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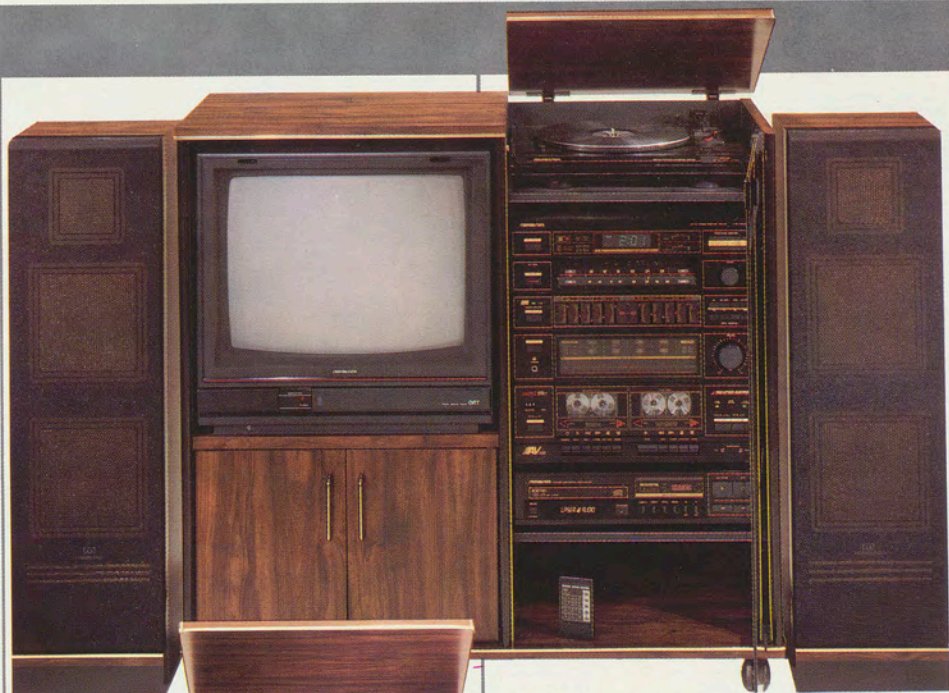
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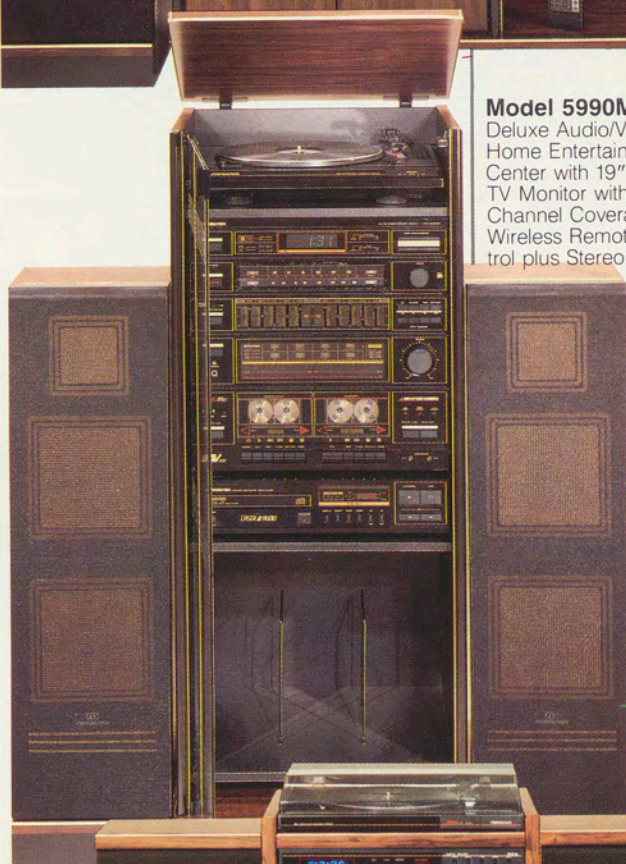
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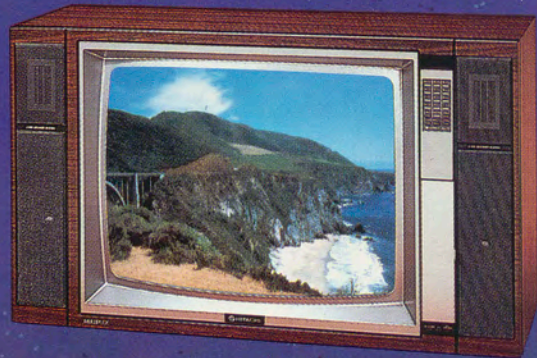
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ON THE COVER: Furniture in rental-purchase is a lot of hard work; it changes the way you do business. But the rewards can be great. Increasingly, dealers are finding that furniture moves quickly from their showroom floors into the delivery trucks and then into the homes of satisfied customers. The story on page 8 offers the views of some of the leading furniture suppliers to the industry, and offers the thoughts of dealers who have furniture as part of their product mix.

COVER ILLUSTRATION BY:
Gary Albright

FEATURES

8 FURNITURE BOOSTS RENTAL MARKETPLACE

The hot topic today in rent-to-own is adding furniture—how to do it and what it means for rent-to-own. Here current suppliers to the industry and rental dealers who have furniture give their views on the subject.

14 RECOVERING FROM PAWNBROKERS

Rental products are prime items that can end up in the front window of a pawn shop, instead of staying out on rent and making money for rental dealers. Courses of action to recover your merchandise are discussed here.

28 MONOPOLIES PUSH INTO RENTAL MARKETS

Competition by utilities and cable TV monopolies is a new, vital issue for rental dealers that will not quietly go away. These monopolies are selling and renting electronics and appliance products. What is happening and what you can do about it makes for urgent reading.

42 WHO'S WHO IN FURNITURE

Detailing names, addresses, and products, this handy reference listing contains current furniture manufacturers and distributors to the rental-purchase industry.

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THE EDITOR'S DESK

Some dealers are remarking that business is somewhat soft at the close of the first quarter of 1986. Others report that business is as good or better than it's ever been. Often enough, these reports come from dealers in the same market. You ask, now how does that figure? Looking in from the outside, it is patently clear in some cases. The hue and cry from those lamenting slow sales centers around increased competition. Sure, the competition is there and it is increasing. But what have you *done* about it?

Have you changed the way you've done business in the last three years in preparation for what some are calling the great rental shakeout? For example, have you considered expanding product lines to include high-end audio/video or furniture? By doing so you not only capture new customers, but you keep your existing accounts by offering them something new. And if adding new products to your inventory is too ambitious, consider that going on computer is a critical survival tool. You simply will not survive in the future without an automated business. While you are sorting customer cards by hand and posting payments to the old ledger, your competition is renting more merchandise and getting home in time for dinner.

Every new and rising industry has a saturation level. Five years ago this industry consisted of a significantly fewer number of dealers who enjoyed the lion's share of the market. It was something of a country club of dealers. Since that time the industry has quadrupled in size. APRO's membership clearly reflects the growth of the industry. In 1980 APRO began with 30 companies representing 160 stores. In 1986, APRO represents 457 companies representing 2477 stores.

With the evolution in size has come an evolution in sophistication. Dealers are renting top brands and store designs are quite appealing. Unfortunately, the level of sophistication in attitudes is lagging behind the industry's expansive growth. Some dealers, members and nonmembers alike, have been critical of APRO's efforts in educating rent-to-own dealers on how to run their business efficiently and ethically. The charge is one of "putting the competition into business." It's simply ludicrous to assume such.

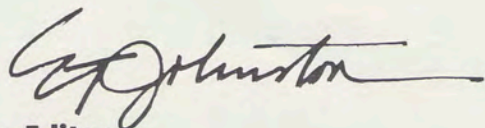
As legally sensitive as this industry is, it is a fundamental concern, and a compelling obligation on the part of APRO, to educate members of the rental community on how to *properly* conduct business. Time and time again we have grappled with the reverberations of one misguided dealer. The industry pays for it. We, APRO, exist to protect the industry. A dealer should be less concerned that a competitor is opening a store across town when he faces the threat of being closed down by his state attorney general.

Who is the competition? I see two classifications, old and new. The oldest competition involves expansion from within. A competitor opens new stores in your market. You are likely doing the same. It's bound to happen if anyone is serious about staying in the business. Another "old" competitor is the retailer. Many of you came from retail yourselves. Rent-to-own is not a secret to anyone who reads the paper, watches TV, or drives down the street occasionally. Others will and are following in your footsteps. So you can call yourself a pioneer but that doesn't ease the erosion of your bottom line.

As for the "new" competition, members of the equipment rental industry are taking a serious look at rent-to-own brown and white goods. Some have been successful at it and they're spreading the word within their own ranks. The American Rental Association (ARA) governs that industry and has invited some electronics manufacturers to exhibit at their summer show. They are apparently committed to making it work and there are presently an estimated 9000 such rental outlets in the United States today. That figure compares to our estimation of 7000 rent-to-own outlets.

Then there are the video tape outlets across the country who have given video hardware rentals some serious consideration. In fact, National Video, the world's largest video chain with 750 outlets nationwide (and 400 franchises sold, but not yet opened), will begin test-marketing rent-to-own brown goods in five of their Colorado locations on May 1 of this year. If it's a go, they plan to implement the rent-to-own programs on a grand scale.

The point is this, in a world of competing forces, the novel approach will always win the day. The number of rental customers out there is increasing. It's up to the rental dealer to go out and get those customers. Focus your energy on growth from within and building your business through diversification. That's exactly what the new competition is doing. They are diversifying by expanding into your markets. You can respond by garnering strength and support from your association and your team of employees. Together we can realistically explore new product lines, new customer markets, and, perhaps most importantly, new attitudes for achieving success.



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Furniture Boosts Rental Marketplace

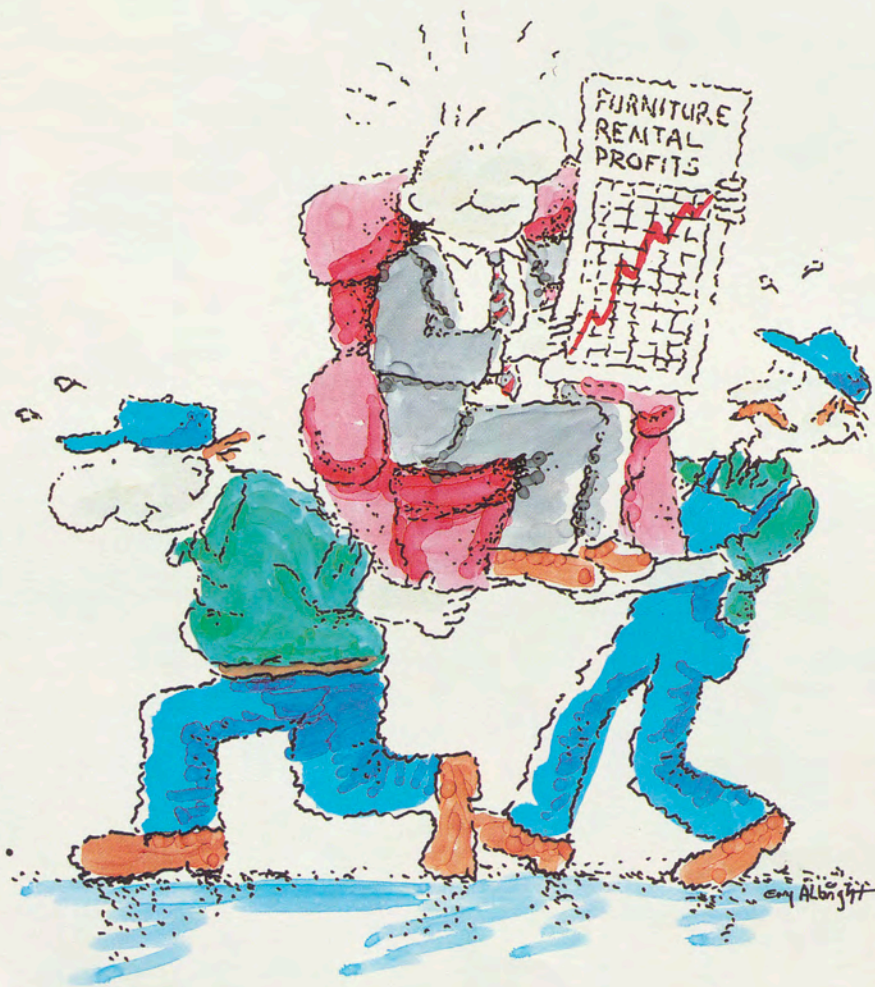
Rental outlets push up their BOR with furniture

Hot. You know something is hot when it's the topic of conversation at any gathering of rental dealers. Today, the hot topic is furniture rentals—how to add it, how to do it, what it means for rent-to-own. Living room groups, beds, and dinettes are swiftly becoming inventory staples in many rental stores.

According to statistics from the Furniture Rental Association of America, over 500,000 American homes currently contain rented furniture. This figure is expected to increase, primarily because more people are moving from job to job, and school to school, and they do not want to transport their furniture to each new residence. Others use rent-to-own as the best method of owning quality furniture without going through credit checks, or delivery and set-up charges. Quality furniture for the home is a necessity knowing no buying season and customers are now decorating their homes with rent-to-own furniture just as they used rental TVs and stereos for their entertainment needs.

Traditionally, rent-to-rent furniture outlets have captured the greatest percentage of the furniture rental market, but rent-to-own's share is growing as consumers discover the unique advantages of furniture on the rent-to-own plan. In some cases, furniture now comprises up to 35 percent of a rental dealer's BOR. Furniture has developed into an excellent add-on item for current customers, as well as a means of attracting new customers. Attractive furniture displays in the rental store are proving to be not only eye-catching, but irresistible to the customer as well.

Rental-purchase furniture not only attracts dealers, but suppliers as well. Here rental dealers and furniture suppliers discuss the current climate of furniture on the rent-to-own plan,



as well as what can be expected regarding development of this relatively new area of rent-to-own.

What's Renting?

Most dealers renting furniture offer living room groups, bedroom suites, and dinettes. A small but significant number of dealers also rent bunk beds, sleeper couches, recliners, bars, waterbeds, and a variety of individual pieces to include occasional tables, dressers, lamps, and nightstands.

Living Rooms. According to three dealers interviewed who offer furniture, the average rental-purchase living room group consists of a sofa, loveseat or chair, coffee table, and two end tables. Monthly rental rates range from \$40 to \$90, depending upon how many pieces the group includes. Current popular living room styles are contemporary, traditional, colonial, and tufted. Wood groups and camelback upholstered designs are also popular.

There is a trend among dealers to purchase higher quality lines in all furniture areas, including living room groups. "We've gone from purchasing a Grade 5 fabric to a Grade 16 because the higher grade fabrics do not wear out as quickly," comments Dennis Palmquist, owner of Quality Rentals in Austin, Texas. "You can buy the cheap stuff, and it will go to term if you're lucky, but the customer won't be satisfied because it's worn out by the time he pays for it."

Palmquist notes that, due to changing customer tastes, preferences in styles tend to vary from year to year. He also lists color as an important factor. "Blue and rose are really fast movers right now," he says. "Natural tones or bone colors used to be very popular, but people are tired of them now."

In the past, wood groups were most popular with rental customers, in part because this design was once the only one offered by dealers. Upholstered living room furniture, due to its more modern, sophisticated appearance, has now assumed the number one position. Wood groups, however, continue to be rented by families with children, since active children can soil upholstery and give furniture a workout.

Bedrooms. Bedroom groups generally include a mattress, box springs, frame, headboard, nightstand, dresser with mirror, and a chest. Monthly

rental rates range from \$45 to \$90, and popular styles are contemporary, colonial, traditional, and block wood styles, with traditional being the most requested by customers.

FOR MANY OF OUR CUSTOMERS, FURNITURE CURRENTLY COMPRISES 40 TO 45 PERCENT OF THEIR TOTAL BUSINESS.

The legalities of bedding rental can be a problem. In many states, mattress coverings must be replaced before re-rental due to sanitary considerations. The local attorney general's office can inform dealers of restrictions in their states. Some dealers have had success with vinyl covered mattresses and at least one dealer has attempted to sidestep this issue by not renting the mattress and box springs.

Dining Rooms. Many dealers do not rent formal dining room groups, but opt for the popular casual dinette sets. Dealers suggest that the rental customer is interested in a casual set that lends itself to everyday use, rather than a formal set which requires more care and additional space. Common dinette styles include glass and brass, wood, formica-topped, glass and wood, and butcher block. Monthly rental rates for a table and four chairs range from \$40 to \$64.

The popularity of certain dinette styles seems to be based on regional customer tastes. For instance, Dennis Palmquist, in Texas, lists glass-topped dinettes as quite popular, yet Norma Conant, in Connecticut, notes, "We purchased six glass-tops, finally rented four of them, and ended up taking the other two home for ourselves." Conant, who's most-rented style is butcher block, suggests that the glass tops are probably more popular with singles, and the butcher block is more suitable for the many families with children that Mrs. T's serves.

Chair styles are an important consideration, too. Comfort and durability are concerns for the savvy dealer, along with the method of construction and materials used to make the product. For example, high-gauge steel and high-density foam used in

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HEED THE WARNINGS

I attended a meeting of trade associations at the recent Consumer Electronics Show in Las Vegas. The associations got together because they have a common interest—keeping cable TV companies and other monopolies out of the TV and appliance retail marketplace. The issue is explored fully in an article in this issue, "Monopolies Push into Rental Markets."

