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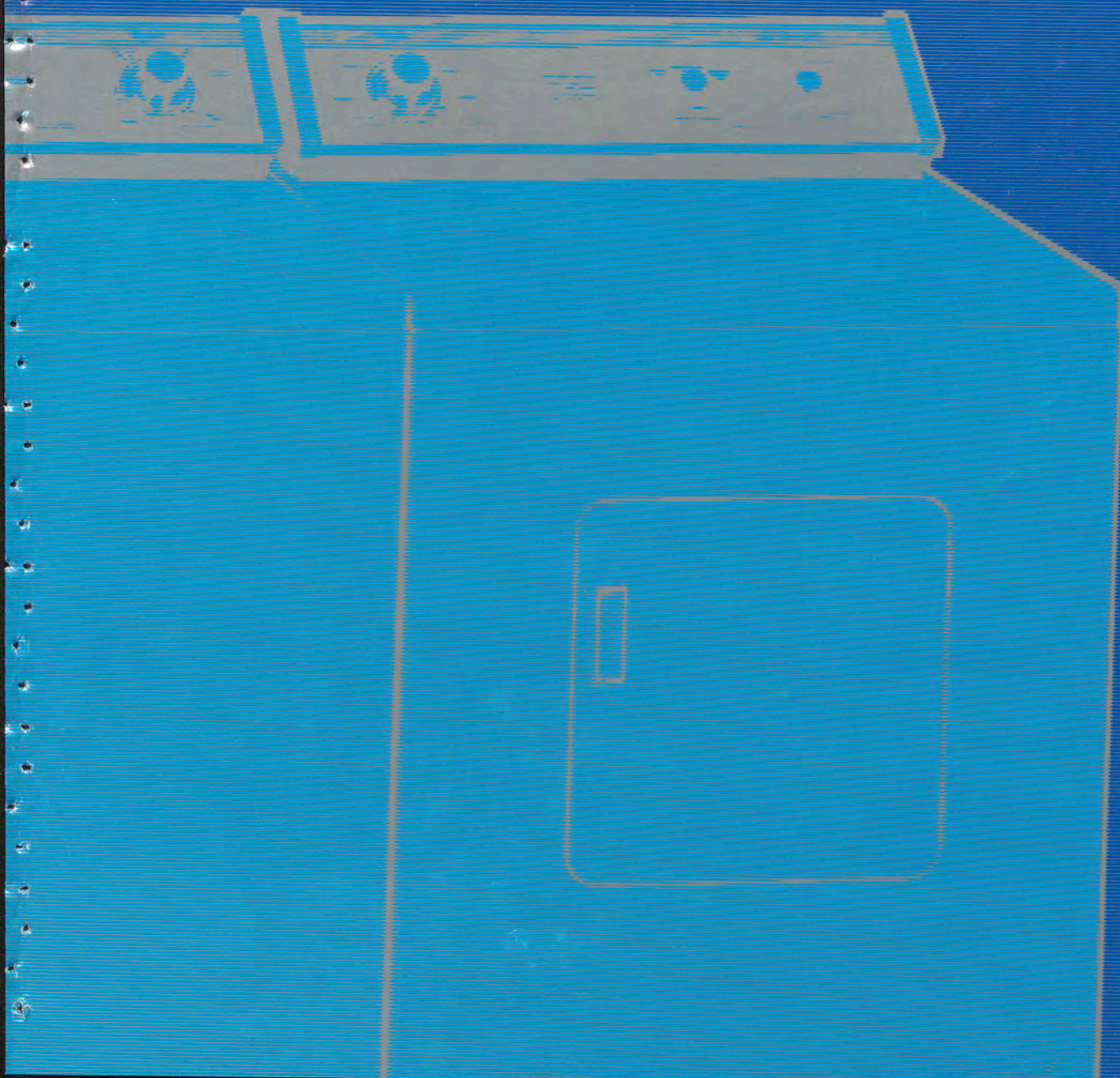
AUGUST 1986

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

Progressive Rentals

Appliances

Imagery Selling Works



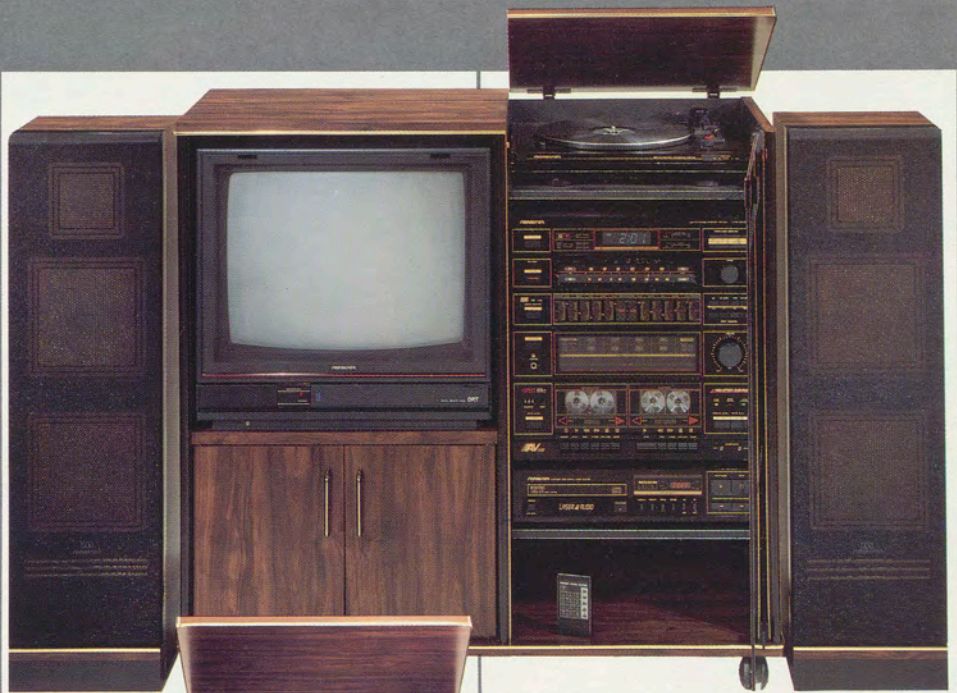
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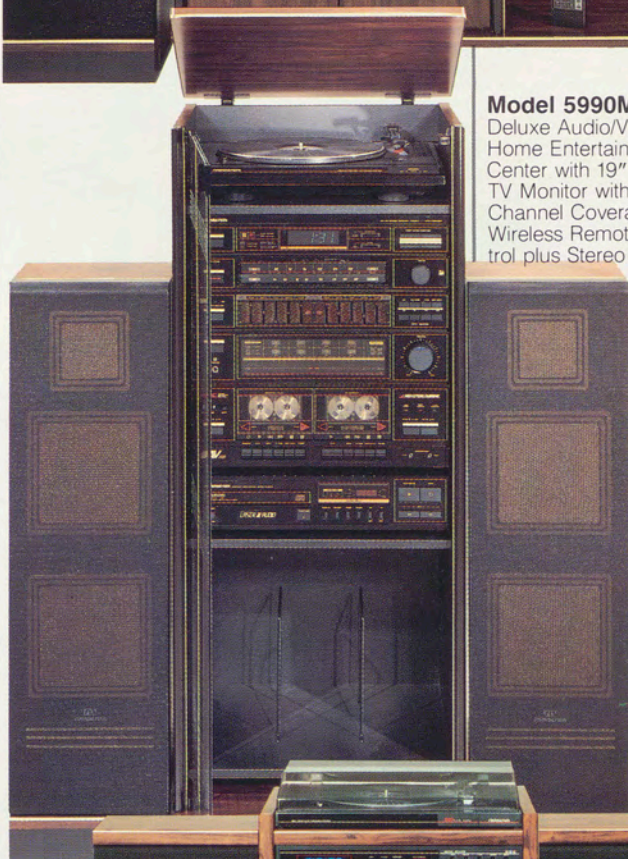
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THE EDITOR'S DESK

I originally planned an editorial to focus on the overwhelming success of the recent APRO convention in Las Vegas. The strength of commitment to APRO and the wellness of the industry was clearly evidenced by the suppliers and dealers on hand.

The APRO exhibit hall was a dazzler with outstanding supplier exhibits, roving musicians, popcorn machines and plenty of high energy emitted by attending dealers and suppliers alike. It felt good to be in the middle of it all. Every year the APRO show quality level rises to a new height. But I wasn't going to write about all that. See page 28 for all the play by play action of this year's truly special event.

In past editorials I have mentioned the entry of competing forces into the rent-to-own marketplace. Not the least of which includes the large and established equipment rental industry which is governed by the American Rental Association (ARA). The ARA is a fine organization which I have followed for several years now. They are, after all, also in the rental business and many applications of concepts overlap between our industries. Member dealers in ARA have been eyeing the rent-to-own business for some time now just as the retailers have. It was not until a year or two ago that anyone in the tool and equipment business actually tried renting a TV, stereo, or washer.

In a past issue of *Rental Age*, the official trade magazine of ARA, a cover story ran on a dealer who tried rent-to-own and made a go of it. Slowly, but surely, others have added brown and white goods to their existing rental inventories and found it to be a profitable undertaking.

This summer, and for the first time, suppliers to the rent-to-own business peddled their wares at the ARA Mid-Year Conference in Nashville. Furniture, TV, VCR, and video cassette suppliers were on hand for the event.

Occurrences such as these have always been, to my mind, eventualities. With the growing popularity of rent-to-own in consumer circles and the clear appetency dealers have for higher margins, rent-to-own is a natural diversification for these new entrants.

Periodically, APRO gets blamed by its own constituency for putting the competition into business. To which I routinely respond—competition is there whether or not we like it. We are predisposed to accepting that fact by virtue of our willing participation in a free enterprise society.

Good, friendly competition fosters commerce and keeps the integrity of our system of trade intact. To encourage otherwise is ultimately self-defeating. APRO has always encouraged good and forward-thinking business practices among its members. That principle has never been compromised despite the fact that some members have openly expressed their disdain at APRO for "spreading the good word about rent-to-own."

The acronym APRO stands for The Association of Progressive Rental Organizations. To have other industries, competing or otherwise, to perceive the rent-to-own community as a whole as paranoid and unwilling to accept the notion of competition is hardly progressive. And recently they have made note of that observation.

To wit, *Rental Equipment Register*, an independent trade magazine for the equipment rental industry, recently charged APRO as being *regressive* rather than *progressive*. With a few non sequiturs sprinkled about, the story was wholly misleading with regard to APRO purposes and code of ethics.

APRO received calls from members asking why they wrote what they did. It's an age old story, really. A new reporter gets a few facts and then writes what sounds good. Rent-to-own has had more than its fair share of bad press. But it rankles me to think someone out there thinks APRO is doing a bad job because our own wholesome goodness hasn't touched a few dealers out there. It hasn't stemmed from lack of effort.

There remain a persistent few within the rent-to-own community who adamantly believe APRO should and could push rent-to-own back under a rock and hope no one else will get into the business. APRO's job of validating the place of rent-to-own is only made more difficult.

You see, what some dealers think can be a reflection of the attitude of the entire industry vis à vis the industry's trade association. Some dealers think rent-to-own is getting too big and we should close the gates. By APRO openly disclosing that this was the attitude of some dealers in the rent-to-own industry, a magazine reporter chose to deal APRO a cheap shot. Why? Who knows.

Meanwhile, APRO continues its commitment to excellence in serving and representing the rent-to-own industry on all fronts and to promote and inspire public esteem of the rental industry among other industries and organizations.

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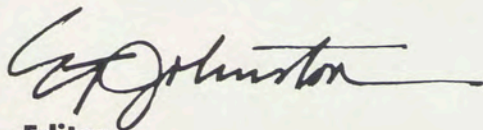
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—Editor

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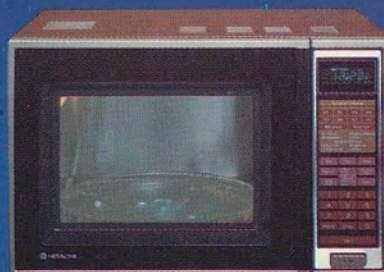


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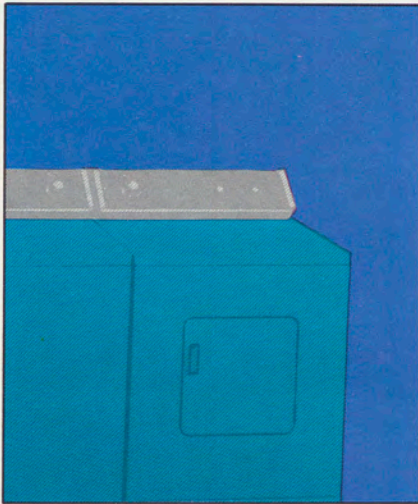
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ON THE COVER: Appliances are a major part of the rent-to-own industry. Our cover story on page 8 gives new insights to the special kind of sales effort they require, and our supplier listing on page 42 can give you a good head-start on where to find the merchandise you need.

COVER PHOTO BY:
Mask-O-Neg, Inc.

FEATURES

8 GETTING THE POINT ACROSS FOR APPLIANCES

The basic theories remain the same, but everyday practice differs in the selling of appliances. In our cover story, we bring you information on brand credibility, imagery sales, customer awareness, and warranty aspects involved with the special sales of your appliances that will help your customers and save you time and money.

20 THE GROWING SHAKEOUT OF RENT-TO-OWN

The rent-to-own industry is in the midst of what some call a major shakeout. Some dealers see this market contraction as a good time not to *sell* their stores, but to buy more and increase their share of a tight market. In this insightful story, we show that whatever course of action you choose, it must be supported with careful research and consideration.

38 IN DEFENSE OF RENT-TO-OWN

In this revealing article about the current state of the rent-to-own image, Gary Wilburn makes some observations about our customers, where the pressure from rent-to-own comes from, and what may be the answer to improving our image in the eyes of both the private and business communities.

42 WHO'S WHO IN THE APPLIANCE INDUSTRY

The need for appliances in rent-to-own is well established, in view of the fact that they generate 20 to 25 percent of the average rental store's revenues. Increase your knowledge of what suppliers have to offer by reviewing our current listing of appliance companies.

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Getting The Point Across for Rent-To-Own Appliances

Effective sales methods mean more appliances on rent.

There's a real need to get away from the "cookie cutter" theory in this business. Because of my experiences in both big cities and small towns, I know that all market places are not alike and these differences need to be addressed. The basic theories remain the same, but everyday practice differs. The industry needs both the under ten store owners and major companies like Rent-A-Center, Remco, and others. The large operation has great sums of money on the street and in personnel, and a key priority is keeping trained people. A refinement of personnel re-training with a "back to basics" approach for the big boys would diminish the "burnout" syndrome and decrease employee turnover. Emphasis for the smaller dealer should be on growth and in bringing totally untrained people up to par.

A rental operation without an aggressive appliance program, for example, is like a plate of pasta without a good sauce. And what works in Atlanta, Georgia may not in Marianna, Florida. There are four primary components in establishing a successful appliance rental program: brand credibility, imagery selling, customer awareness, and warranty.

Brand Credibility

The first primary component, brand credibility, is extremely important, and more so than for TV rental be-

cause appliance renters seem to be more brand-oriented. The key is to carry brands that will rent easily, meaning that the public must be familiar with them and have trust in them. Off-brands tend to make the customer wary, making the product harder to sell, and it is harder to convince customers that renting-to-own a washer and dryer is for them. In most market places, washers and dryers are the mainstay of the appliance rental business. Some state laws do not require apartments and houses to be furnished with refrigerators and/or stoves, which opens the doors for rent-to-own. Freezers are usually seasonal.

Appliance rental does not afford the profit that televisions, stereos, or furniture do, but they are a necessary item to be carried in a full-service rental operation. Barry Gambini, past-president of APRO, and founder of California-based RTO, Inc., calls white goods "a stepping stone." In 1981, Barry opened a 1250 square foot store in Concord, California, a very hi-tech area. He decided not to carry white goods and concentrate on top-of-the-line electronics. After one year, he realized the need to put appliances into that store as a loss leader and the store showed an almost immediate growth of 200 BOR.

