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

Progressive Rentals

Job Burnout

Prevention Is
The Best Cure



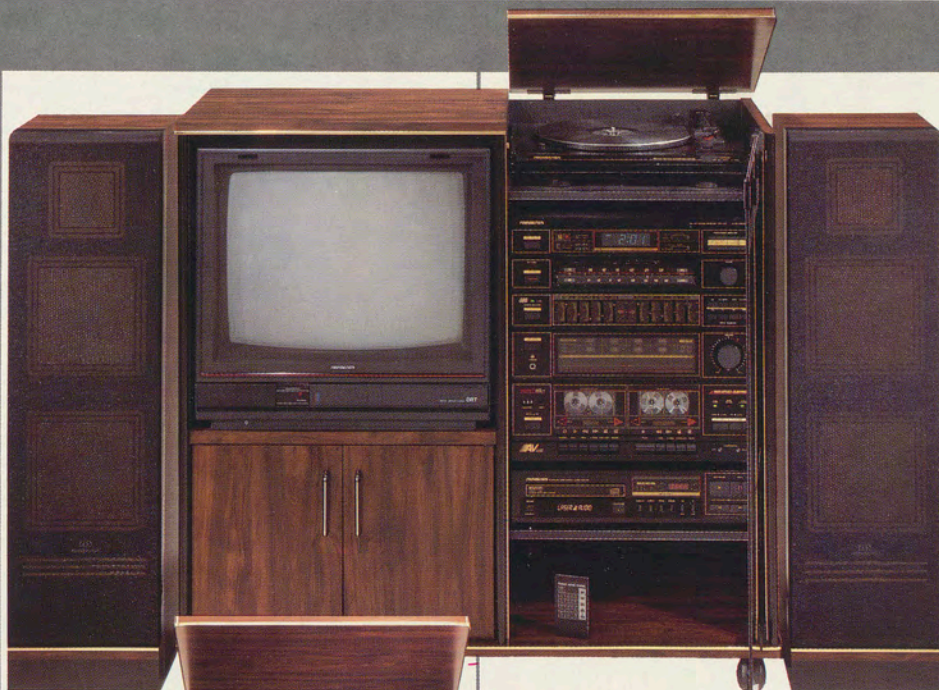
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ON THE COVER: Burnout is the great leveler of employees, and it can strike at every level, from top management to low man on the totem pole. Our cover story on page 8 addresses the problem and gives insights into how to solve it.

COVER PHOTO BY:

Gary Russ, Mirror Image Production

APRO SPECIAL REPORT

PHOTOS BY:

Kayte Bean and Frances Knight

FEATURES

8 BURNOUT!

An employee suffering from job burnout could be a disaster waiting to happen. One less-than-enthusiastic employee can affect his co-workers, and productivity will be reduced across the board. Result: Declining sales and dissatisfied customers. In our cover story, Claudia Filloramo tells how to spot the signs of burnout, how to cure it, and best of all, how to keep it from getting started.

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THE DIRECTOR'S DESK

A sure sign of progress pointing toward a bright future for APRO is the increased involvement of the board of directors. At the regular board meeting held last July during the APRO convention in Las Vegas, the directors voted to schedule an additional meeting to be held in January 1987. At the same meeting, it was decided the Executive Committee should meet at least quarterly. The commitment of the officers and directors to devote the time necessary for travel and attendance at additional meetings indicates their interest and dedication to work for the continued improvement and growth of APRO. This involvement and dedication will undoubtedly result in improved services and benefits for all APRO members.

Before reviewing the board actions at the January meeting, a decision made at the meeting in Las Vegas warrants emphasis. The board passed a resolution that APRO seminars, the convention, and all publications, except for the industry trade magazine *PROGRESSIVE RENTALS*, be limited to members only, regular and associate. The one exception to this is that non-member vendors may exhibit at APRO seminars and conventions.

At the January board meeting, the directors heard a status report on the 1987 convention scheduled for August 6-10 in New Orleans. Convention plans include time for fun, education, and viewing the latest offerings of industry suppliers at the trade show. The convention will be headquartered at the famous Fairmont Hotel near the French Quarter and centrally located for entertainment, restaurants, clubs, and shopping. With trade show booth space going fast, this promises to be the biggest trade show in APRO history.

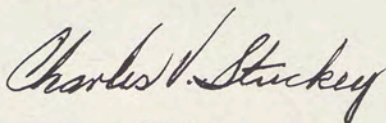
The board discussed ways to encourage non-member rent-to-own dealers and suppliers to join APRO. Plans were completed for the APRO Add-A-Member Sweepstakes offering members chances to win an all-expense paid trip to Hawaii, a Caribbean cruise, or cash prizes, for selling memberships to other dealers and suppliers. The campaign runs through June 30, with winners to be announced at the convention in New Orleans. The industry benefits when more dealers work together through their trade association to promote and develop the general welfare of the members and to enhance the public image of the rent-to-own business.

Just as important as getting new members is the retention of the valued members who have played an important role in the development of APRO as a strong trade association representing the rent-to-own industry. It is important that dues be paid on time, and APRO bylaws require the termination of membership when dues are not received on time. When you receive your dues statement, please don't procrastinate—APRO needs you!

Another project reviewed by the board was the need for a group health and life insurance plan for APRO members. Efforts are being made to establish a complete group insurance plan to include health and life insurance. Several options are being studied that would make such insurance available at a savings to members. Health care costs and insurance premiums are continuing to rise dramatically, making it even more important for the association to develop a plan that will utilize group buying power to cut premium costs for members. Details of the project will be provided to members as the plan develops.

The 1987 Seminars for APRO members are attracting large numbers of participants. One of the more popular seminars is the "Rent-To-Own Accounting Under the New Tax Law" which will be offered again March 23 in Atlanta. Other seminars remaining on the spring schedule are: "Adding Furniture, TVs and Appliances to Rent-To-Own" offered in Atlantic City; "Advertising and Marketing Rent-To-Own" offered in Atlantic City; and a two-day personnel workshop being offered in Kansas City, Missouri. In addition, a two-day rental retreat featuring experts' predictions on the future of rent-to-own will be held May 11-12 in Scottsdale, Arizona.

These projects round out the flurry of activity currently underway at APRO. The association exists to serve its members, and members can receive maximum benefit by participation in the seminars and conventions, by using the training materials and publications available from APRO, and by working with other members to improve your business and the industry.



—Executive Director

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BURNOUT!

It Can Destroy Your Good Employees

The balance on rent is dropping, the average dollar per unit is falling, change-over in personnel is greater than usual, and customer complaints are reaching the corporate office. What's happening?

These are red flag signals of the dreaded personnel killer: burnout. Such blatant signs indicate a case that already may be too far gone to save. No respecter of persons, it can hit at any level of your personnel structure. Tattletale symptoms include: poor time management; procrastination; distraction; change in attitude, and sometimes, something as visual as a change in personal appearance.

Don't confuse the symptoms with the real problem. And don't think you can cure the problem merely by treating the symptoms. Stringent prevention methods coupled with early detection and immediate application of corrective measures must be adhered to if burnout is to be combatted.

The rental business is structured like a circle made up of five aspects: financing; purchasing; advertising; customer relations, and personnel/management. Each of those factors is an integral part of the whole. No matter how smartly we operate our financing, purchasing, advertising and customer relations, without a good staff it would be impossible to effectively stay in business. Burnout creates negativism which creates disgruntled employees which can spread through an operation like a

Don't confuse the symptoms with the real problem. And don't think you can cure the problem merely by treating the symptoms.

highly contagious disease and wound us severely, if not fatally.

What causes burnout? Primarily, it is poor communication, which leads to ineffective motivation and goal setting; inadequate training and retraining; and lack of product knowledge, the creator of procrastination.

Ineffective Motivation

Employees worth keeping and advancing need an accurate picture of where they stand in the company, where they can go, and how to get there. It is vital that all personnel have a clearly defined mental picture of their job and the tools to help them achieve these goals so that they can feel good about themselves, the day, their job, and the company. Good communication skills and verbal imagery help employees see themselves in the position we want them to be in, doing successfully those tasks required.

Generate positive and honest com-

munication with employees from the inception of their relationship with your company. Say what you mean, mean what you say, and be sure your employees understand what you say.

As companies grow and change, goals on all levels shift. Failing to communicate those changes will result in confusion.

All goals set must be attainable. Psychologists tell us the number one fear is rejection—the inability to generate praise. Have one-year, two-year, and five-year goals for your company and share them with your employees.

Be specific about your goals. A dragging assistant manager who is aware that two new stores are on the drawing board and that he could be rewarded with managership of one will refuel his enthusiasm and a potential burnout will be nipped in the bud.