At this meeting were representatives from NESDA, NARDA, APRO, and other industry trade groups representing consumer electronics retail businesses. More meetings are needed, strategies must be developed, and money raised because cable TV companies are entering the retail business as fast as they can get the laws changed to allow them to do so. Cable companies are already cutting deals with major manufacturers of TVs, satellite dishes, VCRs, and other consumer products—like telephones and computers.

Cable companies are going to try to set up a system whereby they can provide the customer with absolutely everything he needs for home entertainment. They want to rent the customer the cable service and then rent or sell all of the hardware that he needs to enjoy the cable service. Beyond that, some cable companies are covering the software angle by opening video movie rental outlets. Also, rather than fight the advent of backyard satellite dishes, cable companies are going to sell and rent them to customers with a descrambler that fits on top of the TV and VCR they sold or rented to the subscriber. The customers with which they want to do business are your customers. If you do not do something about it, in five years you may not have any customers because they will be doing all

of their business—with one-stop shopping—at the friendly cable TV retail outlet.

So what's to do? For heaven's sake, pay attention. I sometimes wonder whether it will be unbridled greed or political indifference that does in the rental industry. It's a close question. I trust you know that it is only by the grace of the political system that you do business at all. You have no inalienable right to exist as corporations and exchange goods and services for money the way that you do. You prosper, to the extent that you do, because the law says you can. In this democracy of ours, we vote on those laws from time to time, and before we vote, we lobby and talk and pay politicians to run for office as part of the political process. With a few notable exceptions, rental dealers are lamentably absent from that process. And despite threats and entreaties, it doesn't seem to be getting better.

Just when I thought that we had turned the corner on debating the legality of rent-to-own transactions, the governor of New York, Mario Cuomo, introduces a bill into his state legislature to limit a dealer's prices to 25 percent above the cash selling price. Notably, Governor Cuomo will be running for president, and some people think he can get elected. I trust you will pay sufficient attention at least to the presidential elections in 1988 and support the candidate who best understands and who will help foster free enterprise in this country.

Maybe it will take the election of Governor Cuomo as U.S. President and the eradication of the rental industry in a few states to get your attention. Or maybe it will take the death in a few states of retail sales and rental of TVs by anyone except

the cable companies to get your attention. By then, of course, it will be too late for some of you.

The people who are best at playing the political game are those who love to play. I've recently met a furniture rental dealer who has been quite effective at protecting his business by getting laws passed. But, I also know there are a lot of people who are not particularly interested in politics who spend time and money fooling with the process to protect the things that are important to them.

This is what you as rental dealers had better start doing if your business is important enough for you to save from some new and very real threats.

PR

EDWARD L. WINN III
General Counsel

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GOVERNMENT RELATIONS

New York Governor Proposes Price Controls

BY EDWARD L. WINN III

The New York General Assembly has recently received a consumer protection package from the governor's office, which includes a bill to regulate rental-purchase transactions in the state. The bill borrows heavily from the recently enacted Texas rental-purchase statute, but with a few crucial differences.

The chief difference is that the New York bill proposes price controls on the total rental transaction cost to the consumer. Section 503 of the New York bill reads in part:

No merchant shall offer a rental-purchase agreement requiring periodic payments totalling more than the cash price of the merchandise plus twenty-five percent of the cash price, compounded annually.

This is the most rigorous attempt at price control yet faced by the rental-purchase industry in any state. It remains to be seen whether such a restriction can make it through the legislature.

The bill adds other restrictions on dealers that do not exist with other state statutes.

1. If a rental merchant offers a service or maintenance contract in connection with the rental-purchase agreement, the merchant must disclose the value of the second agreement "within the cash price." The language of the bill is confusing, and the intent of this section is unclear. For the most part, rental dealers include service as a part of the rental transaction.

2. The bill addresses the problem of the so-called "whispered option" by redefining rental-purchase as follows:

...an agreement for the use of merchandise by a consumer for personal, family, or household purposes, for an initial period of

four months or less, when the merchant offers an option to buy, orally, informally or in the contract.

From time to time, consumer advocates have accused rental dealers of offering customers a written agreement with no purchase option, and then promising the customer orally that if he rented the product long enough, say eighteen months, the dealer would transfer ownership. Consumer advocates then complained that dealers often reneged on such "whispered options." Such conduct, to the extent that it actually exists, is certainly covered by any state's deceptive trade practices statute, which uniformly prevents merchants from making oral representations that differ materially from a written contract.

True rent-to-rent dealers who do not regularly offer purchase options of any sort to their customers may face a problem. Disenchanted customers of these dealers may actually be encouraged to claim that they were told they could purchase their rental property as a means of getting out of the contract. The merchant will then be faced with the choice of letting the customer out of his obligation or taking the chance of being proved a liar in court.

3. The bill places a limit on the customer's liability in the event that the rented property is lost, stolen, or destroyed. The limit is described as "no greater than the cash price stated [in the agreement] depreciated pursuant to generally accepted accounting principles." Since there are several accounting methods in use by rental dealers to depreciate or write the value of their rental inventory off, it remains to be seen how this clause would be interpreted.

4. The bill requires the rental dealer to make a completed rental-purchase agreement available to the customer for up to twenty-four hours before the customer must sign it. Presumably, there is no duty for the dealer to deliver any merchandise until the customer does sign the agreement.

5. If a rental dealer advertises any prices or the right to acquire ownership of any one particular item, the dealer must include in his advertising (among other disclosures) the "total amount to be paid to acquire ownership, which amount shall be explicitly labelled "total cost."

6. All merchandise on display must have tags that indicate the cash price of the merchandise and the amount of a typical rental payment as well as the total number of payments required for ownership.

Rental dealers in New York, both APRO members and nonmembers alike, have already been contacted concerning the particulars of this bill and have been urged in turn to contact their local representatives concerning how they feel about this offering from the governor's office.

Rental Dealer Pushes Legislation

BY EDWARD L. WINN III

A Boston furniture rental dealer has taken the bull by the horns and introduced favorable rental-purchase legislation into the Massachusetts General Assembly. His effort seeks to avoid the kinds of political struggles suffered by rental dealers in neighboring Connecticut during the past four years.

A BOSTON FURNITURE RENTAL DEALER HAS TAKEN THE BULL BY THE HORNS AND INTRODUCED FAVORABLE RENTAL-PURCHASE LEGISLATION INTO THE MASSACHUSETTS GENERAL ASSEMBLY.

Putnam Furniture is an old and established name in the Northeast, and Carl Barron is an established figure in Massachusetts state politics. Over the years, Barron has been instrumental in getting several bills enacted in his

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state. Among other statutes, Barron helped get a Theft of Rental Property statute enacted, as well as a statute requiring the disclosure of "new/used" in lease agreements.

The bill prepared by Barron's attorney, Ed McDougald, borrows heavily from the Federal Reserve Board proposal and is a pure disclosure bill. If the bill is enacted as introduced by Senator LoPresti, it would require rental dealers in the state to make certain disclosures in their contracts and in their advertising similar to those disclosures currently required under the federal Consumer Leasing Act. These are the same disclosures that vehicle lessors and some furniture rental dealers have been making for ten years without any problems.

The challenge for Barron and other rental dealers in the state is whether or not they can avoid the wrath of the vigorous consumer advocates that populate the state. Massachusetts has a reputation for consumer advocacy. The offices of the National Consumer Law Center, a think tank and resource center for the Legal Services Corporation, are located in Boston. Barron is aware of the possible difficulties, and is not meeting the challenge unprepared. He has already lined up no fewer than fifteen state legislators from both ends of the political spectrum to offer either written or oral testimony, or both, at the public hearings scheduled for early April before the Joint Committee of Commerce and Labor in Boston.

Massachusetts rental dealers have agreed to contribute funds for the legislative effort on a per store basis. If the strategy as established works, it will not be an expensive undertaking to get the bill passed. If serious opposition arises, which is always a possibility, then Massachusetts dealers may be in for a long and expensive political battle—the kind that dealers in Connecticut, the Carolinas, Georgia, and elsewhere, have experienced. **PR**

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

Washington Report

BY BARRY GAMBINI

Since APRO's inception, representatives of the association have been working toward passage of favorable

federal legislation regulating the rental-purchase industry. Protective legislation is not something that will appear by magic. To achieve positive federal legislation, rental dealers' interests *must* be represented, not just those of legal aid lawyers and other industry opponents. Although much has been accomplished on the state level, federal measures addressing rent-to-own have not made substantial progress, yet, in Congress.

The legislation in question is a rental-purchase amendment to the federal Consumer Leasing Act. As reported in previous columns, the proposal has undergone numerous alterations and compromises, and is generally similar to legislation already passed in several states. The amendment would require dealers to provide customers more expansive price disclosures, as agreed upon by APRO in a compromise move with House consumer spokesperson, Congressman Bruce Morrison (D-CT). The APRO Government Relations Committee is of the opinion that the required disclosures would not significantly impact dealers' businesses. Passage of the proposal may also satisfy state legislators who are considering introducing regulatory rental-purchase bills in several states.

WHILE THE WORK HAS BEEN ONGOING FOR SOME TIME, THE EFFORT HAS NOT BEEN IN VAIN. IN FACT, IT HAS PAVED THE WAY FOR WHAT IS HOPED TO BE THE FINAL LEGISLATIVE PUSH.

A number of rental dealers and suppliers are weary of waiting for action on the federal level. While the work has been ongoing for some time, the effort has not been in vain. In fact, it has paved the way for what is hoped to be the final legislative push. A vigorous campaign has been launched to achieve passage of the amendment before Congress adjourns this October. Representatives among the top twenty-five rental dealers (based on store count) and several major rent-to-own suppliers met recently to formulate strategies for moving the APRO legislation through Congress. Securing the service of a top-flight, Washington-

A VIGOROUS CAMPAIGN HAS BEEN LAUNCHED TO ACHIEVE AMENDMENT PASSAGE BEFORE CONGRESS ADJOURNS THIS OCTOBER. REPRESENTATIVES OF THE TOP TWENTY-FIVE RENTAL DEALERS (BASED ON STORE COUNT) AND SEVERAL MAJOR RENT-TO-OWN SUPPLIERS MET RECENTLY TO FORMULATE STRATEGIES.

based lobbying firm is first on the group's agenda.

It takes a great deal of money to escort legislation through our political system — in APRO's case, an estimated \$750,000. Therefore, the previously mentioned rental dealers and suppliers have donated sizable sums to see our proposal through Congress. The dealers have pledged \$200 for each store they own. Supplier contributors include: Admiral, Borg-Warner, Curtis Mathes, Fisher, General Electric Credit Corporation, RCA, Sansui, Thomas, Whirlpool, and Zenith.

I am in the process of choosing the lobbying firm that will usher APRO's legislation through the political process. Once this firm is selected (and the field of candidate firms has been narrowed to two), I will travel to Washington each month to monitor the firm's progress. My findings will then be reported to APRO members through this column.

Later this year, a new and different grassroots effort will be undertaken. Rather than emphasize monetary contributions (although I must emphasize that they are *always* welcome), we will be urging dealers to voice their support for the amendment by writing and/or telephoning their senators and representatives. By making ourselves a visible and audible force on Capitol Hill, the legislation we have been seeking for so long may soon become a reality. **PR**

Barry Gambini is a consultant to Rent-To-Own, Incorporated and is a former president of APRO's Board of Directors. He is currently chairman of APRO's Government Relations Committee.

Recovering from Pawnbrokers

What to do when your TV is pawned

The pawnbroking business lends money at interest on personal property deposited with the pawnbroker for safekeeping. TVs, stereos, and other small rental products are prime items that can wind up in the pawnbroker's window.

Pawning rental merchandise is a violation of the rental agreement. The dealer can always go after the customer for breach of contract, but often either the customer or judgment proof is nowhere to be found. Legally, the question is, who has the best rights to the rental property: the dealer or the pawnbroker?

The dealer claims best rights since he holds title to the property and can claim that the customer has stolen the merchandise from him. The pawnbroker can claim best rights since he

has possession of the property as well as a pawn ticket that is usually signed by the rental customer. The rights of all parties concerned in such cases can be protected and dealers can recover their property from pawnbrokers with a minimal loss of time and money.

By the Book

Because of the nature of pawnbroking, it is heavily regulated. Pawnbrokers must be licensed in all states, and several states require the employees to be separately licensed also. States may limit the number of pawnshops allowed in a municipality; where such businesses may be operated; the hours of operation; the maximum amount of loans; the kinds of personal property that may be

taken in pledge; and the information required on a pawn ticket.

The government can also require that records of transactions be kept. In some places, pawnbrokers are even required to keep daily records of all pawn transactions and deliver them to police officials before a certain hour each day. In large metropolitan areas, there are policemen whose sole function is to make the rounds of pawnshops looking for stolen property.

Obviously, there is an enormous risk that a pawnbroker will take property in pledge that has been stolen. As a practical matter, the pawnbroker cannot verify if the pawned property has been stolen or not before accepting it. Therefore, as a general rule, it is the pawnbroker who is at risk in such circumstances. The law acknowledges this risk by allowing pawnbrokers to charge an interest rate higher than that allowed in most other businesses. In most states, the law stipulates the pawnbroker acquires no right to retain possession of property taken as security for a loan when the true owner has not given his consent to the transaction, or unless it can be shown that the owner had knowledge of the pawn.

Several states have decided cases on this issue. In these states, New Jersey, Washington, Ohio, New York, Texas, Illinois, Indiana, Colorado, Massachusetts, and California, the true owner of personal property can recover it from a pawnbroker when the property has been "wrongfully" pawned by a third party without the knowledge or consent of the owner.

A state not included here does not necessarily have the opposite rule allowing the pawnshop to retain possession of the property. It may merely mean that the matter has not been

Photo by Gary Russ



The pawnbroker is at risk if he accepts rental goods for pawn.

considered by an appeals court in the state. This is not surprising given the relatively small amount in controversy in most cases.

Clarifying Title

Prior to the Uniform Commercial Code's enactment in 49 states during the 1950's and 60's, the law concerning title to personal property was confusing and often in disarray. The law relating to risk of loss, for example, relied heavily on the location of title — exactly when the title passed — and left merchants uncertain of their rights and liabilities in many circumstances.

Essentially, the old law stated that title passed when the buyer and seller intended for it to pass. Often, however, contracts for purchase/sale of goods were silent as to title. Under the UCC, there is deliberately less reliance on determining who has title, and more determination of the legal consequences occurring directly from the contract and of the actions taken by the parties under it without resort to title questions.

The portion of the Code that answers the right to possession question between a pawnbroker and a rental dealer is contained in UCC Sec. 2-403. It reads in part:

(1) A purchaser of goods acquires all title which his transferor had or had power to transfer except that a purchaser of a limited interest acquires rights only to the extent of the interest. A person with voidable title has power to transfer a good title to a good faith purchaser for value even though:

(a) the transferor was deceived as to the identity of the purchaser, or

(b) the delivery was in exchange for a check which is later dishonored, or

(c) it was agreed that the transaction was to be a "cash sale," or

(d) the delivery was procured through fraud punishable as larcenous under the criminal law.

The code in this section is making a distinction between criminal fraud—larceny—and criminal theft. In a rental context, criminal fraud might be deception as to the identity of the renter, false information on the rental applications, or other deception by which the renter obtains possession

DEALERS WHO FEEL THEY HAVE A GOOD CLAIM AGAINST A PAWNBROKER SHOULD TAKE A COPY OF THE POLICE REPORT TO THE PAWNBROKER AND MAKE DEMAND FOR RETURN OF THE PROPERTY. OFTEN THAT WILL BE ENOUGH.

of the merchandise by trick. On the other hand, criminal theft in simple terms is outright stealing. It includes such conduct as shoplifting, robbery (armed or otherwise), breaking and entering, and other wrongful takings without tricking the owner into parting with the property.

Criminal theft in the RTO context, for example, results in most states when the customer quits making rental payments and refuses to return the rental property. This is so because of the Theft of Rental Property or Theft of Services statutes that exist as part of the penal code in these states.

The clearest case of outright theft occurs when someone breaks into a rental store in the middle of the night and makes off with a truckload of TVs that were in idle inventory. If any of the TVs end up in pawnshops, the dealer should have little difficulty in recovering his property. This is so because such a theft involves no trick: the thief never had any rights to the property, that is, no "voidable title" in UCC terms.

A clear case of larceny, or "theft by trick," might be when a rental customer shows the store false identification inducing the store to enter into a rental agreement with him. In this instance, the larcenous customer has "voidable title" and can sell the property to a good faith purchaser for value. Here, the dealer's only recourse is against the customer who tricked him, assuming that a good faith purchaser for value is in possession of the property.

If the property has been pawned, the only recourse a dealer has is proving that the pawnbroker is not a good faith purchaser for value. One method is to show that the pawnbroker knew or should have known that the property was rental property and that the pawnor (the customer) did

not have the right to pawn or sell the property.

The easiest way to prove this is to have the property permanently marked as rental property. Placing identification information on the back of the set with the store address and telephone number places the pawnbroker on notice that the pawnor may not have the authority to pawn the property. The pawnbroker's failure to call the store to determine if the pawn is valid will keep the pawnbroker from qualifying as an innocent purchaser for value, allowing the dealer to recover his property.