Appliance rental sales are really no different from other sales. It's helping the customer make a decision to fill a need. Probably one of the big-

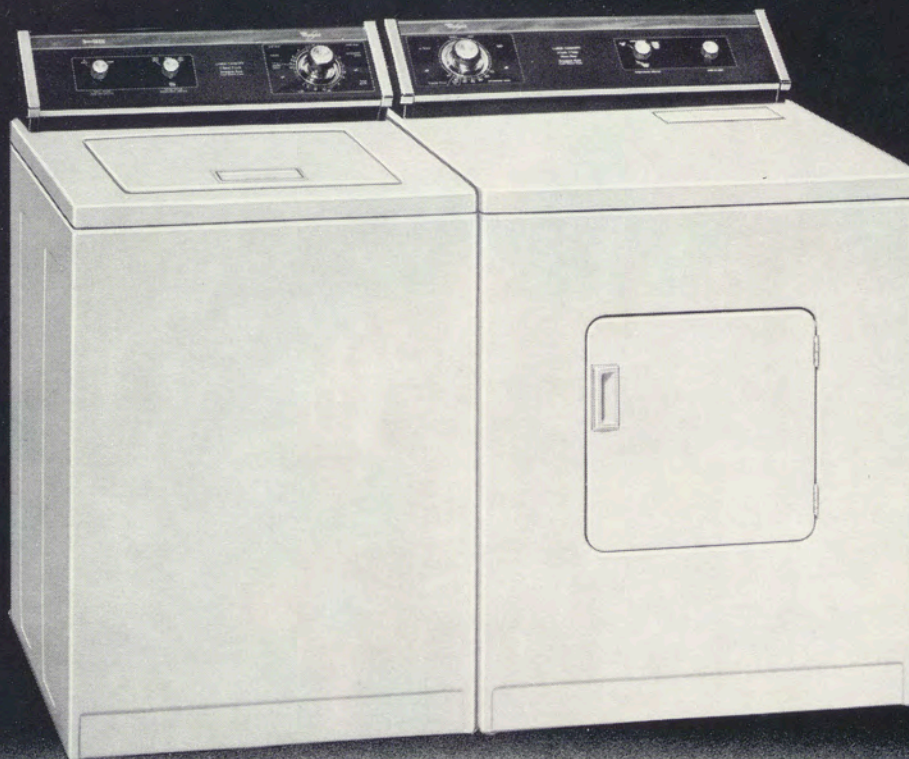
gest mistakes made is the belief that there is no selling necessary—the customer that calls or comes into the store is pre-sold and the only thing left to do is to take the order. The converse is probably more true. The person that is the hardest to sell and must be convinced of the product and the service you have to offer is the customer you want! That is the customer that will remain on your books and bring you money. The customer that requires no convincing and is anxious for you to take the order probably will not remain a customer for long.

Imagery Sales

The second component, imagery sales, is the key to an appliance rental program that raises your BOR and enhances your whole rental program. Some dealers use "A TV is a TV is a TV," but let's build a picture for that potential customer who calls in. We need to greet the customer with a smile in our voice. Always attempt to get the customer's name by introducing yourself early in any conversation, telephonic or on the floor. People like to hear their names. Be prepared to help a customer build that all-important mental picture. "Do you carry refrigerators?" "Yes Ma'am, we carry refrigerators, they rent for \$—

continued on page 40

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Gaining Access

Right of Privacy

The law, in the spirit applied by the courts, is very protective of this right of privacy. This is particularly true when the right of privacy is violated as part of a commercial transaction. Unfortunately, there is little sympathy for the loss a rental dealer suffers when customers refuse to return rented property. Opponents justify this attitude by claiming that rental dealers can obtain from a local court the authority to enter the premises to recover the property. Little regard is given by opponents that this legal process is time consuming, slow, and expensive.

And, there are other factors. It is often difficult to catch the customer at home when attempting to repossess property. Employees must make difficult judgments on gaining access based on the permission of another person, sometimes a child. It is recommended that a dealer never use the consent of a child under the age of eighteen for the purpose of gaining access to a customer's premises. As a practical matter, the best rule is to avoid using the consent of any person under the age of twenty-one to gain access to a customer's home. If the consent of a noncustomer is to be used, care must be taken to ensure that this person is at least a member of the customer's immediate family.

However, with children, their rights of access to a dwelling derive from their parent or guardian. Children have no rights of their own to occupy the premises. Consequently, they do not have the right to grant access to the premises to a stranger. Any access gained through the consent of a child can be construed as an unlawful entry. For that matter, if an adult neighbor happened to be at the customer's home when the store employee arrived, he has no right to grant access, either.

Unless the employee is dealing with

WHEN A CHILD IS HOME ALONE DURING A REPOSSESSION VISIT, THE EMPLOYEE IS PRESENTED WITH A CHOICE OF BALANCING LEGAL TECHNICALITIES AGAINST PRACTICAL NECESSITY.

the customer in his own home, there is no standard procedure to follow in these situations. The good judgment of the employee is the only protection a dealer has. The difficult cases are created when the employee relies on the consent of an adolescent or younger child. Such situations suggest abusive tactics, which excites the fury of legal aid lawyers and others who are so sympathetic to the plight of these delinquent customers.

Rental dealers often question if there is a minimum age at which a child can give rental employees permission to repossess company property. When a child is home alone during a repossession visit, the employee is presented with a choice of balancing legal technicalities against practical necessity. Understanding the legal background can help in making that choice.

Rental Contracts

When merchandise is rented to a customer, it continues to be the dealer's property. Rental contracts specify plainly that the customer acquires no equity or ownership interest when he renews the rental agreement.

Dealers do transfer ownership under certain circumstances, which are specified in rental contracts. A standard contract states that the customer has the right to continue to use the property as

long as rental payments are made. If not, the dealer has the right to possession of the property as a consequence of the weekly or monthly rental term expiring. It follows that if dealers have the right to possession, then dealers should take possession. But, the method of taking back the merchandise can be a source of problems.

A typical repossession involves a late-paying customer who grants permission to a store employee to enter his home and take the rental merchandise. It is this right of access that becomes the troublesome area, not the right of possession.

For example, if two adults share the same living quarters, one can permit access even though it involves repossessing property rented by the other adult. Here, a store employee has gained access permission from someone who has access rights himself to the premises.

These cases can spell trouble because they pose a sympathetic customer in conflict with a villainous creditor in a setting where there has clearly been a technical violation of the customer's right of privacy. It is of no interest to anyone that the customer has avoided contact with the store and is substantially in arrears in his payments.

Dealers can never be sure in these cases what consequence, if any, will result from using the consent of a child in the recovery of property. Dealers must recognize this situation as a hazardous one and caution employees to exhaust all other recovery possibilities before taking such a risk.

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

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Taking an Interest In Customers

Insightful rental dealers recognize that rather than being in the TV and appliance business, they are in the people business. To be sure, a particular brand of TV or appliance may get a customer into the store, but it is the service aspect of the business that will get that customer back in every week or month. A customer who does not like dealing with the rental company's personnel will simply quit doing so. Rental dealers are not pushing products on a one-time basis, like many retailers. Those who prosper in the rental trade have learned to establish and maintain a relationship with their customers, a relationship that can last for years, through several store products.

How can a dealer go about establishing and maintaining a continuing and, therefore, mutually profitable relationship with his customers? In the first place, by paying attention to the relationship. Dealers and store personnel at all levels have been establishing relationships with people all their lives. If the nature of the customer/employee relationship is different from family or social relationships, it is nonetheless a relationship between two people. That means each party has to pay attention to the other if the relationship is to survive. For the store employee, it means paying attention to what's on the customer's mind. This is an instinctive reaction in good store employees, but it also can be learned.

Many store employees are too caught up in their own personal affairs to be able to look outside themselves and pay attention to their customers. They are on the job, but they are worried about wives, or girlfriends, or husbands, or boyfriends, or cars, or bills, or where they are going Saturday night, or any

EMPLOYEES NEED TO UNDERSTAND THAT WHILE THEY ARE ON THE JOB, THE CUSTOMERS ARE THE MOST IMPORTANT THINGS IN THEIR LIVES. IF THEY CANNOT GET AND KEEP CUSTOMERS, THEY SOON WILL BE LOOKING FOR ANOTHER JOB.

of a host of other details of their private lives. A quiet and faithfully-paying customer who comes into the store may not even get the time of day. As long as there is no glaring discourtesy, the customer may not take offense, but he or she is not likely to feel any particular loyalty to the store or to the people who work there. The rental store becomes just another business out to take the customer's money.

Employees need to understand that while they are on the job, the customers are the most important things in their lives. If they cannot get and keep customers, they soon will be looking for another job.

Put into practice, this means employees must take an active interest in the store's customers—new, old, and prospective. It is not so difficult, for example, to inquire how the set is working when a customer comes in to make a payment, or even whether there was anything good on last week. Over time, good store employees learn a great deal about a customer's life—family, job, etc. The depth of the relationship depends on the people involved. No store em-

ployee is going to like all of his customers to the same degree. But the employee who does not get to know and like some of them very well is probably in the wrong business.

Some customers do not want any attention when they come in to make a payment. Most, however, do not mind a little personal attention for their money. It need not take an excessive amount of time and it can make the work extremely rewarding. Employees who get to know their customers and who take a genuine interest in their lives have a reason for going to work other than getting paid on Friday. They have acquaintances, or even friends, with whom they can share experiences, at the same time enhancing the reputation, quality of life, and, not incidentally, the profits of the company.

Too often the focus of store personnel is on the relatively few problem customers who do not pay on time or do not pay at all. Too often the energy of the company is spent on these people, although they are not the ones who are making money for the company. They do exist and they must be dealt with, but they should not take up any more of the company's time than is absolutely necessary. To think otherwise is simply to confuse the priorities of the rental business. A friendly rental store makes it easy for customers to pay their rent, week after week after week. It makes store operations run more smoothly and employees, as a result, feel better about their work.

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

Plain English: It's Time

During the past five years, the rent-to-own industry has done a fairly good job of cleaning up its own house. Not so long ago, newspapers and courtrooms were full of horror stories originating from the misconduct of rental dealers. Dealers are rightly to be congratulated for the progress they have made. As the industry matures, it becomes increasingly indistinguishable from the retail marketplace.

An issue yet to be addressed by the rental industry involves the readability of contracts. Most rental agreements have been drafted by lawyers, and they read like it. Consumers who complain that they did not fully understand the rental agreement they signed have an easy argument when the contract is written in legalese.

Increasingly, industries in all areas of consumer sales are moving toward the adoption of "plain English" con-

AN ISSUE YET TO BE ADDRESSED BY THE RENTAL INDUSTRY INVOLVES THE READABILITY OF CONTRACTS. MOST RENTAL AGREEMENTS HAVE BEEN DRAFTED BY LAWYERS, AND THEY READ LIKE IT.

tracts. A few states have passed statutes requiring that all written contracts made between consumers and businesses be written in plain English. One problem with the use of the term plain English is that it has no concrete definition, but language authorities have created some ways to measure readability. One suggestion is *The Art of Readable Writing* (Harper and Row, 1949, reprinted, 1974), by Dr. Rudolph Flesch, which includes a "Reading Ease Test" to measure documents for readability.

The attempt to draft contracts in plain English is easy to spot. These contracts use the first or second per-

son—you, me, and we—and have short sentences. They use simple words with few syllables and they stay away from such legalisms as "heretofore," "said," and "whereas."

An example taken from an actual rental agreement will help demonstrate the use of plain English. Here is a clause written in legalese:

LOCATION OF PROPERTY:

Renter warrants and agrees that it will keep said property in its possession at the residence address above and will not remove said personal property from said address without securing prior agreement in writing from owner. If renter moves said property without securing prior agreement in writing from owner, this agreement will be thereby breached, giving the owner the right to immediate possession and renter may be liable for prosecution under applicable state law.

Here is the same clause translated into plain English:

LOCATION OF PROPERTY:

You agree to keep the property at your address above. You agree not to remove the property without getting our permission in writing. If you move the property without getting our written permission, you have breached this agreement. We will then have the right to pick up our property. You may also be liable under applicable state law.

It is not a particularly difficult task to take a rental agreement written in legalese and translate it into plain English. Just think of the advantages in doing so. First, there is a much greater likelihood of the customer actually understanding all of the terms of the agreement at its inception. That understanding will go a long way in avoiding misunderstandings and disputes during the term of the agreement. Fewer disputes and misunderstandings will mean fewer expenses and higher profits.

A second advantage is that a plain English contract tends to make you

look like a good guy in the business. Consumer advocates who tend to

THERE IS A MUCH GREATER LIKELIHOOD OF THE CUSTOMER ACTUALLY UNDERSTANDING ALL OF THE TERMS OF THE AGREEMENT AT ITS INCEPTION. THAT UNDERSTANDING WILL GO A LONG WAY IN AVOIDING MISUNDERSTANDINGS AND DISPUTES DURING THE TERM OF THE AGREEMENT.

lump all rental dealers into one group may not always know who to go after in a community. If they go looking for a rental company to sue, consumer advocates will have an easier case to prove if they can find unhappy customers who have signed rental agreements written in legalese. If they look in your store or talk to your customers and find a contract form written in plain English, they know that they will have a harder case to prove. The odds are that they will go down the street to find an easier case.

DEALERS WHO HAVE NOT YET DONE SO ARE URGED TO REVIEW THEIR RENTAL AGREEMENTS AND TO EVALUATE WHETHER A PLAIN ENGLISH VERSION WILL WORK IN THEIR OPERATIONS.

It is not recommended that dealers undertake the task of rewriting rental agreements on their own. The reason that lawyers wrote rental agreements in legalese in the first place is that they are legal documents that must stand up and protect the rights and

obligations of both parties—in court, if need be.

Dealers desiring to convert their rental agreements into plain English are advised to consult with their attorneys to insure that their agreements will still hold up in court if need be.

Dealers who have not yet done so are urged to review their rental agreements and to evaluate whether a plain English version will work in their operations. APRO has copies of rental agreements written in plain English that are available to APRO members upon request.

Credit Practices Rule Clarified

On March 1, 1985 the Federal Trade Commission (FTC) announced its *Rules on Credit Practices* according to its statutory rule-making authority. The rules, which became effective on the same date, set forth regulations concerning creditor conduct under the federal Consumer Credit Protection Act. Rental dealers may remember that during the late 1970s and early 1980s, a hotly contested issue under the Protection Act statute was whether or not rental-purchase transactions were "disguised credit sales" under this statute's definition of a credit sale.

The credit practices rule likewise has been hotly contested, but this time by creditors—finance companies and others—rather than by rental-purchase dealers and legal aid lawyers. The rule prohibits several practices including taking a security interest in household goods, other than money on the purchase as a security interest. This means creditors are not allowed the once common practice of selling an appliance or furniture item to a customer on a time basis and then taking a security interest for the purchased item in other household goods belonging to the customer.

The rule also canceled the practice of "pyramiding late charges." The rule states that a creditor may not impose a late charge to a consumer if the only reason for doing so is that the consumer has failed to pay a previous late charge.

Several creditors and creditors' groups have challenged the FTC rule, but to date such challenges have not been successful. Interestingly, at least one state—Wisconsin—has applied

for exemption from the rule apparently feeling that the rule does not go far enough to protect consumers and that the state law affords more protection than the federal rule.

One potential problem for rental-purchase dealers exists in the definition of retail installment seller, which reads as follows:

A person who sells goods or services to consumers on a deferred payment basis or pursuant to a lease-purchase arrangement within the jurisdiction of the Federal Trade Commission.

Rental dealers have not been complying with the new rule, and, for the most part, the rule has no application to the way that rental-purchase dealers do business. They typically do not retain a security interest in the rented property itself, and do not file financing statements on other property owned by the consumer. Despite the

THE DEFINITION OF "CREDIT SALE" IN THE CONSUMER CREDIT PROTECTION ACT SPECIFICALLY STATES THAT WEEK-TO-WEEK OR MONTH-TO-MONTH RENTAL CONTRACTS WITH OR WITHOUT PURCHASE OPTIONS ARE NOT CREDIT SALES.

nonapplicability of the rule as a practical matter, there was always the risk that some aggrieved consumer would allege technical violations of the act to harass a settlement from a dealer.

The FTC has recently removed even that threat from rental dealers by issuing an *FTC Staff Advisory Letter*, dated March 18, 1986. The staff stated in the letter that "[t]he Rule covers creditors and credit transactions, not lessors and consumer leases. Consumer leases were not the subject matter of the rulemaking proceeding, which, as the Commission stated, focused on terms and conditions in written contracts consumers sign when they obtain credit."

The letter also states that "[t]he terminology used by a seller or lender to

describe a transaction does not determine whether the Rule applies to it. Unless the transaction is, in fact, a sale (or loan), the Rule does not apply." Importantly, the letter refers to the definition of "credit sale" in the Consumer Credit Protection Act, which specifically states that week-to-week or month-to-month rental contracts with or without purchase options are not credit sales.

The conclusion of the FTC staff is a correct one. All of the rules are designed to protect and clarify the rights and duties that exist in a debtor/creditor relationship. It would not be true to say that there are no abuses in the rental-purchase industry. But, it is true, however, that the abuses spoken to by the FTC Credit Practices Rule do not exist in this industry. Not only does the language of the rule exclude the rental-purchase industry from coverage by its own terms, the intent and purpose of the Rule also omits coverage of rental-purchase dealers.

It's always nice to have one less problem to worry over, especially when it is a potential legal problem.

Florida Expands Home Solicitation Sales Act

The Florida legislature has recently enacted amendments to the state Home Solicitations Act which increases coverage under the act and further limits the conduct of door-to-door sellers. The new act is scheduled to come into effect on October 1, 1986.

As originally introduced, the bill would have covered rent-to-own dealers in the state and would, among other things, have required employees to be fingerprinted by the sheriff in each county where the store had units. During the legislative process, rental dealers and even retailers who would have been pulled in under the expanded coverage lobbied to restrict some of the bill's definitions. They were ultimately successful, and while the new bill does add burdens to door-to-door-sellers, most rent-to-own dealers will not be affected.