Few sane people deliberately do poor jobs. They don't get up in the morning, look in the mirror, and proudly say, "Today I will tick off 10 people." Unfortunately, no matter how sincere their intentions, without precise tasks and goals, training and product knowledge, the result can be less than rewarding.

Inadequate Training

It is impossible to have a good customer without first having a good employee, and that means training, retraining, and cross training. Consider

what happens if an excellent account manager is suddenly elevated to store manager without proper training. He is treading on unfamiliar territory and his serenity is threatened. He will rarely ask for help, and no one is offering any. Where he was once in control of his job, now the job is controlling him.

We have created our own problem by taking an effective employee and placing him in an ineffectual situation.

Burnout creates negativism which creates disgruntled employees which can spread through an operation like a highly contagious disease and wound us severely, if not fatally.

Everybody loses. We don't have a productive manager, and we no longer have a good account manager.

The employee untrained in job performance will continually do poorly. A lack of reinforcement results in employees who feel uncomfortable about themselves, their job, and your company. Discontent is generated when negative reinforcement is allowed to become a repeat pattern.

Good communication skills, necessary in retraining, create positive situations; a lack of communication skills is rightfully blamed for negative situations. Communication is "word power." A good vocabulary supplies the appropriate word for specific situations.

Communication is vital in relations with prospective and existing customers, as well as with employees. In order for our employees to be effective and successful in communicating with their customers, we as employers must first be successful in communicating with our employees.

Product Knowledge

Product knowledge is the ability to talk factually and intelligently on a subject, and keep it interesting. If you do not know the topic inside out, upside down, if you cannot debate, take it apart and put it back together verbally, you will not sound sincere, you cannot generate enthusiasm, and you won't be able to sell anything to anybody.

As businesspeople, we see the market changing and often think of it in terms of how it affects our customers, our sup-

RATIONALIZATIONS FOR PROCRASTINATING

I don't have time. High payoff activities are by definition those that you have not acted on but *do* have time to do. Activities that you could, should, and would do if you were managing your time effectively.

I'll have time to do it later. This is more insidious than the first excuse because nothing will make you do tomorrow what you could have, should have, and would have done today but did not.

I will do it whenever. . . . Whenever the phones stop ringing, whenever I don't have to attend all those meetings or make out those reports. You are waiting for a time when all the other things in your life stop hitting you by demanding your time and attention. This will never happen. The sooner you stop thinking you will do it "whenever," the sooner you will actually do it.

I can't. This excuse is used to convince yourself that you can't do the high priority activity, even though you can. If you truly do not have the necessary skills, understanding, or resources right now, you can put a high priority on acquiring them. But you can only do so when you stop saying "I can't."

I could do it if they would just stop doing it to me. Blame is the perfect excuse for not taking action on what you could and should do. Blame takes the responsibility off your back and puts it on someone else. All blame does is transfer responsibility for doing your high priorities from you, where it belongs, to whom ever you are blaming. It puts *them* in control of *your* time.

If you do not know the topic inside out, upside down, if you cannot debate, take it apart and put it back together verbally, you will not sound sincere, you cannot generate enthusiasm, and you won't be able to sell anything to anybody.

pliers, and our BOR, but rarely our employees. We fail to be sure our employees understand the changing market.

Karrie Jacobs writes in the December 15, 1986, issue of *Adweek*, "Tough customers emerge and consumers now beat up on retailer and manufacturer alike. Meet the new consumer, an unpredictable shopper who tempers a lust for quality with a desire for value and does not practice brand loyalty. . . . This consumer is an amalgam of 40 years of social change and, more than that, a product of the information age. . . ."

The research firm of Yankelovich Clancy Shulman profiled the American consumer in a report that outlines the point of view of this consumer:

- "We are demanding more and more useful, practical information about products. Where do we get this information? From 'experts,' the people who can speak with authority."

- "We are now aware that there is someone out there who knows more than we do about a subject, and we respect and acknowledge authority and seek out the best of it for our needs."

If product knowledge, a verbal tool in itself, along with verbal imagery, is not implemented on a regular basis, it makes for a crippling situation. Your employee will be ineffectual and feel inadequate, a major contribution to procrastination, which leads directly to burnout.

For example, an account manager not equipped with his imaginary bag filled with the proper imaginary tools cannot complete effective collections. Each unsuccessful call reinforces his inability causing fear, anxiety about the task, and feelings of inadequacy. No one wants to do something they don't do well. . . . enter procrastination, which is simply the avoidance of starting or completing a task. (See the shaded box headed Rationalizations for Procrastinating.)

Cure and Prevention

Now we know the signs, how to spot them, some of the causes and symptoms. How do we correct and prevent future burnout? You may be tired of hearing the words, but the backbone of our industry is communication, training, retraining, and product knowledge.

Procrastination must be dealt with. There are ways to overcome and prevent procrastination: information equals interest equals involvement equals action.

continued on page 43



A Look at the Future

Everyone seems to be wondering what the new year and the future generally will hold for rent-to-own.

First of all, the industry is fundamentally healthy; I say this despite several near tragic situations of which I am personally aware. Public acceptance of the rent-to-own concept continues to expand unabated, despite occasional potshots by people who ought to know better, of which more later.

The financing base continues to expand. I have had serious conversations with major lending institutions, including some of the largest loan companies and banks in the country. They are calling because they want to learn more about the industry. They are calling because all of their research indicates that rent-to-own is a good bet for the future. When the smoke clears on the new tax law, I think that the entire leasing industry, of which rent-to-own is now an acknowledged part, will benefit from the changes.

The industry continues to expand its product base. Manufacturers at the most recent CES show had all at least heard of rent-to-own. Like the lenders, they are trying to learn more about this business so that they can service it better.

The industry has matured during recent years, and one result is that it is a cleaner, more reputable industry than ever before. Some of the companies that are facing financial crises are suffering because they refuse to run this business like it ultimately will have to be run. This is not true everywhere; Texas and other oil-dependent states provide notable exceptions.

Most dealers I have talked to in the region are philosophical—what else can they be?—and seem to understand business cycles. They know rent-to-own's down cycle is a phenomenon to

be survived until the cycle ends, which it certainly will. In the meantime, I do not see any widespread defections or dealers holding fire sales to unload their companies.

On the down side, management continues to thwart growth in rent-to-own. Dealers of a certain size are always on the lookout for people qualified to step in and run multi-store operations at different levels. There is not enough management expertise in this industry to go around, although this situation will improve over time. The industry has historically attracted entrepreneurial types. These are action-oriented people who like working for themselves. Owners continue to struggle with the problem of losing their best managers, who leave on a regular basis to start their own rental companies. This trend will continue. What also may happen is that as companies continue to grow, they may be able to attract managers with professional training and skills to come in from outside the industry to run rent-to-own chains.

In the future, the industry will increasingly require attention to and expertise in all areas of the business. The best business people will end up being the most successful rental dealers.

What all this finally means is that dealers will have to spend more time studying the details of their companies. They will have to keep a close watch on the things that work and the things that are not working and know the difference. Those who refuse to approach rent-to-own in a businesslike and sophisticated manner—those who insist on flying by the seats of their pants—will simply lose in the competitive battle with their more professional rivals. It has already happened to a few and the trend will continue.

Other good news is that the industry

is not being attacked legally with the fervor that was once widespread. I can say this notwithstanding current events in Pennsylvania.

We are still subject to criticism and will continue to collect our share of complaints from consumer protection types. But our right to exist in the marketplace is no longer open to serious debate, which is a fact that makes everyone connected with the business feel more comfortable.

And so, finally, the future holds mixed blessings. It is not true that the future of rent-to-own is exclusively reserved for the "big boys." There is room and there always will be room for the mom and pop operations in this business. It is true that bigness allows companies to develop expertise and sophistication in management.

But at the store level, this is still a weekly business and customers appreciate and return to stores that treat them with the respect they don't get elsewhere. It does not take a hundred-store chain to make this business work at the store level.

Explosive growth is apparently over for the time being. From 1980 to 1985, the industry grew at a rate of roughly 30 percent a year. Last year we grew at a rate of perhaps 10 percent. I fully expect us to continue to grow at a respectable rate for the next three to five years. If I am right, then we will all be around, three years richer and three years wiser, ready for another prediction.

EDWARD L. WINN III
APRO General Counsel

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**ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS
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Avoid delay. Application cannot be processed until all requested information is provided.

Owner Info	Corporate Name		d/b/a	
	Name (Last)		First	M.I.
	City	State	Zip	Phone ()

Dues

Please check the appropriate dues category below. Regular members shall pay according to annual revenues. Please make checks payable to: APRO, 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741, (512) 447-0333.

