BETA Sleeve Type
 - Size 2 — VHS Sleeve Type
 - Size 3 — Fox, Playboy, MGM Old Type
 - Size 4 — Thorne, Vestron, Amary Type
 - Size 5 — Family Home, USA Video Gems, Moxt X's
 - Size 6 — Warner, MGM, CBS UA, Disney Book Type

Category Divider/Seam Cover

Cover the seams between each four-foot Video Display Track with a matching or contrasting color Seam Cover which will also add strength at the point where two sections meet. Packages of 20 - \$5.00, red, black, blue, ivory, brown.



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GOVERNMENT RELATIONS

Dealer Defies Law and Loses

BY EDWARD L. WINN III

A Minnesota rental dealer recently was held in contempt of court in a bankruptcy proceeding there. The dealer recovered his stereo, but the resulting suit cost him nearly \$8,500.

In early 1985, a customer filed for relief under Chapter 13 of the bankruptcy laws. Filing a bankruptcy suit automatically stays an individual's financial affairs. Debtors have limits on how they spend their money, and creditors are prevented from taking any action against the debtor or the debtor's property.

In this case, the dealer had not yet received official notice of the bankruptcy when he called the customer about the account. The customer told the dealer she had filed for bankruptcy and that soon the company would be getting notice. After a series of conversations, store employees came to the customer's home demanding payment or the stereo.

The customer's attorney informed the store manager that he must cease his activities, yet store employees returned to the house, obtained entry, and ultimately obtained the stereo from two children, both under fifteen years of age. While gaining entry, the employees allegedly kicked in a metal, rear door.

In awarding actual and punitive damages to the customer, the court first held that official notice of bankruptcy is not necessary to create the stay. Actual notice is sufficient, and the dealer had actual notice when the customer told him of the bankruptcy. The court ruled that the customer's actual damages included the value of the stereo, \$510, plus the attorney's fees of almost \$2,000.

In awarding punitive damages, the court found "no justification for breaking down a debtor's residential door under any circumstances to repossess property." The court stated that the entire incident "shocked the conscience of the court." The court further explained that calculating "the amount of punitive damages awarded is a function of the offending party's financial capabilities. The award must be sufficient to sting the pocketbook of the wrongdoer." The court awarded the debtor \$5,000 in punitive damages, the maximum amount in such proceedings.

THE SADDEST PART OF THIS CASE IS THE DEALER'S IGNORANCE OF THE LAW. A MOMENT'S PATIENCE AND THE DEALER COULD HAVE RECOVERED HIS PROPERTY WITHOUT ANY EXPENSE.

There are several sad aspects to this case. First, there are still rental employees kicking in doors to recover merchandise. One hopes there are fewer instances now of such abuse than in the past, but it gives industry supporters little comfort to see this most recent example displayed in the law books.

Repercussions will be felt by everyone in the industry long after the Minnesota dealer has paid the bill. This case, and others like it, will be presented to legislators across the country as evidence of the kind of industry the rental business really is. Industry supporters will defend themselves by explaining that all businesses have a few bad apples. But, the damage is done. The legislative position is weakened—perhaps irretrievably weakened. Remember, it is because of abuses like this that the public cry was made to regulate this industry.

Perhaps the saddest part of this case is the dealer's ignorance of the law. A moment's patience and the dealer could have recovered his property without any expense. Under Minnesota law, rental dealers must use rental agreements with bona fide balloon purchase options available at the end of term.

REPERCUSSIONS WILL BE FELT BY EVERYONE IN THE INDUSTRY LONG AFTER THE MINNESOTA DEALER HAS PAID THE BILL.

Such agreements always have been construed as true rental agreements under federal bankruptcy law. Lessors are then able to recover their property by having the bankruptcy stay removed.

It is not a complicated process, but a motion must be filed, and occasionally a dealer or his attorney must appear be-

fore the bankruptcy judge. Lessors with balloon payment purchase options will always be able to recover their property. The Minnesota dealer could have had his stereo back within thirty days. Instead, he paid \$8,500 to get it back outside the law.

Copies of the bankruptcy court's opinion may be obtained upon request from the APRO office.

Rental Agreements

BY EDWARD L. WINN III

With four new state statutes regulating the rental industry, many dealers are having to think about their rental agreements. The new statutes in Texas, Michigan, Georgia, and South Carolina dictate many of the terms of rental agreements, even down to the size of type that must be used. These statutes vary in their particulars, so that dealers must use different forms in each of the four states. Elsewhere, dealers are left to their own devices. Presumably, they are using the same forms they always have used.

Now, a new issue has developed through court decisions rather than legislative action which may affect dealers' agreements, or portions of their agreements, everywhere. The issue arises from a pair of cases—one from the Massachusetts Supreme Court and one from the Texas Supreme Court—and concerns the legal interpretation of consumer contracts. While neither case involves rental companies, the legal principles developed could easily be applied to all kinds of consumer, as opposed to commercial, standard form contracts, including typical rental agreements.

THE TEXAS CASE HAS SENT CREDITORS SCRAMBLING TO REDRAFT CONTRACTS SINCE NEARLY ALL OF THEM CONTAINED THE NEWLY ILLEGAL CLAUSE. RENTAL DEALERS MAY HAVE TO DO THE SAME.

The Massachusetts case, *Leardi v. Brown*, 394 Mass. 151 (Sup. Jud. Ct. 1985), involved a landlord/tenant form lease and one of the state's largest land-

lords. All of the company's leases contained the following clause:

THERE IS NO IMPLIED WARRANTY THE PREMISES ARE FIT FOR HUMAN OCCUPATION (HABITABILITY), except so far as government regulation, legislation or judicial enforcement otherwise requires.

Massachusetts has a statutory implied warranty of habitability for dwellings, that cannot be waived by tenants.

The court found that the clause in question was deceptive and illegal under the state's deceptive trade practices statute because it tended to mislead tenants about their rights. The plaintiffs admitted that none of them had ever read the clause, nor had the defendant landlord ever attempted to enforce it. In other words, all the plaintiffs admitted that they had not, in fact, been misled.

Nonetheless, the court found that all tenants who had signed a lease with this clause had been "injured." Although no actual harm occurred, the lessor had invaded a statutorily created

THE PROBLEM IS THAT ANY METHOD WHICH SECURES A CUSTOMER'S CONSENT IN ADVANCE IS INVALID.

and legally protected interest. The court held that the law recognizes an injury even though no harm is done. Even without proof of actual damages, the court awarded thousands of tenants with the statutory minimum damages of \$25 each, plus attorneys fees.

The Texas case, *Gonzales v. Gainan's Chevrolet City, Inc., et al.*, 690 S.W. 2d 892 (1985), dealt with a retail installment contract controlled by the Texas Consumer Credit Code. The contract in question, financing the purchase of an automobile, contained the following language:

Further, in any such event [default], seller or any sheriff or other officer of the law *may take immediate possession of said property without demand*, including any equipment or accessories thereto; and

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Address

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for this purpose seller may enter upon the premises where said property may be and remove same. (Emphasis added.)

The plaintiff sued on the contract after he had paid it in full, arguing that the clause in question violated the state code. Part of the Texas Consumer Credit Code states:

No retail installment contract...shall (3) authorize the seller or holder or other person acting on his behalf to enter upon the buyer's premises unlawfully or to commit any breach of the peace on the repossession of a motor vehicle.

Overturning two lower courts, the Texas Supreme Court ruled that the contract clause violated the statute because it could be read as authorizing an unlawful trespass.

The issue in the Texas case concerned the legal interpretation of a consumer contract. There is a substantial body of law holding that people who write contracts are presumed to obey the law, and when there are two reasonable interpretations to a contract, the court must construe it to comply with the law. The Texas Supreme Court apparently

chose to overrule this doctrine in the Gonzales case. Instead the court used the doctrine of liberally interpreting statutes to achieve the purpose of the legislature, and concluded that since the clause could be read as authorizing a trespass, it violated state law.

Two justices dissented in the Texas case pointing out the logical errors made by the majority. Essentially, the court confused doctrines of contract interpretation with doctrines of statutory interpretation in their efforts to achieve what they considered to be justice.

The danger for rental dealers is that courts will begin construing their agreements using the same lack of logic. The Texas case has sent creditors scrambling to redraft contracts, since nearly all of them contained the newly illegal clause. Rental dealers may well have to do the same.