The key to the act is the new definition of "Home Solicitation Sale" which, for the first time, covers leases and rentals for consumer goods and services. It covers transactions which occur "at a place other than at the

seller's fixed location business establishment... The concern of dealers in Florida and elsewhere is that this kind of language might be interpreted to include transactions where a customer calls a rental store for delivery of a TV set and the rental agreement is ultimately signed in the customer's home. The Florida act clarifies this issue in favor of the rental dealer when it adds the following language: "Including a transaction unsolicited by the consumer and consummated by telephone and without any other contact between the buyer and seller or its representative prior to delivery of the good or performance of the services."

By the terms of this language, as long as it is the customer who originates the contact with the store, the transaction is excluded from coverage. If, on the other hand, there are dealers who are making "cold calls" on prospective rental customers to see if they want to rent something, and the contract is ultimately signed in the customer's home, then those transactions are probably covered by the new statute.

Dealers who are covered will have to get their employees a permit from the county clerk in each county where they conduct business. The permit application procedure includes the photographing and fingerprinting of employees. In addition to the permit process, each customer must be given written notice of his three day right to cancel the transaction and get all of his money back. Dealers in other states are complying with the three day right to rescind rule without adverse effects.

Dealers in Florida are reminded that as long as they are not actively soliciting new business by calling potential customers on the phone or actually trying to rent products by going door-to-door, they are not covered by the new statute. APRO member dealers may obtain a copy of the new statute by contacting Ed Winn, III, at the law office of Kammerman, Overstreet, and Hurren, 1020 MBank Plaza, Austin, TX 78701, (512)474-6436.

New York—Sixth State

New York has recently become the sixth state to enact rental-purchase legislation. The other five states are Michigan, Georgia, South Carolina, Texas, and Alabama.

New York rental dealers started out deep in the hole, faced as they were with legislation introduced by Governor Cuomo's office with substantial pre-introduction support. (See PROGRESSIVE RENTALS, Vol. 6, No. 2, April, 1986.) The New York dealers were successful in their lobbying efforts, however, and have pushed through legislation that borrows heavily from other states' statutes and adds a few twists of its own.

The New York rental-purchase statute begins with a definitional section, much as the other state statutes do. The definition of "rental-purchase agreement" will cover typical rent-to-own transactions in the state. Dealers are forbidden by the statute from adding balloon payments to their contracts to escape coverage. Nothing prevents dealers from having an initial rental term of longer than four months and complying with the federal Consumer Leasing Act. Under such circumstances, the terms of the rental-purchase statute would not apply to the transaction.

Importantly, the definition states that a rental-purchase agreement as defined is neither a retail installment sale nor a security interest as defined under state law. This is the first state statute to clarify the distinction between a rental-purchase transaction and a secured transaction under the Uniform Commercial Code (UCC). Heretofore, dealers have had to rely on case law and the cases have not been consistent.

The issue has been raised from time to time in bankruptcy court. Dealers in New York should be able to use this statute to recover rental property from the trustee in bankruptcy rather than have to accept the terms of a pay out offered by the debtor. Dealers in other states will be able to point to the New York law and suggest to courts elsewhere that this is the proper interpretation of the UCC as applied to rental agreements.

The New York statute, like statutes elsewhere, requires certain disclosures in rental-purchase contracts and places certain restrictions on the form and content of those agreements. Contracts must be written in plain English, "and in any other language used by the merchant in an advertisement related to the rental-purchase agreement." This is similar to the requirement in Texas, which has not caused Texas dealers any problems.

The disclosures required in New

York are similar to those required in other states. All charges in addition to the rental rate must be disclosed, and, as in Texas, must be reasonably related to the cost. The rent-to-own price must be disclosed and labeled "Total Cost." A customer's liability for loss or damage to the property must be explained and is limited to the early buy-out formula price at the time of loss.

New York, like Michigan, has a mandatory early buy-out formula which is related to the cash selling price of the product. In Michigan, customers begin with the cash selling price and can subtract 45 percent of every rental payment made to determine the early buy-out price. In New York, the formula is 50 percent. In both states, dealers must disclose the cash selling price and the formula.

Unique to New York, is a provision that a rental customer has the right to review a filled-in rental-purchase agreement for 24 hours before signing.

As in other states, delinquent rental customers have been given certain reinstatement rights. These rights extend longer in New York than elsewhere, depending upon how long the customer has been renting. The customer has 30 days to reinstate through the first half of the agreement. Once a customer has paid from 1/2 to 3/4 of the total payments on a product, he has 60 days to reinstate. After the customer has made 3/4 of the scheduled total payments, he has a full six months to reinstate. As elsewhere, the customer must return the property to the dealer within seven days on a weekly agreement, or 15 days on a monthly agreement, before any of these longer time periods accrue.

Late fees are limited in New York to \$3, or 10 percent of the missed payment, whichever is greater. There is a limit, as elsewhere, to one late charge no matter how long the customer waits to pay. In addition, there is a "grace period" of three days for weekly agreements, and seven days for monthly agreements during which no late charges accrue. The New York statute provides that as long as a customer's payment is postmarked within the grace period, dealers may not assess a late charge.

The New York statute, like all of the other rental-purchase statutes, regulates rental advertising. If a dealer advertises rental rates or the rent-to-own availability of a particular product in

New York, he must disclose three things:

- a. that the transaction is a rental-purchase transaction;
- b. the total number of payments and the total amount to be paid to acquire ownership; and
- c. the circumstances under which the consumer can acquire ownership rights.

If a dealer advertises rental rates for multiple items, he must make the following disclosures:

- a. that the merchandise offered may be new or used;
- b. that the transaction advertised is a rental-purchase agreement; and
- c. that the consumer does not acquire ownership rights unless; the consumer complies with the ownership terms of the agreement.

In addition to advertising disclosures, New York dealers must make certain disclosures on the products displayed in the store. There is a similar requirement in Michigan. In New York, each item must have a tag with the following information on it:

- a. the cash price of the merchandise;
- b. the amount of the periodic payment and the total number of periodic payments required for ownership; and
- c. the total amount that must be paid to acquire ownership of merchandise, which amount shall be explicitly labeled total cost.

The New York statute is scheduled to become effective January 1, 1987. Copies of the statute are available to APRO members upon request from Edward L. Winn III, Kammerman, Overstreet & Hurren, 1020 MBank Plaza, Austin, TX 78701, (512)474-6436.

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

APRO Board Report to the Membership

The APRO Board of Directors met twice during the most recent APRO Convention. The old Board met just before the convention got underway to discuss several matters and the newly elected Board met immediately thereafter to organize itself and make plans for the coming year. The outgoing Board made several amendments to the bylaws of interest to the membership.

There had been concern expressed for some time that board meetings and executive committee meetings had been called rather "spur of the moment." Several Board members, because of prior commitments, were unable to attend meetings called on such short notice. Accordingly, the bylaws were amended to require the Board to meet at least twice a year and to set the dates of those meetings each year at the annual convention. In addition, the bylaws were amended to require the Executive Committee to meet at least four times a year and to set the dates of those meetings each year at the annual convention.

There had also been concern expressed about who could serve on the Board of Directors.

As written, the bylaws allow only owners of rental companies to serve on the Board. Several owners who have served on the Board for several terms felt that some of their employees could better serve the interests of the organization and had more time to fulfill the requirements of Board membership than they themselves had. After some discussion, the bylaws were amended to allow employees of member organizations to serve on the Board with the limitation of one employee per member company being able to serve at any one time.

In addition, the Board voted to allow Executive Committee members (six) to be reimbursed for reasonable travel costs and incidental expenses associated with attending APRO Executive Committee meetings. Previously, members could be reimbursed if they so requested. The Board felt that the APRO finances were sufficient to allow all Executive Committee members to be reimbursed for the costs of attending a meeting, especially since they were amending the bylaws to require the Executive Committee to meet four times a year. **PR**

Have you renewed your APRO membership?

**For more information, contact:
Membership Director, APRO
1866 InterFirst Tower
Austin, Texas 78701
(512) 478-6521**



RMK

DATA MANAGEMENT SYSTEMS, INC.™

6360 E. Thomas, Suite 234 • Scottsdale, AZ 85251 (602) 941-1723

STAR DEALER™ SYSTEM FOR TV & APPLIANCE RENTAL

DESIGNED FOR THE RENTAL INDUSTRY BY A TV & APPLIANCE RENTAL COMPANY

FINALLY, a RENT-TO-OWN computer software system made available at a reasonable price!

STAR DEALER's most successful system to date can now be installed by using one of these affordable payment plans:

SOFTWARE LEASING: Lease the software for as little as \$125.00 per month plus tax per store. (12 month renewable lease)

SOFTWARE PURCHASE:

1 to 5 stores = \$3,700.00 per store
6 to 10 stores = \$3,300.00 per store
Over 10 stores = \$2,970.00 per store

TURN-KEY SYSTEM:

(Complete system including hardware, software and training)

1 store = \$10,400.00
2 to 5 stores = \$9,200.00 per store
6 to 10 stores = \$8,300.00 per store
Over 10 stores = \$7,500.00 per store

MONTHLY SOFTWARE MAINTENANCE:

1st store = 50.00
All others = 15.00

HOME OFFICE

Home Office System (includes communication) \$2,200.00
Financial Systems \$650.00 per module
Word Processing \$150.00
Maintenance No charge

THERE'S MORE IN STORE FOR YOU AT ONE LOW PRICE . . .

- IBM hardware – unsurpassed for support and service
- Rent to Rent and Rent to Own Contracts
- Daily, weekly, semi-monthly and monthly pay periods
- Multi-unit capability – up to 14 pieces of inventory may be rented on a single agreement
- Product categories are set to the dealer's specifications
- Compatible to Borg-Warner audit procedures
- Customer delinquency control
- Inventory control
- Internal cash control
- Complete on-line payment history plus backup ledger card for each customer
- Fully integrated general accounting
- Multi-store capability complete with communications
- Two levels of security
- Customer profile analysis
- Rental agreement/sales invoice/payment receipt automatically printed
- Up to 9,999 active customer and 9,999 inventory records per store
- Extensive management information automatically reported daily to your home office
- Built in auto-backup procedure
- STAR DEALER is composed of compiled programs **NOT** written in a data base language. Therefore, the system will **NOT** "slow down" as you add customers

STAR DEALER system for TV & appliance software
is available for IBM PC/DOS PC/XT/AT or MSDOS compatible hardware

VIDEO POINT-OF-PURCHASE

The video revolution has hit the American home with as much impact as the introduction of the television set did in the 1950s. As never before, television watchers can now program and control their own viewing habits and tape for later use their favorite soap opera or tear-jerker movie classic.

You know the high demand VCRs have generated in your rental showroom, and the fascination customers have with this adult mechanical toy.

Can the fascination for this equipment and this technology be put to an additional use of promoting your product lines within your showroom, to your rental customers?

For years, retail and department stores have utilized the video continuous loop technology to demonstrate and explain particular products. This material was often supplied directly by the manufacturer. In the department store, the VCR with a monitor might be used to explain to a customer the advantages of a microwave oven, or latest innovation in the audio field. With professionally produced sound and visuals, the customer learns, in an enjoyable fashion, what the manufacturer wants them to learn: My product is the best and here's why.

We put two questions to several experts in the field: Does this technology translate to the rental industry as well as it does to the retail industry? Is making one's own self-promotion, in-store videos a viable option to manufacturer-produced tapes?

The reviews are decidedly mixed.

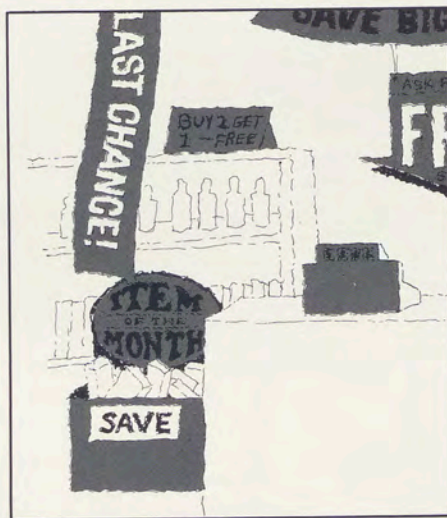
Ann Dempsey of H.H. Scott Audio is a backer of the concept. "We have a video on our company and our product line," Ann said. "It is designed for rental dealer's use to explain who we are, and what we make to their customers. We treat it like a library book—dealers check it out, make their own copies, and use as they see fit in their showrooms."

Ann asserted the video promotion has been very successful. "I know several dealers who have used it with great results. As audio and video

products become more complicated, this kind of simple explanation in a 12- to 15- minute video tape of what is available and how it can be used is very important."

While many of Scott's clients may support video point-of-purchase promotion, several others in the industry do not.

Tom Kitchens of Whirlpool rental sales is a great supporter of POP in retail but not rental. "This idea is great for retail and showing special features like our self-cleaning filters. The tapes are informative, but they are long. In rental, a 15- to 20-minute tape may cause you to lose your customer. In my opinion, this idea is



really undeveloped in the rental industry."

However, Kitchens has supplied his company's videos to a few rental dealers. These dealers put them to use in a novel way: Play the tapes to the salesmen so they can gain useful product knowledge in a quick and easy fashion.

Kitchen's counterpart at Zenith, Norm Smith, agrees. "We have done some of these in the past, but other POP materials do .pa better in the rental showroom. Our banners and posters .pa provide quick, easily accessible information to the kinds of customers that utilize rent-to-own or rent-to-rent businesses."

Pilot Audio Systems' Teri Wright indicated her company has never produced video for this purpose and doesn't see it in Pilot's marketing plan for the foreseeable future.

Dennis Palmquist, of Quality TV Rentals in Austin, has never used POP videos. "I think it detracts from the personal touch we strive to have with our customers. If a salesman were to greet a customer then turn on a VCR and say, 'Watch this,' and then walk away, I think you'd lose that customer."

"I think there's nothing like actually demonstrating a stereo to someone," he said. "They can hear it and see it. Our showrooms are so small, our product is right there to see anyway."

Fred Ziehweg of Action Time Rentals agrees. "We wouldn't use video promotion at all. This is a totally different form of retailing. Everything takes place in about three minutes. The only really important concern is, does our product fit the customer's budget."

Video production is expensive, time consuming, and requires expensive and complicated equipment, as those of you who appear in you own television commercials can attest. If manufacturer-produced video tapes are impractical for the rental industry, can self-produced tapes be used to show product lines?

The answer is maybe. If you wanted to show your furniture .pa lines to customers but you do not have room on the floor for all pieces of a group setting or you have some shops that only carry TV's and audio, you might consider using video to "display" your other lines to customers. Consider, however, that a photograph would accomplish the same thing at a more effective cost.

Video technology is an interesting and innovative area of promotion, but industry professionals agree it's an idea better suited to the retail industry than in rent-to-own showrooms. The one-on-one approach is still voted as the best contact with rent- to-own customers.

PR

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.

I want it to calculate rent charges, produce invoices and store receipts.

The above requirement can be met with the C A S S VIDEO MANAGER™ for only **\$900.00 per store**

(Multiple store discounts and unlimited use contracts are available.)

C A S S TYPE V

I would like to produce profit and loss statements for each store.

I want to know how each store is doing financially and how my corporation is doing financially.

The above requirement can be met by the C A S S GENERAL LEDGER™ for only **\$1,200.00**

I want systems that will grow with me.

C A S S systems have the capacity to handle thousands of agreements and inventory. The hardware (which can be obtained from C A S S) can be expanded easily to meet increased business demands as they occur.

C A S S

I want training, follow-on support and a vendor who will stay in business.

The vendor should know the rent-to-own business and the business of computers, software and helping users.

C A S S Systems, Inc., has been in business for eight years. We design, develop and install computer software systems, and provide support to customers in the banking, retail and merchandise rental industries. The years of computer and information systems experience of our personnel range from 12 years to 27 years. For a demonstration or more information call or write:

C A S S SYSTEMS, INC.

**Park Place, Suite 126
17000 Dallas Parkway
Dallas, Texas 75248
(214) 931-5522**

The Growing Shakeout in Rent-To-Own

Will 20 percent of the dealers be doing 80 percent of the business?

The rent-to-own industry is in the midst of what some call a major shakeout. Competition from retailers and new rental dealers in some markets has increased to the point that many longtime dealers have considered getting out of the business. The ur-

ban areas of Florida, Texas, and California are experiencing the greatest crunch at present, but the trend appears to be spreading.

Some dealers see this market contraction as a good time not to *sell* their stores, but to buy more and increase

their share of a tight market. These are stressful times for the industry, and whatever course of action a dealer chooses, it must be supported with careful research and consideration. Many people and procedures are involved in the sale or purchase of a rental store, and dealers have to be prepared financially, legally, and emotionally before engaging in any transaction.

The following is an overview of the buying and selling process and its rewards and pitfalls. It is not intended as a complete guide to rental-purchase mergers and acquisitions, and dealers contemplating a sale or purchase must consult with industry professionals before they make their move.