Note, if someone steals rental property outright, by breaking and entering for example, it does not matter whether the property has been marked or not. The dealer has an absolute right to recover his merchandise wherever he finds it, because the wrongdoer cannot transfer what he does not have. In this instance, the thief has what the Code calls "void title."

IN MOST STATES, THE LAW STIPULATES THE PAWNBROKER ACQUIRES NO RIGHT TO RETAIN POSSESSION OF PROPERTY TAKEN AS SECURITY FOR A LOAN WHEN THE TRUE OWNER HAS NOT GIVEN HIS CONSENT TO THE TRANSACTION.

The same result should hold when a customer simply quits making payments, since the Theft of Rental Property or Theft of Services statutes in most states make such conduct a crime. However, when a dealer is literally tricked out of his property from the beginning, the property must be clearly marked or the dealer must otherwise show that the pawnbroker knew that the customer did not have the right to pawn the merchandise. If not, the dealer's only recourse may be to pay the pawn ticket in order to recover his property.

Courses for Recovery

Dealers who feel they have a good claim against a pawnbroker should take a copy of the police report to the

pawnbroker and make demand for return of the property. Often that will be enough.

If the pawnbroker refuses to return the property, then the dealer should consider legal action. In most cases, the dealer can sue the pawnbroker in small claims court, but there are states where corporations cannot sue in small claims court. If that is so, the corporation can assign all of its rights in the property to an individual in a written document and then the individual can file suit against the pawnbroker in his own name. This lawsuit is one for conversion. Conversion is the tort of wrongfully possessing property that belongs to another. It is an intentional tort, and under proper circumstances, a successful plaintiff may be entitled to the return of the property or its fair market value plus punitive damages. If a pawnbroker has been particularly difficult to deal with, dealers should ask the court for punitive damages—up to the jurisdictional limits of the court.

PAWNBROKERS ARE NO BETTER SPORTS ABOUT LOSING MONEY OR PROPERTY THAN RENTAL DEALERS. DEALERS SHOULD STRIVE TO DEVELOP GOOD RELATIONS WITH PAWNSHOPS IN THEIR LOCALES.

Pawnbrokers are no better sports about losing money or property than rental dealers. Dealers should understand that the pawnbroker has paid out cash from the register for the TV and if he must return it to the dealer, he will simply lose that much money off of his bottom line. His chances of recovering from the customer are no greater than the rental dealer's, and in fact, the rental dealer has likely collected more information about the customer on the rental application than the pawnbroker did on the pawn ticket. Dealers should strive to develop good relations with pawnshops in their locales. In some jurisdictions, pawnbrokers and rental dealers work closely together, while in other places, the relationship is not as harmonious.

IF ENOUGH PAWNBROKERS LOSE ENOUGH MONEY FROM TAKING RENTAL PROPERTY IN PAWN, THEY MAY ORGANIZE TO TRY TO CHANGE THAT LAW.

Occasionally, pawnbrokers have attempted to remedy the problem from their point of view with legislation. A recent and novel approach has been tried in Christian County, Kentucky. A county ordinance has been proposed requiring all rental dealers to permanently mark their rental merchandise with the identification of the company and a warning that the merchandise is rental property. In addition, the ordinance would require dealers to keep a daily log of all rental transactions and to make the log available to the police upon demand.

Failure to comply with the ordinance was originally to have been a criminal offense, but rental dealers

lobbied the county commissioners and the penalty provisions in the ordinance were changed. As of this publication, the ordinance has not yet been passed.

Modeled loosely on pawnbroker statutes, this effort to solve what is fundamentally the pawnbrokers' problem appears to be unique in the country. (Copies of the proposed Christian County ordinance are available upon request from the APRO office.) The very existence of this kind of proposed legislation is a strong argument for rental dealers to make every effort to work closely with local pawnbrokers to minimize conflicts. Dealers are encouraged to do this because the law is on their side. If enough pawnbrokers lose enough money from taking rental property in pawn, they may organize to try to change that law. The last thing that rental dealers need these days is another legislative battle to fight. **PR**

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

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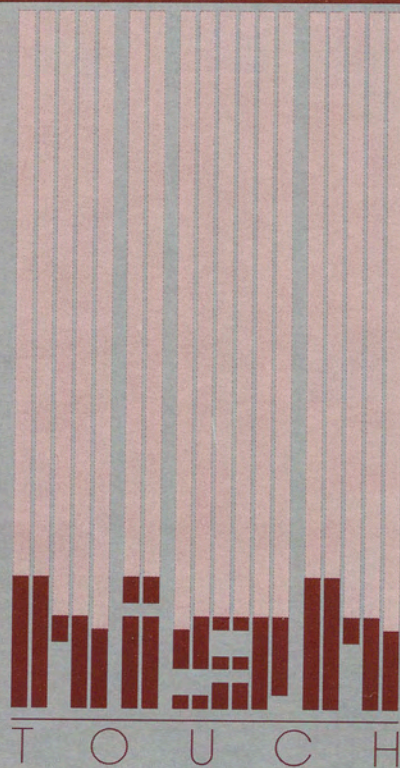
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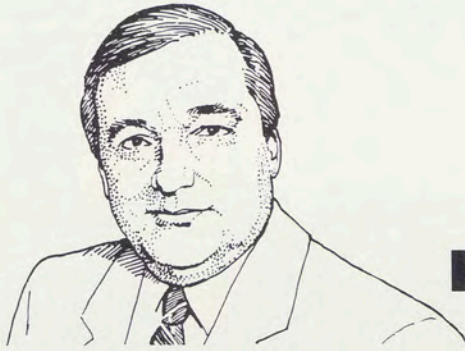
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W E S E T I T .



Handling Manipulative Behavior

Manipulative behaviors: we've all seen them through our customers—anger, helplessness, and pain. The behavior frustrates us, hurts us, or makes us feel guilty. These actions dilute our effectiveness, increase our delinquencies, and shorten our careers.

Recognizing these behaviors for what they are doesn't indicate a lack of respect for the customer. We all use them at times, too, when the world seems to be getting away from us. Manipulation may seem to be our only source of power. The more we understand these get-my-way behaviors, the more effective we can be in helping to solve the customer's rental problems in a way that can benefit both of us.

Behavior Modification

There are probably a number of ways to handle difficult situations. The problem is we don't always learn from our experiences. As a handy reference, consider the following four steps as a means to changing customer misunderstanding into customer satisfaction.

1. *Anticipate anger, helplessness, and pain.* These emotions are a daily fact of life for the account manager. All of us begin learning them in the crib and we continue to use them because they work so well in so many situations. Whenever a customer feels powerless to control his circumstances get-my-way behaviors will follow. Before you pick up the phone or knock on the door, remember that you may face these problems, but with your expertise as a rental professional, you can cope with them effectively.

2. *Accept them for what they are.* These feelings are legitimate emotions for the customer. The customer feels angry, or hurt, or helpless. The dy-

LET THE CUSTOMER KNOW THAT YOU UNDERSTAND THE FEELINGS. THIS PROFESSIONAL RESPONSE ON YOUR PART WILL TEND TO LOWER THE INTENSITY OF THE FEELINGS AND MAKE THEM MORE MANAGEABLE.

namics that drive these manipulative behaviors are generally at an unconscious level in the customer. Even when an excuse is contrived, the emotions are genuine. All he knows is that he feels angry, hurt, or helpless. Let the customer know that you understand the feelings. This professional response on your part will tend to lower the intensity of the feelings and make them more manageable.

3. *Understand these driving forces.* Once more, get-my-way behaviors usually result when the customer feels powerless to deal with the situation. Ask the customer to help solve the problem and involve him in generating a list of possible solutions.

Perhaps just as importantly, realize that you may be the focus, but you are not the cause. Don't take the customer's emotions inside you. Manipulative behavior is designed to make you feel responsible for the other's feelings and for the problem. Anger may make you feel guilty or fearful and may make you reluctant to ask for the payment. Pain and hurt in the customer may make you sympathetic and not want to further add to his troubles. Helplessness may hook the "rescuer" part of your personality to solve the problem for him—or at least keep you from holding the customer responsible.

Communicate that you understand the feeling, but that you expect the customer to solve the problem. Manipulative behavior is then likely to decrease—often dramatically. Sometimes, though, customers will simply move from anger to helplessness or to pain, causing the entire cycle to be repeated before the customer can be involved in problem solving.

4. *Work to resolve the underlying problem.* Getting his payment is not enough, you must work on the underlying problem with the account. You, your store, and your customer cannot afford the price of an on-going series of payment problems and temporary truces. Remember that any time you have an ongoing problem with the same customer, you are part of the problem. Resolve the problem or end the relationship. Healthy rental operations must involve a continual balance of aggressive marketing and professional account management.

Have It Our Way

Learning to recognize these get-my-way behaviors for what they are and learning to manage them effectively can relieve some of the distressed feelings you may have at the end of the day. It can make you more successful on your job and keep you from emotional burn out.

The account manager has a stressful job. It's important to have a good support system to be successful in the long haul. Plan time away from work for enjoyable activities and enriching relationships. The job is stressful, but it is important and offers real opportunity. Learn to do it well. **PR**

Neil L. Jones is manager of rental training for Curtis Mathes based in Irving, Texas.

WHICH ONE?

C A S S TYPE I

I want my home office to monitor all my stores.

I don't want any computers at my stores because my manual system is good and causing no problems. I would, however, like to track inventory, BOR, late and collections and accomplish inventory depreciation at my home office. I will have all paper work forwarded to my home office for processing.

The above requirement can be met with the **C A S S HOME OFFICE MANAGER™** which costs **\$9,000.00**

C A S S TYPE II

I have one or more stores and want a system at each.

I would like the store system to control my inventory, agreements, produce payment receipts, produce store reports concerning cash, collections, BOR, and inventory activity.

The above requirement can be met by the **C A S S STORE MANAGER™** which costs **\$4,000.00**

(Multiple store discounts available as well as unlimited use contracts.)

C A S S TYPE III

I want my stores' computers to transmit to my corporate office.

I want to have a minimum amount of corporate personnel and still know everything about my stores. I do not want to have corporate personnel inputting what has already been captured by the store computer. I want my corporate computer to produce inventory and store activity reports each morning that tell me how I am doing.

The above requirement can be met with the **C A S S ELECTRONIC CORPORATE OFFICE SYSTEM™** which costs **\$2,500.00**

C A S S TYPE IV

I would like to have a video/movie rental system.

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The Rising Cost of Insurance

If you bought insurance for your company during the last year, you probably paid more premium for less coverage. It's all part of a deepening crisis within the insurance industry.

Insurance companies are complaining that they have suddenly found themselves cash-short. Excessive damage awards from lawsuits the industry didn't plan for when the policies were sold are cited as a chief reason for the current predicament. Falling interest rates for insurance companies' investments have hurt, too. In addition, foreign reinsurers, such as Lloyds of London, are pulling out of the American market eliminating coverage for many types of risks.

Cause and Effect

Detailing a restrictive coverage profile illustrates the reasons for the new higher cost. Assume you are the president of an insurance company and the year-end results report that just landed on your desk is terrible—the worst you've ever seen. You and your insurance company, being a business like any other, will react. The action is abrupt: remove high-risk clients and clients with any loss history, as well as doubling, tripling, or quadrupling the insurance rates for the rest of your clients.

How can insurance companies get away with this? The answer is simple. The insurance industry is governed by many state regulatory bodies that review and evaluate company financial statements and compare them to several ratio tests and requirements.

Assume that insurance company X is allowed by its state regulatory body to generate premiums up to three times the amount of its surplus profits. A company with a \$100 million

surplus could write \$300 million in premiums. If the average insured paid \$10,000 in premiums, company X would have 30,000 insureds. If company X experiences a \$50 million loss and corresponding surplus reduction, the company would then be able to write only \$150 million in premiums for the next year. If company X then raises its rates and asks the average insured to pay \$30,000 in premiums, the insurance company would then only be able to serve 5,000 insureds.

Although this is an extreme example, it does illustrate the crisis. In the last few years, insurance companies have experienced disastrous financial losses. So many companies lost money and then raised prices, there is now a very real capacity problem. If you can obtain insurance, you are now going to pay more for it.

Serious Problem

No doubt the insurance industry is having a serious problem. According to the industry, the reason for the crisis is the unprecedented number of liability lawsuits and the resulting increase in the number of judgments coupled with the high dollar amounts of these judgments. To appreciate the scope of this problem, here is an example of a recent case:

An overweight man with a history of coronary disease has a heart attack while trying to start a lawn mower. In a suit against the manufacturer, he argues that pulling a starter rope required excessive effort. A jury awards him \$1 million in damages plus interest.

The traditional basis of tort liability is *fault*—one individual's actions cause harm to another individual who seeks recovery. Under this current trend,

however, tort law is also being used to take advantage of those who have done nothing wrong, but who have the resources to pay damages. Under some state laws, a defendant found to be 1 percent at fault, may end up paying for the entire damage award (including joint and several liability).

Shop Around

The insurance industry, Congress, and the legal profession are engaged in a fundamental battle to reform the system as we know it. Some of these changes are:

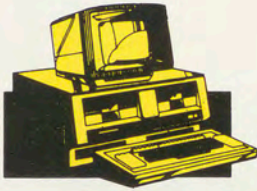
- the elimination of the joint and several liability doctrine
- the elimination of punitive damage awards
- a revised insurance document limiting the scope of coverage available
- a modification to the legal system to reduce the expense and cost of litigation
- possible reform to the practice of compensating attorneys through contingency fees based upon the amount of damage awards, etc.

What should you do to ensure you get the most coverage for your money? Shop, and then shop again. Talk to your agent and then compare by contacting other agents to find out what companies they represent and what deal they can offer you.

Most importantly, don't take anything for granted. The only way to safeguard your interests is to take a detailed look at your insurance program. In order for your agent to do a good job for you, make sure you notify him of your needs at least sixty days before your policy renews. **PR**

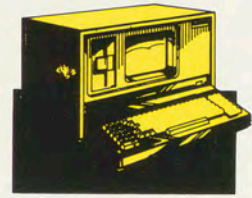
Alan Stein is an independent insurance agent with the Boulton Agency in Miami Shores, Florida.

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Seminars Set the Pace in Las Vegas

Convention attendees have come to expect only the best in rental-purchase specific seminars at APRO's annual convention and trade show. *APRO '86: Setting The Pace* in Las Vegas, July 10 to 14 will continue in that tradition.

Eighteen seminars led by experts in their field will cover a variety of topics designed to inform and educate rental dealers. Seminar sessions will be repeated at various times during the convention. Seminar times do not overlap with exhibition times so that dealers can devote exclusive attention to each part of the convention day.

Topics for the seminars are completely new this year. After convention, audiocassettes of the seminars will be available for purchase. A synopsis of the scheduled seminars follows.

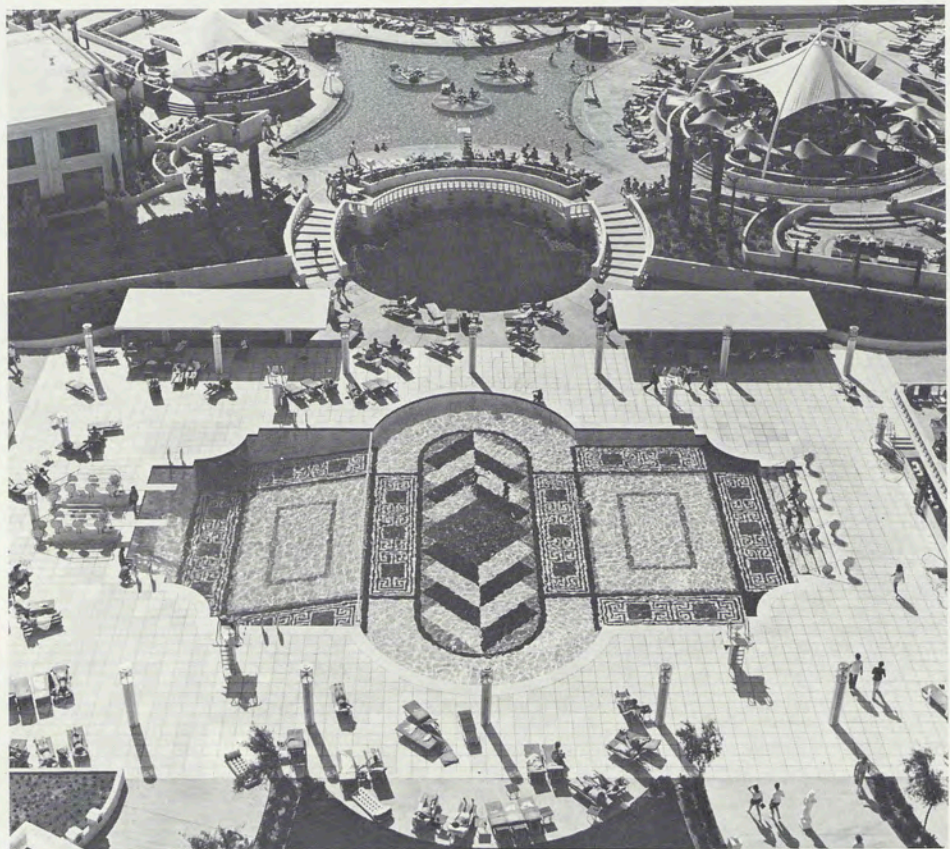
Controlling Internal Theft. Learn how to discover and control internal acts of theft and how to implement a program to help prevent theft.