Many rental agreements have language similar to the following:

The owner and its agents, upon any default by renter of this agreement, are specifically authorized to enter the premises where the property may be found and to take possession of and removal of the property without liability and owner and its agents are hereby

released and discharged from any claim or cause of action or relating to entry and taking possession...

In light of the Texas and Massachusetts courts, this clause may well be illegal under state law. If plaintiffs cannot use the Consumer Credit Code in Texas, they can easily turn to the Texas Deceptive Trade Practices Act, which is similar to the Massachusetts statute.

Dealers likely understand they have no rights to force entry into a dwelling to recover merchandise. Some may be using the "right to enter" clause as a lever to persuade customers to return merchandise. If that is the case, it is exactly the kind of conduct deceptive trade practices statutes are designed to restrict—namely, the use of techniques which tend to deceive not ordinary citizens, but gullible and uneducated citizens.

The law has long maintained that citizens need not allow anyone to enter their homes without their permission, except police with a valid search warrant. The existence of this legal precept makes it more difficult for dealers to recover merchandise and accordingly, they are constantly devising methods to secure a customer's consent to recover merchandise when necessary.



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The problem is that any method which secures a customer's consent *in advance* is invalid. The Texas case makes this abundantly clear. It is a fact that not every citizen knows his rights. Rental dealers have no obligation to inform customers of all their rights. But neither can they actively mislead customers about their legal rights in a rental agreement.

The absence of "right to enter" clauses in rental agreements will not make the job of picking up merchandise any easier. Dealers are nonetheless advised to review very carefully those clauses in their rental agreements. Few would be able to afford the treble damage provisions of most states' deceptive trade practices statutes.

The good news is that dealers need not necessarily charge off a unit when the customer simply refuses to give it back. Especially in the four states with new rental-purchase legislation, dealers can take these people to court every time and, after taking judgment, get the sheriff to recover the merchandise. The sheriff *can* kick down doors when necessary to enforce a judgment.

Before dealers had to fear counter suits alleging disguised credit sales. At least in Michigan, Texas, South Carolina, and Georgia, that danger is gone. Many times a suit can be brought in

small claims court, saving dealers the expense of an attorney. The legal route to picking up merchandise takes more time, to be sure; it is also far less dangerous, cheaper, and ultimately, the only way to go.

For questions about specific clauses or wording in rental agreements, please contact Ed Winn III or the APRO office.

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

Washington Report

BY J. SAMUEL CHOATE, JR.

As 1985 draws to a close, APRO finds itself closer than ever to the enactment of federal legislation regulating the rent-to-own industry. Unfortunately, due to the number of important and difficult issues Congress is grappling with, we find ourselves increasingly being shunted aside and our progress delayed.

On November 6, 1985, the third scheduled meeting between Congressmen Doug Barnard (D-GA) and Bruce Morrison (D-CT) was cancelled due to a meeting of the Democratic Caucus concerning other matters.

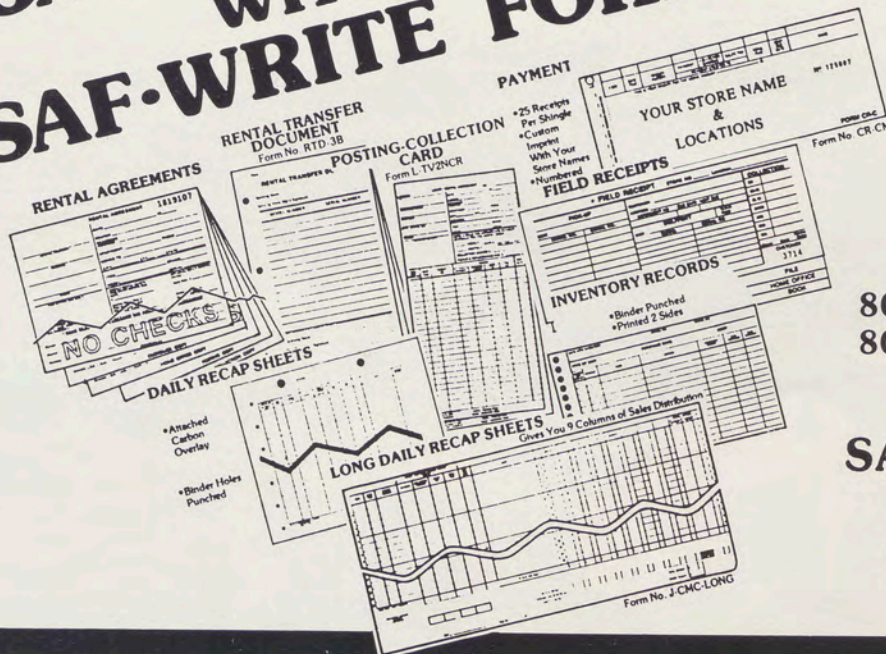
Previously, Congressmen Barnard and Morrison have tried to meet with industry representatives to discuss a proposed compromise on the two bills

AS THE 1985 SESSION WINDS DOWN, APRO REPRESENTATIVES IN WASHINGTON ARE VIGOROUSLY PUSHING THIS COMPROMISE PACKAGE FOR CONSIDERATION AND ADOPTION.

they introduced in the House of Representatives. The bills deal with the regulation of the lease-purchase industry. APRO representatives have had numerous meetings with legislative aides in both offices and with both Congressmen.

The result of these meetings has been a compromise proposal forwarded by APRO's representatives to Congressman Morrison's office in late October. Morrison's office had not responded directly to the APRO counterproposal by mid-November. Instead, three joint

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meetings have been scheduled between Congressmen Barnard and Morrison and industry representatives to try to agree on a compromise. At this writing, yet another conference had been scheduled for mid-November.

The APRO Government Relations Committee, meeting in Dallas in October, authorized presentation of a compromise package to Morrison which is to be the subject of the impending conference. The compromise expands the disclosures in the Federal Reserve package to include the majority of disclosures requested by Morrison. Deleted from the proposed compromise package are the unwieldy and unworkable definitional section of Morrison's bill, the equally unworkable advertising provisions, and the expanded and punitive enforcement provisions of the bill.

The compromise proposal is based upon the desires of consumer interests for more expansive disclosures than those previously recommended by the Federal Reserve Board. In our private meetings with Morrison, he has made it clear that he favored expanded disclosures and would oppose any legislation that did not include them.

APRO FINDS ITSELF CLOSER THAN EVER TO THE ENACTMENT OF FEDERAL LEGISLATION REGULATING THE RENT-TO-OWN INDUSTRY.

Based upon the industry's experiences with recently enacted legislation, APRO representatives, in consultation with the Government Relations Committee of the Board of Directors, are of the opinion that these expanded disclosures will not adversely affect the ability of industry members to continue in business. Furthermore, the more pervasive the federal legislation enacted is, the more likely it will be considered adequate coverage for renting consumers by those state legislators who might be approached by consumer interests to enact more punitive state laws.

From these underlying considerations and the hope that passage of a federal bill in 1985 could alleviate the need for numerous state legislative battles in

1986, the compromise package was assembled and presented to Congressman Morrison.

As the 1985 session winds down, APRO representatives in Washington are vigorously pushing this compromise package for consideration and adoption. Only recently, Senator Bob Dole (R-KS) has expanded the 1985 session until December 20, 1985. This lengthens the session by an additional month and provides valuable time for APRO representatives in Washington to try and effect passage of this legislation.

PR

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

Got Something To Say?

Write a letter to the Editor,
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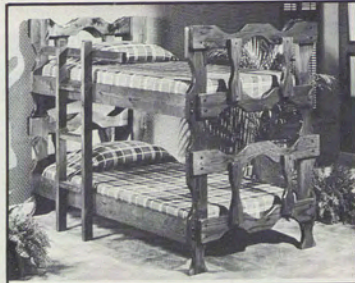
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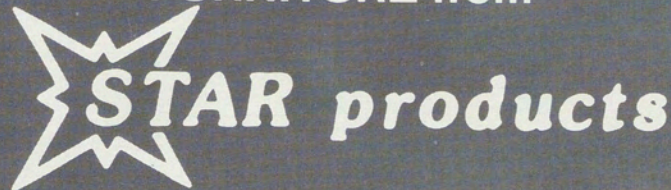
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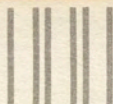
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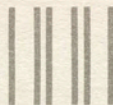
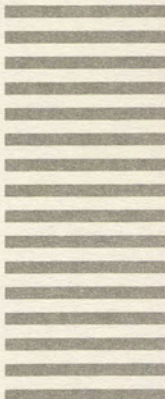
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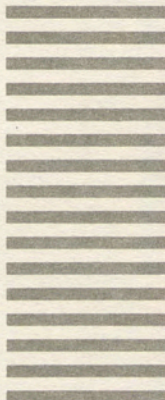
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CES Las Vegas

Show of Shows

There are miles of blinking lights, oceans of sounds, and thousands of hands to shake at the Consumer Electronics Show (CES), a twice-annual event held in Las Vegas each January and in Chicago each June. The crowds, the sheer volume of new or revamped electronics products can make even the seasoned veteran of CES wander around bewildered, lost in the crush of people.