Selling Stores

Owners' reasons for selling rental-purchase businesses are as numerous as the number of businesses up for sale. Several situations that often influence the decision to sell are:

- Competition has increased to the point where the store is not performing as well as it once did.
- Lack of operating or growth capital.
- A need to liquidate the store's assets for other business or personal concerns.
- Owner age, health, or family concerns.
- Lack of interest in the business.

Getting ready. Once a dealer decides to sell, a good deal of careful preparation is in order. Experienced dealers and merger professionals collectively offer these tips for successfully selling a rent-to-own business:

- Engage the services of professionals such as lawyers, accountants, and brokers. Be certain they are familiar with the rental-purchase method of doing business.

CAPITALIZATION OF VALUE	
(1) BOOK METHOD: NET BOOK VALUE—BUSINESS (ASSETS - LIABILITIES = NBV (SHAREHOLDERS INTEREST))	\$ _____
(2) CAPITALIZATION OF EARNINGS METHOD; NET BOOK VALUE	\$ _____
AVERAGE PROFIT FOR LAST 5 YEARS	\$ _____
20% OF NET BOOK VALUE	\$ _____
EXCESS EARNINGS OVER 20% OF NBV	\$ _____
VALUE OF GOODWILL (7 × EXCESS/20% NBV)	\$ _____
TOTAL VALUE—CAPITALIZATION OF EARNINGS	\$ _____
(3) STRAIGHT CAPITALIZATION METHOD: AVERAGE NET PROFIT FOR LAST 5 YEARS	\$ _____
MULTIPLIER APPLIED: (5 × AVG. NET PROFIT) VALUE	\$ _____
(4) PURCHASE METHOD: NET BOOK VALUE	\$ _____
AVERAGE NET PROFIT—LAST 5 YEARS	\$ _____
6% OF NET BOOK VALUE	\$ _____
EXCESS EARNINGS OVER 6% OF NET BOOK VALUE	\$ _____
VALUE OF GOODWILL (7 × EXCESS/6% NBV)	\$ _____
TOTAL VALUE—PURCHASE METHOD	\$ _____
GRAND TOTAL SUMMATION (METHODS 1 THROUGH 4, ABOVE =)	\$ _____
AVERAGE VALUATION AMOUNT: (DIVIDE GRAND TOTAL ABOVE BY 4)	=====
CONCLUSIONS:	

ID	A00073	MTYPE	L	COUNT	2	HOME PHONE	213-323-9799
NAME	Lance Starr	FREE	0	WORK PHONE	213-323-3829	LAST ACTIVE	01/09/86
ADDRESS	1665 Maple Street	STATE	CA	ZIP	90020	CREDIT EXP.	1/88
CITY	Los Angeles	MEMBER EXP.					12/31/99
COMMENT							

ACT	ITEM	F	DESCRIPTION	DAY	INVN	QTY	AMOUNT	DEPOSIT	DATE DUE
RTO	009372		Sony VCR						
PMT	009372		Payment No. 14				31.00		3/27/86
RENT	000152	V	Airport	2			2.00		3/26/86
RENT	000167	V	Rocky	2			2.00		3/26/86
SELL	M01		Blank Tape			3	18.50		

DATE	3/24/86	SUBTOTAL	53.50	CHANGE	0.00
TIME	10:35	TAX	3.48		
SALESMAN	Alan	PAYMENT	56.98	METHOD	CASH

OVER	RTRN	SELL	PAY	CNCL	DISC	SEARCH	MENU	DONE	HELP
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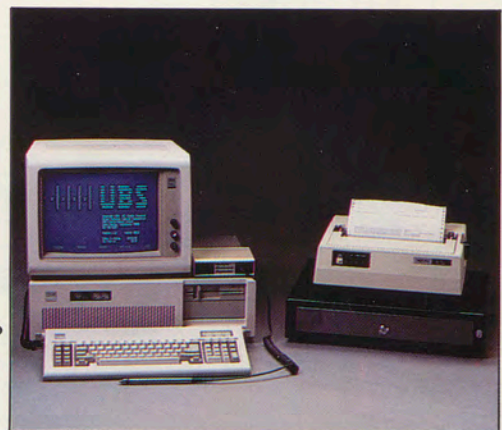
UNIQUE.

The Rent-To-Own business is unique and RTO stores have unique problems. When a store is small, simple manual controls can be effective. The basic paper contract is easily understood and captures all the information you need to stay in control of your business. But as you grow, you begin to lose track of customers, payments, and just how profitable or unprofitable each item has been. Your simple solution will generate a complex and time-consuming mountain of paperwork. The question is how to make life simple again?

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- Deal with as many buyers simultaneously as possible. Dealing with only one buyer will put the buyer, not you, in control of the negotiations.
- Carefully evaluate the worth of your business and set a realistic price for it. Some of your best prospects may lose interest if you overprice, and you only cheat yourself if you underprice.
- Provide complete and honest financial information.
- Reveal all information regarding the store and its history. Introducing a previously unknown factor once negotiations have begun could be fatal to the sale.

- Consider the first offer carefully—it may be the best, or the only, offer you receive.

The Importance of Professionals.

Most dealers have a lawyer at their side throughout the sale process. Lawyers are usually able to decipher potentially harmful contract stipulations that favor the buyer, and they are also more familiar with the legalities of mergers and acquisitions. Dan Gaffney, owner of 13 Florida-based Companion T.V. Rental stores, has participated in several rental store purchases and suggests, "have a lawyer, but be sure that you, as the store owner, understand everything as well as he does. Educate yourself on all legal aspects of the deal."

An accountant will also be necessary to audit your financial records and ensure that a complete financial presentation is prepared for prospective buyers.

Some dealers work through professional merger and acquisition brokers. Clarence Stark, a Houston, Texas associate with Chapman Associates, a nationwide merger and acquisition intermediary firm, provides

an explanation of how brokers sell businesses:

- Buyers are located through several sources, including blind ads in business papers, trade journals, and direct mail campaigns; "wanted to buy" ads in various publications; prospects developed by associates in the field; buyers referred to the broker by other buyers; and repeat customers.
- Buyer prospects are qualified as to their areas of interest—type of industry, business size, location, and financial capabilities.
- A sorting is made to determine which buyers are actively interested in the type of company for sale. Depending upon the situation, as many as 200 buyers could be appropriate, or as few as two dozen.
- A simultaneous solicitation is made on the final buyer prospects. Neither the prospectus which has been prepared outlining the business, or the covering letter, identifies the business or its exact location.

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- Potential buyers responding to the solicitation are provided with additional specifics on the business.
- A site inspection of the business is scheduled for buyers who have shown significant interest.
- The broker is present at the inspection to act as an objective, experienced middleman. If both parties are in agreement the deal is tied down with a written "memorandum of agreement" subject to a formal contract to be drawn up and approved by the buyer's and seller's attorneys.
- After the deal is closed, the broker is paid on a commission basis.

Evaluating the Worth of Your Business. "In the final analysis the buyer sets the price of a business," says Clarence Stark. "However the seller should make an accurate determination of the fair market value of his offering. This way he can establish the asking price realistically, in line with asset and profit potential values being conveyed to the prospective buyer." Stark provides two basic approaches for evaluating the business:

Past (Or Actual) Performance:

- Price vs Book Value of the Company
- Price vs Market Value of Assets Conveyed
- Price vs "Industry" Ratio X Real Cash Flow

Future (Projected) Performance:

- Price vs Industry Ratio X Projected Cash Flow
- Price vs Industry Ratio X Projected Cash Flow—discounted to present value

(The box on page 20 features a method for figuring the valuation of a closely-held business based on past, or actual, performance.)

Structuring the Deal. Many complicated issues arise when structuring a purchase agreement. There are several points to consider:

The type of sale. Sale of assets? Cash sale? Stock sale? Or a combination of all three?

Taxation. Taxable or tax-free sale? What are the tax brackets of the buyer and seller?

Contracts with seller. Consulting? Non-compete? Employment contracts?

Terms of sale. All cash? Cash plus installments? Deferred compensation? Collateral required? Continued equity position?

Transferability. Sale corporation laws? Assignability of contracts? Assumption of debt? Pension plan? Profit sharing plan? Stock option plans? Unfunded pension liabilities? Bulk sales laws? Sales and use tax?

Valuations. Book value vs market value? If it is an asset sale, how is the purchase price to be allocated among the assets? Depreciation and investment credit recapture? Tax loss carry-forward? Lawsuits - existing and contingent? Unwanted or excess assets?

"If the buyer is buying an incorporated business," says Stark, "the seller will probably want to structure the deal as a stock purchase unless

there are strong tax reasons for not doing so. For instance, the buyer gains a certain amount of protection under federal security laws. If the buyer is buying assets and giving notes as partial payment the seller should probably structure them so that they take on the character of securities—meaning contingent payments based on future profits of the business. A long-term note is a negotiable instrument for this purchase."

Buying Stores

Dealers considering expansion of their businesses by purchasing exist-

continued on page 26

In with the New

When a rental store is sold, the purchaser obtains more than store space, rental inventory, and delivery vehicles. He also obtains people—the employees who manage, sell, collect, deliver, and repair. These people may not be very happy when they learn their beloved boss is leaving them. In fact, *they* may leave as well.

"It's just a business rule that in an acquisition you are going to lose 75 to 100 percent of the store's employees," says Dan Gaffney, of Garbo, Inc. "The problem is that you have to have the same business procedures in all your stores to run an efficient business. Employees are familiar with the old procedures and do not want to change. However, if you leave old procedures in effect at the new stores just because the employees are used to them, you'll go crazy."

Gaffney offers two suggestions that may keep employees from jumping ship:

(1) Hire the former owner for six months to help out during the transition period and include an option for him to stay on six more months if necessary. Employees may be more receptive to changes instituted by a boss they are accustomed to.

(2) Strong middle-management personnel can sometimes prompt employee adjustment to procedural modifications. If the company you are buying has sharp middle-management personnel who are not fiercely loyal to the old owner and the old way of doing things, there's a good chance lower-level employees will demonstrate a healthier response to new ways of conducting business.

Gaffney notes that it takes at least a year before personnel are willing to switch their loyalty to the new owner. "Many employees are extremely loyal to their previous boss, and when he sells the store they are hurt because he did not reciprocate their loyalty."

A new owner will need to evaluate all of the employees individually. Some will naturally fit more easily into a new program than others. Individual attention recognizes the potential worth of each employee, and can begin to build loyalty. New employers should enter these interviews in a spirit of candor. There may have been problems in the store that the new regime can easily fix. The rapport customers have with store personnel is a valuable business asset. The new owner will want to minimize disruptions at the customer-employee level. Some losses are inevitable, but if the new owner will treat the employees as a valuable part of the assets he has just purchased, and work hard to help them understand what the change means to the store, everyone can benefit.

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T A L S

ing rental stores should proceed with extreme caution. Although it is possible to purchase a healthy store for a reasonable price, it is just as possible to purchase a lemon. Extensive planning and research are the keys to making a profitable deal.

Dan Gaffney has purchased four rental stores in recent years, and offers tips on what to look for when considering a store:

- Look at the store itself. Note the condition of ceilings, the roof, air conditioning, heating, everything physical about the structure.
- Check that vehicles are in good working order.
- Where is the store located in relation to customers? Have store personnel construct a dot map of where customers live.
- Is the BOR healthy? It should be at least 600.
- A healthy yield of at least \$60 on each unit should exist.
- An average BOR of 9 months old or older—otherwise the buyer will experience a cash flow crunch.
- A market with a ready labor supply, because many employees will leave after the sale. (See box on

page 23.)

"There is usually no need to conduct extensive market research on a prospective purchase," says Gaffney, "because if the store's BOR is healthy, then the customers are there. It is a good idea to spend some time in the store, not as a buyer, but as a friend of the owner. See if you are pleased with the way the store functions during a normal business day."

Negotiating a Purchase Price. Gaffney has developed a formula for calculating the purchase price of a store.

"I just sold one store's accounts on a 6-times income basis," he says. "That was figured by multiplying one month's income (less debts) by six. If you are cash-flowing the purchase of a store, 7 1/2 times is about as high as you can go." Gaffney knows this from experience, as he once lost money on the purchase of 2 stores at 9 1/2 times monthly income.

"Remember that the BOR is going to drop after the purchase," he continues, "because the changeover shocks the employees, many will quit, and customers will be lost as a result. For instance, a 600 BOR store will drop at least 100 BOR."

Gaffney notes that all assets should be included in the purchase of the store, except perhaps vehicles. "Vehicles that are totally paid for should be included," he says, "but it is negotiable as to whether vehicles with payments remaining should be included."

Brokers. Brokers will offer potential buyers a listing of all available properties. They may also undertake a specific search program for the buyer to help him identify, solicit, and negotiate the purchase of a business.

Pitfalls of Purchasing Stores. Gaffney lists several pitfalls of buying rent-to-own stores:

- Taking on too much debt in the purchase.
- Paying too much for a store.
- Not conducting an honest or careful audit of the business.
- Buying merchandise with less than 9 months of rental life left in it.
- Eliminating the previous owner entirely—he should stay on for awhile to ease the transition.
- Assuming you won't have a decline in BOR.
- Assuming your other operations



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will not suffer. Much time will be spent on the new store(s), reducing the time and effort you expend on existing stores.

- Signing a bad contract.

"There are some unbelievable things in these contracts," Gaffney notes. "Some contracts are one-sided in favor of the seller and they carry guarantees that hold well into the future. You can also get sued down the road after signing a bad contract. For instance, I bought a store and assumed a bad lease in the process. The store was a year old and the previous owner had signed a 5-year lease in an awful shopping center. Now I am being sued for \$30,000 by the landlord."

Recovering from an Unprofitable Deal. "It is very difficult to recover once you've purchased unprofitable stores," says Gaffney, "but there are ways." Gaffney lists the following strategies for recovery:

- Sell the store(s).
- Go back to the financier and renegotiate for more favorable terms.
- Go to the bank and borrow money. This could create further pitfalls and unprofitability though, and unless you know you can solve your problems this way, do not do it.
- Tighten up. If one unprofitable deal is bringing down your entire operation, demand more from your people, work harder, and *do not* buy any more stores.

Gaffney also suggests that buyers make provisions for unprofitability when the contract is initially drafted. "Get certain guarantees whereby you can go back to the seller and renegotiate the terms or the price," he advises. "If the seller makes representations and they don't pan out, be sure you have the recourse to sell it back to him."

Those Who've Done It

It has been seven months since one of the largest rent-to-own company sales was made. RTO Rents is thriving.

The new owner of the 52-store chain, Athens, Georgia businessman James T. Archer, will not discuss the transaction until he has divested himself of other current interests. Archer's holding company, RTO Inc., purchased California-based RTO Rents from its founder and owner,

Barry Gambini, last November.

"The timing was right," says Gambini, an APRO founder and three-term president. "I was ready to sell but had not put the business on the market when Archer made his offer."

Gambini is remaining with RTO Rents for five years as a consultant. Gambini and Archer have indicated that the details of the transaction will be available for the next issue of *Progressive Rentals*.

Although few details are available, the recent re-purchase of Remco by its founder Chuck Sims ranks among the largest rental-purchase deals to date.

Remco currently has over 1200 employees nationwide, with 91 franchise stores and 68 company-controlled stores in 24 states. In 1983, Sims sold the operation to Jim Graham Enterprises, a Dallas-based firm, for \$40 million.

Dan Gaffney purchased stores on a smaller scale, and has experienced his share of troubles, but he remains optimistic.

"We are now doing great with the stores we have," he says. "Three are declining in BOR, but we are still tak-

ing \$35,000 a month to the bank. Dealers now should grow out of their cash reserves, scientifically and methodically, unless the rental market's current contraction ends, and they can become dominant in one area."

Buy, Sell, or Sit Tight?

Mergers and acquisitions occur in every industry, and rental dealers should not become too alarmed that they are now occurring in theirs. Five years ago, a dealer could begin a store and be virtually guaranteed a profit, however, the industry has grown and matured at a phenomenal pace and major changes are inevitable.

The rental industry's current crunch has not affected all dealers, but it soon may. Some dealers will leave the business. Others will become bigger and stronger than ever before. Many of the circumstances will be beyond dealers' control, but many will not. Rental dealers in tight markets must look toward the future and make thoughtful, educated decisions in order to emerge from the crunch as winners.

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APRO Set the Pace in Vegas

The 1986 APRO convention came and went with a flourish for approximately 1200 people. Held for the third year at Caesar's Palace in Las Vegas, it was like old home week for a lot of dealers who have made a habit out of the trek to Las Vegas every other year. Caesar's Palace is glad to see the rental dealers come to the hotel because every year the package of amenities they offer the association gets bigger and better. This year it was a full-blown toga party complete with Anthony and Cleopatra, a horse-drawn chariot, exotic birds, a tiger, a snake charmer, a fire dancer, a magician, a belly-dancer, and all the exotic food and drink anyone could want. You really had to be there to appreciate seeing dealers and spouses decked out in assorted costumes from Roman times. There were centurions and senators, caesars and slaves, plus beautiful women in authentic looking long flowing Roman togas. APRO had planned to make this sixth convention a memorable affair. Dealers who attended the toga party had memories aplenty to carry home.