Developing Policies and Procedures for Rental Store Personnel. Preparing an employee manual is discussed here. Such topics as sample job descriptions, employee benefits, salaries, holidays, establishing a chain of command, sales training, dispute management, and others will be covered.

Everything You Ever Wanted to Know About Insurance. Learn how to assess and shop for your needs to protect your investment against an unexpected event. Types of insurance covered include workmen's comp; property and casualty; group life and health; leased property; and others.

Exploring New Markets for Rent-To-Own. New target markets mean new marketing strategies for your business. Find out the best way for you to entice new target groups, such as transfers, apartment dwellers, and mobile home owners, into your store.

Financing Alternatives—Two Part Seminar. Part one is, "Positive Packaging Gets the Money." Before approaching a lender, the rental dealer



APRO '86 attendees will enjoy the many recreational areas at Caesars Palace.

must have financial data properly compiled. Learn how to write a business plan, how to get your records in order, and other helpful topics.

Part two is, "Choosing the Lender That's Right for You." With your business data in hand, it's now time to face the lender. In this section, a commercial lender and a banker will field questions from the audience concerning topics connected with explaining rent-to-own to a lender. The panel will be moderated by a financial expert.

Franchising Rent-To-Own. Investigate the pluses and minuses of franchising your operation in this seminar. The other side of the question—the role of the franchisee—also will be covered.

Furniture Rental—Making it Work for Rent-To-Own. Pick up pointers on adding furniture to your product mix. Topics include how to shop for price

and quality, display requirements, assessing profitability, and others.

Going on Computer—Doing It Right the First Time. Become rent-to-own computer literate by discussing the advantages and disadvantages of computerization, hardware/software considerations, and checklists for going on computer.

How Retailers View Rent-To-Own. Find out how retail plans to compete against rent-to-own as manufacturer and retail representatives discuss current retail trends, the impact of rent-to-own on retail, and what retailers are buying these days.

How to Plan and Manage a Successful Wage and Salary Program. Reward and recognize employees for excellent work and productivity by learning step-by-step how to establish a fair wage and benefit program for your rental company.

In Search of Excellence/One Minute

Manager. Two books, *In Search of Excellence* and *The One Minute Manager*, have permanently changed the way managers and businesspeople think of themselves and how they do business. The authors of each book have turned their work into attention-grabbing films. Both films will be screened at intervals during the day throughout the convention for attendee convenience.

New Product Ideas for Rent-To-Own. If you've considered adding a "new" rental item to your product mix, such as satellite dishes, camcorders, big screen TVs, exercise equipment, tanning beds, party goods, and office furniture to name a few, bounce your ideas off your peers at this brainstorming session.

Property Recovery. The thorn in every dealer's side is how to control—and prevent—skips and stolens. Find out what you can do after the fact, but more importantly, what you can do *before* you lose your merchandise.

Product Sales Strategies for Rent-To-Own. High tech innovations and new product lines mean clerks must be able to effectively and knowledgeably demonstrate the merchandise. Actual video, audio, furniture, and white goods sales demonstrations with checklists of selling points are highlights of this seminar.

Should I Join a Buying Group? Combined volume buying may be one way to better your bottom line. Membership in a buying group also has its disadvantages. This seminar will help you determine if you will win or lose by joining a buying group.

Tax Planning for Rent-To-Own. Here, tax experts discuss the new rules and what is required to comply with them, as well as handy suggestions on lowering your tax obligations.

The Rental Agreement. Is your rental agreement "legal?" Four states now have rent-to-own laws and more states are considering passing their own legislation. Find out how present and proposed laws affect your rental agreement.

Registration packets have now been distributed that give complete details on all convention happenings and how to register. APRO has a full complement of entertainment events, spouse programs, and sporting events for your enjoyment in Las Vegas. Registration for the five-day event is \$225 for APRO members and \$300 for nonmembers if registered on

APRO SEMINAR CALENDAR

DATE	TOPIC	LOCATION	SPEAKER
MAY			
27-28	Fundamentals of Rent-To-Own	Hilton Head, SC	Ed Winn, David Garrett, Bud Holladay, Barry Gambini
29	Video Software Rental	Nashville, TN	Don and Debbie Carpenter, Jack Edgerton, Fred Phister
JULY			
10-14	APRO '86: SETTING THE PACE Annual Convention and Trade Show	Las Vegas, NV	
14-17	Training Rental Store Employees—Getting and Keeping Good Store Personnel	Las Vegas, NV	Rozanne Flatt
14-15	Buying Advertising—What Works for Rent-To-Own	Las Vegas, NV	David Garrett

or before May 15, 1986. After that date, the cost is \$250 for members and \$325 for nonmembers. Room reservations are \$62 per night for a single or a double room and are due to Caesars Palace by June 18, 1986. Call the hotel at (800) 634-6661 and tell them you're with the APRO group and reserve your accommodations.

American Airlines is the official air carrier for APRO '86: *Setting The Pace*. A special saver fare is being offered on round-trip, unrestricted day-coach rates when traveling within the United States on American Airlines to the convention. To make your reservations, call American at (800) 433-1790 and ask for Star File Number S51559.

APRO '86: *Setting The Pace* is a short time away. Review your convention packet and register today. Call the APRO office at (512) 478-6521 if you have any questions on how to register or about any of the scheduled programs. **PR**

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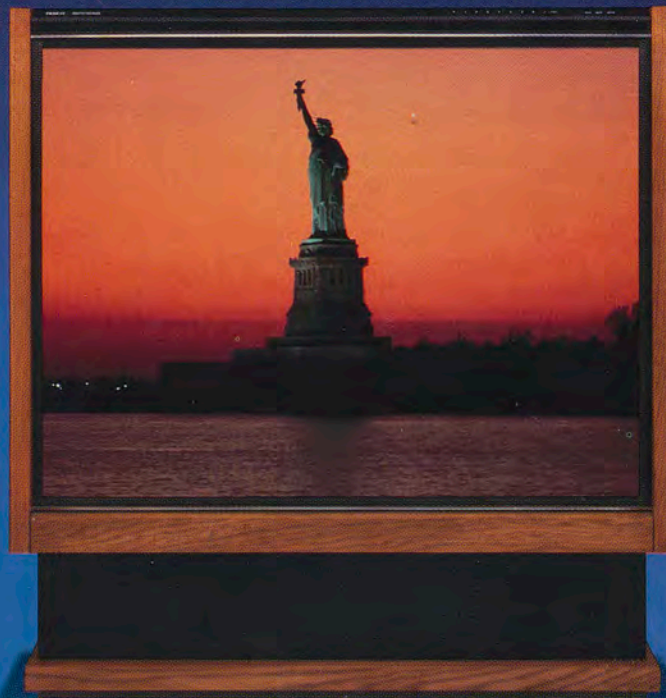
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T A L S

Camcorder Latest Video Wonder

The camcorder—an all-in-one video camera, recorder, and player—is taking the U.S. retail market by storm. In January 1986, 60,076 camcorders were sold to retailers, according to statistics from the Electronic Industries Association's Consumer Electronics Group. In addition, RCA's marketing division has forecasted that camcorders will generate \$500 million in sales by the end of the year.

Video mavens are extolling the wonders of the camcorder with its chief virtues being true lightweight portability, ease of operation, and compatibility with half-inch VHS VCRs already in the home. Camcorders record and playback two-hour tapes, making it a camcorder and VCR in one.

A competing 8mm system has been developed that holds some advantages over the half-inch VHS camcorders. The 8mm cassette, about the size of an audiocassette, is much smaller than the VHS cassette and enables suppliers to manufacture even lighter weight VCRs and camcorders. The 8mm tape is coated with pure metal, as opposed to VHS' metal oxide powder coating, allowing more material to be recorded per square inch. The 8mm camcorders are very new, however, and it is too early to assess their video market impact.

Expectations are high, but what is the camcorder going to do for rental-purchase?

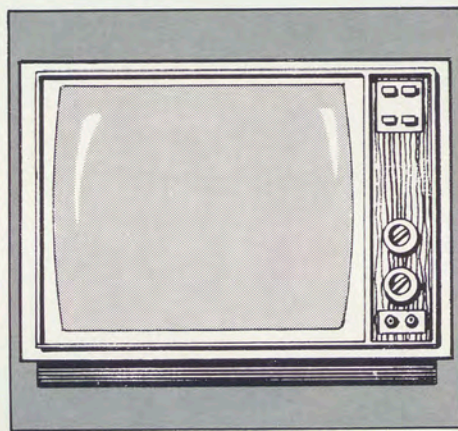
Camcorders for Rent?

"I think short-term rental is a good marketing strategy for camcorders," says Tim Benham of Today Leasing in Kansas City, Missouri, "but I'm not sure about them on a rent-to-own basis." Benham states that not many people will rent a camcorder for the length of time and the amount of money it will take to actually own one. Benham says if a customer rented a camcorder to term, he would

pay \$25 per week for 24 months or more, making a total purchase price of at least \$2400.

Short-term rentals can still make dealers a profit, and the customer can still have little Johnny's birthday on tape. Today Leasing currently has one Philco camcorder available for rental.

"We've had a few of the larger rent-to-own corporations purchase camcorders, basically for test marketing," says Eric Kamayatsu, national sales manager for Hitachi, manufacturers of a half-inch VHS camcorder. "These dealers are primarily interested in camcorders as a means of increasing their software sales."



The camcorder is an improvement over previous video cameras for several reasons. No matter where the camcorder operator is, he can replay what has just been taped and view it on the camera's small screen. With a half-inch tape camcorder, he can also connect it directly to a TV without going through a standard VCR, or he can connect it to a VCR.

"Camcorders are very simple to use," notes Benham. "Once you sit down and play with it for a few minutes, you'll see how easy it is to use."

Most cameras offer user-friendly devices like auto focus, slow motion, zoom lenses, and many work in low-light situations. Extras like title character generators also are available.

Problems

The advent of 8mm camcorders, as opposed to the current VHS format, may also present some turmoil in the camcorder market, although not any time soon.

"I am not all that familiar with the 8mm format," comments Benham. "Having used the VHS camcorders, I have to note that I like them very much. I think it's a few years down the road before 8mm even comes close to taking the place of VHS."

As mentioned previously, the small size of 8mm camcorders gives them an edge over the bulkier VHS units. The 8mm camcorders are also capable of higher audio quality than VHS, and they can be used for audio-only taping. However, the lack of prerecorded 8mm software is a drawback, especially for dealers operating video movie clubs.

"We stand behind the VHS format," says Kamayatsu. "We (Hitachi) think that at this point VHS is probably the most viable format, and our line of VHS software reflects that stance." Kamayatsu notes that the future is difficult to predict though, and the market may eventually dictate a move toward 8mm.

Your Video Future

Camcorders are truly a dream item. Only a few years ago, as people struggled with home movie cameras and projectors, few imagined a day when family occasions could be preserved forever on a simple videocassette and viewed immediately.

Presently, the cost of a camcorder may prohibit its appeal for the rent-to-own customer. However, if camcorders go the way of calculators, VCRs, and a variety of other electronics that have decreased in price as consumer demand increased, they may very well become another rental item of the future.

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Monopolies Push into Rental Markets

Utilities and cable companies make forays into video/appliance sales

Photo by Gary Russ



To the consumer, the TV or VCR from the cable company may seem like a "free" gift, but to the rental and retail dealer it's unfair competition—and the customer pays for the TV or VCR in increased rates.

Rent-to-own dealers have been competing against TV and appliance retailers, furniture retailers, department stores, and discount chains since the industry began. It is keen competition, but for the most part, it is fair competition.

New entrants into the TV and appliance marketplace may be changing the face of that competition. RTO dealers and TV and appliance retail-

ers may have to call a momentary truce to their vigorously competitive efforts and join together to face an even bigger threat. The new competitive threat is coming suddenly and unexpectedly from several fronts.

Unfair Competition

For years, appliance dealers in a few markets rightfully have com-

plained that utility companies are competing unfairly by selling appliances. Given their monopoly status in the utility market, some of these companies have been able to undercut retail dealers in the appliance marketplace. For the most part, the gas company had a range and perhaps a washer and dryer on display where customers came in to pay bills. And, these utilities sold a few appliances from time to time.

Suddenly, utility companies are aggressively selling, leasing, and servicing appliances by advertising the goods and their prices each month in the bills they send to customers. Rural electric co-ops, also monopoly suppliers of electricity, have gotten into the home satellite business. Most recently, cable TV companies, also monopolies in their markets, have gotten into the TV and VCR business. All of these monopolies argue before the governmental bodies that grant them their legal status that their entrance into these new fields is good for the consumer because it enhances competition and will lower the prices of goods and services.

It is a persuasive argument, especially since many of the regulatory bodies derive revenues from these companies based on a percentage of their sales. The more sales, the greater the revenues for the regulators.

For example, in most states, local municipalities are empowered to negotiate with cable companies for cable services. They can grant exclusive franchises to a cable TV company in exchange for a percentage of the cable company's revenues. The more cable

subscribers, the more money for the cable TV company, and the more money for the city.

Lately, cable TV companies have approached local municipalities with a scheme for making more money for everyone, with the exception of area independent television retailers. The scheme involves amending the ordinance authorizing the cable TV company to do business. The change would allow the cable company to set up retail stores and sell, lease, and service, products and services in addition to the basic cable service. They are asking to be allowed to sell TVs, VCRs, blank and recorded tapes, and a host of other electronic equipment and services.

An important issue is whether or not such competition is fair to independent retailers. The Federal Trade Commission and the Small Business Administration have both concluded that it is not, but such conclusions have not deterred the cable companies from proceeding with their plans to open retail stores anyway.

Built-in Advantages

Just what sort of "unfair" advantage do cable TV companies have over independent retailers? According to Dennis Lavalley, co-chairman of the Alliance for Fair Competition, an industry group formed to combat utilities and cable companies, the advantages are many and all are unfair. His list includes the following:

1. *Many utilities are guaranteed a certain rate of return on their investment.* Utilities can adjust their rates for services to the marketplace. They may be able to offer appliances at loss leader prices to increase usage of their electric or gas service, and then bump electric or gas rates as need be to guarantee the rate of return permitted by law.

2. *Utilities and cable companies have buying power that exceeds most small businesses.* The size and resources available to some of these monopolies far outweighs that of a single, small businessperson.

3. *Monopolies compete unfairly with independent retailers.* These monopolies can begin and operate other businesses by using management, planning, accounting, legal help, and other resources subsidized by the public using the service.

4. *The monopolies can trade on their name recognition in the marketplace.* Undoubtedly, this is a great way to

THIS REPRESENTS AN ABOUT-FACE FOR THE CABLE INDUSTRY, WHICH ONCE THOUGHT THAT VCRS AND VIDEO TAPE RENTALS WORKED AGAINST INCREASING CABLE PENETRATION.

gain customers for their new products and services.

5. *Customer bill paying records provide no-cost credit information.* It's then an easy matter of qualifying customers for the new products and services being offered.

6. *Postage, mailing, and personnel costs are already being paid by the ratepayers.* Adding charges for new business activities to the bill produces very little additional expense for these companies.

7. *Utilities in many states are able to pass along their advertising costs to their utility customers.* There are many opportunities to piggy-back advertising for new products and services onto advertising for utility services.

8. *Utility and cable monopolies have built-in and up-to-date mailing lists from their monthly billing.* This alone would cost the independent retailer substantial sums to create.

9. *Information collected on utility customers can be used for marketing their other products and services.* Fuel and utility usage can help companies gauge where to direct their more substantial marketing efforts.

Hearings were held on the issue last year before the House Subcommittee on Antitrust and Restraint of Trade Activities Affecting Small Business. Dennis Lavalley documented his charges against the utilities at the hearing.

In response, Thomas Morron, vice-president of customer services and marketing for the Edison Electric Institute, maintained that the entry of utilities into other commerce areas was actually good for small business. Morron argued that in certain areas this competition with small businesses would increase the overall demand that could be shared by all concerned. He further asserted that local regulators had sufficient authority to ensure that utility customers did not end up paying for non-utility business activities. He did concede,

however, that the utilities have a big edge in marketing.

Fred Williams and Timothy Muris, both officials at the Federal Trade Commission, expressed concern over the cross subsidization issue at the hearing. They argued that utilities had certain built-in cost saving advantages that would allow them to save money when offering new, albeit energy-related, products and services. Muris flatly stated that a utility could drive from the market even a well-managed independent that did not have access to similar cost savings advantages.

Cable Maneuvers

Particularly threatening to rental dealers is the cable TV industry's entry into the TV and VCR retail market. Jones InterCable Company is one of the largest cable chains in the country. Last year in three of its markets, Jones InterCable tried a new plan designed to expand the company into the consumer electronics retail business.

THE ENTRY OF MONOPOLIES INTO THE RETAIL BUSINESS IS A VITAL ISSUE FOR RENTAL DEALERS AND IS NOT ONE THAT WILL JUST QUIETLY GO AWAY.