Regular Member (dealers)

- | | | | |
|---|---------|---|---------|
| <input type="checkbox"/> Up to \$500,000 annually | \$300 | <input type="checkbox"/> \$10 million-\$20 million annually | \$2,400 |
| <input type="checkbox"/> \$500,000-\$1 million annually | \$600 | <input type="checkbox"/> Over \$20 million annually | \$3,000 |
| <input type="checkbox"/> \$1 million-\$2.5 million annually | \$900 | | |
| <input type="checkbox"/> \$2.5 million-\$5 million annually | \$1,200 | | |
| <input type="checkbox"/> \$5 million-\$10 million annually | \$1,800 | <input type="checkbox"/> Associate Member (suppliers) | \$300 |

Your dues include a one year's subscription to *Progressive Rentals* magazine—one copy per store location. Additional subscriptions are available at \$30 per year. Also, one copy of *Who's Who in Rent-To-Own* is sent to each store location. Additional copies are available for \$10 each.

Membership Material

The following information must accompany your application and dues payment before your membership can be processed and approved.

Dealers: (1) a copy of your rental agreement; (2) a complete listing of your stores including the correct street address, ZIP code, and area code and telephone number; (3) a copy of your most recent print advertisement.

Associates: (1) a list of your distribution outlets.

Please let us know:

How did you hear about APRO? _____

What should be the goals of APRO? _____

Please note that from time to time APRO solicits statistical information from its members to compile data about the industry. All data is anonymous and held in strictest confidence.

Please allow a minimum of 3 weeks for processing and approval.

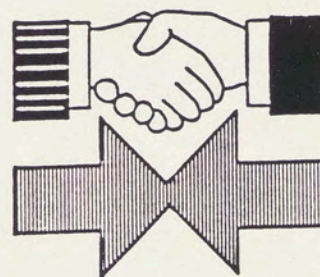
I hereby make application for membership in the Association of Progressive Rental Organizations (APRO). I understand all memberships are for one year from date of sign-up. **I hereby acknowledge the APRO Code of Ethics and agree to uphold its principles.**

Recommended by:

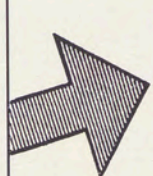
Signature _____

RETURN TO: APRO, 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741

Be a Winner
in the
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**Add-A-Member
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You APRO members already know the benefits membership can bring. Now you can sell your fellow rental dealers on those benefits and wing your way to Hawaii, or cruise the Caribbean with your favorite companion! Or, if cash sounds more appealing, you can opt for money instead of travel. All you have to do is sign up new members for APRO! Top prize in the contest goes to the member earning the most points during the contest period (see Counting the Points box for scoring details). Everyone who signs up at least one new member has a chance of winning second prize. All APRO members in good standing and their employees are eligible to participate, including Associate members.



P
Prizes

1st Prize: \$2,000 Cash, or All-Expense Paid Trip to Hawaii for Two*
2nd Prize: \$1,000 Cash, or Caribbean Cruise for Two*

Contest ends June 30, 1987. Prizes will be awarded at the 1987 APRO Convention in New Orleans (August 6-10). You need not be present to win.

*Value of Travel Prizes Equal to Corresponding Cash Prize.

Just as any rental business needs new as well as repeat customers to thrive, so does your Association. APRO figures indicate there are as many as 3,000 non-member rental stores in the U.S., and that slightly more than half of all rental dealers remain unaffiliated with APRO. That translates into a wealth of opportunity for recruitment. Put your sales skills in high gear and start signing up new members for APRO. But first, check out the following official contest rules.

RULES

New member applicants must complete an official APRO membership application form and send it to the APRO office along with a check for one year's dues. The application form on the opposite page may be used; photocopies will be accepted if you do not want to cut up the magazine. The application must be postmarked no later than midnight June 30, 1987, and must be received in the APRO office by July 10, 1987, for review by the membership committee. New member applicants must complete the "Recommended by" line on the application form for the APRO contestant to receive proper credit.

All decisions concerning eligibility for membership made by the membership committee will be final.

The first prize of \$2,000, or the trip to Hawaii, will be awarded to the person credited with the most points. (See Counting the Points box for scoring system.)

Second prize winner will be determined by a drawing at the 1987 APRO Convention in New Orleans. All members and member-store employees who participate in the contest by recruiting at least one new member will be eligible for the drawing. The name drawn will win their choice of \$1,000 cash or a Caribbean cruise for two.



Counting the Points

The following point system will be used for determining First Prize Winner.

Membership Category	Points
\$300 Regular or Associate	1
\$600 Regular	2
\$900 Regular	3
\$1200 Regular	4
\$1800 Regular	5
\$2400 Regular	6
\$3000 Regular	7

(Regular member dues are determined by annual revenues. See membership application form for complete details.)

Membership Requirements

Regular membership in APRO is available to any rental dealer who is regularly engaged in the business of renting consumer products by use of a no-obligation rental purchase agreement and who merchandises and advertises his or her business as such. The applicant must have been in business for at least 90 days and must either 1) have a separate location for the exclusive conduct of a rental-purchase business, or 2) have a minimum of 150 rental agreements in force at any one location.

Associate membership is open to any person, corporation, or partnership who supplies goods or services to the rental industry.

Have questions, want more information?
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David Prall
1885 Beaver Ridge Circle
Norcross, GA 30071
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GOVERNMENT RELATIONS

ELECTION OUTCOME

BY EDWARD L. WINN, III

The Consumer Federation of America (CFA), a Washington-based trade group organized for the advancement of consumer interests, is celebrating the November elections. According to their tally of the congressional elections, consumers were the big winners. It remains to be seen whether gains for consumers necessarily mean losses for the rent-to-own industry, although that may be the case.

In the Senate, the CFA reports that at least 13 new senators are more pro-consumer than their defeated opponents. Two former senators who lost reelection bids, Senators Paula Hawkins (R-Florida) and Slade Gorton (R-Washington), had both been sponsors of industry-supported rent-to-own legislation since 1983. Their loss means that the rental industry will have to find new sponsors in the now Democrat-controlled Senate.

An important change for rent-to-own is the change in leadership in the Senate Banking Committee. Senator Jake Garn (R-Utah), who had helped get rent-to-own legislation passed through the Senate, lost his job as chairman of that committee to Senator William Proxmire (D-Wisconsin). In 1984, Proxmire voted with Senator Christopher Dodd's (D-Connecticut) effort to kill the rental-purchase bill which ultimately passed through the Senate only to die in the House.

One possible outcome of the new consumer resurgence in Washington is that the rental industry will get the attention it has failed to attract in recent years.

Interestingly, according to the CFA, no "significant consumer legislation" was passed by the Banking Committee while Garn sat as chairman. Significance must be in the eye of the beholder, since most would agree that rental-purchase disclosure which the committee did pass was pro-consumer. The CFA comment was apparently directed at the areas of check hold limits, deposit

account disclosure and credit card disclosures, all of which had initiatives pass through the House and die in Garn's committee.

Ratings Compared

Senator Proxmire has an 82 CFA rating (out of 100) compared with a rating of 12 for Senator Garn. This rating reflects how legislators vote on issues targeted by the CFA as consumer issues. The ratings are lifetime ratings based on voting records since the CFA began the calculations back in 1971.

The CFA was equally pleased with elections in the House. Every one of the 77 incumbents endorsed by the CFA were reelected. In fact, of the entire 335 members, only six incumbents lost their seats. The CFA reported that the six representatives who lost had an average CFA rating of 14 percent. The CFA supported three new House members,

Significance must be in the eye of the beholder, since most would agree that rental-purchase disclosure which the committee did pass was pro-consumer.

Ben Campbell (D-Colorado), Louise Slaughter (D-New York), and David Price (D-North Carolina). In addition, the CFA praised the election of Mike Espy (D-Mississippi), former head of the Consumer Protection Division of the Attorney General's office.

The rental industry has long had a friend in the House, Doug Barnard (D-Georgia), who was reelected and who will continue to support disclosure legislation in the House.

One possible outcome of the new consumer resurgence in Washington is that the rental industry will get the attention it has failed to attract in recent years. Such attention may not be all bad.

When the Federal Reserve Board studied the rental industry back in 1982, their conclusion was that the stores, for the most part, were well run, and that the industry was providing a useful and necessary service. Since then, the image of the industry has improved consider-

Their conclusion was that the stores, for the most part, were well run, and that the industry was providing a useful and necessary service.

ably and another look by representatives should yield the same result.