This year's convention got under way on Thursday, July 10 with the annual golf and tennis tournaments. APRO had scheduled a bowling tournament at some local lanes, but only two dealers signed up, and they decided to go bowl on their own rather than try to make a tournament out of it. The golf tournament was held this year at the Tropicana Golf Course. About 30 golfers showed up for the 8:00 a.m. tee-times. A lot of dealers don't like getting up that early at convention time, but with mid-day temperatures approaching 110 degrees in July, it is the best time to play. Winners of the golf tournament were Ken Collins, First Place-Gross; Bruce Stein, First Place-Net; Rick Policichio, Second Place-Net; and Roy May, Third Place-Net.

The tennis tournament saw many of



Photo by Kayte Bean

Karen Peck, Pat Sumner, Mac Hennigan, and Greg Peck enjoy the Borg-Warner Acceptance Corporation Gala Cocktail Party.

its regulars out on the courts at 8:00 a.m. for round robin doubles play. The club pro, Pat Dupree, once ranked twelfth in the world filled in for a game or two. Chris Meals, who works for WCC and his partner, Frank Dixon, won the tournament, and Chris Chaudoin of Carco came in second. Ed Winn announced at the awards luncheon on Saturday that Chris was so excited about winning the tournament that WCC was lowering the interest rate on its notes to dealers. We were unable to get confirmation from any WCC representatives.

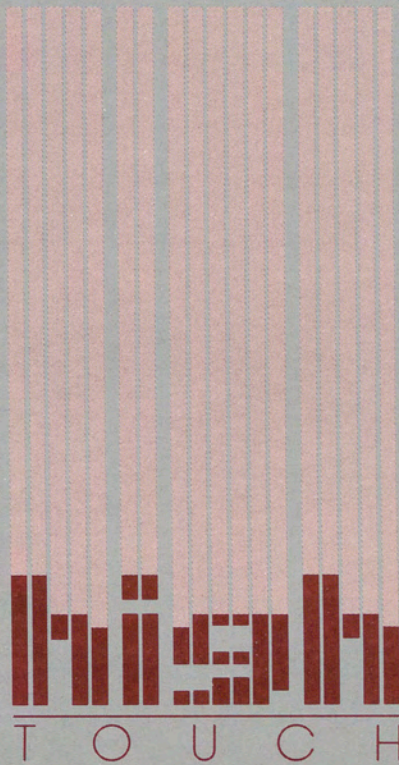
After the sports tournaments, most of Thursday was spent registering attendees and exhibitors and getting everyone into the hotel. The outgoing board met for the last time Thursday afternoon to discuss convention details, bylaws amendments, and the home office.

The first opportunity for dealers to

meet and greet over drinks was at the early-bird cocktail party Thursday night. The party was hosted by WCC and had about 500 in attendance.

The next morning began with the general business meeting. There were approximately 750 members and guests at the meeting. One reason for the heavy attendance was that attorneys Ed Winn, III and Sam Choate gave their annual legal update. It had been an active year in state legislatures, at the federal level, and in court, and Winn and Choate had a lot to talk about. (For a summary of their discussion see Government Relations and Washington Report in this issue). After the legal discussion, Winn began the business meeting proper which consisted mainly of the election of the eight new board members. Rozanne Flatt, 2nd Vice-President of the Association and chairwoman of the nominating committee had sub-

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mitted a slate of 11 candidates for the 8 positions as follows:

Alan Dobzinski
The Rental Experts, Inc.
Hamden, CT

Robert White
Crown Leasing Corp
Texarkana, TX

Maribeth Duffy
Seajay Investment Group, Inc.
Houston, TX

Steve Grauel
Mr. Steve's, Inc.
Ardmore, OK

Mac Hennigan
Curtis Mathes
Irving, TX

Larry Tinney
Royal Crown Leasing
Fayetteville, NC

Dennis L. Palmquist
DLP, Inc.
Austin, TX

Bill White
Action TV & Appliance Rental
Mesquite, TX

Wade Pearce
Shamrock, Inc.
Atlanta, GA

Dick Grauel
Mr. Steve's, Inc.
Ardmore, OK

Betty Coolidge
Mrs. T's Rental
Central Village, CT

Three candidates were nominated from the floor:

Dave Eagan
Rent-A-Center
Wichita, KS

Charlie Spradlin
EPRTD Rents
Indianapolis, IN

Ted Wilson
Alreco, Inc.
New Albany, IN

Members voted by secret ballot and elected the following members to the Board to serve a two-year term:

Mac Hennigan
Curtis Mathes
Irving, TX

Dave Eagan
Mid-America Leasing
Wichita, KS

Maribeth Duffy
Seajay Investment Group, Inc.
Houston, TX

Bill White
Action TV & Appliance Rental
Mesquite, TX

Larry Tinney
Royal Crown Leasing, Inc.
Fayetteville, NC

Steve Grauel
Mr. Steve's, Inc.
Ardmore, OK

Alan Dobzinski
The Rental Experts, Inc.
Hamden, CT

Dennis Palmquist
DLP, Inc.
Austin, TX

After the elections, the business meeting adjourned and dealers spent the afternoon in seminars. Altogether, APRO hosted 24 different seminars during 4 days including two films, *The One Minute Manager* and *Passion for Excellence*. As always, the seminars were very well attended with several sessions having standing room only.

APRO members have proven themselves to be serious convention-goers over the years. They want far more from their annual meetings than a few drinks in hotel suites. The rent-to-own industry is still a relatively young one, and dealers demand that they "get their money's worth" when they attend APRO meetings. This means that they want to learn something they can take home and use to save money. Most dealers who dutifully attended the seminars reported that they had more than paid for the trip with what they learned.

Highlights included Choosing the Lender That's Right for You, by Wayne Chambers and Rocque Pucci; New Product Ideas for Rent-To-Own, by Mac Hennigan and David Gradick; and Tax Planning for Rent-To-Own by Steve Buchman and David LaJoie.

Ed Winn, III and Sam Choate spent 1½ hours with dealers discussing the legalities of contracts. Rozanne Flatt debuted her new Learning Power training films to accompany the Learning Power written materials she introduced last year in Orlando. The films and written materials give a dealer a complete in-house training program for new employees from the ground up. It introduces new employees to the rental concept and demonstrates how that concept is used in every aspect of the operation.

After the seminars, dealers were invited to unwind at the annual Borg-Warner cocktail party Friday night. This year the party had a country western theme. The Charlie Straight Band played Texas dance music, and dealers drank and ate chili, barbeque, and corn on the cob. While the overall theme of the APRO convention is professional and even a bit formal, Friday night saw a number of dealers decked out in boots and jeans for the occasion.

On Saturday morning there were more seminars until the Awards Luncheon at noon. Caesars very gra-

ciously opened the Circus Maximus Room where they have the night club shows and dinners. It was an elegant setting for the awards presentations.

Caesars very graciously opened the Circus Maximus Room where they have the night club shows and dinners. It was an elegant setting for the awards presentations.

First of all, APRO renewed its pledge to support Big Brothers and Big Sisters of America, Inc. by giving Tom McKanna, President of the national BB/BS organization a check for \$10,000. This money represented donations sent in by rental dealers around the country. The year before, APRO kicked off "Dollar a delivery month" and raised nearly \$30,000 for BB/BS. In addition to the money raised, several dealers and store employees have signed up to serve as big brothers or big sisters in their local communities since APRO started the affiliation. A Las Vegas dealer, Bill Booth, serves on the national BB/BS board and was recognized at the luncheon.

The next order of business was to give APRO Legislative Achievement Awards. This was the first year such awards were given. They were awarded to the rental dealer most instrumental in getting favorable rent-to-own legislation passed in his state. To date, 5 states have enacted rental-purchase legislation. The recipients of those 1986 Legislative Achievement Award were as follows:

Bill Coleman
Bill Coleman T.V., Inc.
Kalamazoo, MI

Perry McNeal
Network Rental, Inc.
Atlanta, GA

Bill White
Action TV & Appliance Rental
Mesquite, TX

Bob Simons
All Star Rental, Inc.
N. Charleston, SC

John Suttle
Color World, Inc.
Selma, AL

Next came the 1986 APRO Advertising Awards. Again, these were first time awards given to dealers who had sent in examples of different kinds of

advertising to be judged by a panel of experts. The winners of the 1986 APRO Advertising Awards were as follows:

Television

Tel-Star TV Rental
Bristol, TN

Radio

Sun TV & Appliance Rental, Inc.
Huntsville, AL

Newspaper

Rent-A-Color
Pittsburgh, PA

Print

Easy Rent
N. Charleston, SC

Promotion

Rental World's Fast Rental
Irvington, NJ

Next came the annual recruitment award, given each year to the dealer who gets the most new members for APRO. For 4 years, Glenn Davis won the award easily. This year Glenn, as APRO president, gave the award to the new winner, Mac Hennigan, Curtis Mathes, Dallas, Texas. Mac was also re-elected to the APRO board of directors and was elected by the board to serve as President and Chairman of the Board.

Glenn presented the APRO Award of Excellence to Tom Devlin in recognition of his accomplishments of taking his company, Rent-A-Center, public and adding to the overall prestige and stature of the industry.

The President's Award this year went to Rozanne Flatt. Each year the President gives this award to the person who makes the greatest contribution to the Association. Rozanne, through her seminars and development of the Learning Power program added considerably to the sense of professionalism in the industry that APRO has tried so hard to promote. Both the Award of Excellence and the President's Award were well placed this year and went to people who have made real contributions to the rent-to-own industry.

The awards ceremony was kept deliberately brief by Master of Ceremonies, Ed Winn III, because the exhibit hall was scheduled to open immediately thereafter. Dealers and exhibitors alike, some of whom had been in the hotel since Thursday, were impatient to see what kinds of products and services the exhibitors had brought to the show.

It was the largest show that APRO had ever sponsored, with 73 different vendors in 135 booths. The show would have been larger still were it not for the fact that the Atlanta Furniture Mart, one of the country's

largest, was running at the same time as the APRO show. Trying to cater to both the electronics industry as well as the furniture industry, scheduling difficulties are occasionally inevitable. At next year's convention in New Orleans, however, all conflicts have been carefully avoided, and it already looks as if the exhibit space will sell out. Such is the happy story of the success of the rent-to-own concept.

Among the regular exhibitors of electronics and furniture, some of whom have attended the APRO convention every year for 6 years, there were a few new entrants. Swedesun, for example, was showing home tanning beds as a new rental product, and a few dealers in the north had reports of renting several hundred of the beds during the winter months. They did tend to come back during the summer months, but dealers were pricing the item to include summer storage.

Among the regular exhibitors of electronics and furniture, some of whom have attended the APRO convention every year for 6 years, there were a few new entrants.

Some of the APRO shows have had as many as a dozen computer vendors with packages for stores and home offices. There has been a shake-out in that industry and this year, the APRO show saw only eight computer vendors. The vendors who showed, however, had first rate booths and dealers showed a lot of interest in their products. It is estimated that fewer than 1/3 of the industry is on computer, which means there are still a lot of programs to sell.

APRO has a vendor relations committee made up of Board members, staff, and supplier representatives. At the post-convention vendor relations committee meeting, vendors generally reported that they had had a good convention. Traffic in the exhibit hall was particularly heavy all day Saturday when the hall first opened. Some dealers who already have established supplier lines and prices spend little time in the hall because they aren't really shopping.

Suppliers suggested that dealers be encouraged to spend at least some time in the hall checking out the product lines of the competition. They will need to know what the guy down the street will be carrying because some of their customers will be doing their own comparison shopping.

The APRO convention remains the best way for vendors to discover who is in the business and what is going on in the business

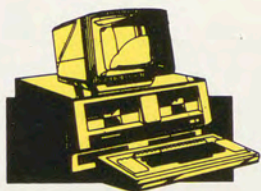
Smaller vendors need to make some sales at the convention in order to justify the enormous expense of attending a show. Larger vendors are less interested in writing contracts at the show than they are in making contacts to be followed up later in the dealer's hometown. Initial reports have been that all vendors did enough business to justify attending the show in New Orleans. The APRO convention remains the best way for vendors to discover who is in the business and what is going on in the business. Most of the long-term supporters of the APRO convention recognize the rent-to-own industry as the good opportunity that it is. Vendors report that rent-to-own dealers are still buying product and in increasing numbers while a lot of retail segments are flat or even shrinking.

Overall, the exhibit space looked more professional than it has in years past. During the first couple of years, vendors displayed a few TVs or stereos on tables covered with cloth, or had a few sticks of furniture lying around. Increasingly, the APRO show is attracting professional booths of the type seen at the larger shows. The APRO show is not in competition with CES or the major furniture marts, but it is the focal point for the

Overall, the exhibit space looked more professional than it has in years past.

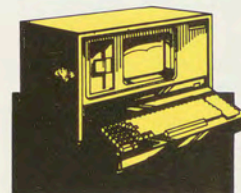
rent-to-own industry and there is evidence that the vendors are recognizing our importance by the time and money they spend appearing at the

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APRO show. The exhibit hall was open for a total of 15 hours this year, which is what the vendors said they needed in order to have a chance to talk to everybody who came by.

APRO has a long standing policy that no X-rated films be on display at the APRO convention. APRO took a lesson from CES, which received a lot of criticism for its X-rated fare and finally had to move all of the adult film suppliers to a separate hotel altogether. Despite APRO's best efforts, one supplier brought Barbara Dare, a star of adult films, to sign autographs in the booth. She did draw a crowd. Since there is an abundance of adult entertainment on Bourbon Street, APRO will try to keep it out of the hall next year.

The hall shut down early enough Saturday night to allow dealers a chance to get fitted for their costumes and get to the Toga Party by 8:00. Caesars Palace knows how to entertain its guests. It's the least they can do for the money left on the tables. The Toga Party is going to be hard to top, because there really is nothing like it. Be sure to watch for something special next year in New Orleans.

Sunday saw a repeat of seminars and exhibit hall and Monday morning there was breakfast for dealers in the hall, although few dealers got up early enough to eat. A fair number of dealers took time off Sunday or Monday to see the sights, shop with spouses, or relax around the pool. Fewer still stayed hunched over the tables waiting for a change in luck that would get them back to even again.

There were far more dealers looking to buy stores than sell them at the convention.

Talk was generally more subdued this year than in years past. There was less bravado in the voices of dealers, a little less enthusiasm and electricity in the air than in years past. It has been a tough year for a lot of dealers and many were playing it close to the chest. Rent-A-Center has continued to boast impressive earnings, but for many of the smaller dealers, margins are down and the future is anything but certain. Most dealers still believe in the business and want to stick with

PROGRESSIVE RENTALS/August

it—there were far more dealers looking to buy stores than sell them at the convention, but many wonder what the future holds for the industry. Many dealers came to the meeting from cities where the competition is becoming cutthroat. Rental dealers are apparently not going to avoid the mistake that retailers made in the 70's when they traded profits for volume. A few dealers realize, correctly, that the rent-to-own industry need not be as price sensitive as some others. The nature of the business breeds a certain intimacy with customers and out of that intimacy, if handled properly,

A serious question raised at the convention was marketing. If the times are indeed changing, how do dealers merchandize the rent-to-own concept to keep or increase their market share.

can come incredible loyalty. Dropping rental rates is the path of least resistance, however, and much of the industry seems headed in that direction. The result lent a sober, serious tone to the convention overall. "Times are tough. Are they going to get better? And can I last and prosper until they do?" These were the kinds of questions dealers were asking one another, —hard questions, the kinds with no answer. Life was simpler when dealers asked one another how much to pay store managers or where to find a good deal on a truck.

A serious question raised at the convention was marketing. If the times are indeed changing, how do dealers merchandize the rent-to-own concept to keep or increase their market share. Dealers do not want to spend more money on advertising without seeing a multiple increase in revenues. For several years, customers called or came in the door no matter what—perhaps in spite of a dealer's home spun advertising campaign. Now dealers need advertising to make the phone ring and they wondered, at this convention, what kinds work best. Once again, it's a question without an easy answer. It is a question with a lot of variables.

What customer do you want, where does he live, what are his habits, who is your competition, and how much do you want to spend. Marketing rent-to-own is an art in its infancy. It is a subject that will be discussed for a long time to come.

If dealers were serious and more sober than in years past, that didn't make it a bad convention. That merely made it a more serious convention. That is fitting an industry whose focus is on becoming more professional. That trend may continue for a few years, until dealers feel comfortable that they have achieved a satisfactory level of professionalism and can afford to let down their hair a little. APRO exists to serve the membership and attempts to respond to the controlling sentiment. It is because the members wanted it that APRO had 24 seminars at this convention. Plans are already underway to insure plenty of "meat" in New Orleans next year. Recognizing what all work and no play does to a person, however, there will be time for fun next year, just like this year. Dealers learn from one another even when they are unwinding.

It was a good show, a professional show, and the APRO staff deserves a pat on the back. Five day convention/trade shows don't just happen. They are planned months, even years in advance and there is a great deal that goes on behind the scenes to make the show run smoothly for attendees. Those who were at Las Vegas in July are glad they went and are ready to sign up for New Orleans and put another year in rent-to-own under their belts. **PR**

Have you made plans to renew your APRO membership?