The three markets were Jefferson County, Colorado; Oxnard, California; and Cedarburg/Grafton and Waupuca, Wisconsin. For the monthly rate of \$44.95, Jones offered customers basic cable service, Home Box Office, Cinemax, American Movie Classics and a GE model #6010 VCR. Customers could, of course, buy different parts of the cable package without taking the VCR. Oddly, however, customers could not get American Movie Classics without committing to the VCR. The entire package required a two-year commitment, after which the customer became the owner of the VCR. The VCR was priced for outright sale in the cable TV outlet for \$399.

Retailers in Wisconsin markets complained quickly and loudly to their local townships and municipalities. All three towns had charters allowing Jones to do business within their jurisdictions in exchange for a

negotiated percentage of gross revenues.

One township, Grafton, ruled after considerable public debate that the sale or rental of VCRs violated the town's charter with the cable company. It was a fairly close question, since the local ordinance stated merely that the company could not sell TV receivers. The city attorney recommended that the town council interpret the local ordinance to include VCRs.

Late last fall, Jones InterCable reported that during the two-month test period, it sold 389 VCRs in those markets involved in the cable service/VCR deal. InterCable reported that \$25 of the \$44.95 monthly charge went to Jones for cable service and about \$20 went to General Electric Credit Corporation, presumably to

Jones InterCable also reported that one percent of the 75,000 homes serviced by the company in these market areas applied for the package. Approximately one-half of those who applied passed an internal credit check to qualify for the program. The offer was a fixed two-year program, not a no obligation month-to-month program of the sort used by most TV and appliance rental dealers and most cable companies for basic cable service. InterCable reported that it was pleased with the results of the test and planned on offering VCRs on a stand-alone basis in fourteen additional markets by the first of 1986.

The company reported that its profit margin on the VCRs was equal to its profit from a year's basic cable subscription. In Oxnard, a retail cable store operated by Jones reported sales of twenty VCRs per month compared to five by a neighboring retail outlet. Jones also reported that the initial trial program did not require any capital outlay nor any increase in full-time employees.

Glen Jones, InterCable president and CEO, has indicated the company is interested in seeking opportunities in other consumer electronics product areas, including antennas, videocassettes, and home satellite (TVRO) equipment.

It is not just one cable company experimenting with the retail concept. CableVision, based in Orlando, Florida, is in the VCR and tape rental business in a big way. They have opened their own CableVision retail outlet giving discounts to cable subscribers on tape and VCR rentals.

THE REGULATORY BODIES
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In Southern California, cable operators are renting VCRs, selling TVs, and distributing bumper stickers that say, "My VCR Loves Cable." In Scottsdale, Arizona, United Cable has experimented with a program that provides cable subscribers with a free VCR hookup when the customer adds HBO/Cinemax to the basic cable service. For \$3.95, the company offers a second converter to allow simultaneous taping and viewing of cable offerings.

During the summer of 1985, Comcast Cable Communications Company in Meridian, Mississippi opened a video rental store called Video To Go. The company reports considerable initial success with the venture. Brian Roberts, vice-president of Comcast, has announced plans to follow up with new stores in other Comcast Cable markets, particularly in Michigan and New Jersey. Opening the store was in part a response to poor sales recently in cable services. Comcast hopes the store will ultimately mean more cable subscribers through increased awareness of TV movies. This represents an about-face for the cable industry which once thought that VCRs and video tape rentals worked against increasing cable penetration.

The store initially tried some hardware but without much success. Currently the store stocks in excess of 1500 movie titles. Comcast reports the store does \$20,000 to \$30,000 a month in rental revenues, which translates into an increase of \$1.75 per month per cable subscriber.

Retail Response

"The TV and VCR giveaways by cable companies are occurring in various parts of the country," says Wallace Harrison, director of communications for the National Electronics Sales and Service Dealers Association (NESDA). "It's not happening

everywhere because some cable people are not interested in getting into this type of business, and some local areas still have prohibitions on it. However, there is a definite trend developing."

Harrison notes that it is not illegal for the cable companies to do the giveaways, but NESDA is trying to create a law that will make it illegal. "We're not opposing this on a competitive standpoint because businesspeople thrive on competition," he says. "We want fair competition though."

General Electric has developed a marketing plan aimed directly at cable TV companies called the Cable-Consumer Profit Connection. It is headed by Rick Freedman, manager of GE's consumer electronics/cable marketing division.

PARTICULARLY
THREATENING TO RENTAL
DEALERS IS THE CABLE TV
INDUSTRY'S ENTRY INTO
THE TV AND VCR RETAIL
MARKET.

GE is offering cable operators "a complete line of Consumer Electronics Products, including VCRs, which naturally complement and enhance...cable services," according to promotional material produced by the company. GE offers nationwide company-owned distribution; GECC inventory financing for cable operators; GECAF consumer financing for cable subscribers; product and sales training; nationwide product service; national advertising; and access to GE's 24-hour consumer telephone assistance. In short, everything a cable operator would need to set up a successful retail operation.

Retailers are afforded some protections. Many statutes and ordinances prohibit these companies from dealing in the market with goods and services other than utility or cable service. In other words, government officials saw the danger of allowing these companies to compete in an unrestricted fashion in other areas.

However, there are problems with some of these statutes. Many of the cable franchise ordinances do not prevent cable operators from selling, leasing, or servicing all consumer electronics. Many merely prevent the

cable companies from selling "televisions and television receivers." This will likely be the source of considerable litigation to determine if such language excludes cable companies from entering the VCR or earth satellite station businesses. Clearly they can get into the video tape business without falling within this language.

Where the language is more inclusive, cable companies have been quietly attempting to get the language modified to allow them to expand their businesses. Such attempts have been made in Florida and in Virginia. In Phoenix, the cable charter was amended to allow the local cable company to sell and service televisions.

Mississippi retail dealers have organized to take on the giant Mississippi Power Company, which has been in the appliance business for over sixty years. At a press conference held in late 1985, state senator Tommy Gollott of Biloxi, Spence Dye, executive director of the Mississippi Retail Association, and Mike Espy, head of the state attorney general's consumer division, all expressed concern over the power company's apparent attempt to be more aggressive in the appliance marketplace. The newly organized group vowed to fight what it considers to be unfair competition by the utility. The group fears the utility is making plans to move beyond the appliance business into heating, air conditioning, and even financing.

Counter Moves

At the January CES Show in Las Vegas, representatives from the National Electronics Service Dealers Association (NESDA), the National Appliance Retail Dealers Association (NARDA), the California State Electronics Association (CSRA); and the Association of Progressive Rental Organizations (APRO) met to discuss unfair competition by utilities and cable companies. These groups, all of whom represent small businesspeople, assembled informally under the banner of Associations United Against Unfair Competition. NESDA organized the meeting to solicit opinions and to discuss the possibility of joining together to combat what appears to be a common problem.

The group generally agreed that lobbying success was more likely at the state and local level, rather than the federal level due to the expense

JONES INTERCABLE REPORTED THAT DURING THE TWO-MONTH TEST PERIOD, IT SOLD 389 VCRS IN THOSE MARKETS INVOLVED IN THE CABLE SERVICE/VCR DEAL.

involved in creating a favorable political climate. In fact, the Virginia Retail Merchants Association recently has been successful in amending state law to ensure that Virginia cable companies could not sell or service TVs. Other participants mentioned that the FCC has jurisdiction over cable companies and that some solutions might be attempted before that regulatory body. The group has agreed to meet again in April in Chicago to discuss a unified strategy.

The entry of monopolies into the retail business is a vital issue for rental dealers and is not one that will just quietly go away.

"The cable companies are well-oiled machines and their lawyers are ca-

pable of convincing government officials to alter legislation in the cable industry's favor," says Wallace Harrison. "We are currently undertaking a letter-writing campaign to reopen hearings and amend the recently passed federal Cable Communications Act to prohibit the giveaways. The bill favors the cable companies and we feel the House of Representatives committees did not allow sufficient input on the bill before it was passed. So far the committees have turned a deaf ear on our pleas."

Harrison notes that the two representatives involved happen to be recipients of large financial contributions from the cable industry.

Rental dealers who believe their business is being affected by cable company discounts and giveaways should contact APRO with their concerns. Perhaps if voices are raised loudly enough, this threat to consumer electronics retailers and rental dealers can be nipped in the bud. **PR**

Edward L. Winn III is general counsel of APRO. David Morgan Jones is Managing Editor of PROGRESSIVE RENTALS.

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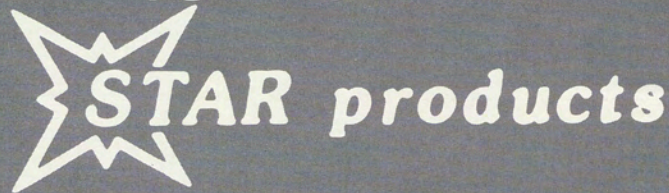
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FURNITURE RENTALS

continued from page 9

the manufacture of chairs will contribute to longer product life.

Individual Rentals. Items rented individually include bunk beds, sleeper couches, and recliners.

If a customer wants to rent only a coffee table, or a chair from a grouping, such rental may be more trouble to the dealer than it is worth. "We do not like to break up a group," says Jim Brown, vice-president of ABC Rentals in Wichita, Kansas. "It makes the remaining items much more difficult to rent." Brown suggests that most customers want to rent a complete group, and are not interested in, for instance, just a sofa and one end table.

Dealers whose customers do have an interest in partial groups may have trouble keeping track of all the pieces out on rent. Computerization by category of customer accounts and of items on rent can alleviate this confusion. Each piece can be assigned a tracking number, the number is marked on a hidden surface of the piece, and when it is rented, the number is recorded and tracked by computer for inventory.

Examples of by-the-piece rentals include a nightstand for \$14 a month, a chest of drawers for \$19, and a coffee table and two end tables for \$27 per month.

The Suppliers

Several companies have seized the opportunity to supply the rent-to-own dealers who have added furniture to their product mix. As more dealers add furniture, the competition to supply them heats up.

PROGRESSIVE RENTALS interviewed a number of furniture suppliers to get their impressions of this growing product category in rent-to-own.

AMERICAN FURNITURE RESOURCES

Curtis Beavers
President

Although American Furniture Resources (AFR) has only been in existence since January 1985, its president, Curtis Beavers, has been involved with rental-purchase furniture since 1982 when he helped develop furniture programs for two major rental companies.

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"Rent-to-own dealers are accustomed to very quick turnaround from appliance and electronics distributors," says Beavers, "and they want the same gratification in furniture. We have concentrated on developing a different program for rental, providing dealers with quality furniture in a short turnaround time."

Beavers says AFR has conducted research into rental's need for durable goods and up-to-date styles, and is basing its new program on a set of policies and procedures designed with these needs in mind.

AFR represents thirteen manufacturers and offers upholstered living

room furniture, occasional tables, pine and metal dinettes, brass and glass dinettes, and bedroom furniture. Depending on the dealer's preference, AFR can invoice shipments as groups or as individual pieces.

"We have good furniture that the customer will want to keep," says Beavers. "The most expensive group we offer sells equally as well in terms of units as the least expensive, yet the least expensive has a 40 percent keep rate and the most expensive has a 90 to 95 percent keep rate."

Commitment to the rent-to-own furniture market is evident with most suppliers in their respective dealer

support programs. AFR provides point of purchase materials; photo enlargements of furniture groups that can be displayed with a chair, table, and lamp to give dealers with limited floor space the ability to maximize their rental potential; construction spec sheets; and care and cleaning tips.

Beavers notes that 40 percent of all sales is in upholstered living room furniture. "The role of furniture in rent-to-own is embryonic right now," he concludes. "I think there is potentially a much broader customer base in the industry for furniture than there is for appliances and brown goods."

ASSOCIATED FURNITURE DISTRIBUTORS

Bud Varas
President

"Initially, I saw rent-to-own advertising on local TV," says Bud Varas, president of Associated Furniture Distributors (AFD), a group of twenty-one distributors. "I noticed that they flashed a 'We Rent Furniture' logo, and that sparked my interest. Then I found out about an APRO Furniture Seminar and Exhibit and five of our members attended."

Varas reports some of his members have done "very well" with rent-to-own although others involved with AFD report it is a small part of their business. AFD members have not yet modified structural or design areas of any of their products for the rental industry for this reason.

"I have worked hard to get our distributors to go after the rent-to-own furniture market," comments Varas. "I fully believe that the rent-to-own industry is a big market for furniture. Rental dealers, however, have to become as educated about furniture as they are about brown and white goods."

FRAENKEL WHOLESALE FURNITURE

Mike Herschman
Vice-president

"We've been working with rent-to-own for five years now," says Mike Herschman, vice-president of Fraenkel Wholesale Furniture. "We got involved with dealers in Mississippi and Louisiana and they led us into it. Now we service approximately fourteen states in the South and Southeast."

Herschman notes that Fraenkel's business with rental-purchase has in-

creased steadily over the past five years and it continues to do so. Fraenkel's own facilities manufacture upholstered living room furniture and mattress sets. The gamut of home furnishings from other manufacturers are distributed through Fraenkel. The firm represents approximately 100 manufacturers.

Rent-to-own sales constitute approximately 20 percent of Fraenkel's business. The firm employs twenty-four sales representatives and delivers merchandise on its own trucks. Fraenkel provides point of purchase materials and other sales aids, circu-

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continued page 36



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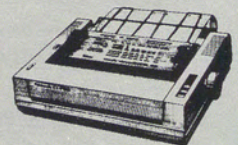
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Herschman says living room groups and dinettes are most popular with rental-purchase dealers. In addition to furniture, Fraenkel sells a water-based soil repellent for upholstery.

"The role of furniture in rent-to-own is superlative," Herschman comments. "Members of the rent-to-own industry have come to realize the profits to be reaped from furniture rentals."

JOHNSTON-TOMBIGBEE FURNITURE

Art Heath

Vice-president of Contract Sales

"We've only been working with rent-to-own for two years," says Art Heath, vice-president of contract sales for Johnston-Tombigbee, a manufacturer of bedroom furnishings. "We exhibited at the 1985 APRO convention for the first time. Our main purpose was to see what we could do for the industry and the groups we showed were a bit expensive for rental dealers. As a result, we are developing two groups of less expensive bedroom furniture, which we feel will be more suitable to the rental industry."

Johnston-Tombigbee is currently taking on a limited volume of business with rent-to-own, but Heath is positive about his firm's future with the industry. "Rent-to-own is not completely furniture oriented yet," he comments, "but most dealers are interested in eventually getting into it. We want to produce a product that dealers will buy and their customers will want to keep."

Johnston-Tombigbee promotes its merchandise through a network of sales representatives, as well as through several distributors. Dealers are provided with a catalog and a cooperative advertising allowance. "Rent-to-own furniture is definitely a great idea," Heath concludes, "considering the way people are moving around the country. Rental furniture is going to be a growing industry."

R. H. KYLE FURNITURE CO.

John Wells, Jr.

Vice-president of Advertising and Sales

"We entered the rental-purchase market in the fall of 1984," comments John Wells, Jr., vice-president of advertising and sales for R. H. Kyle Furniture. "We do not have a lot of rental dealers in our area, but busi-

WATERBEDS MAKE WAVES

Virtually every dealer who rents furniture offers conventional mattress and box spring beds, but a number of dealers are going one step further and renting waterbeds as well.

There are two types of waterbeds currently available from manufacturers and distributors. First is the traditional hard-side, or "bladder" bed, which consists of a wood frame and a vinyl bag filled with water (usually from an outdoor garden hose). The second, and newer type, is soft-side bed construction of vinyl tubes that are filled with water and positioned inside a standard-sized mattress casing.

According to some distributors and dealers, the soft-side variety may just bring waterbeds into the mainstream of rent-to-own furniture.

"We sell mainly soft-side waterbeds to rental dealers," says Joe Ringer of Philip M. Bell Company, a furniture distributor. "These beds have several advantages over the hard-sides. They allow customers to use linens they already own, they will mount to existing headboards, and most importantly, they are very mobile. A rental dealer can pick up and deliver the tube beds in no more time than any other product."

Philip Bell sells waterbeds to approximately twenty rental dealers, and on the average an individual dealer will purchase fifteen waterbeds monthly. The distributor also sells hard-sides, but they only account for 2 percent of total sales.

"Wholesale," says Ringer, "waterbeds range in price from \$220 to \$300 each, for either style, although soft-sides are on the higher end of this range. Rental dealers definitely prefer the soft-side. One problem with hard-sides is that they can only be put up and taken apart a few times before the entire frame must be replaced. This obviously is not good for rental and I don't advise that rental dealers carry these beds."

Mr. sTve's Rentals in Fayetteville, Indiana has been renting waterbeds since September 1985, and primarily offers soft-side beds. "Waterbeds, particularly soft-sides, were a hot item when we got them," says Robert Cadwallader, assets manager for Mr. sTve's. "We were ordering them by the hundreds and had approximately 300 on rent by the middle of November. Then at the end of December, when people started cutting back on their expenses because of Christmas, the waterbeds began pouring back in. They were the first thing to go for many customers.

"We like the waterbeds and the business they generate though," he continues, "and we plan to start waterbeds up again in May, when we will be keying our advertising campaigns toward them."

Mr. sTve's rents hard- and soft-side waterbeds for \$49 a month (including headboard), and customers assume ownership in fifteen months. The company began renting waterbeds because their buyer suggested it and customers were constantly requesting them. Although both types of beds can be punctured, Cadwallader reports that they have had few problems with damages. He is also a big fan of the soft-side beds.