Now, with piecemeal legislation developing state by state, the opportunity is ripe for a consumer-oriented Congress to come up with reasonable uniform disclosures for an industry that in 40 states still has no regulation whatsoever.

Cable Issue Update

The Associations United for Fair Competition (AUFC), a coalition of trade associations, has met several times in recent months to discuss the issue of cable TV companies entering the retail TV/VCR market. (For a complete discussion of the issue, see PROGRESSIVE RENTALS April 1986.) Representatives of AUFC, including this writer, met in Washington, D.C., last November with representatives from the National Federation of Independent Business (NFIB) and the Business Coalition for Fair Competition (BCFC). The meeting was held to coordinate legislative efforts among the different groups.

The Alliance for Fair Competition is made up of several trade groups and industry representatives to combat the entire issue of nonprofit entities competing with for-profit entities. As an example, the coalition regularly combats nonprofit universities that are involved in a host of activities which compete directly with for-profit corporations—book stores, cultural events, insurance programs, travel programs and the like.

Joe O'Neal, the representative from BCFC, stated candidly that their legislative agenda was full for the next several years, and that they were not willing to undertake the additional battle with the cable TV companies.

On the other hand, Peggy Hudson, the representative from NFIB, indicated that her group, which represents some 45,000 independent business people

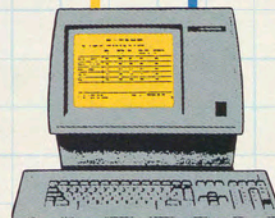
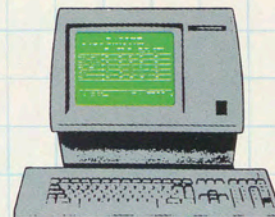
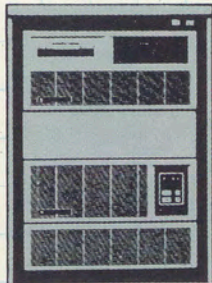
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INSTALLATION AND TRAINING
AT YOUR LOCATION

GOVERNMENT RELATIONS

continued from page 16

across the country, might be interested, depending on how the membership of the NFIB felt. In essence, if there are TV and appliance retailers or rental dealers who are members of NFIB, and if they contact their NFIB representatives to let them know that they consider the cable TV issue to be an important one, then NFIB will lend its support to the issue. The NFIB is a very well-organized association with registered lobbyists in 28 states and lobbyists on retainer in the remainder of the states. In addition, they have a large staff in Washington, D.C., to watch over the interests of small business, primarily as opposed to big business. Since the November meeting, I have had conversations with Wayne Campbell, the Director of State Legislation at NFIB, who is awaiting notification from his local groups that local TV and appliance retailers and rental dealers want that association to help with the legislative effort.

Texas Effort Planned

The AUFC met again most recently in January during a break at the CES show in Las Vegas. That meeting was to discuss certain legislative contacts that exist in Texas. The coalition agreed to introduce a bill into the Texas Legislature which would prevent cable TV companies from selling or renting TVs, VCRs and other home entertainment products. Texas was seen as a bellwether state since several members had legislative contacts there who had previously agreed to introduce legislation on their behalf.

Since that meeting, AUFC representatives have met several times with Texas state senators and their staffs, and a bill will shortly be introduced into the Texas Senate to keep cable TV companies out of the TV and appliance retail and rental business. Rental dealers across the state of Texas will soon be receiving information concerning the bill and a request that they contact their local legislators urging their support of the legislation. Similar legislation already exists in Connecticut. The Virginia State Legislature addressed the problem but did not resolve it and, instead, passed the authority to regulate cable TV companies down to local cities and municipalities.

If the AUFC is successful with the Texas legislative effort, it should stand as a hallmark for other states who wish

to prevent the cable TV companies from exercising the unfair advantage they possess in the marketplace against other retailers and rental dealers.

OKLAHOMA

Senator Roy Boatner prefiled a bill in the Oklahoma Senate to clarify the theft of rental property statute there to specifically include "any other item rented or leased for home or personal use." There is already on the books in Oklahoma a criminal statute concerning failure to return a rented motor vehicle, trailer, appliance, equipment or tool. This language, if enacted, should clarify that rented TVs, stereos, and other consumer products are covered by the statute.

MISSISSIPPI

The Mississippi Legislature has before it a theft of rental property statute similar to statutes that have now been enacted in roughly 26 other states. Several dealers have already made contact with their representatives in the Mississippi Legislature urging their support of the bill.

MISSOURI

The Missouri legislature once again has before it a "plain English" statute. This issue was raised in the Missouri Legislature the last time it sat, but died in committee. The new legislation is useful because it defines what is intended by the term plain English, which does not appear in similar statutes in other states. Other states that have enacted plain English statutes have left rental dealers and other consumer retailers in doubt as to exactly how to write a contract. The Missouri statute offers the benefit of a specific type size, margin requirements and headings, which will help consumer retailers comply with the bill, if enacted.

Oklahoma, Mississippi, and Missouri rental dealers received a copy of the statute pertaining to their state and a memorandum from the APRO office. Additional copies of those statutes and the Texas bill are available to APRO members from Edward L. Winn III, APRO general counsel, at Kammerman, Overstreet & Hurren, 500 MBank Tower, Austin, Texas 78701, or (512) 474-6434.

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

Washington Report

BY J. SAMUEL CHOATE, JR.

The month of January has been an intense and busy time for APRO representatives in Washington. Since the beginning of the New Year, in anticipation of the convening of the 100th Congress, representatives of APRO have met with representatives of the National Association of Music Merchants, the Consumer Bankers Association, the National Vehicle Leasing Association, the Furniture Rental Association of America, and the American Automobile Leasing Association, to discuss the concerns that those industries have with the provisions of H.R. 5636, the APRO-supported amendment to the Federal Consumer Credit Protection Act to include and govern lease-purchases.

At these meetings the APRO representatives have felt as if we were listening to ourselves talk four years ago. The concerns and, in some cases, objections regarding the legislation contained in H.R. 5636 voiced by these groups are reminiscent of our industry's concerns in the past.

Similar Concerns

Of particular concern to these industries are the provisions dealing with price-tag disclosures, plain language requirements for rental agreements, and disclosures such as cash price and total of payments necessary to acquire ownership.

As regular readers of this column and publication will remember, these areas were of great concern to our dealers prior to the time that rental dealers actually began to incorporate similar provisions into their contracts either voluntarily or pursuant to the various state laws that have been passed in the last three years regulating the rental-purchase industry. As a result, and I would think without exception, these provisions have not adversely impacted upon the operation of any rental business in the United States and have muted considerably the once-vocal consumer opposition to our industry in the area of financial disclosure. Furthermore, the image of the industry as a whole has been greatly improved by the use of contracts and business practices of the type that would be required after the passage of H.R. 5636.

The position of APRO negotiators continues to be that the contents of H.R.

5636 should not intimidate responsible businessmen in the operation of a rental-purchase business. Responsible businessmen in this industry believe that they are offering an extremely valuable service component in addition to the use of rented property. They are proud of the relationships that they have with their customers and believe that a straightforward rental agreement and corresponding business practices will encourage rather than discourage consumers to enter into rental-purchase agreements with them.

In addition, APRO representatives take great pains to explain to the representatives of other industries the rather precarious legal environment in which the lease-purchase industry continues to exist in many states and the need, on a nationwide basis, for Congress to address itself to the fundamental question of defining the nature of the commercial relationship between us and our customers.

I am confident that these discussions have borne fruit and I do not mean to imply by this article that there is any great antagonism to the passage of this bill. However, there are differences to be worked out in an effort to present before Congress a unified front participated in by all of the industries affected

The image of the industry as a whole has been greatly improved by the use of contracts and business practices of the type that would be required after the passage of H.R. 5636.

by this legislation. These differences will, in my opinion, be resolved favorably, and very shortly. I feel confident that I will be able to report in the next edition of PROGRESSIVE RENTALS on the introduction of bills in the House and Senate supported by all affected industries. To that end, additional meetings will be held over the next two weeks to prepare for the introduction of this legislation in the 100th Congress.

Viewed from another angle, the active participation of these other trade groups in discussing and working on this legislation is reflective of the feeling in Washington, among those concerned, that Congress will, in fact, pass this bill into law during this session. In the past couple of years, APRO has tried, generally without success, to get

the active participation of these other industry groups in the legislative process. Unfortunately, we have been working alone up until the end of 1986. Now, however, the number of interested parties has quadrupled and there is much activity on the business side as well as in the committees where this matter will be dealt with.