The Las Vegas show is the winter production of the Electronic Industries Association's Consumer Electronics Group (EIA/CEG). EIA represents the major manufacturers of audio and video equipment and home computers. Its two trade shows are the largest annual events of their kind in the United States.

The statistics are truly remarkable: the January 9 through 12, 1986, show will attract more than 101,000 attendees, out of which an estimated 70,000 will be buyers. Several thousand buyers will come from abroad and 1,500 journalists will cover the big news and minor details of the extravaganza.

What are all these people coming to look at? They will push buttons, turn

knobs, and compare features of products of over 1,200 companies, products that include audio and video hardware; blank and prerecorded videotape; satellite earth stations; personal computers and computer software; telephones; electronics furniture and accessories; and calculators and watches.

The Big Picture

Although the show is specifically geared toward retailers, rental dealers have several reasons to attend. There is time to try to strike a hot deal, but more than a wheeler-dealer spectacular, the CES show is an educational experience.

"Anyone that plugs in a TV and turns it on should go to CES," emphasizes David Shapero, owner of Sir Rentals in Louisville, Kentucky. "I go to find out information for my data banks—if a dealer is even remotely interested in one other aspect of this industry, such as adding product lines, this is the place to find out about it."

Shapero and other rental dealers have discovered the research potential of attending the show. Two years ago,

Shapero sought out information on video software rentals and movie clubs. Today, video software is a successful addition to his rental outlets. "I got the kind of great information that put me on the right track," he notes.

CES is the time when audio and video manufacturers trot out their latest revolutionary sound and picture products. The compact disc player made its big splash a few seasons ago, as did the VCR before that. These two products are part of a growth spurt that has made electronics a \$34 billion industry. CES attendees were able to get a first-hand look and judge the need for products such as these in their stores.

In no other place do dealers have the opportunity to compare product lines, collect information, and hear the sales pitches of so many major manufacturers. The time saved and the contacts made are the selling points for many dealers; they simply cannot schedule that many individual appointments in their stores. The opportunity to fiddle with the knobs and test the performance parameters of the equipment is also just as valuable.

"We have made changes in our prod-

uct lines because of the show," notes Jim Hammond, president of the eight-store American Rental chain based in Bloomington, Indiana. "All the product a dealer could ever dream of will be there. Going to CES is as important for rental dealers as it is for them to shop their competition."

Dealers can also find out about the latest trends in sales for TVs, VCRs, and other products; attend mini-workshops on topics such as employee motivation or stocking the right accessories; or find out what other trade associations are doing for specific interest groups.

APRO will represent the rental-purchase industry in Las Vegas at the 1986 show. PROGRESSIVE RENTALS also will be in attendance with a booth in the publications section of the CES convention. APRO functions as other trade associations do by being a watchdog on legislative activity, assisting its members in running better businesses; and educating the general public on industry activities. EIA, the trade association which produces CES, has a wealth of useful information for dealers. At least fifteen other associations will be in attendance.

Other sections of the CES convention floor are just as specialized. The *CES Advertising and Promotion Showcase* features a comprehensive collection of advertisements, special promotions, point-of-purchase materials, and other merchandising tools that retailers have used successfully in the past six months. The *CES Retail Resource Center* is the area to find the latest in display fixtures, floor-plan financing, inventory control, and other services.

Through *New Products Comput-A-Match™*, an attendee can quickly and easily get a printed list of the new products being displayed at the show along with the company name and booth number. This system also has several ways to cross-reference the products at the show. For the computer weary, each Comput-A-Match center has friendly CES personnel to answer questions.

The *EIA/Consumer Electronics Group Exhibit* outlines the association's activities in government and consumer affairs, marketing services, product services, and the like. Additional information services include the *Outlook '86* conference where the latest industry statistics are revealed and discussed, and the *CES Issues and Answers* conferences that involve top executives from major companies, leading retailers, and members of the press.

VETERANS' ADVICE

The convention floor of a CES production can sometimes look like a battleground. Although it is one of the best run trade shows around, rental dealers who have been to a show have some valuable tips for the first-time attendee.

- Wear comfortable shoes. There are over 800,000 square feet of show space to cover.

- Make a map and a list of booths to visit. A haphazard attack prevents optimum use of your time.

- Use the free shuttle buses between the convention center and the Hilton and Sahara hotels. Also, there is free CES shuttlebus service between most hotels and the convention center.

- Don't try to do too much. It might be unwise to take in a nightclub act on the evening of the first day.

- Keep your enthusiasm in check when talking to a sales representative. More than one dealer has caught the spirit of the moment and purchased merchandise that he later finds his customers will not rent. Dealers recommend getting all the pertinent information and making your deals after you have reviewed the facts at home.

- Try not to be overwhelmed. There are a full four days to accomplish your goals.

- Crowds thin out in the afternoons and on the last two days of the show. Some attendees may find it easier to maneuver during these times.

- Make good use of your badge. Your attendee badge works like a credit card. Your name, address, and phone number are on it. Exhibitors can run your badge through an imprinter and send requested information to you.



CES attracts the major electronics manufacturers, giving attendees the opportunity to compare directly the features and capabilities of many products.

Getting Around

CES is miles of aisles. Getting around to individual areas of interest takes careful planning and comfortable shoes. It is an endurance test. The object is to organize so that one gets from point A all the way to Z with as little backtracking as possible. Doug Hodges, chief buyer for Today Leasing in Kansas City, Missouri, describes the effect of CES as "...taking a country boy out of the country and putting him in the big city. You're just in awe of what's going on around you."

But the country boy soon acclimates to the surroundings. The method to the CES madness is study and forethought. Attendees can stop at any information booth and pick up a copy of the official directory for the show. This book, with approximately 600 pages of text, has all the information a dealer needs to know. Here are the maps, directory listings and booth numbers, seminar times, and category indexes and cross-reference material to keep you moving down the aisles. (Keep the guide for after the show; it has the names, titles, and company addresses of every exhibitor.)

To plan your attack, take the book and find all the companies you want to visit. Locate booth numbers and make a numerical list. You might think that since CES is arranged for the most part by product category, you won't need the directory. But just haphazardly wandering down aisles ensures you will not get to see all the areas you want to see—and that also ensures a bad temper.

CES is so big it encompasses the entirety of the Las Vegas Convention Center and the surrounding grounds, plus exhibit areas in the Las Vegas Hilton Hotel and the Sahara Hotel. The Rotunda, East Hall, and Exhibit Rooms of the convention center contain audio/video products. The East Hall also incorporates computer hardware and software exhibitors. The North Hall is devoted to manufacturers of car audio, while the West Hall and Outdoor Exhibit Area is devoted to satellite earth stations and more car audio. The South Hall contains more audio/video manufacturers, plus accessories, calculators, and watches.

The Las Vegas Hilton show areas contain more audio/video and accessories manufacturers, calculators, watches, car audio, and telephones. At the Sahara Hotel are the video software and specialty audio exhibitors. Free shuttle bus service between the convention center and the other show areas is avail-



The massive Las Vegas Convention Center and two nearby hotels comprise the site of Winter CES.

able to all attendees.

The glut of product undoubtedly contains areas of little or no interest to rental dealers. But do not sell some areas short before you investigate them. Jim Hammond notes that "...items like satellite dishes may not appeal to some dealers now, but others may discover they should be carrying them."

Hammond's other tip is, "We do cover every aisle, but we don't stop and spend hours with vendors we already know. We say hello and go on."

At almost every exhibit, there are free catalogs, ordering information, and fun freebies to take back home. In the Publications Area, most magazines give away copies of their current issues. Within ten minutes, some attendees are struggling to keep upright with all the material they've collected. Fortunately, there are plastic bags that several exhibitors give away. Attendees get to advertise that company wherever they go. Pick the sturdiest bags you can find, preferably ones with handles, and then be choosy about what you pick up. Attendees can also spread their literature grabbing over two or three days, thereby avoiding fatigue on the first day.