"With the hard-side, the bladder has to be filled at the customer's home," he notes, "but with the soft-side we fill the tubes and put chlorine pellets in at the store. Delivery personnel then carry the tubes over their shoulders, two at a time, to and from the truck."

Surprisingly, Cadwallader has found that hard-side beds have stayed out on rent, while the others have been returned. He believes one reason might be that a higher-end, higher class, customer chooses the hard-side because they are well-versed on the product and know what they want before coming into the store.

Overall, waterbed rental has some application for rent-to-own but it should be test marketed in your area before taking the big plunge. Popularity of the beds may be seasonal, and hard-side beds may be too unwieldy for profitable rental. However, with the advent of the soft-side beds, the industry may soon witness more and more dealers catching the latest wave in bedding.

ness has been good and I feel it will become even better."

Kyle distributes living room, dining room, bedroom, and kitchen furniture, and represents approximately 200 manufacturers. Wells estimates that 3 to 5 percent of Kyle's total sales is represented by the rent-to-own business. Kyle provides dealers with a custom-imprinted wall easel, picturing Kyle products, along with catalogs, circulars, and brochures.

Living room furniture is most popular among Kyle's rent-to-own clients. Because fabric is often treated with a soil repellent at the mill, Kyle does not apply a repellent to its upholstery. Wells recommends that dealers wishing to treat fabrics use a silicone based protector.

"We help dealers set up their stores and decorate them, and we have radio spots designed for rental-purchase," says Wells. "Given the right product, furniture will be very good for rent-to-own."

LEFORT WHOLESALE FURNITURE

Mike LeFort
President

Mike Lefort, president of distributor Lefort Wholesale Furniture, says, "We got involved in rent-to-own about three years ago. A customer of ours added rent-to-own and that's how we got started. We've only been in business for four years, and our involvement with rental tripled our sales. We would have had some growth anyway, but now we really concentrate on rent-to-own."

Lefort distributes all types of furniture — bedroom, living room, formal dining room, dinettes, tables, bunk beds, bars, and recliners. The company represents twenty-five manufacturers. Lines have been upgraded, resulting in a product that is more durable.

Lefort notes that rent-to-own accounts for 50 percent of his sales volume. The firm's products are sold through a national team of sales representatives, and dealers purchasing through Lefort are provided with color catalogs, price lists, a toll free number to the company, and color circulars. Upholstered living room and den products are Lefort's most popular rental items, and the company has an oil-based soil repellent available for dealers who wish to purchase it.

"We most definitely see our busi-

ness with rent-to-own increasing in the next five years or so," says Lefort. "Right now the typical rental store has about 15 to 20 percent of its BOR in furniture. I see that growing significantly in the coming years."

LEWIS AND ASSOCIATES

Neil Lewis
President

"We became involved with the rent-to-own industry nearly ten years ago," says Neil Lewis, president of Lewis and Associates, a manufacturers' representative for Goldmont

Furniture and other manufacturers. "A retail furniture customer of ours entered the rental business with TVs and white goods. When he added furniture, we began supplying his rental furniture, too. We got into rental head over heels because we saw the future in it. And it's been good to us."

Lewis' dealings with rental-purchase have soared, and his firm now sells to rental dealers in all corners of the nation. The company sells fully upholstered living rooms, wood den groups, dinettes, bunk beds, bars,

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fabric protectors, lamps, televisions, VCRs and stereos. Lewis notes that while den groups were once most popular among rental dealers, fully upholstered living room groups have now assumed the top position. As he worked with rental, Lewis recognized a need for a line of furniture developed to withstand the wear and tear of repeated rental. Goldmont Furniture was willing to adapt its line to such a purpose.

"We pretty much developed Goldmont's line," Lewis says, "not only the items that are offered, but the way they are manufactured for rental. Everything we sell is built so that a part can be taken off and replaced, just like electronics or white goods."

Merchandise is sold by eight sales representatives across the country, and Lewis estimates that 60 to 70 percent of his total sales are to rent-to-own. The company provides point of purchase materials and ad slicks to dealers. Company personnel are available to visit rental stores to train employees in sales techniques, as well as care and repair of the products.

Lewis believes that rental-purchase furniture is probably stronger now than many realize. "Current rental-purchase data shows furniture in the 'other' category, holding 5 to 10 percent of total business," he says, "and that may be true since many dealers still do not carry furniture. For many of our customers, 'however, furniture currently comprises 40 to 45 percent of their total business.'"

SALES POINT

Raymond Steele
President

"Three or four years ago we sold a line of exposed wood furniture to ColorTyme," notes Raymond Steele, president of Sales Point, "and they in turn got us involved in the rent-to-own market."

Steel says Sales Point is taking its involvement in rent-to-own seriously, and as a result the company has instituted several manufacturing procedures to make its living room furniture more suitable for rental. Sales Point uses corner blocking in furniture construction to lengthen the product's rental lifespan. They have also established a replacement cushion cost that allows dealers to order new sofa cushions without purchasing an entirely new piece of furniture. The spring mechanism in Sales Point's sofas has been strengthened to add longer life.

"We have two factories," says Steele. "In one factory, which produces fully upholstered furniture, about 15 percent of our sales are to rental-purchase. In the other, which produces casual, family room furniture, about 30 percent of sales are to the rental industry." Steele notes that exposed-wood family room furniture is most popular with his rental customers.

THE ROLE OF FURNITURE IN RENT-TO-OWN IS SUPERLATIVE. MEMBERS OF THE RENT-TO-OWN INDUSTRY HAVE COME TO REALIZE THE PROFITS TO BE REAPED FROM FURNITURE RENTALS.

"Furniture in rent-to-own is a good idea," he says. "Once a customer is renting a TV and a stereo from a dealer there is nothing for him to move onto unless he rents furniture. It's a natural evolution."

STAR PRODUCTS

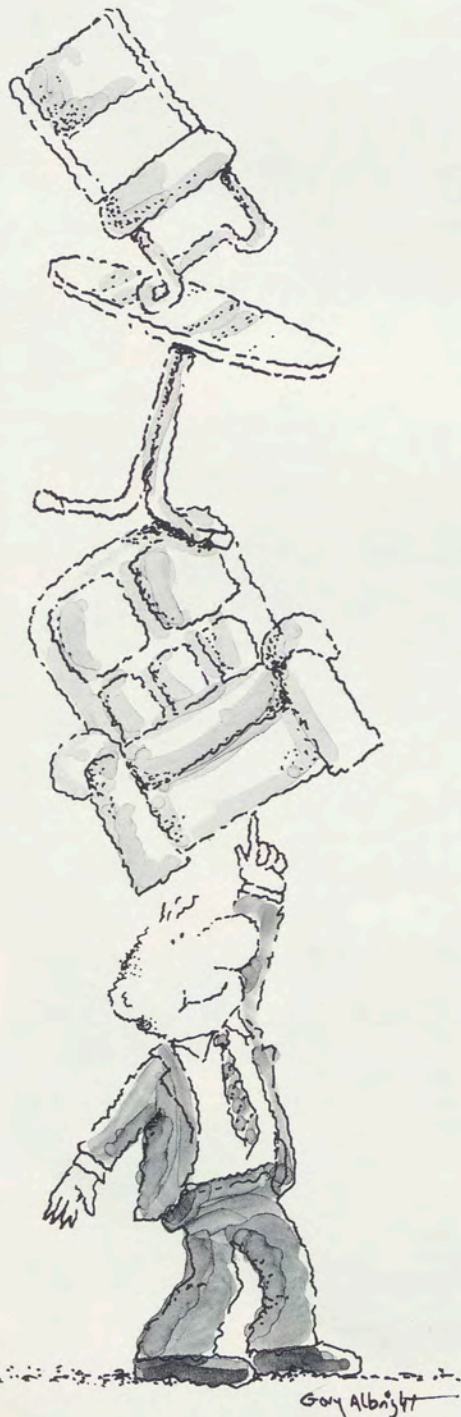
Richard Dickson
Vice-president

"We made our first association with rent-to-own through our regular furniture trade mart in Dallas, about six years ago," says Richard Dickson, vice-president of Star Products. "Since then we have intensified our product line to fit the rental industry's basic needs in quality, durability, and price point. Last year, the percentage of our total sales to rental was about 40 percent."

Star is a distributor of all household furniture, and represents four major rental furniture manufacturers. The company also owns two factories, one manufacturing bedroom groups and the other manufacturing bedroom and living room furniture.

Dickson notes that Star's six-piece wood living room group is most popular among dealers. The company does not use soil repellents on its upholstery products, but Star has incorporated stain-proof plastic tops into its wood bedroom furniture for rent-to-own. The company also carries an unbreakable plastic lamp.

Star provides catalogs to rental dealers and the company also has a videotape of its line available to deal-



ers. Star will arrange for other materials dealers may need on an individual basis.

"The competition in the rental industry is setting the standard," comments Dickson, "but having been on the supply side of the furniture business for quite some time, I'd say rent-to-own is a very integral part of the business. By and large, rent-to-own has replaced the low-end credit retailer, and furniture is a very profitable item for rental."

STUART-SENTRY FURNITURE

Larry Phillips
National Accounts Manager

"We learned about rent-to-own from conversations with Broyhill Furniture Rentals," comments Larry Phillips, national account manager for Stuart-Sentry Furniture. "Our first APRO Convention showing was two years ago in Las Vegas, and there we realized the potential of rent-to-own furniture."

Stuart-Sentry manufactures several lines of upholstered furniture, including sofas, loveseats, chairs, and sleeper-couches. The furniture is made of hardwood frames and cushions are constructed from high-density foam. The company recently purchased Stylecraft, a manufacturer of rockers, recliners, and swivel chairs. Phillips notes that because Stuart-Sentry offers a variety of lines, at four distinct price levels, the company has not made any modifications to its products for rent-to-own.

Phillips notes that Stuart-Sentry's biggest problem in selling to the rental industry is the small size of many dealers' orders. "For example," he says, "we have a minimum shipment of forty-eight living room suites. Rental dealers often want shipments of one or two suites, therefore most of our rental sales are through distributors. We are currently trying to figure out how to deal with this so we can make more direct sales."

Stuart-Sentry provides dealers with photos of their merchandise. The photos can be used by dealers who do not have ample floor space to show customers all the furniture items available to them.

"Furniture in rent-to-own is absolutely going to grow," concludes Phillips. "Even dealers who do not have enough showroom space are currently finding tremendous success with furniture."

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TRIB

Mac McCullar
President

"The Rental Industry Buying Group (TRIB) has been involved in the furniture rental segment of rent-to-own for about a year," notes Mac McCullar, president of TRIB, a buying group of rental dealers. McCullar indicates that members of his group have become increasingly interested in furniture rental.

TRIB offers its members a variety of furniture including upholstered and wood living room groups; wood, glass, and brass dinettes; bunk beds; and bedroom groups. "TRIB assures its members quality furniture that will withstand rental's wear and tear," says McCullar. "For instance, in dinettes we offer a high-gauge metal, and we require that dinettes with

vinyl coverings have a reinforced vinyl backing. We require that upholstered goods be made of materials that will hold up at least two years. We will not accept any foam goods that do not have at least a 1.5 density foam, and we test this periodically to make sure it is the quality we need. Low-density foam will 'pancake' and deteriorate.

"We require that all our vendors supply us with photos and fabric swatches," McCullar says. "As for quality, we have reviewed the suppliers and picked out the best furniture frames and married the best fabrics with them, so we buy a product that is almost assured to move off the floor rapidly."

TRIB works with approximately twenty manufacturers and McCullar says the best moving furniture prod-

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uct is a toss-up between bunk beds and dinettes, with living room groups running second. TRIB held its semi-annual meeting and trade show in March in Atlanta. Six furniture suppliers exhibited, showing a range of products. Dealers indicated interest in new dinette designs and the upholstered living room pieces.

"There are pros and cons to furniture rental," he comments, "but most assuredly it is going to get bigger. It depends on how you merchandise and how you buy. The trick is to buy quality furniture for a reasonable price. That takes experience, and if you don't know furniture, get tied in with someone who does. Otherwise, you may buy a piece of furniture that looks very expensive and six months later it's a piece of junk."

FURNITURE, AS A GROUP,
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KEEPING PAST CUSTOMERS
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The Dealers

Furniture wouldn't be the hot property it is in rental without the interest and support of dealers across the United States. Furniture requires a commitment to investing time, money, extra floor space, and a willingness to adjust old work habits. Additional delivery, sales, and administrative employees may have to be hired and larger trucks may be necessary. Dealers must also prepare themselves for furniture's unique repair problems.

It's becoming easier to locate APRO member-dealers who have made the commitment to furniture. Their experiences provide valuable information so that dealers without furniture can evaluate this product area. Here dealers tell of their involvement and experiences in renting furniture.

QUALITY RENTALS

Dennis Palmquist
Owner

"We added furniture to our inventory in November 1983," says Dennis Palmquist, owner of six Quality Rentals stores in Austin, Texas. "I have purchased about \$275,000 in furniture and it's just now beginning to pay off. People are purchasing the furniture now."

Palmquist estimates that 25 to 30 percent of his total BOR is in furniture, and that 80 percent of the pieces are rented to term.

"Renting furniture was a way to add about 35 percent more to my business," he notes. "Offering furniture provided an immediate add-on item for our current rental customers. Without advertising to get new customers for furniture rental, we immediately rented furniture to approximately 30 percent of our existing customer base at the time."

To get started in furniture rental, Palmquist consulted his long-time friend, Jim Brown of ABC Rentals in Wichita, Kansas. "As far as I know," he says, "Jim's been in rent-to-own furniture longer than anyone in the country. He showed me who to buy it from and how to display it."

Palmquist notes that adding furniture does require changes in the existing rental store. "It costs more money because you must have a larger showroom," he says, "and larger trucks to haul the furniture. Of course, larger trucks require more gasoline. However, if I didn't rent furniture, I'd be losing about 500 customers on rent. So, I'd say furniture rental is very important to my business success."

ABC RENTALS OF WICHITA

Jim Brown
Vice-president

"We added furniture around 1970," says Jim Brown, vice-president of three ABC Rentals stores in Wichita, Kansas. "We didn't feel like we could get enough accounts in our market with TVs and appliances only, so furniture was a good way to broaden our business."

Brown started out with one piece at a time, such as a living room or bedroom suite that for every piece he rented, he would then purchase another one. "We did not make a large initial investment," Brown says. "But we've got to have our furniture now because this market just wouldn't support our three stores without it. In 1976, we tried to go without the furniture for about six months, but we got right back into it."

Brown reports that furniture comprises at least 20 percent of his BOR, and that 50 percent is rented to term.

"Having furniture does make changes in your business," Brown says. "It increases your overhead. You need more floor space, more warehouse space, and it affects your service department because someone must be hired who can repair furniture. You may also need to hire extra store personnel to handle furniture accounts."

MRS. T's RENTAL

Norma Conant
Manager

"We added furniture in September 1984," says Norma Conant, manager of a Mrs. T's store in Central Village, Connecticut, and sister of owner Betty Coolidge. "We decided to rent furniture because our customers were asking for it."

Conant reports that home furnishings account for 10 percent of Mrs. T's total BOR, and she estimates that 75 percent of all furniture rented stays out to term.

Mrs. T's rents living room groups, dinettes, bunk beds, and bedroom groups. Furniture is rented by a group rate only. For instance, a customer wishing to rent just a sofa and chair will pay the same rate as if he were renting a sofa, two chairs, two end tables, and a coffee table.

Conant notes that adding furniture did not have much impact on store operations. "We already had enough warehouse space for it and we were ready to buy new vans anyway, but when we did, we purchased vans with longer beds. The popularity of furniture is growing," concludes Conant, "and the investment in it was definitely worth it."