Over the next three weeks, APRO representatives will be meeting with the key staff members in the House and the Senate in anticipation of H.R. 5636 being introduced during the first week or two of February. Thereafter, hearings will more than likely be held in both the House and Senate Consumer Affairs Subcommittees. The spring and summer of 1987 promises to be an active time for us here in Washington. As those hearing dates become set and we are able to focus the interest of the members of Congress on this issue, we will be looking to the APRO membership to participate in this process by contacting your Senator or Representative indicating your support for the passage of this legislation. **PR**

J. Samuel Choate Jr. heads his own law firm in Washington, D.C., and promotes legislative action for the rental-purchase industry as a representative of APRO.

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This is not about federal regulations, state statutes, or quick fix solutions that you can apply to your business today for huge changes tomorrow. Rather, it's about people: those you have and those you want. And if there's a lesson here, it's simply that the difference between those two groups lies in deciding what you want and paying for that, or in simply paying for what you happen to get.

Step one is to decide what we want each group of workers to accomplish, and then to develop a compensation plan that ties the employee's reward (pay) to results (profits, growth, etc.). Paying people to show up and perform routine tasks is only half the battle. Once you've got them there, then what do you do with them—or what do they want to do for you?

A nineteenth-century retired Prussian general, Karl von Clausewitz, virtually wrote the book on warfare. Modern armies still apply his theories on tactics and strategy today. So can we. Captains of industry wishing to design an intelligent employee compensation system might think about von Clausewitz's view on planning to accomplish an objective:

“. . . a small jump is easier than a large one, but no one wishing to cross a wide ditch would cross half of it first.”

If your clear intent is to accomplish specific objectives—gain *X* units per month or maintain income per unit at *X* per month, or simply generate *X* percent of profit each month, then why not pay for only those objectives instead of the half-steps in between?

Some rental companies pay collectors an hourly wage that doesn't go up until they've hung into the job long enough to shame management into awarding a

Captains of industry wishing to design an intelligent employee compensation system might think about von Clausewitz's view on planning to accomplish an objective.

small raise “in recognition of seniority.” That might be a logical compensation plan for postal workers, but recall that it took the U. S. Postal Service nearly two centuries to turn a profit. Unless you're really an advocate of long-range planning, paying for time spent on the job might not produce the desired results.

Putting Theory Into Practice

But back to that crafty old von Clausewitz and his wide ditch theory. If you want profit, pay for profit. Most managers of only average ability can figure out a way to bridge the gap between profit and no profit if they know they'll be paid only for profit.

An example: You're paid \$5 for every delivery and 1 percent of sales volume as the manager of Acorn Rental (“Even a blind pig” . . . etc.). Now try to figure out what the boss is hollering about if you make \$750 commissions from deliveries and \$300 commissions from volume. You're happy—you made an extra \$1,050 this month because you tore up the record books. Why isn't he happy?

Now suppose you as manager are

paid 10 percent of net before corporate expense and taxes and your employees are paid on deliveries and volume; you'll probably control costs and let them tear up the record books. They're happy, you're happy, the boss is happy. The ditch has been crossed.

What should happen in a well-managed rental store? Deliveries must outstrip pickups and payouts, and overhead must be less than sales. Sound simple? Of course it is. The tricky part is deciding just how much to pay for those results. To a large extent, the labor market in your area will determine how much good employees must earn to remain good employees on your payroll.

Few people can be expected to work at your shop for \$850 a month when the guy down the street and the gal across the street do the same work for \$1,050. Don't bother adding up and calling attention to all those fringe benefits you

That might be a logical compensation plan for postal workers, but recall that it took the U. S. Postal Service nearly two centuries to turn a profit.

so generously provide. The smart people know what they really cost you and the dumb ones don't care. Let's examine all those wonderful rewards we give people for working at good old Acorn Rental: paid vacations; paid sick leave; health insurance; dental insurance; life insurance; maybe even a retirement plan. What a deal! Except the guy has to get sick, stay home, or die to be

Giving an employee a decent job with the opportunity to earn more than they ever dreamed isn't charity or foolish investment.

rewarded. What reward does he get on the job?

Why not allow the employee to earn so much money by being top producer at work that he can buy his own insurance and pay for his own vacation. Chances are, he won't want to be gone too long. But enough on fringe benefits. You get the picture.

Developing the Plan

One good pay plan for store managers might be a system that clearly, fairly, and simply measures job performance and then relates that performance to a scale of bonus payments. The bonus payments can be tied to anything—profit, sales, and the like. Assume a perfect store would have no past dues, so nobody gets picked up. It realizes all the potential rent from contracts in force, and just keeps adding new customers daily. Of course, we know that store doesn't exist, so what will we accept as reasonable?

To determine what constitutes a reasonable store efficiency rating, you start with a perfect score of 100 percent. Deduct from that specific percentages for weekly closeouts on past dues, LRI (rent due but not collected), pickups made, and for payouts and charge-offs, then add some for deliveries made. [Please see the shaded box on this page for a detailed breakdown of figuring store performance before reading further.]

Note that every performance area is totally controlled or directed by the manager. Every figure can be proved, and market size or store size has little or no impact. Based on these figures, this store would gain units at the rate of 5 percent a month (60 percent yearly!), give away only seven cents of every rent dollar due from contracts, and close out consistently. If one number goes up or down, management must make extra effort in an offsetting area to hit performance targets. This doesn't require a sophisticated computer, a brainy analyst or even a weekly inspection trip. It requires only simple arithmetic.

Now set a pay scale where the manager's bonus is the equivalent of his store rating. If the potential bonus is 10 percent of profit, the manager of our store shown here would receive only 9.1 percent instead of 10 percent (he did a 91 percent job—he gets 91 percent of potential bonus available). If he is paid on units on rent, he might make 75 cents per unit for an 88–93 percent rating and \$1.50 per unit for a 94–98 percent rating. Our manager would collect 75 cents per unit unless he made other adjustments.

Results Pay Off

The important element in the compensation plan is that straight, unwavering line between desired results and pay available. The worker's pay has to be tied directly to that part of the operation in which he or she has clear impact and daily control; otherwise, everybody plays with a crooked deck. If collectors are supposed to collect and deliver, pay them a percentage of volume and a flat fee per completed delivery. Subtract a dollar for each account more than seven days past due. But most important, don't fiddle with the plan when Joe gets a few \$480 paychecks. He is *supposed* to make big bucks, dummy! He is making you a fortune and he'll be on that job until you are crazy enough to get rid of him. If the only way Joe can get a big check is to give you exactly what you want, how can Joe ever be overpaid?

At some point in time, a benevolent owner with good intentions ends up as president of the "Ole Charley Club." You know—a poor guy whose business is dying while a lot of oldtimers stand around collecting big paychecks as souvenirs of their past accomplishments. I've been there. It isn't fun and it is heart-wrenching to let go people who helped you years ago.

But they are probably as miserable as

you—they just can't afford to change jobs. Make it easy. Announce that starting the first of the month, everybody is on 100 percent commission and here is the way to earn it. Put yourself on too. Otherwise, you will feel guilty when you are signing those memo paychecks and the whole thing will come unstuck. Be sure to hand each employee their check and have a short chat about the big bucks or lack of bucks. You will find winners you didn't know you had and somehow you will never miss the losers. The only thing worse than underpaid workers is overpaid pall-bearers for a dead company.

To a large extent, the labor market in your area will determine how much good employees must earn to remain good employees on your payroll.

Now that you've made a list of all the things you want accomplished, how do you set out determining the fair and just reward for hitting your numbers? (We're assuming here that your numbers are realistic and attainable.) If you determine that salaries should be 10 percent of sales and bonuses should be 5 percent of sales, then set your sales target. If it's \$40,000 a month, divide up \$4,000 salary among the workers and set up a bonus fund of \$2,000. Neither base pay nor bonus can go up unless sales go up. And if nobody earns a bonus, your payroll is only 10 percent.

That's the good news. The bad news is that you have a lot of hopeless people or a totally unrealistic bonus plan. Either will kill your company. Of course, when all those newly discovered and unleashed heroes push sales

FIGURING STORE PERFORMANCE

Here is a formula Bud Holladay suggests for rating a store's performance, using a score of 100 percent as perfect.

		100%
For weekly closeouts on past dues, deduct	-	7%
For LRI (rent due but not collected), deduct	-	7%
For pickups made (as percent of on-rent), deduct	-	13%
For payouts and charge-offs (as percent of on-rent), deduct	-	7%
Store efficiency	=	66%
For deliveries made (as a percent of beginning on-rent), add	+	25%
Store efficiency	=	91%

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F R E E !