Be prepared to stand in line at some booths and to dodge slowpokes and stragglers in the aisles. CES is not the Indy 500, so an even disposition goes a long way in the midst of 100,000 people. The convention is for the trade only and no one under eighteen years of age is admitted.

Retail not Rental

David Shapero estimates that "ninety-five percent of what I see there is useless to me, but what you are exposed to is the important thing," he says. If that is the case, why do rental dealers go to a CES convention?

All dealers contacted said the reason is research. Rental dealers attend CES to see the latest product and to test it and judge it for either immediate or future inclusion in their product mix. Robert Shiffler, owner of Shastar Renting To Own in Greenville, Ohio, feels dealers should go "...to anticipate the changes or activities that might be taking place in the industry."

Shiffler points out dealers must weigh the expense of attending with the anticipated value received. For Jim Hammond the value is great; he is taking eight members of his company to the Las Vegas winter show.

Says Hammond, "It's an entertaining show. Part of it is looking for new product, part of it is making new contacts, and part of it is the town. It should be a fun and beneficial trip."

Several dealers noted that the CES seminars are great for lots of hard facts, but the material is directed only toward retail operators. Hammond states, "The only seminars rental dealers should go to are the seminars at the APRO convention. APRO did an excellent job this year."

Because the two CES shows are only

six months apart, dealers may not need to attend both in one year, or may elect to attend the one that is nearest to them. Shapero notes, "Although we don't buy like retailers do, we do buy a lot, and CES is useful for comparing. Of course, CES does not include furniture (except for audio/video furniture) or appliances, and now that the APRO show is so terrific, CES may be becoming less of a necessity twice a year."

ANYONE THAT PLUGS IN A TV AND TURNS IT ON SHOULD GO TO CES.

APRO's annual convention is the only product show geared specifically to rental dealers and their needs. Manufacturers representing all product lines from audio/video to appliances and furniture attend and display products that have been chosen with rental in mind.

Even though several suppliers exhibit at both CES and APRO, the companies usually take different products to each show. Related service companies also exhibit. Seminars are conducted by rental industry professionals or by ex-

perts in fields of interest to dealers, giving the rental dealer access to a myriad of information services. The advantage to the APRO show is the knowledge that rental is different than retail.

CES IS THE TIME WHEN AUDIO AND VIDEO MANUFACTURERS TROT OUT THEIR LATEST REVOLUTIONARY SOUND AND PICTURE PRODUCTS.

Around the Town

Vegas. Everyone has an image of the place. It is a city without clocks, so time doesn't exist. It's meant to be a place where people can get away from their troubles and maybe strike it rich.

CES is so time consuming, it can be difficult to enjoy the gaming rooms and stage shows of Las Vegas. Pace yourself and try to take in a big name act.

While Las Vegas is a city of hotels, CES and the regular vacationers make room space a precious commodity in January. This winter several hotels are

remodeling, which adds to the room crunch. Book your accommodations as early as possible. It is possible to get comfortable rooms further out from the convention center because of the free CES shuttle bus service. Also, an armada of taxis is available to go anywhere at any time.

Some manufacturers have hotel hospitality suites away from the convention center. Generally, product is not displayed, rather it is a place for negotiating and renewing business ties away from the bustle of the convention floor. Dealers with a long-standing relationship with a manufacturer may find that that company will assist in locating accommodations and placing airline reservations.

The CES extravaganza is an experience everyone involved in consumer electronics should have at least once in his life. The gadgets and hi-tech equipment are exciting and stimulating, but be careful and don't spend the mortgage. Do some negotiating, do some research, but also have some fun at the Winter Consumer Electronics Show. **PR**

David Morgan Jones is Managing Editor of PROGRESSIVE RENTALS magazine.

Where have over 2,000 progressive rental-purchase dealers found industry support, news, education, legislative representation, and professional networking opportunities?

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For more information contact the APRO office at 512 478 6521

COMPUTERS

continued from page 24

Hardware

Create a similar checklist for your review of any hardware systems you evaluate. There are lots of manufacturers that come and go in this field. Determine how long the company has been in business and if its track record indicates it will stay in business. Don't get stuck with low-priced hardware by an off-brand company that may disappear tomorrow.

Your evaluation of hardware is similar to your review of software. Check on available maintenance and general costs. Always verify that the software you have chosen runs the hardware. Ask for this demonstration on *all* software, including communications packages, you plan to use.

An important question is expandability of the hardware. Learn how disk storage and processing power can be increased. Add-on is always best since it is cheaper and requires minimal time. Some hardware packages can only be upgraded by buying completely new equipment.

If you are, or plan to be, a multi-store operation, determine the communications capability of the equipment. The time to check all factors on use and viability for your company is before you buy, not when you plug the equipment in for the first time.

As a potential buyer, you have the right to ask questions and receive satisfactory answers and explanations. If the system appears difficult to use or operate, it isn't for you. System costs vary as much as rent-to-own specials, so do comparison shopping.

You have to feel comfortable with the hardware, and especially the software support people. Don't make any decisions based on technical computerese, buy only on customer references and a feeling for what is needed for your company.

When you do decide to computerize, make sure you are willing to make a commitment of time and effort to train yourself and your staff. You must be involved from the start, and get your staff involved, too. Treat the computer system as a positive change for the company, and it will prove to be just that.

PR

Carl Riewerts is president of CASS Systems, Inc., a computer software development company based in Dallas, Texas.



Association of
Progressive Rental Organizations

MEMBERSHIP BENEFITS

The list is GROWING...

TRAINING MATERIALS AND SEMINARS

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

ANNUAL CONVENTIONS

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

GOVERNMENT RELATIONS PROGRAM

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

APRO PUBLICATIONS

• PROGRESSIVE RENTALS MAGAZINE

The "voice of the home rental industry" is issued 6 times annually, and is full of industry news, trends, developments in marketing strategies, sales methods, management policies, legal updates, and product display advertising.

• WHO'S WHO IN RENT-TO-OWN

The most complete national listing of rental dealers available. Published annually, the directory offers alphabetical listings by principal owner, dba, and by state of rental dealers and suppliers to the industry.

• LEGAL DEFENSE PACKET

This legal packet is available to all members to minimize legal research costs. Topics include usury, repossession, bankruptcy, deceptive trade practice legislation, and consumer protection laws with specific case examples.

• ADMINISTRATIVE AIDS

Samples of various standard business forms used frequently by rental dealers including sample rental application forms, rental agreements, vehicle reports, skip-trace control forms, and inventory control forms.

• SKIP-TRACE MANUAL

A comprehensive guide to locating missing persons.

• COLLECTIONS MANUAL

A guide offering preventive maintenance and effective results for the industry's biggest headache... skips and stolens.

RENTAL INDUSTRY STATISTICS

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

APRO COLLECTION POLICIES AND CODE OF ETHICS

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

INSURANCE

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

COMMUNICATION WITH RENTAL PROFESSIONALS

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

READY TO JOIN?

CONTACT:

Susan Hinkley

Director of Membership



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Can your business wait one more day?



Decisions for Managers

Things happen in a rental store at a fast clip. Employees need to be able to think quickly and act correctly in a multitude of situations. PROGRESSIVE RENTALS conducted an informal survey to determine the most common concerns of owners and managers. Compare your preparation for some of the following situations and consider how your employees might act under similar circumstances.

Touchy Situations

1. Legal questions. Without exception, a legal or potentially legal problem is the overwhelming priority of the rental dealers sampled. Dealers not only want legal questions brought immediately to the store manager's attention, but many want to be contacted themselves.

Legal questions and problems have the potential of being the most expensive and time-consuming problem a rental dealer can face. If these situations are to be handled quickly and effectively, every store employee must know how, when, and to whom questions should be referred. Costly lawsuits, settlements, and bad press that can hurt future earnings or put the business in jeopardy can result from employees not knowing proper procedures.

Many dealers suggest using the most experienced employee to handle legal situations and to remember that compromise usually settles these matters quickly and with relatively little cost.

2. Special inquiries. Inquiries by the news media, consumer agencies, or other similar organizations are the second biggest concern of rental dealers. Dealers surveyed recommended these areas be handled in much the same way as legal questions. Some suggested that all store employees have a training class on "What to do if 60 Minutes walks in your door."

COSTLY LAWSUITS,
SETTLEMENTS, AND BAD
PRESS THAT CAN HURT
FUTURE EARNINGS OR PUT
THE BUSINESS IN JEOPARDY
CAN RESULT FROM
EMPLOYEES NOT
KNOWING PROPER
PROCEDURES.