The Customer

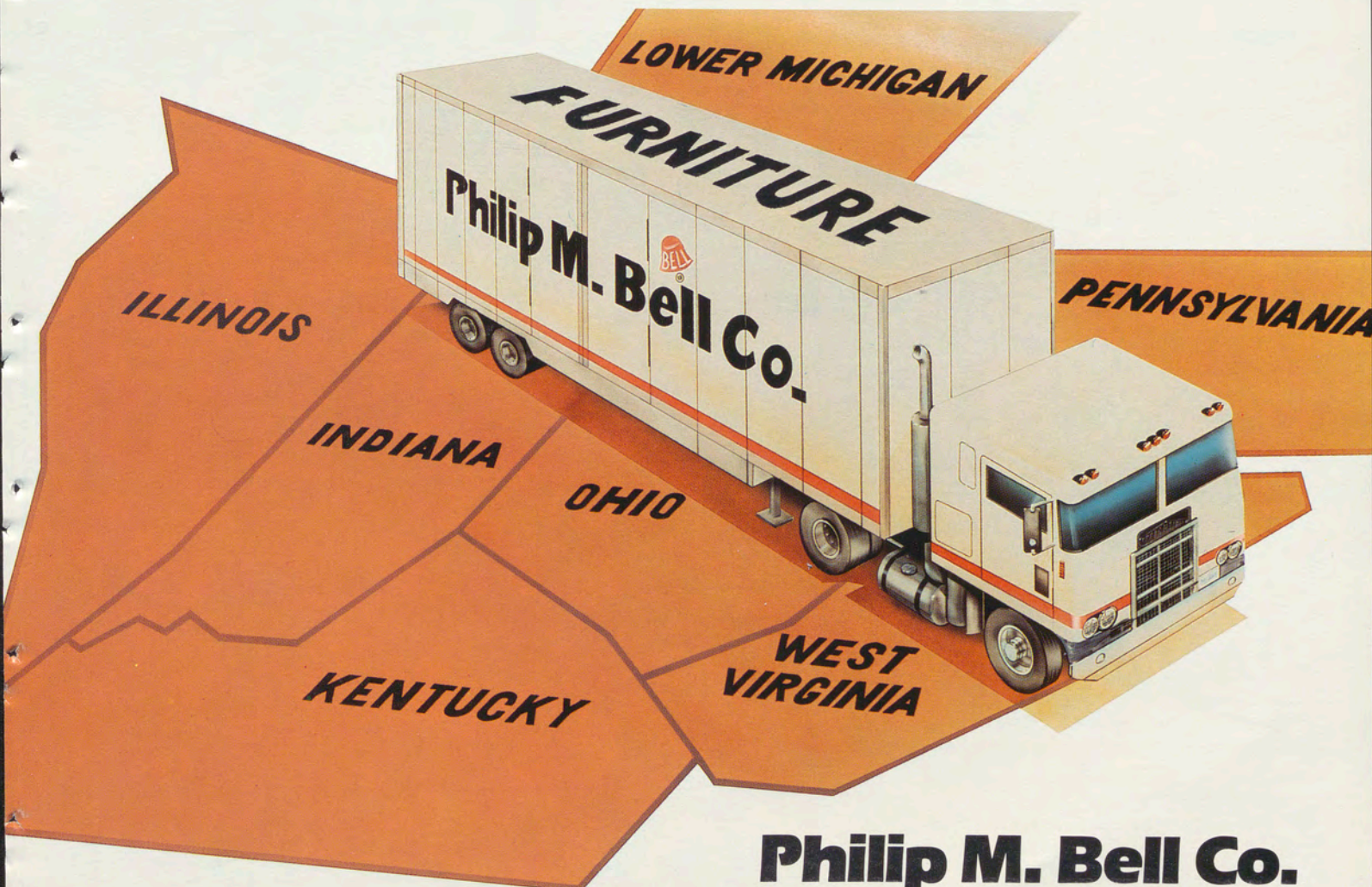
"The typical furniture rental customer is someone who's living when they walk in the door," jests Dennis

continued page 42

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Palmquist. "There really is no one particular type or group renting furniture; they're not just blue-collar workers or just professionals either. I would say that married people with and without children, more so than single people, are the big furniture rental customers."

Norma Conant agrees that the average furniture rental customer is hard to pin down.

"I couldn't put a label on our customers," she says. "All types of people rent furniture. There are customers on welfare, customers who will only be in the area a short time, and middle-class people with families and jobs." All the customers have one thing in common: the desire to have quality merchandise on a payment plan that easily fits into their lifestyle and budget. Whether they know they won't be in the area long and simply don't want to lug furniture around, or they have other uses for their credit, furniture renting is an across the board phenomenon.

Trials and Tribulations

As with any rental product, furniture rental is not without its troubles. One area of concern for dealers is the competition from established rent-to-rent furniture companies.

"Anybody who thinks the rent-to-rent companies are not competition is incorrect," says Dennis Palmquist. "They rent for a cheaper price than rent-to-own. One advantage we have is that we don't require customers to keep the furniture for a minimum of four months like they do. Most people will keep it for four months anyway, but they don't want to be tied down to it. If more rent-to-own people advertise furniture correctly, I think it will have an effect on the rent-to-rent outlets."

An informal survey of three Austin, Texas rent-to-rent furniture companies shows monthly rental rates for a living room group that includes a couch, loveseat, coffee table, and two end tables running \$31 to \$50 monthly. These rates do not include delivery costs, which average \$50, and security deposits that average one month's rent.

Palmquist lists several other problems that arise with rent-to-own furniture. (See the April 1985 issue of PROGRESSIVE RENTALS for an in-depth discussion of problems associated with furniture rental and how to

Who's Who in Furniture

Furniture is moving rapidly onto many rent-to-own showroom floors and just as rapidly moving into customers' homes. The following list of companies represent manufacturers and distributors that work with rental-purchase.

A & M Furniture
P.O. Box 1796
Maryville, TN 37802
(615) 982-5958
Pine dinette sets

AGL Supply
2551 Lombardy, Suite 160
Dallas, TX 75220
(214) 956-9991
Waterbed furniture

Acorn Products
Highway 31 South
P.O. Box 1369
Hartselle, AL 35640
(205) 773-6563
Manufacturers of dining room, dinettes, family/living room sets, bunk beds

American Furniture Resources
P.O. Box 47605
Atlanta, GA 30362
(800) 334-0848
Manufacturer's rep.

Artmaster Studios
47 Library St.
San Fernando, CA 91340
(818) 365-7188
Furniture/paintings

Ashley Furniture
350 Madison St.
Arcadia, WI 54612
(608) 323-3377
Living room, bedroom furniture

Associated Furniture Distributors
#2 Crescent Pl.
Greenville, SC 29605
(803) 235-3232
Distributor

Astro Lounger
P.O. Box 336
Houlka, MS 38850
(601) 568-3385
Recliners, sofas, ottomans

Atlantic Cabinet
Interstate Park, Box 100
Williamsport, MD 21795
(301) 223-8900
Cabinets

Bagby Furniture
Exeter & Fleet Sts.
Baltimore, MD 21202
(301) 727-6880
Living room, bedroom, family room furniture, dinettes, occasional tables

Bassett
P.O. Box 626
Bassett, VA 24055
(703) 629-7511
Living room, bedroom, dining room furniture

Philip M. Bell
6131 Interstate Circle
Cincinnati, OH 45242
(513) 489-7700
Upholstered living room furniture, dinettes, end tables, waterbeds, office furniture

Bevis Custom Tables
P.O. Box 2280
Florence, AL 35630
(205) 766-6497
Tables, chairs

Biggers, Patterson & Garrett
56 Park Lake St.
Orlando, FL 32803
(305) 422-2481
Advertising agency

Bozof Dinettes
6235 S. Cockrum
P.O. Box 806
Olive Branch, MS 38654
(901) 775-1410
Dinettes

Braden's Wholesale Furniture
1335 Western Ave.
Knoxville, TN 37921
(615) 523-4115
Distributor

Braeside Plastics
1020 Rollins Rd.
Round Lake Heights, IL 60073
312-740-0900
Acrylic tables

Bretford Manufacturing
9715 Soreng Ave.
Schiller Park, IL 60176
(312) 678-2545
Audio/video furniture

British Design Group
8200 Capwell Drive
Oakland, CA 94621
(415) 569-0801
Office, computer furniture

Brown Distributing
2700 South 600 West
P.O. Box 25727
Salt Lake City, UT 84125
(801) 972-3277
Distributor

J. E. Bunn
P.O. Box 16487
Chattanooga, TN 37416
(615) 624-5792
Distributor

Bush Industries
312 Fair Oak St.
Little Valley, NY 14755
(716) 938-9101
Video and audio furniture, microwave carts, computer tables

C & W Cabinet Works
P.O. Box 414
Buena Vista, GA 31803
(912) 649-2965
Dinettes, sofas, chairs, loveseats

CV Industries
1228 Oakland Ave.
P.O. Box 5564
Greensboro, NC 27403
(919) 272-1141
Distributor

Case Manufacturing
2601 Greengate Dr.
Greensboro, NC 27406
(919) 272-1133
TV, VCR, and stereo tables; microwave stands

Charleswood Furniture
P.O. Box 346
Wright City, MO 63390
(314) 745-3351
K-D furniture

Chicago Speaker Stand
4701 W. Armitage Ave.
Chicago, IL 60639
(312) 745-5500
Stereo speaker stands

Cooke Manufacturing
P.O. Box 4230
Cleveland, TN 37311
(615) 476-5536
Living room suites

Danat Industries
P.O. Box 686
Theodore, AL 36590
(205) 653-6300
Bedroom, case goods

Dean Wilkerson & Assoc.
P.O. Box 1338
Florence, AL 35630
(800) 633-3362
Living rooms, bedrooms, dinettes

Deco Trunk
P.O. Box 1598
Greenville, TX 75401
(214) 454-6881
Decorator trunks

DLK Accoustical Products
1405 Mendota Heights Rd.
St. Paul, MN 55120
(612) 454-7727
Audio cabinets

Dixieland Manufacturing
Rt. 3, Box 61
Houston, MS 38851
(800) 523-4661
Living rooms, bedrooms, dining rooms

Douglas Furniture
4000 Freeman Blvd.
Redondo Beach, CA 90278
(213) 643-7200
Dinettes

Duramatt Systems
4905 W. Jefferson Blvd.
Los Angeles, CA 90016
(213) 559-3765
Mattress covers

Eads Brothers Furniture
410-16 Garrison Ave.
P.O. Box 1546
Ft. Smith, AR 72902
(501) 783-6142
Distributors of home furnishings

Economy Furniture
P.O. Box 9788
Austin, TX 78766
(512) 836-0111
Sofas, loveseats, coffee, and end tables

Elkay Products
35 Brown Ave.
Springfield, NJ 07081
(201) 376-7550
Moving van pads, straps and ties, hand trucks, truck ramps, and other moving accessories

Enterprise Distributors
72 Bridge St.
Westbrook, ME 04092
(207) 854-8455
Distributors of bedroom bedding, recliners, rockers

F. A. Hulett & Son
P.O. Box 248
Meridian, MS 39301
(601) 483-4202
Living room, bedroom, dining room furniture

Fab-U-Gard
P.O. Box 39430
Phoenix, AZ 85069
(602) 944-8862
Fabric protection

Fiber Seal
10755 Sanden Dr.
Dallas, TX 75238
(214) 349-8374
Fabric protection

Forbes Brothers
2201 E. Castor Ave.
Philadelphia, PA 19134
(215) 743-6000
Lamps

Foremost Furniture
1000 First Ave. South
Seattle, WA 98134
(206) 682-1440
K-D Furniture

Fournier Accessory Furnishings
7301 32nd Ave., North
Minneapolis, MN 55427
(612) 593-0300
K-D audio/video, computer furniture, microwave stands

Fraenkel Wholesale**Furniture**

P.O. Box 15385
Baton Rouge, LA 70895
(504) 275-8111

Living room, bedroom,
dining room, outdoor fur-
niture, wall units

Furniture Concepts Int.

1A Colony Rd.
Jersey City, NJ 07305
(201) 432-5800

Audio/video/electronics
furniture

Furniture Dist. of**Birmingham**

2120 5th Ave. S
Birmingham, AL 35233
(205) 322-7413

Living room, bedroom
furniture, recliners, ta-
bles, waterbeds, dinettes

Gerber Industries

#1 Gerber Industrial Dr.
P.O. Box 600
St. Peters, MO 63376
(314) 278-5710

Microwave carts, TV
stands, shelves, replace-
ment parts —
spindles, legs, etc.

Gusdorf

11440 Lackland
St. Louis, MO 63146
(800) 325-3622
Computer, audio/video
furniture

Hart's Furniture

P.O. Drawer G
Collierville, TN 38017
(901) 853-8595
Coffee tables, bedrooms

Hatley Distributing

P.O. Box 1546
Ft. Worth, TX 76101
(817) 534-1796

Bedrooms, living rooms,
occasional tables

Higdon Furniture

P.O. Box 978
Quincy, FL 32351
(904) 627-7564
Bedrooms

High Point Furniture Ind.

P.O. Box 2063
High Point, NC 27621
(919) 431-7101
Office furniture

Home Line Furniture Ind.

3400 N. 6th St.
Philadelphia, PA 19140
(215) 425-6200
Distributors

Howard Katchen Furniture

3801 Mariposa St.
Denver, CO 80211
(303) 433-7195
Manufacturer's rep.

Indiana Wood Specialty

315 S. 1st St.
Effingham, IL 62401
(217) 347-7701
Coffee/end tables,
TV carts, bookcases

Instant Interiors

2925 28th St. SE
Grand Rapids, MI 49508
616-942-7721
Upholstered furniture,
wood tables

J. P. Awalt

208 N. Market St.
Dallas, TX 75202
(214) 742-7751
Manufacturer's rep.

Johnston-Tombigbee Furni-**ture Mfg.**

P.O. Box 2128
Columbus, MS 39704
(601) 328-1685
Bedrooms

Knickerbocker Guild

565 Johnson Ave.
New York, NY 11237
718-456-2100
TV carts

L & B Wood Specialties

11000 Seymour
Franklin Park, IL 60131
(312) 671-9000
K-D electronics cabinets

Lawrin Lamp

P.O. Box 728
Kosciusko, MS 39090
(601) 289-1711
Lamps

Lazaris Office Seating

Mfg.
6052 Ferguson Dr.
Los Angeles, CA 90022
(213) 725-1133
Occasional seating, tables

LeFort Wholesale Furniture

3070-A Olympic Industrial
Smyrna, GA 30080
404-352-8600
Living rooms, bedrooms,
dining rooms

Lehigh

P.O. Box 640
Marianna, FL 32446
904-526-2811
Bedrooms

Lewis & Associates/**Goldmont**

P.O. Box 2190
Woodville, TX 75979
(409) 283-8177
Living rooms, dinettes,
lamps, TVs, stereos

Major Lab Manufacturing-**Wehsco**

4408 N. Sewell St.
Oklahoma City, OK 73118
(405) 524-2281
Metal collapsible baby cribs

Mar-Kel Lighting

P.O. Box 190
Paris, TN 38242
(901) 642-7190
Lamps

McFlem Furniture Mfg.

200 W. 138th St.
Los Angeles, CA 90061
213-532-3262
Upholstered living room
furniture

McGregor Rents Furniture

2911 Market St.
Pascagoula, MS 39567
(601) 762-6400
Manufacturer's rep.

Mersman Tables

500 Wayne St.
Box 200
Celina, OH 45822
(419) 586-2351
Occasional furniture

Mohawk Finishing**Products**

Route 30 North
Amsterdam, NY 12010
(518) 843-1380
Stains, varnishes, lacquers

Nashville Chair

P.O. Box 22939
Nashville, TN 37202
(615) 255-1165
Living rooms, dining
rooms, bedrooms

Nehring's Furniture

301 E. 5th Ave.
Olympia, WA 98501
(206) 352-4823
Home and office
furnishings

O'Sullivan Industries

19th & Gulf Sts.
Lamar, MO 64759
(417) 682-3322
Computer, audio/video
furniture, wall units

Ocilla Industries

1743 Johnson Rd.
Atlanta, GA 30306
(404) 874-1004
Living rooms, dining rooms

Penfield Manufacturing

1710 N. Salina St.
Syracuse, NY 13208
(315) 471-7145
Full line home furnishings,
bedding

Perma-Fab

3790 Realty
Dallas, TX 75244
(214) 241-2105
Fabric protection products

Phillips Mills

300 S. Main St.
High Point, NC 27261
(919) 882-3301
Upholstery fabrics

Poole Furniture

P.O. Box 487
Russellville, AL 35653
(601) 844-4220
Family room groups, bunk
beds, dinettes

Postcraft

625 W. Rillito St.
Tucson, AZ 85705
(602) 624-2531
Furniture accessories

Pulaski Furniture

205 5th St. NE
Pulaski, VA 24301
(703) 980-7330
Bedroom, occasional
furniture

R.H. Kyle Furniture

1352 Hansford St.
P.O. Box 793
Charleston, WV 25301
(304) 346-0671
Full line home furnishings

Rachlin Furniture

P.O. Box 240
Winnsboro, SC 29180
(803) 635-5531
Casual dining room,
occasional tables, rattan
furniture, bar
stools, commercial office
chairs

The Rack Factory

P.O. Box 7331
San Antonio, TX 78207
(512) 277-7734
Videocassette tape racks,
tape storage fixtures

Raynor Marketing

40 Horton Ave.
Lynbrook, NY 11563
(800) 637-0005
Wooden desks, metal
desks, laminated desks
and chairs, metal storage
cabinets, bookshelves

Real Wood Manufacturing

834 W. 12th St.
Dallas, TX 75208
214-946-6499
Custom electronics
furniture

Rose Hill

P.O. Box 191
Okolona, MS 38860
(800) 647-6494
End tables, bookshelves,
coffee tables, corner units

Sales Point

1127 Forest Home Drive
Houston, TX 77077
(713) 497-0518
Living rooms

Schweiger Industries

116 W. Washington St.
Jefferson, WI 53549
(414) 674-2440
Upholstered furniture

Shelby Dinettes

P.O. Box 15674
Houston, TX 77220
(713) 676-0537
Dinettes

Stanton Industries

20495 S. W. Teton
Tualatin, OR 97062
(503) 692-0245
Upholstered furniture

Star Furniture Warehouse

1441 Metropolitan St.
Pittsburgh, PA 15233
(412) 231-2800
Distributor

Star Products

7015 Grand Blvd.
Houston, TX 77054
(713) 747-0341
Living rooms, bedrooms

Stoneville Furniture

P.O. Box 15
Stoneville, NC 27048
(919) 573-3751
Dining room sets, casual di-
nettes

Stuart/Sentry Furniture

P.O. Box 220
Asheboro, NC 27203
800-334-1250
Living rooms, bedrooms

Sunrise Video

13622 NE 20th, Suite F
Bellevue, WA 98005
(206) 641-1900
Audio/video cabinets

Sunshine Furniture

P.O. Box 978
Redbay, AL 35582
(800) 321-7387
Upholstered and wood
furniture

Swindal-Powell

7750 Phillips Hwy.
P.O. Box 17895
Jacksonville, FL 32245
(904) 739-0100
Living room, dining room,
bedroom furniture

Tara Handcrafts

115 Chatham St.
Sanford, NC 27330
(919) 774-6331
Furniture accessories

Texas Lamp Manufacturing

3419 E. Kiest Blvd.
Dallas, TX 75203
(214) 943-4663
Lamps

3 Star Manufacturing

P.O. Box 98
Lynn, AL 35575
(800) 633-4380
Wood bedroom groups

Town Creek Furniture

P.O. Box 181
Sherman, MS 38869
(601) 844-4331
Living room furniture

Ultra Care Products

P.O. Box 428
Ajax, Ontario,
Canada L1S 3C5
(800) 263-7790
Fabric protection

Victor Contempo

5037 W. Jefferson Blvd.
Los Angeles, CA 90016
(213) 733-7133
Racks, speaker stands

Walworth Woodcraft

840 Walworth Avenue
Walworth, WI 53184
(414) 275-6163
Wood POP displays,
computer furniture

Western Resources

1355 Market St., Space 582
San Francisco, CA 94103
(415) 863-1214
Laminated book cases,
TV carts, microwave carts

Windsor Art Products

9101 Perkins St.
Pico Rivera, CA 90660
(213) 723-6301
Mirrors, decorative wall art

Wood Design

Beechwood Ave.
French Lick, IN 47432
(812) 936-9977
Office furniture, desks,
credenzas, bookcases

Woodland Products

2000 W. 98th St.
Bloomington, MN 55431
(612) 888-7172
Acoustical sound
enclosures, audio/video
furniture, computer
tables

ZTI

121-135 15th St.
Brooklyn, NY 11215
(718) 788-5500
TV/VCR tables, microwave
oven tables, entertain-
ment centers



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.

overcome them.) "It's more difficult to maintain than anything else we carry," he notes. "For instance, if somebody sits down on a couch with a comb in his pocket and cuts the fabric, finding replacement fabric is just about an impossibility. Another problem is that manufacturers change furniture styles on a regular basis. The dealer often finds himself stuck with less desirable styles when the new styles come out."