Regular Membership	
Up to \$500,000 annually	\$ 300
\$500,000 - \$1 million annually	\$ 600
\$1 million - \$2.5 million annually	\$ 900
\$2.5 million - \$5 million annually	\$1200
\$5 million - \$10 million annually	\$1800
\$10 million - \$20 million annually	\$2400
Over \$20 million annually	\$3000
Associate Membership	
All Suppliers	\$300

For more information, contact the APRO office at (512) 478-6521



Selling the Movie Club

"Should I offer my customers a video club, and if I do, should I give it away?" These are two questions that are invariably asked by beginning video software entrepreneurs. The questions are important. As with most things, the answers are: "It all depends", and "No, if the club is properly designed, you should not give it away."

Giving It Away

In the last few years, many entrepreneurs entering the videotape rental market have started their businesses by giving away club memberships in exchange for a customer's address and possibly their credit card number.

Typically, these operators are "amateur" business people who start with only a few tapes (500 or less), are undercapitalized, and who do not include any real benefits in their club. As a consequence, most customers place little or no value on these memberships since, after all, they didn't pay anything for them. In effect, the customers get nothing for nothing.

Herein lies the key. In order to effectively sell memberships, two requirements must be met: 1) the store must project an image of stability, and 2) the memberships must be of real value to those who buy them.

Unless customers perceive a video movie store as one that's going to be around for a long time, they are unlikely to feel comfortable buying a membership. They may have heard stories of people that bought memberships from Willy's Video Works (a fictitious store) only to find that Willy's prices were so low that he went out of business in five months.

This necessary customer confidence is generated by having a sub-

stantial inventory of tapes, knowledgeable personnel, and a well-established business. Meeting these requirements should be relatively easy for most rent-to-own stores.

Club Video

As for the features and benefits that make a club attractive, here are some that have proved to be successful:

- a large inventory of tapes — one that has both a broad selection and a depth of popular titles
- a quality newsletter
- multiple store locations
- monthly specials
- reduced rental rates—it is not necessary to cut the nonmember rate in half, one-third off is usually adequate
- waiver of security deposit—the number of tapes rented at one time should be limited
- membership cards.

There is no need to give away free rentals every month; one or two free rentals at the time of purchase and possibly one on the member's birthday may be desirable. As for the price, that depends on the benefits you offer and your competition. Consider \$19.95 for one year and \$29.95 for a five-year or for a lifetime membership.

One chain of stores with a club that included most of the mentioned benefits charged \$50 for a one-year membership and \$100 for a lifetime membership. When competition increased they sale-priced their lifetime memberships at \$50. After several months (to be legal), they returned their lifetime price to \$100 and offered a special five-year membership for \$50. By alternating these offerings, they always had a special they could use to attract new members.

As for monthly specials, the oppor-

tunities are almost endless. Try some of these: pricing cassette storage cases at \$1.49; 10 percent off on prerecorded movies; half off on the purchase of used tapes; renting all tapes of a particular genre at half price; or two days for the price of one on Monday through Thursday. If your newsletter includes a calendar, the specials can even be made weekly to add still more interest and variety.

The Video Market

The prime prospect for buying club memberships are new VCR owners and renters. Again, I urge not to give the club away. When customers buy or rent a VCR and ask to have a membership "thrown in", respond by explaining that the fees are used to constantly expand the library which is to their benefit.

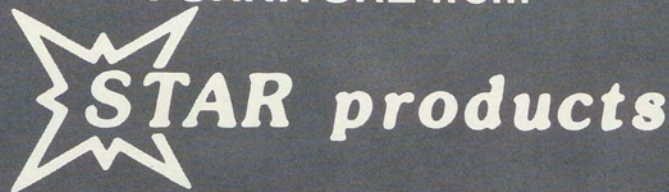
Even if you can meet all the outlined requirements, you may still decide not to sell memberships. Some owners just don't want to bother with clubs because they do require a certain amount of administrative effort. This effort is greatly reduced with a good video store computer system to manage the operation. Once set up, however, most owners are delighted with the increased profits and customer loyalty they experience.

Since membership sales are virtually 100-percent gross profit, 100 new memberships per month at \$19.95 shows up as nearly \$2000 per month on the bottom line—a benefit that most of us would consider very worthwhile.

Jim Lahm of J. Lahm Consultants, Fullerton, California, is a consultant in the home video field and author of the Video Movie Manual.

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7255 N.E. 4th Ave. (305) 757-2883 Bob Bruns	7015 Grand Ave. (713) 747-1167 Richard Dickson	723 S. Flores (512) 225-3222 David Smith	2129 S. 300 West (801) 487-2102 Butch Israelsen	17031 Green Dr. (818) 912-8629 Richard Funari



Product Knowledge Training

"What features does this VCR have?" the customer asks.

The salesperson pauses and mumbles, "Well...ah..." obviously unsure. Then realizing the feature card sitting on top of the VCR has some information, she reads it aloud. "It has four heads; wireless remote control; and 14-day, 2-event programming capability."

The customer tentatively asks, "What do you mean by four heads?"

The salesperson pauses again and mumbles, "Well...ah..."

It happens in retail and rental stores across the country everyday; the salesperson just doesn't know enough about the product to make the sale. The customer is often left alone to sort out which product he wants, and often left alone to decide the product he needs. Closing the sale is left to luck because the salesperson has not influenced the customer's buying decision. Many browsers need only the right information at the right time to become paying customers.

Solutions

There is a solution to the problem: Product Knowledge Training (PKT). Here are three reasons why Product Knowledge Training achieves optimum sales results:

1. *Increased customer confidence.* People buy when they believe in the product.
2. *Increased salesperson confidence.* People buy when they believe in the salesperson.
3. *Increased development in technology.* As products change, people buy only when they understand how it works and what it can do for them.

PKT is neither very difficult nor expensive. In fact, much of the work has already been done for you by the manufacturers of the products you rent. Time is the most expensive element of

IT HAPPENS IN RETAIL AND RENTAL STORES ACROSS THE COUNTRY EVERYDAY; THE SALESPERSON JUST DOESN'T KNOW ENOUGH ABOUT THE PRODUCT TO MAKE THE SALE.

Product Knowledge Training, but it is time and money well spent.

Getting Started

First, get product specification sheets and instruction manuals from the manufacturer and have your salespeople study them. Make sure the information is understood. Quiz your salespeople on the facts to make sure they retain the information. Of course, this means you have to study first! If some specifications are more confusing than helpful, your local library will have books about basic stereo systems, televisions, and the other products you rent.

Consider having a manufacturer's representative make a training presentation to your sales personnel. Conduct the meeting on the sales floor where the representative can explain specific components, functions, buttons, etc. During the presentation, insist that each of your salespeople actually perform what the representative is showing them, such as setting the timer or recording functions on the VCR. The more they practice now, the smoother the presentation will be for the customer later on. It's a great confidence builder, too.

Many stores have weekly staff meetings. Also conduct regularly scheduled product training meetings and have your salespeople practice their product knowledge. A hands-on approach is best, since it increases the ease with

which the salesperson can demonstrate an unfamiliar product to the customer.

Have your salespeople work in groups of two or three. Issue each group a small tape recorder and a kitchen timer and instruct each salesperson to explain to the group every feature and function without interaction from the group. Direct them to use the tape recorder to record the conversation and the timer to see how much he or she really knows about the product. Play back the tape so the salesperson and the group can review the presentation and then take feedback from the group.

Executives often use these techniques to become better public speakers and to practice their retention skills. The sales staff is a vital link to the customer. Treat the staff like rising young executives and take a cue from their business training methods.

CHALLENGE YOUR SALESPERSONS TO KNOW MORE ABOUT YOUR PRODUCTS THAN ANYONE AND THEY WILL CLOSE MORE SALES.

It's savvy business, but make PKT fun, too. Give a *Gift of Gab* award for the salesperson who can talk the longest about a product, or a *Mr./Ms. Specification* award for the person who knows the most technical information. A knowledgeable salesperson is a convincing salesperson. Challenge your salespeople to know more about your products than anyone and they will close more sales.

Dave Kinter is president of Houston-based Remco Enterprises.

PRODUCT FOCUS

PortaVideo™ adds a visual player to its portable videocassette player line. The new unit combines PortaVideo's Model #VIP-1100 VHS player with a 12-inch color monitor and is designed for the business market.

This compact and lightweight system has complete portability and uses standard one-half inch VHS format for a playing time of 2 hours. Additionally, the unit features fast forward, auto rewind, and noiseless freeze-frame.

Suggested retail price: \$1,295. For more information, contact: Ted Thrush, PortaVideo, 3325 West Catalina Drive, Box 11296, Phoenix, AZ 85061, (602) 269-2101.

Bedford Associates announces Vistamatic, a low-cost online hardware/software system built around Digital computers. The system serves all basic functions—from membership management, rental and sales, to reservations, returns, inventory control, and management information reporting. Vistamatic includes powerful microprocessor options for up to eight workstations per system, and several disc storage options. The system is designed to meet the needs of the single-store retailer as well as the multistore environment.

For more information, contact: Howard C. Bedford, Bedford Associates, 17 North Avenue, Norwalk, CT 06851, (203) 846-0230.

Samsung enters the U.S. VCR market with four front-loading units. All models offer remote control operation, automatic rewind, and variable tape speed options. Model #VT-230T, Samsung's top-of-the-line model, offers 4-head design, 8-event 14-day record-



VIDEO ORGANIZER

ing capability, and audio dubbing. Suggested retail price: \$599. Model #VT225T offers 4-event 14-day recording and 4-head design. Suggested retail price: \$499.

Model #VT-221T offers 2-event 14-day recording and high-speed picture search. Suggested retail price: \$449. Model #VT-210T, with 2-head design, offers 1-event 7-day recording. Suggested retail price: \$399.

For more information, contact: Don Kobes, Samsung, 117 Seaview Drive, Secaucus, NJ 07094, (201) 867-7575.

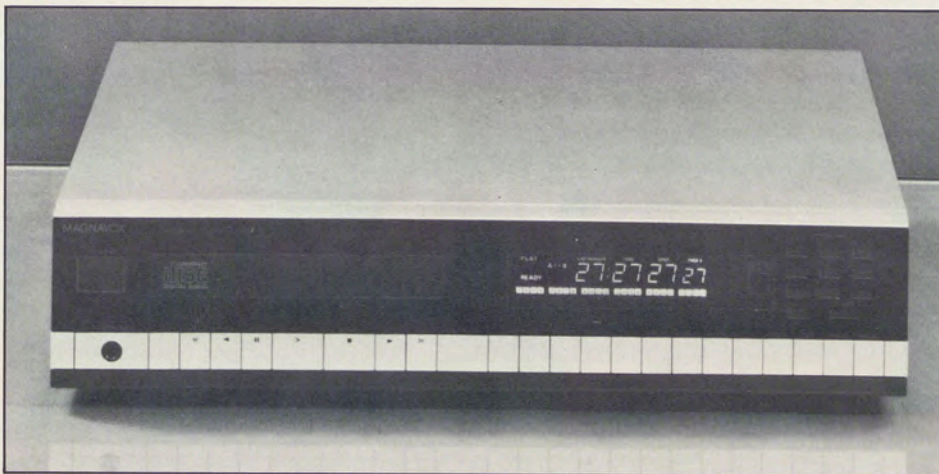
The Video Organizer by **R & B Video Supplies** offers modular protection for

your video collection. The sturdy wooden frames come in a separate design for Beta and VHS tapes and are offered in three different finishes. The fully-assembled units may be stacked together to create multiple racks for walls.

The 15-tape unit's suggested retail price is \$29.95. The 30-tape units are \$44.95, while the 45-tape units are \$58.95. For more information, contact: Echo Keller, R & B Video Supplies, 3808 Coffey Lane, Santa Rosa, CA 94501, (818) 357-7232.

Magnavox introduces a top-of-the-line compact disc digital audio player, Model #FD3040SL, that offers the following features: random-access programming; keyboard program select; remote control operation; index programming; three-speed search forward/reverse; and dual memory functions.

Suggested retail price: \$599.95. For more information, contact: Deborah Fee, N.A.P. Consumer Electronics, Interstate 40 and Straw Plains Pike, Box 6950, Knoxville, TN 37914, (615) 521-4494. **PR**



MAGNAVOX #FD3040SL

In Defense of Rent-To-Own

A thriving industry that remains misunderstood.

I would like to lay some myths to rest. Contrary to the expressed opinion of various people, rental customers are neither all black, nor all poor. It may surprise the reader to know that our customers include major corporations and high income professionals, who have found that our products and services fit their needs. For example: Corporate training departments rent audio/visual equipment. Branch sales offices rent microwaves and refrigerators for employee commissaries. Apartment owners rent washers, dryers, ranges, and furniture. Real estate offices rent video cameras. Hospitals rent color TV sets. Federal and state agencies rent goods. Professional athletes rent furniture, appliances, and electronics—and the list goes on.

In short, anyone or any company who has a temporary need is a likely rental customer. On an individual ba-

Contrary to the expressed opinion of various people, rental customers are neither all black, nor all poor.

sis, anyone who does not have substantial cash or a line of credit, or those employed in mobile occupations, or persons unsure of their employment future are rental prospects. Any person or company who does not feel comfortable with long-term commitment, or does not want the worry of ownership, is a likely rental customer.

At Universal, three-fourths of our

customers fall into that category. Only 25 percent of our customers exercise the rent-to-own option. And of those percent, a substantial number will take advantage of our liberal, early ownership—a 40 percent discount from the remaining rental agreement amount.

No business can succeed without fulfilling a need. The rental industry has grown from a single store in Wichita, Kansas, in 1961, to a 1.7 billion dollar industry spanning the continent.

Benefits of renting versus traditional retail transactions include: no down payment required; no credit history or clearance required; no long-term commitment needed; no additional charge for service, loaner items provided in case repairs cannot be made within 24 hours; items returned any time at the renter's option; and, of course, the rent-to-own option can be exercised at any time.

There is another myth that renting is excessively costly. I believe the term usually used is "gouging." Consumer Electronics Magazine (June, 1984) said: "Today, the premium has settled at about 10 to 15 percent more for a rent-to-own item than buying outright and pricing is designed to net, in many cases, a 20 percent profit on brown (electronic) goods."

The premium will vary from company to company, and certainly cash

is the least expensive way to buy. However, the 10 to 15 percent premium that Consumer Electronics Magazine describes should be compared to a regular retailer's installment purchase at 18 to 24 percent annual interest rate, plus service contract costs.

At Universal, our average customer is the young, single, blue, or pink collar worker. These folks, in the 18 to 34 age group, make up 78 percent of our customers.

Many of the disadvantaged—both white and black—seek us out; and for that, we make no apology. Not only do they seek us out, but they refer relatives and friends to us. In fact, over 40 percent of our customers were referred to us by other customers. Needless to say, customers who are dissatisfied with service, quality, and price would not make such referrals. We are proud that our customers, from all walks of life, think so highly of us and are loyal and supportive.

No business can succeed without fulfilling a need. The rental industry has grown from a single store in Wichita, Kansas, in 1961, to a 1.7 billion dollar industry spanning the continent.

Recently, several lawsuits have become highly visible in certain legal circles relative to the rent-to-own industry. The media, and some legislators, have seemingly interpreted this as a sign of widespread customer dissatisfaction. I would submit to you the fact that in 7½ years of rental operations, Universal has handled in excess of 500,000 rental transactions, and has had millions of customer contacts. We have been sued once. We consider that a remarkable testimo-

nial to customer satisfaction with our company.

It is not surprising that those rental customers, who sometimes complain to consumer affairs agencies or Attorney Generals' offices, are from the lowest economic scale. Many of the people within this social strata have never earned an income and may never have assumed personal responsibility for paying for anything. They have been encouraged, through various welfare programs, sometimes for generations, to take from society. When asked to pay for something or return something for non-payment, they honestly feel that they have been wronged, and they complain.

The foregoing is not intended to imply prejudice. In fact, quite the contrary. As noted previously, these customers seek us out. They seek us out because they have a serious need that retailers refuse to satisfy, and we stoutly refuse to turn our backs on them. We provide the same goods and services to these customers as we do to every other, without hesitation.

The vast majority of our customers appreciate our efforts on their behalf. A family in Baltimore comes to our store each week to make their payment with money they have received collecting aluminum cans. They are as proud as they can be because the whole family contributes.

They seek us out because they have a serious need that retailers refuse to satisfy, and we stoutly refuse to turn our backs on them. We provide the same goods and services to these customers as we do to every other, without hesitation.

Think of that. These poor folks, who fall beneath the mainstream of our middle-class society, have the same needs as those who are more affluent. They need appliances, furniture, and family entertainment. Where do *they* turn for their needs?

Their disposable income is limited—inadequate to make a major purchase in cash. Creditors turn their backs. Upscale retailers treat them shabbily. If everyone turns their backs—social unrest follows as surely

as night follows day. Most of us remember the riots of the sixties.