3. Payment discrepancies. Whenever there is a question on a customer's balance or payment, go to the manager. Handled improperly, these situations can lead to free time on merchandise or an unhappy and hostile customer. Besides taking his business elsewhere, the customer might air his grievance with a legal aid office, consumer protection agency, the attorney general's office, or the local TV station's consumer reporter. None of these alternatives are good for your business, and they can be avoided if the right person handles and rectifies the problem first.

4. Receiving damaged merchandise. Employees should notify the manager about damaged goods received from a distributor or manufacturer *before* signing the receiving document. Too much of the employee's time is spent in unpacking, then repacking, reshipping and fighting for credit if a damaged shipment is accepted.

Avoid problems with a written set of procedures for accepting shipments and getting credit for unrentable merchandise.

5. Skips and stolens. Potential or confirmed skips and stolens should always be routed to the manager. The inability to immediately follow up, or an inefficient follow-up system, makes collec-

tion or recovery difficult. A well-trained store manager knows what steps to follow in these instances and will always act speedily to recover rental fees or the merchandise.

6. Accidents. Any accident involving a company vehicle or store employee is a costly occurrence. If these accidents are not reported to and followed up by the proper person, additional headaches are bound to arise. Incidents could result in fines and lawsuits. All accidents, no matter how minor or insignificant they seem, must have the store manager's direct attention.

7. Employee dissatisfaction. Whether they call it dissension among the ranks, employee disorder, or lack of team spirit, the dealers contacted agree that managers should take care of employee morale problems immediately. The manager who quickly corrects the situation or makes a personnel change usually saves time in the long run.

8. Profit and loss. Anything that could hamper the profitability of the business needs the manager's attention. This area includes such things as approval of second or third units, discounting pre-rented units, recommending delinquent nonrecoverable status to a potential write-off, and store or employee theft.

Employees should be on the lookout for all of these negative areas, but never lose sight of the positive, too. Employees should also be trained to alert the manager when swift and correct action is taken by a colleague. A super, future store manager could be lurking in the background. **PR**

Alan M. Dobzinski is owner of The Rental Experts, Inc., based in Hamden, Connecticut, and is second vice-president of the APRO Board of Directors.

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CORPORATE MOVES



Sims



Cove



Byron



Hodge



Gronowski



Johnson

Houston-based **Remco**, one of America's largest and oldest rental-purchase companies, has been repurchased by its founder **Chuck Sims**. Remco currently has over 1200 employees nationwide, with ninety-one franchise stores and sixty-eight company-controlled outlets in twenty-four states.

Sims regained ownership of Remco from **Jim Graham Enterprises, Inc.**, a Dallas-based firm that had purchased the operation for \$40 million in 1983.

Sims, a forty-four-year-old entrepreneur who started his career as a salesman in an appliance rental store in Kansas, opened his first Remco store in Houston in 1968. Remco's nationwide expansion began in 1974, upon Sims' acquisition of an existing operation. In 1983, before Sims sold his interest to **Jim Graham**, there were seventy-five Remco stores operating in thirty-six cities across the country.

Sims returns to Remco as chairman of the board; **Dave Kinter** has been retained as chief operating officer; and **Wayne Chambers** was promoted to executive vice-president and chief financial officer. Remco plans to expand its total number of outlets to 300 by 1988.

Technics announces **Jeff Cove** is now national sales manager for the company. Cove is responsible for directing sales activities of Technics products throughout the country.

James H. Kreuger is the new vice-president of marketing for **Admiral**. Kreuger is responsible for all brand sales and all marketing duties.

Sanyo announces two changes in its corporate structure. **William J. Byron** is now president of the Consumer Electronics Division. **Gary Hodge** is the new vice-president of sales for the same division.

Zenith's new director of video systems—product planning is **Gregory E. Gronowski**. Gronowski has thirteen years experience with the company.

Sharp announces a number of ap-

pointees to new positions within the company. **Sueyuki Hirooka** is now president of the electronics firm. He replaces **Kazuo Kubo** who assumes the newly-created position of chairman of the board.

Also at Sharp, **Shinichi Okamoto** assumes the president's position of Sharp's manufacturing division in Memphis, Tennessee. Other appointees include, **Dave Lyons** as national parts center manager; **Jeff Cohen** as service department national training manager; and **Peter Longueria** as the manager of the Home Appliance and Factory Service division.

Whirlpool announces a change in its organizational structure. **George E. Wardeberg** and **David R. Whitwam** are vice-chairmen of the company in antic-

ipation of the retirement of the current chairman, **Jack D. Sparks**, in two years. Wardeberg is now the chief operating officer, and Whitwam is the chief marketing officer.

Bruce S. Johnson is now senior vice-president of marketing for **Remco**. Formerly marketing manager, Johnson has been with Remco since 1978 and is responsible for several areas involving product, real estate, merchandising, advertising, and the vehicle fleet. **PR**

Editor's Note: Corporate Moves welcomes company news from all dealers, distributors, and manufacturers involved with rental-purchase. Send information (with photos) to: PROGRESSIVE RENTALS, 1866 InterFirst Tower, Austin, TX 78701.

MANUFACTURERS' NEWS

LOROSA, a Dallas-based computer-related holding company, purchased **The Rental Industry Manager (TRIM)** in May 1985 from 5 Dimensions, also based in Dallas. TRIM is a software operations package tailored for rental-purchase outlets. According to Thomas F. Sampson, president of LOROSA, the company now markets TRIM under the name Rental Software, Inc. (RSI). Sampson states RSI anticipates a 1986 introduction of new software to enter related vertical markets. RSI attended the Orlando APRO '85 convention and demonstrated the TRIM system.

White Consolidated Industries has reorganized its **Major Appliance Group**. The new organization combines the operations and administration functions of the company's Frigidaire, Gibson, Kelvinator, and White-Westinghouse operations and the parts and service facilities into a single unit headquartered in Columbus, Ohio. Effective use of a four-brand marketing strategy and quicker market reaction time are the objectives of the company.

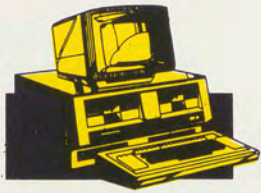
Westinghouse Credit has opened a **Denver office** for its Commercial Services Group to better reach the Rocky Mountain area. This financing and lease packaging office is headed by Wes Kimball.

CN Marketing of Philadelphia has been named **Mid-Atlantic sales representative for Pilot Audio Systems**. Concurrent with the announcement, CN Marketing has established a distribution and warehouse facility in Philadelphia.

Sharp's Consumer Electronics Division has restructured its service department along product lines changing from a regional structure. National product service managers have been chosen to handle specific product areas.

The Advisory Board of the Bureau of Home Furnishings in California recently opened hearings on retail-applied fabric treatments. The Bureau is primarily concerned that consumers are not informed they are receiving merchandise with retail-applied treatments. Approximately 15 companies made presentations to the Bureau. Gordon Damant, chief of the Bureau, indicated an advisory committee will review the testimony and continue the hearing at the next scheduled meeting.

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Proposed Tax Changes and You

Reagan's reforms affect businesses

In 1775, the American colonists revolted against taxation without representation. Today, President Reagan has called for a second American revolution against unfair taxes. He has proposed a simpler system for individuals that moves toward a modified flat tax, while the changes affecting businesses are more complex.

Reforming taxes is a perennial idea, yet history shows the reform does not survive. The Tax Reform Act of 1984 has already been amended once—the infamous contemporaneous record-keeping rule, known as the *auto log* requirement, has been changed.

The history of major tax reform legislation and its constant amendment should caution us on the coming of the so-called second American revolution. Reagan's program is already under siege and will be changed substantially before enactment.

It is crucial that tax developments over the next several months be monitored for their potential impact on businesses and individuals. The following are the proposals most likely to get serious consideration in the months ahead.

Business Proposals

The changes affecting businesses are quite complex. Under the president's plan, the proposed corporate tax rate

would be effective July 1, 1986. The rate schedule for taxable years including July 1, 1986, would reflect blended rates.

Currently, corporations are generally taxed at 46 percent for all income in excess of \$100,000. Under this amount, a graduated rate applies. Reagan's proposal sets a 33 percent maximum corporate tax rate for all income in excess of \$75,000. For income under \$75,000, a graduated rate schedule is maintained. The graduated rate that now applies to corporations with taxable income in excess of \$140,000 would be replaced with a flat tax of 33 percent on income of \$360,000 or more.