If you want to take advantage of this offer, but don't have the minimum of six stores, then GET TOGETHER with other dealers and we will write the contract as one deal, but for a group of dealers. The more stores involved, the greater the savings.

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T A L S

Ringling in the Changes

Here's a look at the APRO staff and new headquarters

Change is inevitable. As Benjamin Franklin wrote in a letter to a friend following the adoption of the U.S. Constitution, "In this world, nothing is certain but death and taxes."

Change is essential. Merely maintaining the status quo in a business or an organization leads to stagnation and, eventually, death.

Change is invigorating. Growth and improvement cannot occur without it.

Anyone in the rental industry knows about change, because the whole busi-

ness is based on a changed outlook about merchandising products to the public.

APRO, too, has changed constantly since it was organized in 1980. The picture at left graphically illustrates how this magazine has changed since its inception. PROGRESSIVE RENTALS evolved from a newsletter for APRO members to a digest-size publication printed in black and white on slick paper called THE APPROACH to the full-size four-color magazine you are now reading.

Another major area of change is the annual APRO convention. From a few hundred attendees and a handful of exhibitors, the 1987 convention in New Orleans is expected to draw more than a thousand registrants who can view displays in over 150 booths and choose among eight seminars to attend.

While the magazine and member services were growing, so was the staff and, consequently, the APRO offices. Starting in a small corner of a suite of law offices, the organization eventually took over the entire suite when the attorneys moved to a new location.

Last year, changes in the Austin real estate market provided APRO with the opportunity to move to a space specifically planned for its needs. Austin's changing economy meant a favorable leasing arrangement for the Association.

December 1, 1986, APRO opened for business in the new headquarters with a brand new executive director, Charles V. Stuckey (see December 1986 PR).

The new offices take up approximately 2000 square feet on the second floor of the Allied Bank in South Austin. Laid out in a U-shaped floorplan, six private offices plus a small library occupy the two outside walls. A large combination work/storage/supply room makes up the other side of the U, and the reception area, small kitchen, and data processing office form the center core.

In addition to the new executive director, there have been other staff changes during the past year. The following three pages give you a look at the people who work for APRO, what they do for the Association, and where they do it.

You will note that the executive director occupies the center spot in the picture montage on the opposite page, and rightly so. Every staff member has easy access to Charles's corner office and we frequently walk through his open door for "advice and consent" on various projects. Weekly staff meetings give everyone an opportunity to catch up on what is happening in each department.

One staff vacancy will be filled in mid-February when a new part-time bookkeeper replaces the temporary accountant.



Debbie and Marci



Frances and Samantha



Kayte and Marci



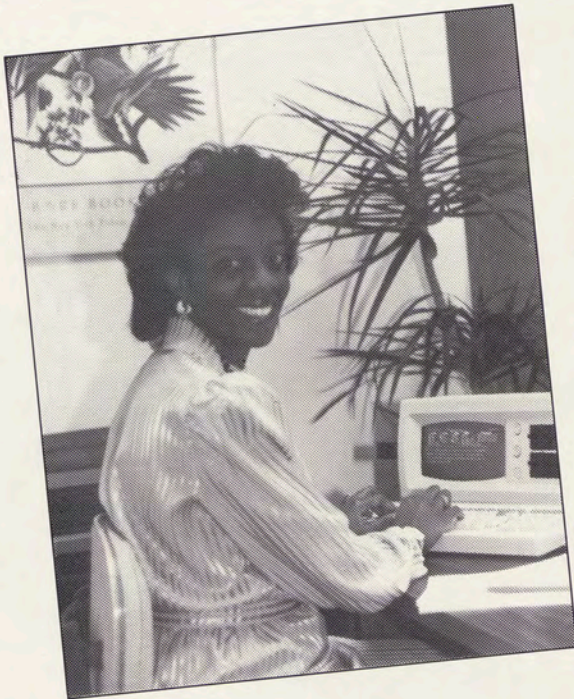
Hardly a project involves less than two staffers at some point, and frequently everyone gets into the act. At the center of it all, Charles coordinates and oversees everyone's job.



Kayte and Debbie

Marilynn





Marilynn Greenwood. Hers is the voice that usually answers your telephone calls and the first face visitors see when they walk in the APRO door. Marilyn's title is administrative assistant. She does all those general clerical jobs that are necessary in every office including handling the daily outgoing mail and special project mailings. Marilyn has now added word processing to her skills. Beginning with this issue, she is doing all the keying in of manuscript copy for the PROGRESSIVE RENTALS typesetter. Three-year-old Chad keeps his mother and father, Terry, in line.

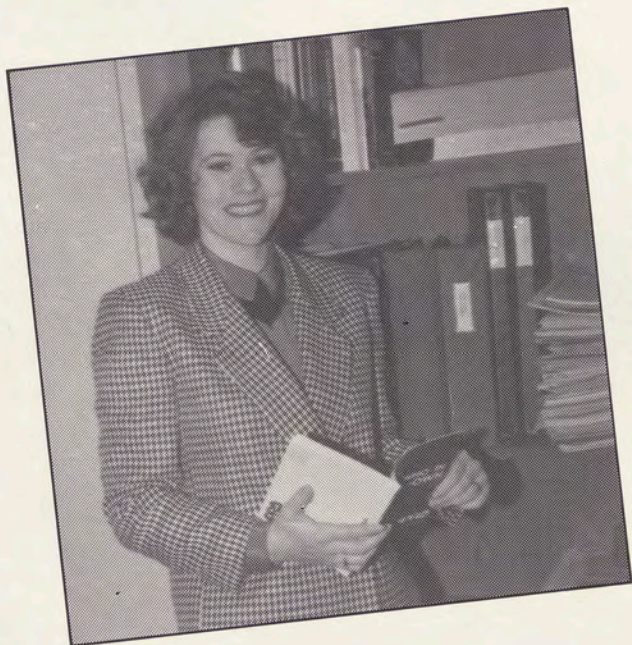
Kayte Bean. Walk down the hall to the first office on the left, and there is where you will find Director of Member Services Kayte Bean. She sees that accurate membership records are kept, handles new member processing, answers queries about what it takes to become an APRO member, and plans any new member recruitment programs. She is PROGRESSIVE RENTALS circulation manager and takes care of all subscription orders for this magazine and for RenTips. Kayte also fills orders for seminar cassettes and other APRO publications. Two major projects keeping her busy right now are mailing out brochures for the Add-A-Member Sweepstakes and soliciting updates of information for the 1987 Who's Who In Rent-To-Own. A graduate of Southwest Texas State University with a degree in organizational communications, Kayte is an accomplished amateur photographer, and single.



Debbie Johnson. Next office on the left belongs to Director of Meetings and Conventions Debbie Johnson. Seminars, Board meetings, and the annual convention are her responsibility. And that involves a multitude of details and arrangements, from reservations for meeting rooms, hotel rooms, and airplanes to coordinating schedules for attendance of members scattered across the country. When she isn't poring over hotel directories or talking on the telephone to potential seminar speakers, Debbie is flying off to make sure a seminar runs smoothly. Hardly a day goes by that some detail regarding the annual convention doesn't require attention. A single parent, Debbie's off hours are spent caring for her nine-year-old daughter Keri and six-year-old son Wesley.



Marci Smith. Across the hall is Data Processing Manager Marci Smith's office. Computers are her vocation and her avocation. At APRO, Marci updates and maintains databases of the regular and associate membership, Home Office files, and PROGRESSIVE RENTALS and RenTips subscribers. She is responsible for providing labels for the mailing of all publications and promotional literature. Tracking convention registration is also in her bailiwick. With deadline for the annual Who's Who membership directory fast approaching, a large part of Marci's time now is spent getting store locations and addresses current. Kandi, a high school senior, is the only one of Marci's three children who remains at home. Her son and older daughter, the mother of Marci's six-year-old twin grandsons, also live in Austin.



Samantha Sipowicz. Around the corner can be found Director of Advertising Samantha Sipowicz. She is the sole seller of advertising for PROGRESSIVE RENTALS, Who's Who In Rent-To-Own, and the Convention Show Guide. "Sam" sends out media kits to potential advertisers from Maine to California and spends hours on the telephone selling the benefits of advertising in the APRO publications. Public relations for the organization also falls in her province. She has attended several trade shows in recent weeks to promote APRO advertising. A recent graduate of the University of Florida, Samantha came to APRO in September and was married in December.