Sometimes furniture is returned to the store in such poor condition that it cannot be re-rented, and dealers often give these items to charity, sell them at salvage value or, occasionally, throw them away.

Says Norma Conant, "We sell our unrentable furniture through word of mouth. We have a waiting list of people who have heard that we sell such furniture, and we call them when something comes in. Many people like to purchase these items for their lake houses and cottages."

Dealers have found that if they buy higher-quality, better constructed pieces then their durability problem decreases. Because furniture is a renter-intensive item, there will always be cleaning, delivery, and repair expenses involved. Dealers who are considering furniture should include these costs when planning their cost/profit analysis.

Looking Ahead

According to all projections, the customer base for furniture rental is growing. Corporations are increasingly providing rental furniture for their transient employee's apartments. And as credit becomes tighter, more families and individuals will become a part of the rent-to-own furniture market.

Furniture usually requires a large investment in product, store space, and delivery vehicles. It often takes several months to a few years to realize a return on this investment. The repair problems unique to furniture can be a difficulty; however, as more furniture suppliers catch on to rental-purchase and its particular needs, rent-to-own furniture should become easier to incorporate into existing inventories and increasingly popular among the rent-to-own dealer community. **PR**

READY TO JOIN?

CONTACT:

Susan Hinkley

Director of Membership



1866 InterFirst Tower

Austin, TX 78701

(512) 478-6521

Can your business wait one more day?

Shirley Greenly is assistant editor of PROGRESSIVE RENTALS.

CORPORATE MOVES



Ryan



Bierenkoven



Gray



Almond



Hanes



Gates

Remco announces the promotion of **Michael T. Ryan** to the position of senior vice-president of company operations. A Remco employee for over seven years, Ryan is now responsible for all operational activities of company-owned stores and will oversee the Human Resources and Training Departments.

Hitachi announces the appointment of **Irv Fulton** as vice-president of distribution—special markets. Fulton is now directly involved with Hitachi's efforts in the rent-to-own market and is based at the company's Compton, California, headquarters.

William J. Bierenkoven joins **Pilot Audio** as vice-president of marketing and sales. Bierenkoven comes to the newly created post after filling several positions with **General Electric**.

Stanley F. Gray is the new senior vice-president of the audio/video division of **NEC**. Gray's goals include strengthening brand image, reinforcing regional operations of the division, and improving the division's administrative functions.

Edward J. Pollock is the new national director, branch sales division, for **Whirlpool**. Pollock assumes responsibility for all sales branches of the company.

Rent-A-Center reports record revenues and earnings for the second quarter and for the first six-month period of its fiscal year ending January 31, 1986. The company also announced a three-for-two stock split in the form of a 40 percent stock dividend to holders of record on March 14, 1986.

Second quarter revenues reached \$34,509,000 and net earnings rose to \$2,243,000, increases of 62.9 percent and 45.5 percent respectively over the same period last year. Year-to-date revenues for the first six months climbed to \$63,988,000, a 65.3 per-

cent increase over the prior year, and net earnings increased 43.2 percent to \$3,609,000.

Rent-A-Center reports it has opened four additional company-owned stores bringing the total new store openings to 55 during the first half of 1986. The company now owns 192 stores, with franchisees operating a total of 59 stores.

First National Computer Rentals has opened a new computer rental and service center in the Post Oak Memorial Center in Houston. First National, a pioneer of the computer rental concept, chose Houston after test marketing indicated the city was ideally suited for renting computer systems.

Network Rental, based in Atlanta,

announces the addition of **Jimmy Almond** as vice-president of store operations. Almond joins the company after being a regional sales manager of nineteen stores for **CMC Stereo** and Atlanta general manager for **Curtis Mathes**.

Also at **Network**, **Derrick Hanes** has been promoted to junior vice-president of store operations. Hanes, a **Network Rental** employee for four years, has held the positions of manager, district manager, and regional manager for the company.

Walter E. (Bud) Gates joins **Rent-A-Center** as executive vice-president after eleven years with **PepsiCo**, including the last five years as executive vice-president of marketing for **Pizza Hut**. **PR**

MANUFACTURERS' NEWS

Network Rental and its twenty-seven stores made thousands of children happy this past Christmas by joining forces with the U.S. Marine Corps Reserve to provide toys for needy children. Perry McNeal, president of the Atlanta-based company, says that **Network's** stores served as collection points for the Toys for Tots effort. **Network** also donated 3,000 toys to the cause.

Zenith has introduced the first comprehensive user guide on videotape for VCR operation. The *Video Operating Guide* is a 45-minute tape explaining how to use two of **Zenith's** hi-fi VCRs. An onscreen host demonstrates detailed, hands-on instructions that supplements the traditional printed owner's manual. The innovative tape is included with Model #VR3100 and Model #VR3200.

Hitachi becomes the first Japanese company to produce VCRs in the United States this June when it finishes remodeling its production facilities at its TV plant in Anaheim, California. The \$1.5 million refurbishing will enable **Hitachi** to produce 100,000 VCRs per year at the Anaheim plant.

Pioneer has reorganized its U.S. audio and video marketing operations to meet the emerging AV combo market. The company consolidated its New Jersey **Pioneer Video** division with **Pioneer Electronics** in Long Beach, California. The new company, based in Long Beach, has a combined capital of \$86.5 million and will benefit from a unified marketing structure.

RCA products earned special recognition in five categories from *Video Magazine* as "Gear of the Year." Two VHS VCRs, the ProWonder camcorder, the Small Wonder video camera, and the Dimensia AV home entertainment center took top honors in the magazine's annual rating of electronics products.



Why You Should Rent Furniture

The question, "Why should the rent-to-own industry rent furniture?", is often asked these days. It is a question being asked by those considering the possibility of adding furniture, as well as those who are already renting furniture, but who are now reassessing their businesses.

There can be only one answer to the question, and it is the same answer that would be given if asked why rent TVs, stereos, VCRs, white goods or vacuum cleaners—profits, of course.

As businesses are begun and philosophies established on the direction the business will take, one begins to realize that approaches for achieving these philosophies may change, either out of desire or necessity. The rent-to-own industry is one such business that has seen its approach change over the years. The foundation of the business was renting TVs and stereos; then white goods came on the scene. With the development of the VCR, it was only natural that the rent-to-own industry would make them available to their customers.

In keeping with this progression, it follows that furniture rentals should be the next step. None of these endeavors changed the philosophy of the business—they are only additional approaches used to enhance the philosophy of renting quality merchandise with the option to own to those who otherwise could not afford the merchandise. Thus furniture rental is a logical step in meeting the daily needs of the customer without changing the philosophy of the industry.

As in any retail business, the most difficult task is to get the customer into the store. That is why thousands of dollars are spent annually on advertising. However, the rent-to-own

industry is unique in this regard. Customers are coming in weekly or monthly to make payments. The most valuable asset—the customer list—already exists. Therefore, in order to expand business, all that needs to be done is expand that list or simply sell that current customer list more or different merchandise. Having furniture on display can only serve to

AS SKILLS DEVELOP AND SALESPEOPLE LEARN MORE ABOUT DISPLAYING AND SELLING FURNITURE, THERE WILL BE A TREMENDOUS INCREASE IN THE ROLE FURNITURE PLAYS IN THE PROFITABILITY OF THIS INDUSTRY.

whet the customer's appetite for more rental items. How can he possibly refuse the opportunity to better his home with living room furniture or get bunk beds for the little boys' bedrooms in the same way he got his new TV?

After deciding to add furniture, the dealer's next concern is the scope of his furniture line. Should he have available only living room groups, or bedroom groups, or does he offer all that is necessary to furnish a home? Experience has shown that the dealer's competition will affect this decision.

With brown goods, it seems only logical that a customer renting a TV from one store should not have to go down the street to rent a VCR. The first store will carry a line of VCRs available to this customer to keep him satisfied. The point is: Make decisions easy for the customer and have

furniture available to him. As his needs change or grow, he knows that those needs will be met by your store.

In meeting a customer's total household needs, it is important to remember that he wants to rent affordable, appealing furniture that he will be proud of. The customer is less likely to shop around when you carry quality merchandise.

Now, most dealers handling furniture are going through a learning curve concerning ordering, inventorying, and maintaining and meeting price points. Problems will be encountered, but the problems that occur with furniture rental are, quite frankly, relatively simple. Cushions can be cleaned or replaced and wood can be refinished.

Others new to furniture have not yet developed adequate merchandising techniques. But as skills develop and salespeople learn more about displaying and selling furniture, there will be a tremendous increase in the role furniture plays in the profitability of this industry.

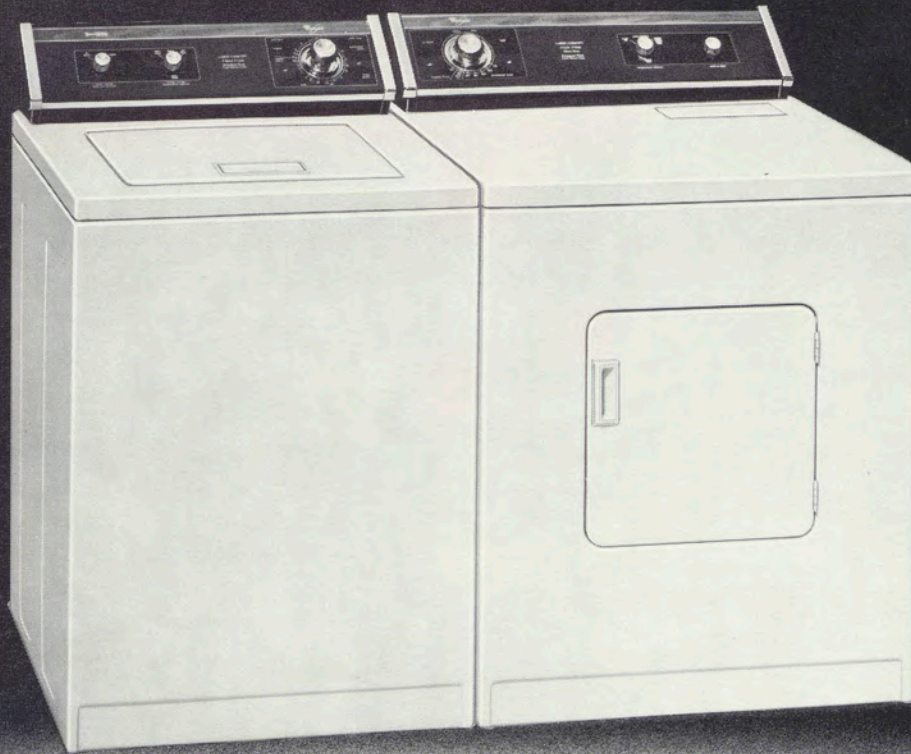
In order to be successful with furniture there are two critical points to consider: 1) have furniture of quality and style that the customer will be proud of, and 2) have the right price points. When these two areas are right, the biggest problems have been solved. The rest is just a matter of training salespeople how to handle the product.

Furniture rental will be a viable part of the rent-to-own industry for years to come and will continue to improve as owners and manufacturers work together to meet the consumer's needs.

PR

Dan R. Mathews is co-owner of Poole Manufacturing based in Russellville, Alabama.

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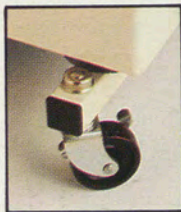
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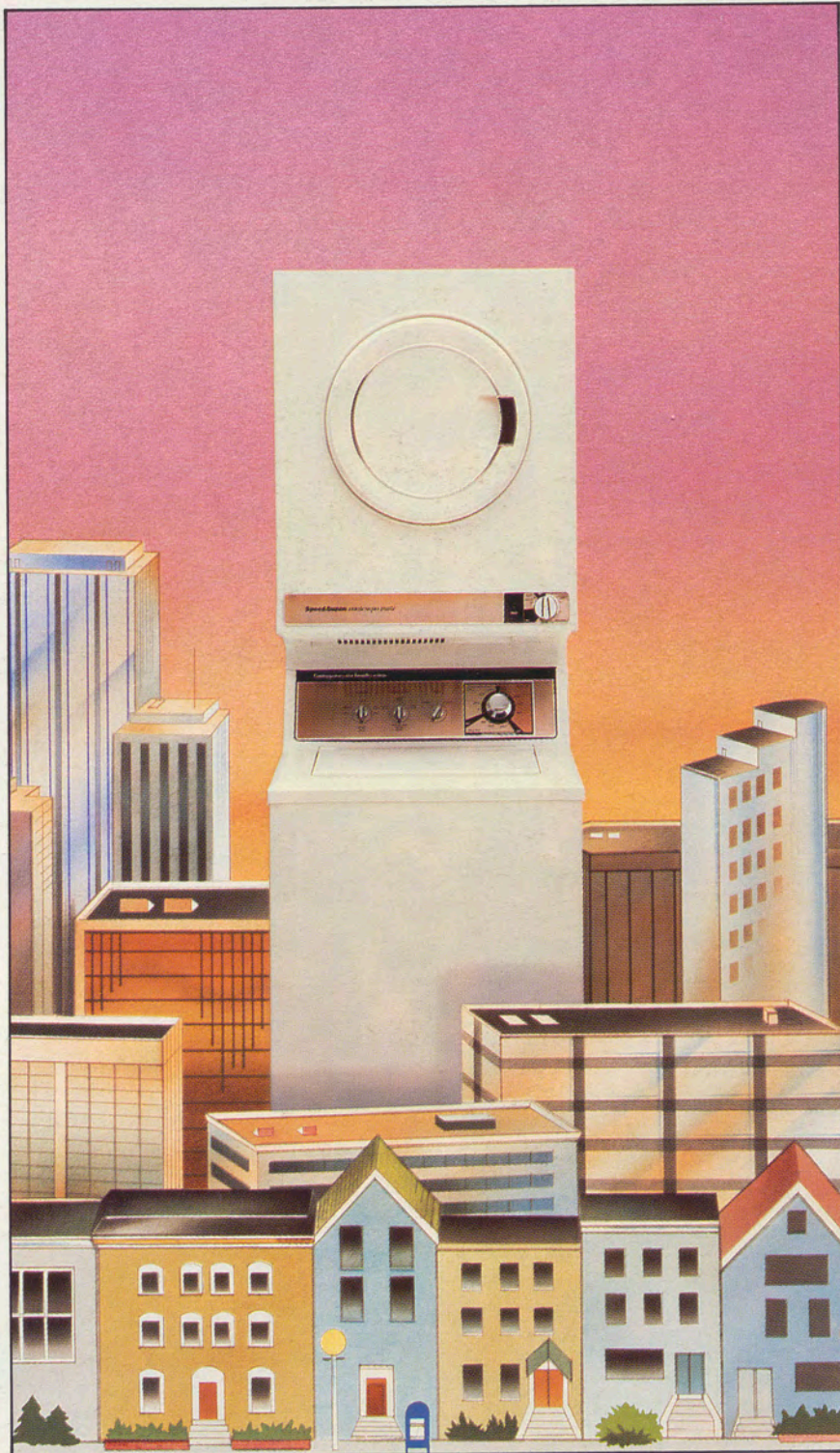
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