The administration proposal also provides for partial relief of the double taxation of dividends by allowing a deduction of 10 percent on dividends paid to shareholders. In other activities, production expenses would have to be capitalized on a more comprehensive basis. New uniform rules would include all direct and indirect costs of production. Construction-period interest would continue to be capitalized, but redefined as any interest expense that would have been avoided if production or construction expenditures had been used to repay debt.

The add-on minimum tax for corporations would be replaced with a 20 percent alternative minimum tax. Most items included under the current law would remain intact, with others added. Determining the portion of

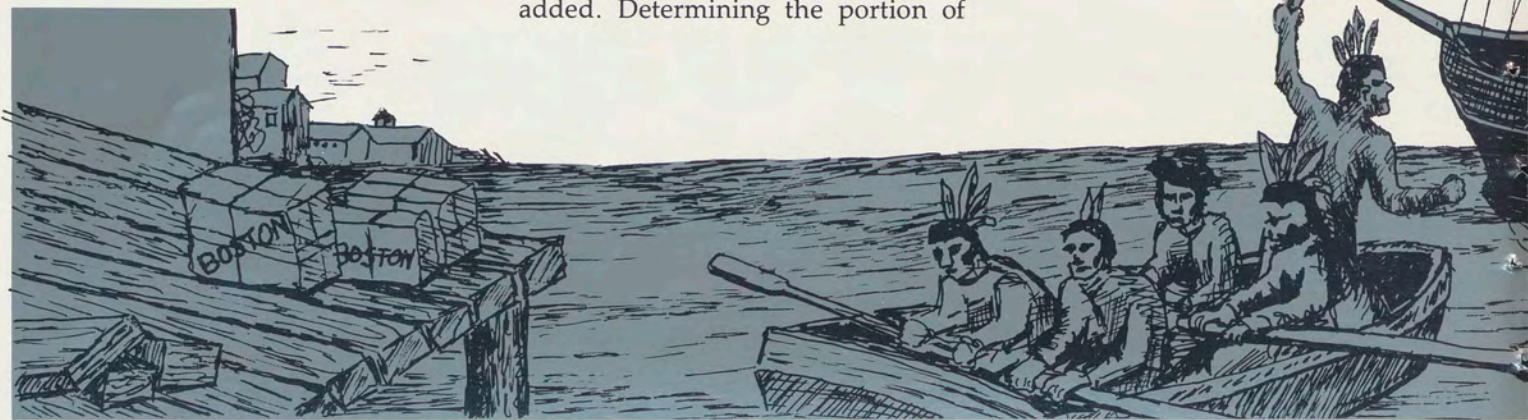
depreciation on real property that will be treated as a tax preference will be a confusing computation.

The length of time and method of depreciation will play a vital role in your company. A close look at this area of your business is recommended.

The business meal will become an expensive habit, with business entertaining becoming endangered. The deduction for a business meal will be limited to \$25 per person, plus half the cost over \$25.

Expenses for business entertaining, including theater and sporting event tickets, would be disallowed. The only exceptions are employee picnics and holiday parties. Country club dues and travel expenses for cruise ships (including business seminars) would not be deductible. Educational travel would be disallowed entirely.

The taxation of financial institutions



and insurance companies would be restructured. The proposal would also modify the taxation of timber, minerals, livestock, and unharvested crops. Changes in natural resources taxes, including oil and gas, and revisions to the foreign income tax rules are included in the proposal.

Accounting

The cash method of accounting would be limited under the president's proposal. A taxpayer would be required to use the accrual method if either (1) the business has average annual gross receipts of more than \$5 million (determined by a three-year moving average), or (2) the accrual method of accounting has been used in statements to owners or creditors. Any business, regardless of the size, that regularly prepares financial statements on an accrual basis would be required to use the accrual method for taxes.

Taxpayers affected by the proposal can spread the tax effect of cash-to-accrual adjustment over a period not to exceed six years. All small businesses that prepare financial statements on an accrual basis, including banks, accounting firms, law firms, and advertising agencies, would be affected.

Finally, while placing most businesses on the accrual method of accounting, the deduction for a reasonable addition to a reserve for bad debts would be re-

pealed. A deduction would be allowed only if a debt is actually written off the taxpayer's books.

Capital Cost Recovery

In 1981, Congress enacted the Accelerated Cost Recovery System (ACRS) of depreciation; it was changed in 1982. The president proposes to replace ACRS with a new Capital Cost Recovery System (CCRS), to be effective January 1, 1986. This would repeal the investment tax credit.

CCRS depreciation divides all property into six classes, with the recovery periods ranging from four to twenty-eight years. Real estate would be written off over twenty-eight years, instead of eighteen (or fifteen) under ACRS. Where ACRS imposed a specific percentage to the cost of each asset, CCRS will impose the percentage on an indexed cost basis.

The CCRS tables are based on a declining balance calculation and would result in a 100 percent write-off of the inflation-adjusted original cost of the asset. Taxpayers could still elect to immediately write off \$5000 of personal property.

But under the proposal, taxpayers who used accelerated depreciation and amortization are considered to have a windfall gain when the tax rates are reduced. Therefore, a rate-reduction recapture rule is imposed for 1986 through 1988. Proper strategic planning for retirement and the purchase of new equipment can utilize certain tax deductions, reducing the tax burden.

All taxpayers would have to include as income 40 percent of excess depreciation claimed between January 1, 1980 and June 30, 1986. The income would be recognized over a three-year period, but only if the total depreciation during the five-year period is more than \$400,000. The first \$300,000 of excess depreciation is exempt from recapture.

Real Estate

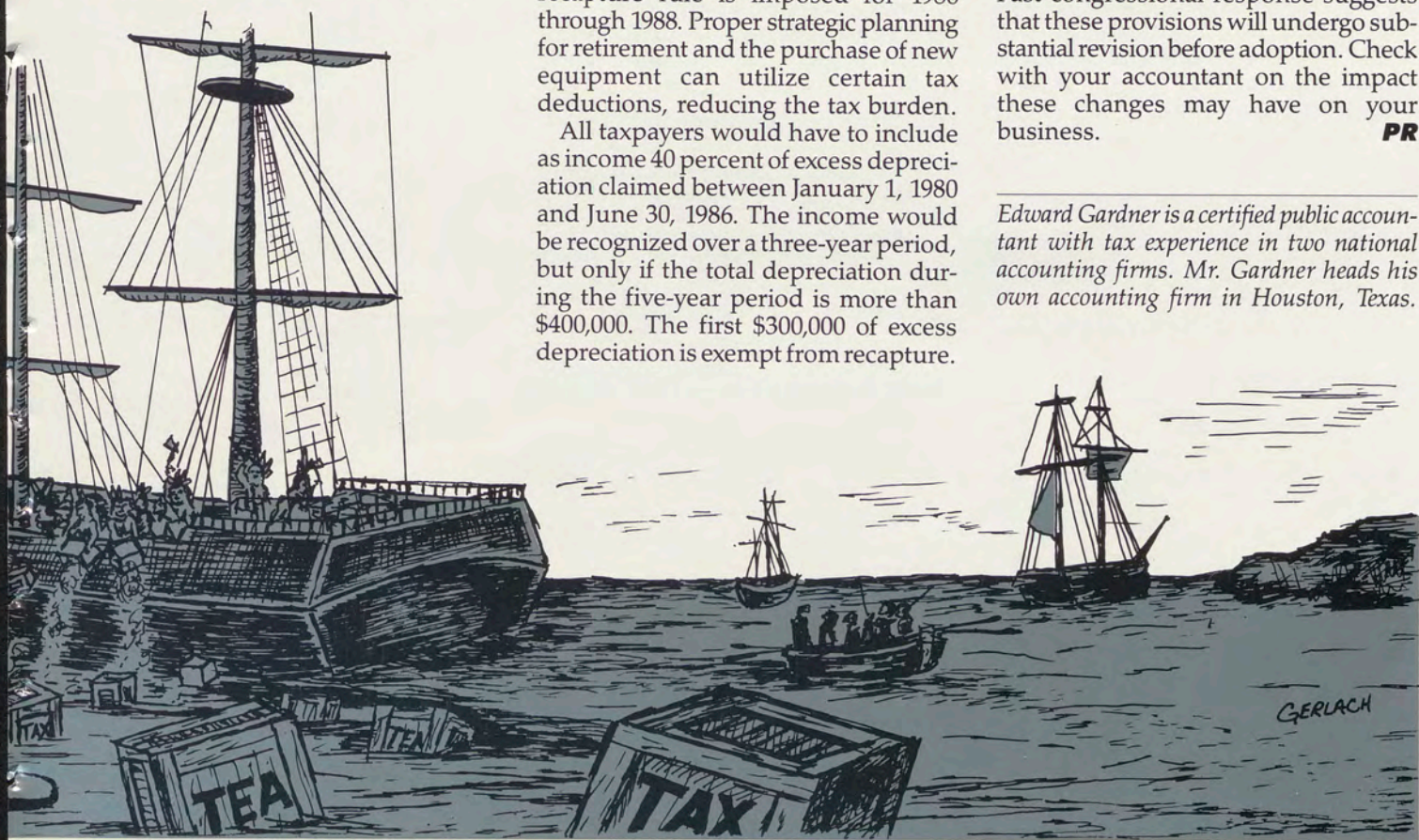
There are several other provisions that will affect real estate taxation. Changes in tax rates and deductions, as well as the CCRS recapture rule, will revamp the economics of real estate deals.