We, in the rental industry, are absolutely convinced that our service to people who can't possibly get the things they need elsewhere, has helped in some small way to alleviate

Members of the rent-to-own industry understand the need for some rules and regulations, and have no quarrel with them provided that such regulations follow the concept of good business practice and fairness to both the industry and our customers.

such social unrest. We make the good things in life available to all people, regardless of their socioeconomic level.

Where does the pressure against the rental industry come from? We honestly don't know. It could be from the appliance and furniture retail industry who fell on hard times during the last recession, while the rental industry was enjoying dramatic growth. Perhaps they feel it convenient to blame others, rather than look to their own business practices. It could be from the leasing industry people, who could gain from a deterioration of the rental industry. It could be from the consumer credit industry, who might believe that we are intruding into their market. It could be from certain political elements who thrive on social unrest. We know for a fact that certain politicians find their own self-interests served by social unrest.

Additionally, segments of both the legal profession and the media have raised their voices against rent-to-own in response to one or more of these special interest groups.

Members of the rent-to-own industry understand the need for some rules and regulations, and have no quarrel with them provided that such regulations follow the concept of good business practice and fairness to both the industry and our customers. Further, we must insist that such government legislation and regulations are developed with the participation of the industry. Through the efforts of APRO, rent-to-own dealers have an

increased awareness of the impact of legislation at state and federal levels.

Quite frankly, I have devoted 25 years to the retail business and over seven years to the rental industry. My company directly provides hundreds of jobs, and our orders for merchandise creates, perhaps, thousands of jobs in the manufacturing and transportation industries. The various local, state, and federal governments are the recipient of millions of tax dollars as a result of our endeavors. And, thousands of our customers are enjoying the good things in life which they otherwise could not afford.

I believe that anyone who has devoted as much to, or who knows as much about, the retail and rental business as I, would find it impossible to allow someone who has never spent one day of their life in business to tell me how to run mine. I am not being critical, but I know from experience that people in government, with the best of intentions, may hurt the people they intend to help through enacting legislation without the full representation of all affected parties.

Where does the pressure against the rental industry come from?

We do not dispute that there are a few unethical people in the rental industry. Unfortunately, every industry has its share of bad apples. There are major companies, generally considered reputable, who have behaved in an illegal or unethical manner despite the rules and regulations pertaining to that business. However, those companies and those people are generally and rightfully dealt with on an individual basis.

We are, accordingly, distressed at the thought that those certain special interest groups or their representatives have attempted to blacken the reputation of an entire industry by trumpeting the improper actions of a few individuals. We, as an industry, must take serious exception to the idea that an entire industry should be compelled to change its method of operation in a way that would damage the industry, its employees, and its customers. **PR**

Gary L. Wilburn is president of Universal TV Rental, Inc.

per week or \$___ per month, (the pregnant pause), may I take your order?" We need to help that customer get excited about our product, "Yes ma'am, we carry refrigerators, they're double door, frost free, ice-maker capacity, twin crispers, adjustable shelves, egg tray on the door, and for your convenience, no matter where you put it in the kitchen the door will swing from the right or the left. Our refrigerators are on castors for easy rolling to get behind for cleaning and my favorite feature is the finger print resistant finish, we call it child-proof. All this for only \$___ per week, we cover all service and maintenance the entire time you're renting, can we deliver that today?" This is helping the customer to see the item as you see it.

That's the way to sell a concept. Give the customer a concrete image of an example of the concept that he will want to put in his home. At some point in that customer's life, they probably have had some harrowing experiences with repair companies and repair persons. It is important that whatever the rental company's

policy, the people in the store need to know what that policy is! Companies tend to develop policy behind closed doors and are often surprised to find out it has stayed there. It is not a secret, so share it with all employees; if the policy is to give the customer a loaner, give them a service adjustment, switch them out to another item altogether, bring that one in for repair and then re-rent, the staff needs to know so they can quickly build a picture for the customer that is pleasing and satisfactory instead of inconclusive. Nothing upsets a potential customer or an existing customer more than having the rules changed in the middle of the game.

Generally, as between male and female customers in a store, men can talk about woofers and tweeters till the cows come home, but could not describe the practical difference between velvet and herculon. Many men would be hard pressed to extoll the benefits or virtues of a washer and dryer. Input from the entire staff is important to build verbal tools. Employees need to share with one another sales technique that have

worked for them. It may be a considerable educational process for the women to learn about electronics and the men to learn some of the details of homemaking. Those who have chosen to be in the rental business belong to a particularized industry. Just as doctors, accountants, plumbers, or electricians have specific tools of their trades, the tools of the rent-to-own trade are verbal. Rental store employees have to be verbally fast on their feet. If, for example, you called a plumber to fix your sink and he pulled each and every tool out of his bag to do the job, you would begin to wonder just how competent he was. That same concept applies in the rental industry. Employees must develop verbal tools and they must know when to reach down, and which tool to pick up to satisfy a particular customer's need.

That's a far cry from a memorized spiel about a product that cannot vary with the customer. To a certain extent, the store's need is always the same, either to obtain new customers or to keep the existing customers satisfied. Satisfied, in this business, means to constantly re-establish their need for the rent-to-own industry. This is accomplished through good service, good public relations, good products, and credibility.

Just how excited can someone act about a dryer? Depending upon the geographical location of the store, perhaps very excited. If the customer lives in a very damp, rainy, or snowy climate, he could get pretty excited about a dryer. Again, there is the need to build a picture for the customer about a dryer. What will the dryer do for the customer? It will save time, effort, and energy. So it is very important that the staff be aware of the features of the product: automatic shut-off when clothes are dry; buzzer when clothes are dry; energy saver; family size capacity; how many positions it has for drying; where the lint filter is placed (if it is in the door it is for easy accessibility, or if it is in the back of the drum it is for thorough lint collection, etc). To be successful in appliance rental one needs to have been or become a debator. To debate, one must be able to talk on either side of the subject, therefore, good salesmanship of the concept means being able to talk about the features of whatever is in stock, always stressing the rent-to-own concept.

Often appliances are called white goods. Are microwaves an appliance?

Imagery Selling

Knob Microwave Oven

FEATURES

BENEFITS

70-700 Watts Power	Super fast cooking
Variable power control	Choose from a full range Low to High power
35 minute 2 speed timer	Expanded timer will take care of those food items requiring those extra minutes The first 10 minutes are divided into 30 second intervals for precise timing.
1.35 cu ft capacity	Super large capacity to handle large casseroles and baking dishes that do not fit in many other ovens
Separate put to start button	Lets you double check setting before you begin cooking
See through door, interior oven light	Lets you see at a glance how cooking is progressing
Glass tray and acrylic interior	Removable glass tray to catch spill-overs makes clean up a breeze
Automatic shut-off and signal	Tells you when cooking cycle is done
Cooking guide—cook book and instruction manual	Quick reference for the most popular food dishes
Warranty	Two-year parts and labor, 2-10 years on magnetron gives the consumer protection on the most costly part

ELEGANT—FULL SIZE—YET SIMPLE TO USE

YES! Know what you have to sell, and sell it. For example, whether you have a carousel microwave versus a non-carousel, or knob versus pad style. Whenever I bring a new product into the organization, I try to put a benefit and feature sheet together to aid in the imagery.

Customer Awareness

Tips on things that could create a problem and yet not be under warranty, should be addressed on delivery in order to alleviate potential problems. Some examples are:

Dryer Tips:

- If the pigtail is not properly connected, grounded, and secured tightly on all three connectors, it can (and will) short the terminal board.
- If the dryer is not heating correctly, check the lint filter prior to calling a repair company.

Washer Tips

- Loose hose connections, or a rubber washer missing in a hose, can lead to a leaking machine. This could cost your company money if a repairman is asked to make a service call.
- If the water drains continuously through the washer, the drain hose fitting is too low (it must be about 36 inches above the floor).
- The drain is probably clogged if the washer will fill up with water but will not drain.

Refrigerator Tips

- Condensation in a refrigerator can be caused by the door being opened so often that the unit is not allowed to cool. This is probably the case if the rubber gaskets around the doors are not cracked and appear to fit properly.
- On washer, refrigerator, and freezer service calls, check for "dead things" in the motor or caught in belts prior to contacting an outside service company.

Warranty

Dealers may find that appliance manufacturers are offering the rental industry more substantial warranties. Dealers are also given the option to buy with, or without them. Warranties are more important to the smaller dealer, where it is not cost-effective

for them to have a service department. It is one less headache to know that an equipped service team is a phone call away. It can also be used as a selling tool with the customer. I taught my employees to explain, "This product is being factory repaired and your cooperation is necessary." This is an opportune time to obtain a home telephone number (if you've been unable to get one) or a viable "will call" number. It is the old "this is what you have to do for me, so that I can do that for you" theory. "You get me a good telephone number and I will make sure the service company contacts you to schedule repair."

Big markets or small markets, one store or fifty stores, the rental appliance concept is the same. Remember, these are the only products we offer the customer that actually saves them time and effort.

The rental business is a concept and, therefore, it is an intangible. A customer cannot touch it, feel it, or smell it. Selling a concept is more difficult than selling a tangible asset.

PR

About the Author

Claudia V. Filloramo has been in the television retail sales and service business for years. During her career, she, with her former husband, became the largest Curtis Mathes dealer in the Metropolitan Washington, D.C. area. As a partner in that business, and involved in every factor of day-to-day operations, she saw both the increasing need of the consumer and the increasing demand of consumer financing as a problem for retailing, and began to seek new avenues for revenues. In doing so, she founded rent-to-own in the D.C. market after attending the first Curtis Mathes rental school taught by Willie Talley and Joe Arnett.

During the succeeding years she wrote, produced, and performed in training films for the rental industry. She had her own advertising agency in which she sold, developed, and implemented advertising themes for the entire media spectrum.

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It's all done without remote store action or participation.

Maximize **Ease of Recovery.**
Central office backup features with upload/download capabilities

Maximize **Operator Use And Convenience.**
You may have multiple terminals in a store.

Maximize **Responsiveness on The Rental Floor.**
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Maximize **Accounting System Detail.**
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Maximize **Transportability.**
Our Software will operate on many different computer systems.

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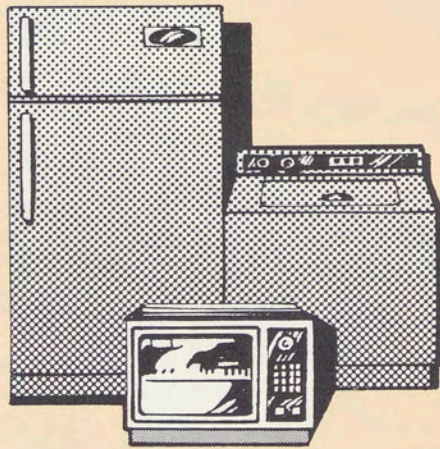
For more information call:
205/533-4455

Or write to:
Computermax, Inc.
3805 Drake Avenue
Huntsville, AL 35805
OR
2033 North Ocoee Street
Cleveland, TN 37320



Who's Who in Appliance Suppliers

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



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

Amana Refrigerators, Inc.
Amana, IA 52204
(319)622-5511
Refrigerators, freezers,
microwaves, room air
conditioners, washers,
dryers

Athens Stove Works
P.O. Box 10
Athens, TN 37303
(615)745-4332
Vesta ranges, Sears ranges

Atlanta Stove Works
P.O. Box 5254
Atlanta, GA 30307
(404)524-0881
Ranges

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

**Birmingham Stove and
Range**
2631 Huntsville Rd.
P.O. Box 2647
Birmingham, AL 35202
(205)252-7800
Ranges, heaters, coal &
wood ranges, lawn fur-
niture

Brown Stove Works
1422 Carolina Avenue
Box 2490
Cleveland, TN 37311
(615)476-6544
Ranges

Caloric/Modern Maid
403 N. Main St.
Topton, PA 79562-1499
(215)682-4211
Ranges, dishwashers, re-
frigerators, microwaves

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

Daily Dryers
535 Schoolhouse Rd.
Telford, PA 18969
(215)723-8959
Outdoor clothes dryers

Dacor
950 S. Raymond Ave.
Pasadena, CA 91105
(213)682-2803
Ranges, cooktops, venti-
lation systems, and ac-
cessories

David Smith Kitchen Aid
P.O. Box 927
Oxford, MS 38655
(601)234-3131
Ranges, cooktops

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

Enterprise Appliance
710 Massman Dr.
P.O. Box 999
Nashville, TN 37202
(615)885-1405
Ranges

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

Frigidaire
3555 S. Kettering Blvd.
Dayton, OH 45449
(513)436-2061
Refrigerators, freezers,
ranges

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

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

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

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

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

Gray & Dudley
2300 Clifton Rd.
Nashville, TN 37209
(615)327-9585
Ranges, microwaves

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

Hobart
711 World Headquarters
Ave.
Troy, OH 45374
(513)335-7171
Refrigerators, freezers,
dishwashers, ranges

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

Litton
4450 S. Menden Hall Rd.
Memphis, TN 38115
(901)366-3000
Microwaves, ranges

Locke Home Products
127 W. 10th St.
Kansas City, MO 64105
(913)642-7600
Gas heating equipment

Magic Chef
740 King Edward Ave.
Cleveland, TN 37311
(615)472-3371
Ranges, microwaves, re-
frigerators, dishwash-
ers, washers, dryers

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

Maytag Co.
1 Dependability Square
Newton, IA 50208
(515)792-7000
Washers, dryers, dish-
washers, microwaves,
ranges

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

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

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

**Peerless-Premier Appli-
ance Co.**
P.O. Box 387
Belleville, IL 62222
(618)233-0475
Eagle ranges, Orbon ap-
pliances

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

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

Roper
1905 W. Court St.
P.O. Box 867
Kankakee, IL 60901
(815)937-6000
Ranges, microwaves,
dishwashers, refrigera-
tors

Samsung Electronics
301 Mayhill St.
Saddlebrook, NJ 07662
(201)587-9600
Microwaves

**Sanyo Consumer Elec-
tronics**
Appliance Division
1301 NW 89th Court
Miami, FL 33172
(305)592-9900
Microwaves, refrigerators,
washers, dryers, room
air conditioners, ranges

Sharp Electronics
Mahwah, NJ 07430
(201)529-8200
Microwaves

Speed Queen
P.O. Box 990
Shepard St.
Ripon, WI 54971-0990
(414)748-3121
Washers, dryers

Tappan
P.O. Box 606
Mansfield, OH 44901
(419)755-2011
Ranges, refrigerators, mi-
crowaves

Thermador-Waste King
5119 District Blvd.
Los Angeles, CA 90040
(213)562-1133
Ranges, microwaves

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

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

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

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

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

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When you rent General Electric major appliances to your customers, you're giving them more than just good looks, outstanding quality and dependable performance. You also provide them with customer support services as broad, deep, and varied as any in our industry. And that's good news for you!

Because General Electric has scheduled delivery locations in major metropolitan areas throughout the U.S., we can ship appliances to you...fast!

Once they've arrived, your GE appliances are covered by some of the finest warranties in the business. Warranties that are backed by a nationwide network of Factory Service professionals who are just a customer's phone call away.

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Quality. Durability. Availability. Service.

General Electric offers you more than a product. We offer a customer support system that makes your job easier...and potentially more profitable!

For information on how you can rent "more than a product" to your customers, call or write:

Donald W. Linskey
Manager Rental/Leasing
General Electric Company
Appliance Park, AP4-243
Louisville, Kentucky 40225
Phone 502/452-5439

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1986 Fall Seminar Schedule

BIRMINGHAM, AL

- Oct. 6—Interviewing & Hiring Rental Store Employees
- Oct. 7—Collections & Rent-To-Own Fundamentals
- Oct. 7—Hands-On Training for Rental Store Account Reps
- Oct. 8—Buying Advertising for Rent-To-Own

CINCINNATI, OH

- Oct. 27—Buying Advertising for Rent-To-Own
- Oct. 28—Controlling Internal & External Theft
- Oct. 29—Collections and Rent-To-Own Fundamentals

DALLAS, TX

- Nov. 5—Controlling Internal & External Theft
- Nov. 5—Hands-On Training for Rental Store Account Reps
- Nov. 6—Buying Advertising for Rent-To-Own
- Nov. 7—Cash Flow Analysis for Rent-To-Own

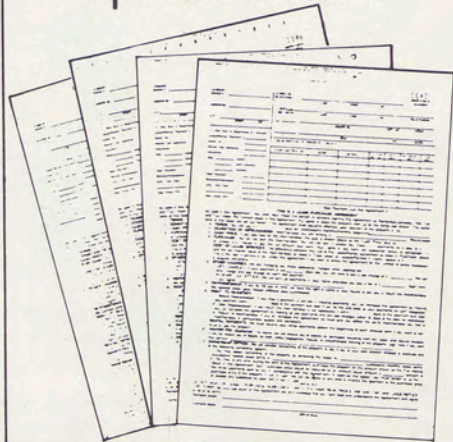
RENO, NV

- Nov. 19—Controlling Internal & External Theft
- Nov. 20—Cash Flow Analysis for Rent-To-Own
- Nov. 21—Collections & Rent-To-Own Fundamentals

Some sessions are held concurrently. For more details, call Debbie Johnson, APRO Director of Meetings and Conventions, at (512) 478-6521.