Frances Knight. At the end of the hall in the other corner office is Director of Communications Frances Knight. Editorial, production, and publication management describe her job. Frances writes and edits RenTips material and supervises the operation of PROGRESSIVE RENTALS, from making the writing assignments to getting the completed magazine into your hands. She deals with a variety of typesetters and printers to produce all of APRO's mountain of printed material. Her journalistic career includes 11 years with a family publishing company that produced periodicals for collectors of antiques and limited edition art. Frances's four grown children are scattered from Washington to Florida. She also has twin grandsons, 18 months old, and an 11-year-old grandson.



PRODUCT FOCUS

A digital, non-interlaced TV monitor now available from **Toshiba** doubles a broadcast signal displayed on a screen to 525 lines. Features on Model CZ-2697 include custom color control, FST picture tube, MTS reception, 181-channel cable capability, multiple audio/video input/output monitor terminals, two RF inputs for cable-fed source switching, channel and time display on screen, automatic switch-off timer, and 34-key random access, wireless remote control. Suggested retail price: \$1,699. For more information, contact Jeff Mullarkey, Toshiba America, 82 Totowa Rd., Wayne, NJ 07470, (210) 628-8000.

Canon introduces a new tabletop VHS videocassette recorder with auto power-on, which automatically turns the power on when a tape is inserted and ejects a cassette even if the power is off. Model VR-HF710 comes with a wireless remote control, HQ circuitry for enhanced picture quality, and built-in MTS for receiving stereo broadcast TV. Another feature of the unit is index search for locating the beginning of scenes by scanning the audio track for blank segments. When the desired scene is reached, playback begins automatically. Suggested retail price: \$950. For more information, contact Waine Nishioka, Canon, One Canon Plaza, Lake Success, NY 11042, (516) 488-6700.

Magnetic Templates are a handy device that can serve a twofold purpose for rental dealers. **Image Products, Inc.**, manufactures the magnetic cut-outs that can be arranged on a grid to aid in planning store displays or for home room planning. The templates can be used to check precise measurements and fit for arranging store fixtures and

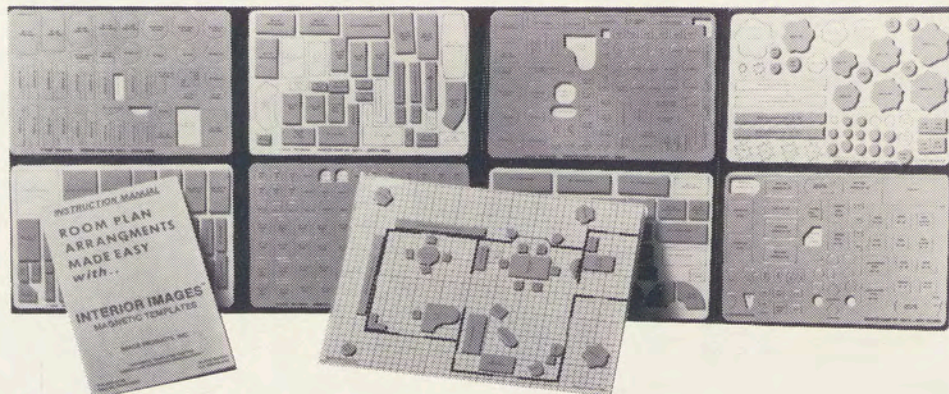


Toshiba Model CZ-2697

product displays before actually moving any equipment. The kit can also be employed as a sales tool to assure customers that the appliance or furniture they want to rent will fit into their homes. Since the templates remain firmly on the magnetic grid, the floorplan can be turned upside down and photocopied for the customer.

The kit contains hundreds of reusable magnetic templates in the forms of chairs, sofas, tables, beds, and appliances along with a ruled planning grid and instruction manual. Cost of the kit: \$74.95 plus \$5 shipping and handling. For more information, contact Jared Siegler, Image Products, Inc., P.O. Box 57125, Dallas, TX 75207, (800) 448-3488, Texas (214) 324-8900.

Two new free-standing ranges, Models RF367BXP and RF387PXP, with cast-iron solid cooking elements have been introduced by **Whirlpool**. Both models feature a self-cleaning oven, custom broil control, black glass oven door, and a removable full-width storage drawer. Model RF387PXP also has a solid state automatic meal timer clock that serves as a time-of-day clock, a minute timer, and oven control to start and stop cooking at a pre-selected time as well as acting as a start-stop control for the self-cleaning oven. Suggested



Magnetic Templates



Sharp Munchkins Model R-3980 and Model R-3280

retail price: Model RF387PXP, \$630; Model RF367BXP, \$550. For more information, contact John Steeb, Whirlpool, Administration Center, Benton Harbor, MI 49022, (616) 926-3427.

A gadget appropriately named **Mini-Vac** could be useful around your rental store. The lightweight, hand-held vacuum cleaner has a fine bristle brush to remove dust and debris from hard-to-reach places. Computer keyboards, stereo and video equipment, calculators, cameras, and other delicate items could benefit from the compact tool. It comes with a 90-day warranty. Suggested retail price: \$19.95. For more information, contact Mini-Vac, Inc., 217 S. Orange St., Suite 4, Glendale, CA 91204, (818) 244-6777.

Magnavox has introduced a new CD player with a favorite track selector (FTS) feature capable of storing up to 785 tracks. Model CDB465 stores each compact disc's particular ID code and favorite track selections in a non-volatile memory which saves the program even if the unit is unplugged. Additional features include a three-speed search forward and reverse, next track-previous track skip, normal random access programming, and anti-jamming front tray loading to safeguard the disc and the player. Suggested retail price: \$260. For more information, contact Magnavox, P.O. Box 14810, Knoxville, TN 37914-1810, (615) 521-4499.

Sharp's latest introduction to the home appliance market is a line of small microwaves, appropriately named Munchkins. Aimed at the college-aged and single market, Munchkins are designed to be used primarily for reheating single-serving convenience foods. Both Model R-3980 and Model R-3280 are .3 cubic feet wide with 400 watts of output power. To save space, touch control panels on both units are located on the oven door and the electronic components have been placed on

the back of the unit. Other features include a pre-programmed command pad which activates both the cooking power and timer at one touch.

Model R-3280 comes in three fashion colors: metallic silver, terra cotta, and faux granite, all with ivory cabinets. Suggested retail price: \$149.

Model R-3980 features a time-of-day clock, digital display, and two power settings—reheating and defrosting. This unit is available in ivory, red, and yellow, each with matching cabinets. Suggested retail price: \$179. For more

information, contact Richard Gedman, Sharp Electronics, Sharp Plaza, Mahwah, NJ 07430-2135, (201) 529-8200.

Video Vendor is a free-standing video dispensing machine that distributes video cassette movies for sale or rental. Video Vendor fits in a 2-foot by 8-foot floor space and stands 6 feet high. It holds up to 320 VHS or Beta movie tapes per unit.

The electronic dispenser oversees a cash or credit card exchange for a movie and records with a receipt all transactions made, similar to an automatic teller machine. The manufacturer claims that Video Vendor keeps track of titles 24 hours a day and needs no staff to maintain its operation. A robotic instrument transports returned movies back to their previous location for quick rental of the title. Unit cost to dealers: \$18,000. For more information, contact Dave Martin, Video Vendor, 4235 Main St., Skokie, IL 60076, (312) 819-0088.

PR

Editor's Note: Suppliers should direct all release information to PROGRESSIVE RENTALS at 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741.



Video Vendor

Morning Television Show Hits on Rent-to-Own Industry

One-sided approach is less than fair to rental business

Rent-to-own was taken to task by "Good Morning America's" consumer affairs editor, John Stossel, last month. The nationally televised piece, a transcript of which appears in the box on the opposite page, was apparently inspired by a short, unflattering article in the November 1986 issue of *Consumer Reports* magazine.

Reporters for the television show, in researching the industry, contacted Rent-A-Center, Remco, Colortyme, and APRO. They initially requested copies of advertising, contracts, and other materials. Rental industry representatives asked the reporters for information about the nature and focus of the piece, the scope of the inquiry, whether rebuttal time would be allowed, and whether they could review the piece before it aired. In each instance, they were told to mind their own business.

The result is the kind of simplistic, uninformed story that can be expected from a one-sided approach to a topic.

The piece in several places makes the ridiculous comparison between the price paid for a cash sale and the total of payments for ownership on a rent-to-own plan.

The piece is a polemic against rent-to-own, focusing on and exaggerating negative aspects of the concept and ignoring all of the positive elements. It could have been a balanced consumer

The result is the kind of simplistic, uninformed story that can be expected from a one-sided approach to a topic. It could have been a balanced consumer news report, which it represented itself to be, but it was not.

news report, which it represented itself to be, but it was not.