But of most interest are the changes in the capital gains tax. To be reduced to an effective 17.5 percent before minimum tax by changing the exclusion percentage to 50 percent, the tax would be applied to a maximum individual rate of 35 percent. However, for any depreciable real property used in a trade or business and placed in service after January 1, 1986, gain from the sale or other disposition would not be considered capital gain. This property would be taxed at ordinary rates to a maximum of 33 percent for corporations and 35 percent for individuals. You might want to accelerate the purchase of real estate before January 1, 1986, to get the benefits of long-term capital gain treatment.

Rehabilitation of real property and real estate tax shelters fall under the president's sweeping changes. The tax credit for rehabilitation of real property would be repealed, and deduction of investment losses in excess of at-risk amounts would be prohibited.

It is important to remember that the business proposals contained in the president's package are just proposals. Past congressional response suggests that these provisions will undergo substantial revision before adoption. Check with your accountant on the impact these changes may have on your business. **PR**

Edward Gardner is a certified public accountant with tax experience in two national accounting firms. Mr. Gardner heads his own accounting firm in Houston, Texas.



LETTERS

Legal Battle Over

TO PROGRESSIVE RENTALS:

This letter is a special thank-you for your patience and sympathetic understanding during our 3 1/2-year legal battle and defense against the Maine Consumer Credit Bureau. That regulatory agency's *incorrect* interpretation and false allegations on the rent-to-own program we were operating led to the state attorney general's office taking court action against us. Due to the wide publicity generated by these bureaucrats, a number of class action suits were also entered against us by rent-to-own consumers.

The Maine Supreme Court heard our case on appeal, and with a unanimous decision in our favor, completely vindicated us. Also, the civil class action suits were just recently dropped.

During the entire stressful and costly episode, we continued to believe in the statement: Tough times don't last, but tough people do!

Because many of our suppliers, financial institutions, and customers continued to believe in us and give us the support we needed, we have survived. It has hurt, but now we will rebuild our business. As we celebrate our thirtieth year as a family-owned and operated business, we shall not forget the support APRO gave us. We sincerely thank you for standing behind us in a time of need.

AL HAWKES
BARBARA HAWKES
DARLEEN HAWKES BOULLIE
Hawkes Television/Sound Cellar
Westbrook, ME

Seminar Suggestions

TO PROGRESSIVE RENTALS:

It was a pleasure meeting the APRO staff at the convention and also a pleasure attending. It goes without saying that the staff has done an outstanding job in developing an association in an industry that so genuinely needed it.

This convention was our company's fourth. During those four years, our company has grown and our knowledge of the industry also has grown. We are now looking for more in the way of seminars than we were four years ago.

We would encourage the convention planners to consider the following:

1. Have more panel discussion-type seminars with industry leaders fielding questions on pertinent topics, such as: payroll cost, employee turnover, computerization from a buyer viewpoint, and employee pay plans.

2. Time Congressman Doug Barnard's session so that more dealers can schedule it in.

3. Discontinue using vendors for seminar leaders. Obviously, their motives don't always correspond with APRO's intent.

Once again, we appreciate all that the APRO staff has done for our industry, and thank you for eliciting our suggestions.

PERRY J. McNEAL
President
Network Rental
Atlanta, GA

APRO '85

TO PROGRESSIVE RENTALS:

I would like to compliment the convention planners on a great show in Orlando. The format of the morning seminars and afternoon exhibit hours was super from both an attendee and supplier point of view.

Quasar will be happy to participate in the '86 convention. I can't think of anything I would improve at the present time.

LES BRETTMAN
National Manager, Special Markets
Quasar
Franklin Park, IL

TO PROGRESSIVE RENTALS:

My hearty congratulations on a beautiful APRO convention! I am overwhelmed by the job the association did, and also the people who were involved in the convention. I think it was one of the most serious shows I've ever been to, and being an exhibitor, I can really appreciate serious buyers.

JUDY BROWNING
National Sales Manager of
Components
Ocilla Industries
Atlanta, GA

Speakers Report

TO PROGRESSIVE RENTALS:

I want to compliment APRO on a most successful convention. Of course, I am sure things were hectic, but not knowing the behind the scenes action, all appeared very smooth and calm.

This was a new experience for me and my introduction to this industry. The attendees were terrific audiences, and I have gotten great feedback since the convention. All of the hard work and planning for the past year was definitely noticed in the success of the entire convention.

JANET SUE GORMAN
Director of National Training
Strawberry Communications
Dallas, TX

TO PROGRESSIVE RENTALS:

I hope by now that the APRO staff has recovered from the convention. Of the dealers that I talked to, all seemed to be very pleased with all aspects of the convention. Most all commented that this was the most informative APRO convention that they have attended.

I want to thank APRO for including me in the convention schedule. I'm looking forward to working with you in the future.

DAVID GARRETT
Vice-President
Biggers, Patterson & Garrett
Orlando, FL

TO PROGRESSIVE RENTALS:

I want to tell you how impressed I am with the exciting and professional manner the APRO convention was handled in Orlando.

As an outsider, I found myself privy to vital and valuable information, presented in clear layman's fashion.

I speak with some authority, as I have spent twenty years producing sales meetings for some of the nation's largest manufacturers and trade organizations. The APRO staff is to be congratulated!

GORDON CROWE
President
Gordon Crowe Productions
New York, NY

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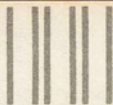
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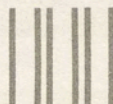
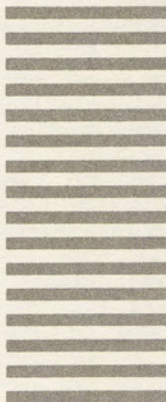
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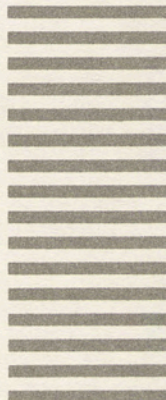
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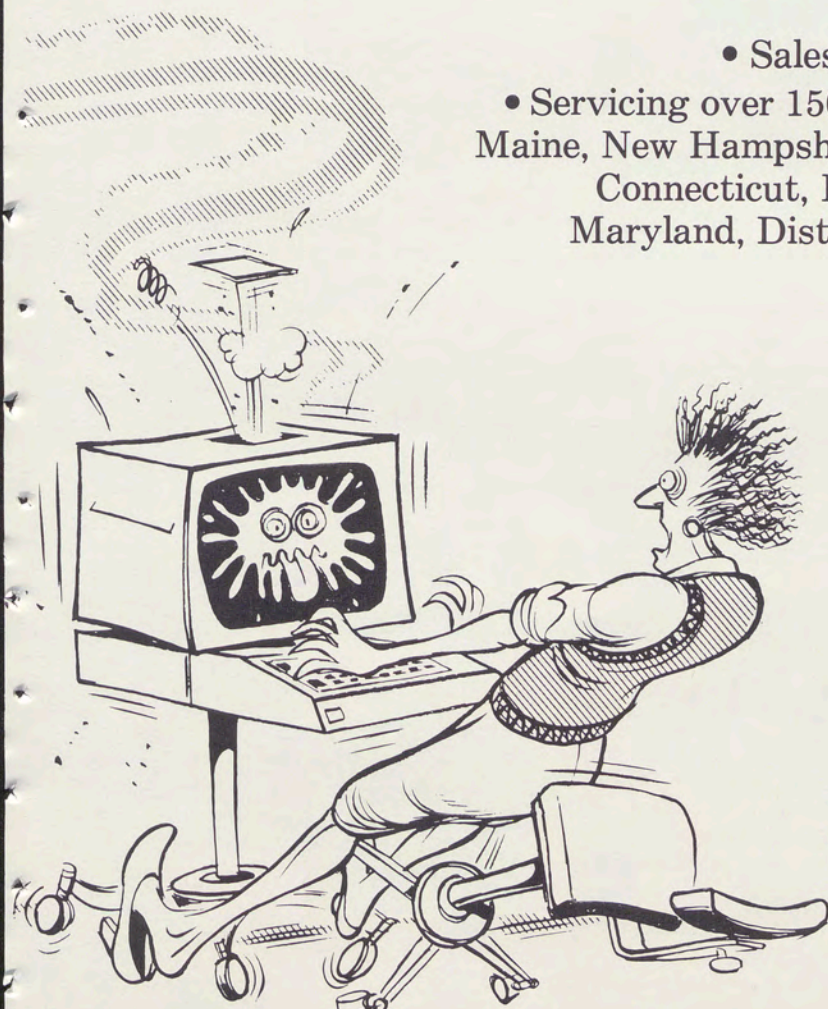
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Joe Verne, President
Lew Verne, Vice President