New Rent-To-Own Statutes have Teeth!

Saf-Write strongly encourages you to consult your attorney regarding your state's legal requirements.



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CORPORATE MOVES

Greg Giordano is the new national service manager at **Samsung** in charge of service and warranty operations. Giordano joins the company with thirty years experience in consumer electronics.

Ingram Video has reorganized a number of divisions and has named new department directors. **Tom Hawthorth** is the new director of video product in charge of all video buyers. The new director of marketing and advertising is **Brian Woods** who is responsible for video promotions and trade and co-op advertising. Also, **Greg Kinman** has joined Ingram as director of video sales. He will direct the company's telemarketing and sales efforts to independent video retailers.

Panasonic has appointed **Michael Aguilar** as vice-president and general manager of the Technics Group. **Richard Lovisolo** is the new vice-president and general manager of the Audio and Home Information Group, and **Jim Aoki** has been named general manager of the VHS division. **Andy Nelkin** has joined Panasonic as national sales manager for home entertainment systems.

Magnavox announces **Andrew Vanover** as the new national coordinator for Magnavox Home Entertainment Centers (HEC). Vanover is responsible for developing a program for HECs in the areas of sales, merchandising, and communications.

Quasar announces the appointment of **Tony Mirabelli** to the post of general manager of consumer electronics. He is responsible for marketing TV, video, and audio products. Also at Quasar, **Tom Lauterback** assumes the new position of manager for public and consumer relations.

Bill B. Lowery is the new general manager for the Southwest sales division of **Magnavox**. Lowery joins Magnavox after serving as an area sales manager for **Hitachi**.

Sharp's corporate moves include the promotion of **John Falcone** to marketing manager of VCR products and **Jim Ambrose** to the position of national sales manager of the company's consumer video division. Falcone is responsible for the marketing and merchandising of Sharp VCR products, while Ambrose is responsible for the division's direct sales

operations. Sharp has also appointed **Robert Garcia** as general manager of its consumer audio department. Garcia most recently was a vice-president for **Toshiba**.

Mark McGuire and **Duane Redmond** are the new regional specialists for **Hitachi** in the company's Special Accounts Division for the rental, rent-to-own, and military PX markets.

McGuire is responsible for the western and midwestern regions. He is based in Hitachi's headquarters in Compton, California. Redmond, who

is responsible for the southern and eastern regions of the country, is based in College Park, Georgia. Redmond has been a sales manager for **Westgate-Champion TV Rentals**. **PR**

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

MANUFACTURERS' NEWS

Quasar's Delta receiver-monitor TV has been awarded the Good Design Grand Prize for 1985 by Japan's Ministry of International Trade and Industry. The Grand Prize is first among 73 special prizes and 1390 certifications awarding excellence in design, function, and appearance. The competition included products from 227 companies in 15 countries.

Ingram Video has created a new merchandising program using six colorful floor displays and a consumer-oriented monthly buying guide to help sell through videocassettes. The floor displays revolve around the following themes: Children's, Classics, How-To, Comedy, Gift Giving, and Christmas. The buying guide, *Now Playing*, lists bestselling videocassettes and thematic titles relevant to each issue's particular theme.

Ingram Video also recently held a seminar and warehouse sale for video dealers. The seminars aided dealers with important merchandising tips and all the free POP video material they could carry. Reduced-price videocassette merchandise was also available. Ingram plans additional seminar-sales in the near future.

The impending merger of General Electric and RCA moves GE up a few notches on the Fortune 500 list. Based on 1984 figures, the company's revenues will top \$40 billion—making it bigger than DuPont. Upon approval, the merger is expected to be finalized in late 1986, with new products to be produced by the conglomerate in early 1987.

Mitsubishi has completed its new \$4 million distribution facility in Irving, Texas. The company plans to direct its warehouse and distribution efforts for Texas, Oklahoma, Louisiana, Arkansas, Kansas, and half of Missouri from the 100,000-square-foot building.

Quasar has implemented price increases on most of its electronics line of up to 11 percent in 1986. More than half of its color TV line has increased in price from 1.2 percent to 7.4 percent, but projection TVs remain unchanged while black and white prices have been reduced by 9 to 11 percent. Quasar's VCRs and cameras have been increased on a range from .8 percent to 8 percent. Price increases on the microwave oven line range from 1.7 percent to 4.2 percent.

Samsung has begun a \$7.5 million sales, service, and warehouse facility in Dominguez Hills High Tech Industrial Park, Los Angeles County, California. This is the first U.S. facility owned rather than leased by the company. The target date for completion is June 1986. The building will house Samsung's West Coast factory service center and western regional warehouse.

Zenith has been inducted into *Consumers Digest's* Hall of Fame for developing stereo television. The company also received a merit award, as selected by the publication's 1.1 million readers.

The Tangible Transaction

Everyone, like myself, brought up in a retail environment is skeptical about associating with a company that charges two to three times the cost for its merchandise. There is no doubt that many prospective employees and customers have slipped through our fingers because of that old argument. What can we do to better expose the benefits of rent-to-own to such prospective employees and customers?

There is no doubt that this industry is expanding in leaps and bounds. But for what reasons? Rent-to-own is alive and well because of public demand. This public demand was created by many economic factors, such as: inflation, high interest rates, and unemployment — all of which have created credit history problems. That is why rent-to-own is here—to service customers' needs for however long they need us.

Service, however, is an intangible. Intangible is defined as, "not having substance." In rent-to-own, a sale does not become tangible until the last payment is made, then there is substance — the ownership of a particular product. Until that point, rent-to-own is an intangible transaction. It is a "use-service." Restaurants also provide this service. And they, by the way, charge more than two or three times the cost for their product. Take McDonalds for example: They charge 65 cents for a soda that couldn't possibly cost more than 15 cents. Yet, the public does not regard them with the same disdain. Why?

It really boils down to public relations and advertising. The public trusts McDonalds because of its reputation. Is the rent-to-own industry trusted by the average consumer or state legislature? Certainly not at the level it should be. Why not? Because the public has difficulty viewing rent-to-own as a tangible sale. The majority of these observers were brought up in a retail environment, and think only in terms of traditional methods of attainment, i.e. retail financing.

Let's make another comparison. This one has to do with an industry

whose survival is supported, in part, by the United States Government. Full-service pharmacies and hospital equipment rental stores exist in virtually every community. They rent hospital beds with hand cranks for approximately \$100 a month. It is interesting to note that Medicare will pay 80 percent of this rental, and no one ever gets to own the bed. Why isn't this concept on everybody's black list? Very simple, it is an intangible sale—a service benefitting society, and there are hundreds of other examples.

Doesn't rent-to-own accomplish a similar benefit to society? Sure it does. How about the customer whose refrigerator fails and is full of food? Not everyone can buy a new refrigerator the same day, but this customer can make a phone call and rent a refrigerator—normally the same day! And, the customer has two options: (a) rent until all the food is gone or there is time to go out and finance one, or (b) keep the unit and pay it out.

First, we need to upgrade our employees in order to get these points across to the public. Professionalism is needed at each level of our business to build our customer's self-esteem and to enhance our image in the community. Personality should be a job requirement at every level. So many times, as I have visited stores, I have seen minimally educated employees that look anything but professional. These are the representatives of rent-to-own, they are the ones who do most of our communicating to the public.

Second, we need to upgrade our stores in order to make consumers feel welcome, and to improve the work place to build self-esteem among our employees. Once accomplished, this will be passed on to the customer by the employee. I have seen stores with a 600 BOR displaying only five items: two portable televisions, one freezer, one stereo, and one washer—each about two years old! The carpeting was ragged and stained, ceiling tile was missing, and one wall was ac-

tually being held up by two washers that were down for service. This was no small company. Imagine what the BOR could have been with motivated employees, a nice clean store to walk into, and an adequate display of the latest merchandise. How could their employees have possibly been motivated to work there or be "up for the close of the sale?" This type of situation hurts all of us, and, unfortunately it's everywhere.

Third, we need to improve our advertising by taking out the negatives and putting in the positives. This will increase not only our own self-esteem, but it will help us obtain an upgraded customer. Wouldn't it be more profitable to have customers from all socioeconomic levels? Because of the economy, more and more people are experiencing credit problems. However, because of the reputation of rent-to-own, many of these people consider themselves to be above the class of those who frequent our stores. Again, this is due primarily to what they have heard and seen in the past about rent-to-own. For example, the price of merchandise being much greater than retail. This is another example of the tangible sale syndrome. Can't we take some of the negatives out of our advertising? For instance, "NO credit check." What does that mean to a consumer with good credit? Again, the word credit also implies a tangible sale to most consumers.

Is there a down payment, a credit check, or a long-term obligation? No. So why tell them there isn't. Tell them what there is. Free service, obligation-free, credit-free, first week free, great products, best rates, honesty, dependability, fast delivery, great employees. Tell the public that we are here to service needs. Let's not be just a "good neighbor" or, put them "in good hands." Let's be someone the consumer can count on, a best friend. And, let's start *today*.

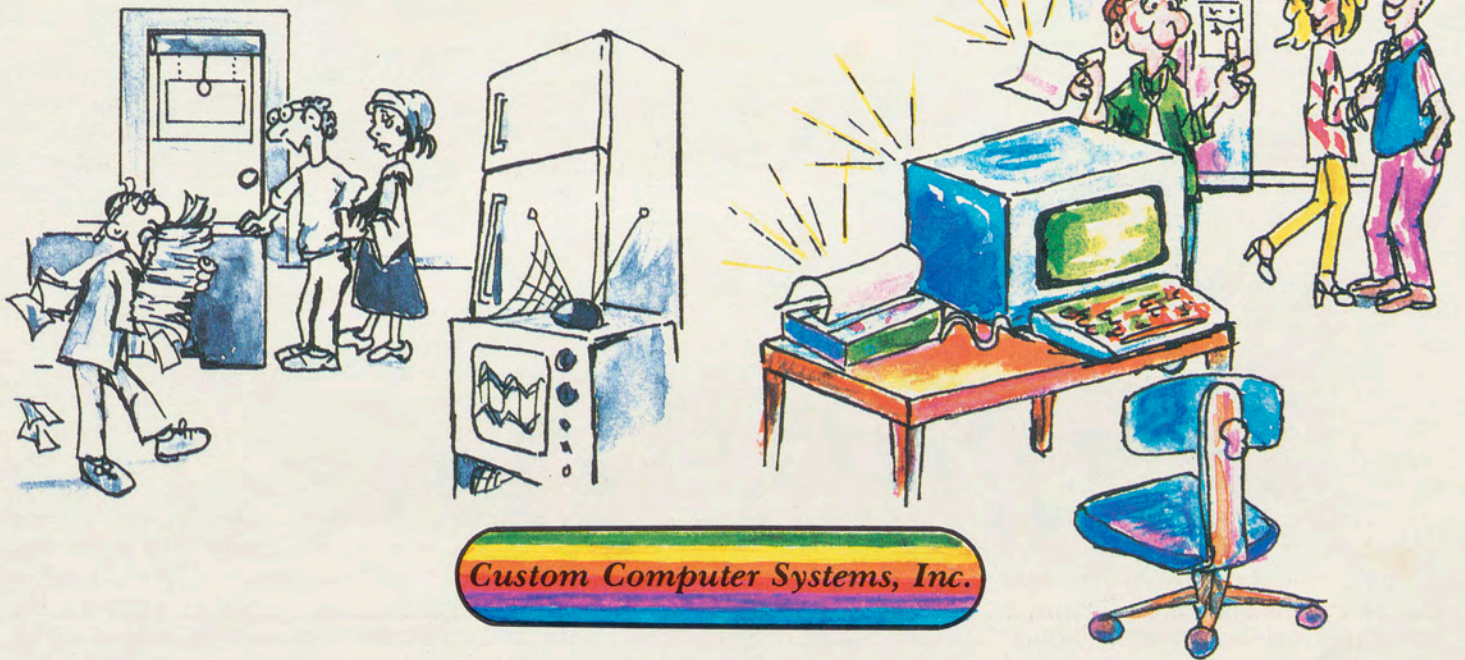
John Costello is the regional manager for Companion T.V. Rentals.

Custom Computer Systems, Inc.

B.O.R.I.S.

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business into a
"Pot of Gold"!

Balance
On
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Custom Computer Systems, Inc.

GARY THORSON, Ph.D.
(President)

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THE HOTTEST RENTAL PROPERTY IN THIS NEIGHBORHOOD.

Chances are, you haven't rented much laundry equipment to apartment tenants. But now that 20 million household market has great rental potential.



Speed Queen's new Contempo Mate™ is the washer and dryer designed for apartments. Stackable, so it fits in smaller spaces. It's light enough to move easily, but built to last—with a

19 month warranty available.

Rent Contempo Mate as is, or add wheels with a portability kit* for more flexibility.

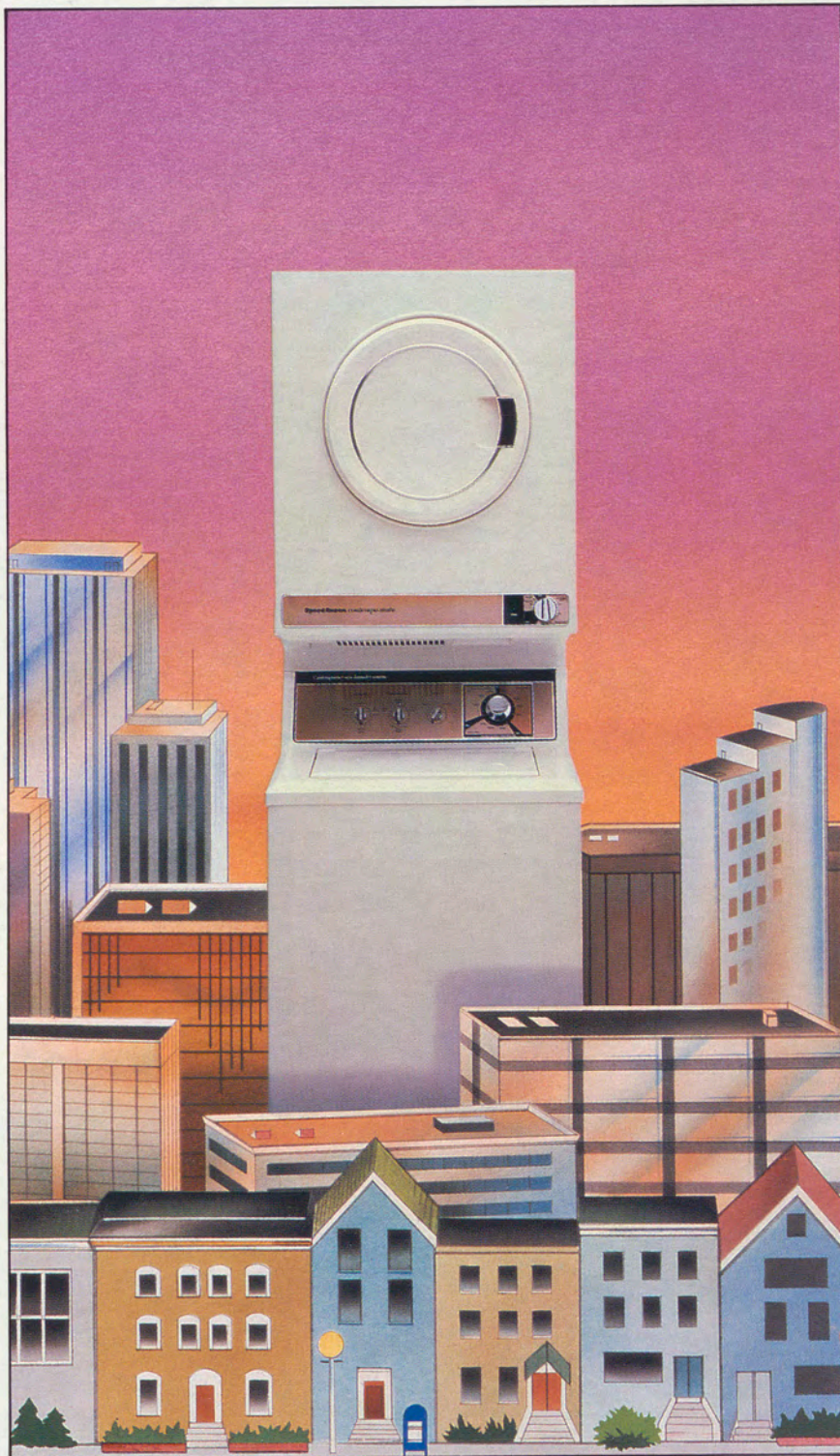
Hose kits* allow sink hook-up, without special plumbing fixtures. Both the washer and dryer operate on 110V. And the dryer requires no external venting. So, installation is never a problem.



Contempo Mate has the capacity to wash and dry an everyday load of laundry. Great washability, too, with a variety of cycles, and a unique 2.5 turn agitation stroke.

Call, write, or contact your sales representative for more information about Speed Queen's Contempo Mate. It's the stackable that moves—and moves you into the big new apartment market.

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contempo mate™

The New Wave In **L** Stackable Washers And Dryers.

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*Portability kits sold separately.

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