Keys to Rental Success

As I visit rental companies across the country, I am often asked what factors can ensure profitable growth and success for a rental business. There are so many influencing variables in business today, it is impossible to guarantee success for anyone. But I do believe there are goals to strive for, and if accomplished, can mean a degree of success for a rental business.

Four key factors, from my experience, have the potential to considerably affect your business. Analyzing how your business stacks up against the following items can do much to help build a sound, profitable future for your company.

1. Increased Competition. Today, there are more rent-to-own operations than ever before. This increased competition dictates that stores must be as neat, clean, and plush as possible. Make your stores look the way your customers wished their living rooms looked. Create an atmosphere that makes your customers comfortable and proud to rent from you, *and* to make payments to you. The customer should never feel ashamed, guilty, or chagrined to be seen in or around your rental store.

Not too long ago, just about any brand could be rented since the customer was so pleased that someone would trust him to make his payments. But today, with the increased number of rental stores in a given market, the rental customer has the opportunity to shop for the best deal and product just as the retail purchaser has the opportunity to shop around—all the more reason for a dealer to emphasize atmosphere and quality in his stores.

2. Consumer Accepted Brands. Over the years, there are product brand names and companies that have earned the consumer's confidence. Here, too, the rental consumer can shop for a particular brand name just as the retail consumer can.

An adequate, but not excessive, selection of the best and most accepted brands is recommended for the rental outlet. The customer wants to rent the same brand name that he would purchase at retail, if he were able to do so. Generally, rental dealers need not have the wide variety of products and brands found at retail, but dealers should know the brand preferences of their market area.

3. Financial Management. Currently, there is as much as a six-point spread in the interest being paid by rental companies and dealers for working capital and inventory financing. Some creative shopping for the best financing plan available could represent the difference between profit and loss for a given time period.

4. Well-trained Staff. An adequate supply of trained manpower to manage and operate a store is critical to the growth and profitability of the business. After all, communication between store employees and customers is the key to a successful rental business.

Making the customer feel he is appreciated, needed and wanted, while at the same time garnering respect for the rented merchandise and the rental agreement is a fine art. All these complicated interactions rest with a dealer's employees. I firmly believe the rental companies that will enjoy continuous, profitable growth are those that have extensive training programs for all employees.

Training programs should include your business philosophies, policies, procedures, and operations. Additionally employees need a working knowledge of all products in inventory and understand how to communicate this knowledge to the customer. An on-the-job-training program in a selected store should be a continuous and achievable goal for rental dealers.

A number of rental companies have

mastered, or are in the process of mastering, these four business factors. A sound future is in store for these companies. The growth trend of the APRO membership demonstrates this. Today, approximately ninety companies represent about one-half of the ethical rental stores in the country. Possibly more surprising is this fact: the eight largest rental companies that operate under one store name represent almost 25 percent of the active dealers in this country.

I believe we will see a slight slow down in the number of new rental store openings in the next one to two years; however, the number of stores and companies that will change ownership in the next few years as a result of buy outs, fall outs, mergers, acquisitions, bankruptcies, and other factors is mind-boggling.

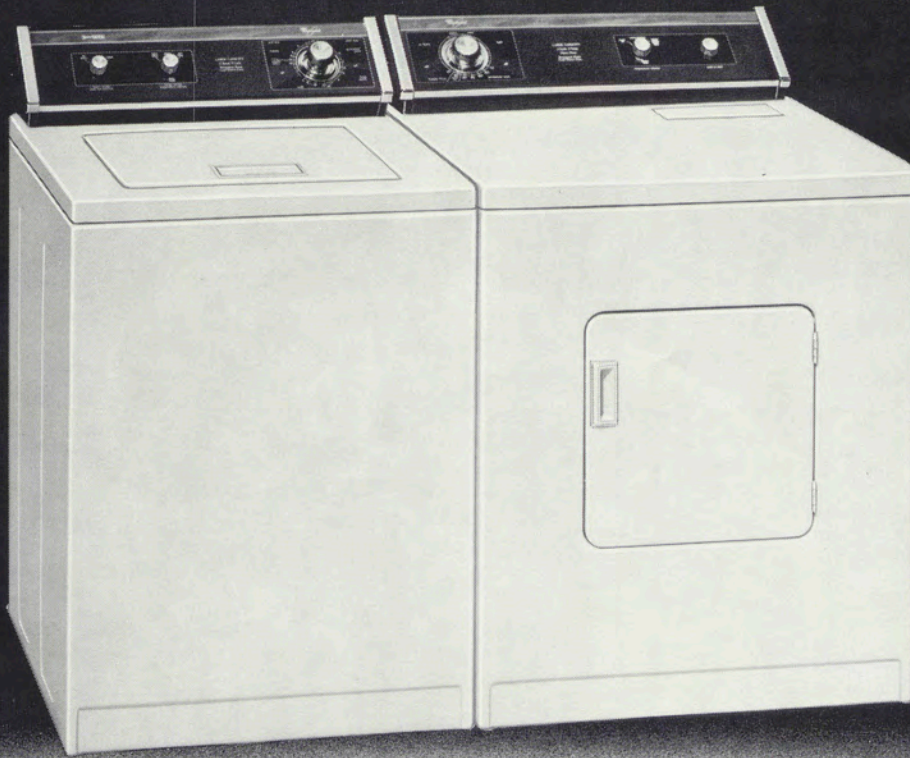
A distasteful battle is developing within our industry. There is a battle over people where companies are buying experienced employees from competitors rather than building their own personnel pool. Let's do this the proper way. Hire the right people with the ability and talents you are seeking. Train them and guide them so they can perform as you need and desire. This is the way to develop a spirit of loyalty throughout the rental company and in the work force.

Rental-purchase is an opportunity for many to operate their own businesses. It is an opportunity for many to be successful entrepreneurs. Let's continue to work together and learn from each other.

PR

Norman W. Smith is manager, rental markets for the Zenith Electronics Corporation and a member of the Editorial Advisory Board of PROGRESSIVE RENTALS.

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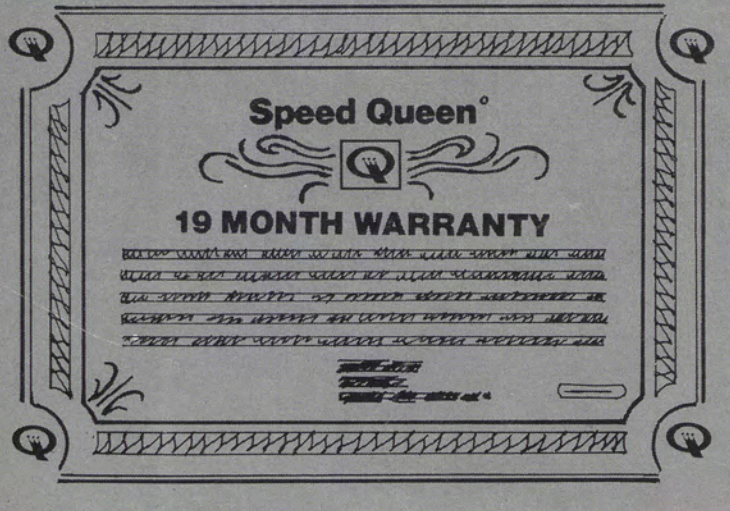
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