The piece was aired January 9 at 7 a.m. It is not known how many dealers or rental customers saw the piece, but most newspaper articles about the industry generate more telephone calls at APRO than the "Good Morning America" broadcast did. That may be more a result of the overall lack of popularity of the show rather than lack of interest in the subject. ABC is still shuffling hosts for "Good Morning America" and may be planning extensive changes for the entire network.

Responding to low ratings compared to the other networks, ABC recently announced that it was dropping its contract with A. C. Nielsen Company, which rates television shows.

It is not known how much money the rental industry spends with ABC affiliates on television advertising. One might suppose the amount to be in the millions of dollars. If ABC feels as strongly about rent-to-own as the Stossel piece implies, one wonders why

they accept any rent-to-own advertising at all. To do so is the sheerest hypocrisy. ABC's owners and employees have obviously not taken to heart the adage about not biting the hand that feeds them.

It does not require much analysis to uncover the bias presented in the broadcast. The lead-in criticizes all kinds of consumer financing, advocating cash for all transactions. Such a statement conveniently ignores the fact that nearly all Americans finance houses and cars, at least those who own houses and cars. The piece in several places makes the ridiculous comparison between the price paid for a cash sale and the total of payments for ownership on a rent-to-own plan. The foregone conclusion is that in every instance the rent-to-own cost is too high.

I happen to have some real estate closing documents on my desk. Current truth-in-lending laws require lenders to make certain disclosures to borrowers. In the sale on my desk, the amount borrowed was \$75,000. The financing statement quoted an interest rate of 12.923 percent. The total interest to be paid is \$215,881.29. The total of payments equals a whopping \$288,168.96, nearly four times the original amount borrowed. Now, there are some outrageous numbers for the early morning television viewers of America to get up in arms over.

Of course, what my example conveniently omits is the fact that payments are spread out over 30 years. What Mr. Stossel conveniently omits in his reporting are all of the things that distinguish a rent-to-own transaction

If ABC feels as strongly about rent-to-own as the Stossel piece implies, one wonders why they accept any rent-to-own advertising at all. To do so is the sheerest hypocrisy.

from a cash sale—all of which have value to consumers:

- No down payment
- No requirements to qualify for credit
- No obligation to continue making payments
- No charge for delivery
- No charge for installation
- No charge for service during the entire term of the agreement
- Monthly or weekly payments spread out over 18 months or more

Had the intent of the reporter been to make an objective marketplace analysis of the cost of a rent-to-own transaction, he would have compared the rent-to-own cost of ownership over 18 months to a financed sale over the same period, adding a reasonable delivery and installation cost as well as the cost of a service contract (including use of a loaner if needed) over the period not covered by any manufacturer's warranty. The difference, if any, would be the cost of being able to terminate the transaction at any time, without penalty, which, of course, is not available with a traditional credit sale.

As powerful a medium as it is, television has precious little credibility. People like Mr. Stossel contribute mightily to this failing.

The lack of any meaningful comparisons and the insertion of misleading ones simply misinform the public about the nature of the transaction. The industry will survive such reporting. Television networks have so consistently bent the news to favor one point of view over another that the public has developed a healthy skepticism about what they see and hear on television. As powerful a medium as it is, television has precious little credibility. People like Mr. Stossel contribute mightily to this failing.

There was an odd true fact or two in

"Rent-To-Own, Buyer Beware!"

The following is a transcription of a piece that aired on "Good Morning, America." The segment, which ran at 7 o'clock, January 9, was billboarded earlier in the show with a graphic, "Rent-To-Own, Buyer Beware!"

Lead-in: We Americans seem to have a knack for finding ways to buy things we can't afford to pay for in cash. John Stossel, our consumer editor, tells us about a popular but very expensive way to put new products into our homes.

Stossel: You in the market for a new appliance? Why not rent it until you own it? That way you can get, say, a TV set for no money down and you also get free delivery and free repairs.

Business is booming! And the ads make it sound very appealing:

[Remco advertisement]

Want a new color TV?

You Got It!

Want a new washer/dryer?

You Got It!

[ColorTyme advertisement]

No cash deposit, credit card check or long-term obligation.

So, call or come by today.

[Rent-A-Center advertisement]

No credit check, low weekly payments, option to own,

And, if you're not happy, you get back

your first week's rent.

So, you can have the things you want

and we'll see that you get them.

... and they will also see that you pay a fortune! These rent-to-own deals may be convenient, but they're not cheap. Of course, you expect to pay more for a deal like that, but you may not be aware of how much more.

Another way to advertise it might be, "Psssst, want to buy a \$300 TV set for \$600?"

Six hundred dollars is what Rent-A-Center in Wichita, Kansas, charges if you rent a 13-inch RCA set from them for the 17 months until you own it. Sears sells the same TV for \$300.

And this 100 percent markup is typical of rent-to-own places. Not just on TV sets. Rent a VCR from J. C. Boyd's of Dallas and you'll pay \$612 by the time you own it. Buy it for cash, you'll pay \$257. Rent a microwave oven, \$342—cash \$129. At least Boyd tells you the cash price so you can compute how much more renting will cost you. But most dealers don't tell you that.

There's nothing illegal about it; most states don't require stores to disclose the final cost of renting. And even though you're paying more, you may still want to rent.

You get the convenience of trying the item out before you commit to buying it. But if you think that eventually you are going to want to own the appliance, you are much better off buying it for cash—even if you have to borrow the money at ridiculous interest rates. Our research shows that renting to own sometimes is equal to paying yearly interest of nearly 170 percent.

DON'T MISS THIS ONE!



LBI'S 1 YEAR PARTS & LABOR SHARP VCR'S



FAST DELIVERY

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CALL FOR COMPETITIVE — PRICING —

LBI IS AN AUTHORIZED SHARP SERVICE CENTER

***FOR RENTAL DEALERS ONLY APPLIES ONLY TO SHARP VCR'S PURCHASED THROUGH LBI LBI 10829 MILLINGTON CT. CINCINNATI, OHIO 45242**

The lack of any meaningful comparisons and the insertion of misleading ones simply misinform the public about the nature of the transaction.

the piece. It did concede the legality of rent-to-own transactions. At least seven states have laws requiring, among other things, disclosure of the total rent-to-own cost. To the extent that it is still true "most dealers don't tell you that [the total cost]," the industry is at fault. Unfortunately, some dealers will probably not make that disclosure until a statute requires them to do so.

If you are bothered by the transcript of this show, you may want to tell one or more of the powers that be at ABC. In an accompanying box is a list of names and addresses of some of the people responsible for the content of

ABC EXECUTIVES

You can let ABC and "Good Morning America" know how you feel about their coverage of the rental industry. Address your comments to the following executives:

John Sias, President ABC Division Executive V.P., Capital Cities-ABC Capital Cities/ABC, Inc. 1330 Avenue of the Americas New York, New York 10019 (212) 887-7777

Mark Mandela, President ABC Television Network Capital Cities/ABC, Inc. 1330 Avenue of the Americas New York, New York 10019 (212) 887-7777

Jack Reilly, Executive Producer Good Morning America Good Morning America Show 1965 Broadway New York, New York 10023 (212) 496-4800

John Stossel, Consumer Editor Good Morning America Good Morning America Show 1965 Broadway New York, New York 10023 (212) 496-4800

the show. Of course, it is up to you whether you want to continue giving advertising dollars to people who disparage your business on national television. **PR**

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

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) 447-0333



Convention '87 August 6-10 Fairmont Hotel NEW ORLEANS

Mark Your Calendar!

Advertising in PROGRESSIVE RENTALS = results! But don't just take our word for it:

RCA's Tim Shannon says, "Advertising in PROGRESSIVE RENTALS has increased the awareness of RCA's broad product line on a local and national basis. PROGRESSIVE RENTALS is a well-written, professional, timely magazine. Dealers read it front to back because it has information critical to running their business."

For rates and closing dates, write APRO, 2028 E. Ben White Blvd. Suite 200, Austin, Texas 78741, or call (512) 447-0333.

Computerizing your business?

CUSTOM COMPUTER SYSTEMS

Would like to give you a choice. Two great software packages written specifically for the Rent-To-Own industry. Pick the one that is right for your business and your pocket book.

BORIS

Features: Comprehensive

- Prints Contracts & Receipts
- Prints Past Due Account Cards
- Tracks advertising effectiveness
- Tracks Maintenance History
- Prints Daily BOR Analysis
- Free-time Analysis
- Idle Inventory Report
- Automatic Inventory Depreciation
- Prints Solicitation Letters
- Daily Activity Reports by route and much much more...

Single User Systems
(Including computer, printer, software & training)
starting at \$9500

TRACS

Features: Easy to Use

- Tracks all inventory by status
- Prints Receipts
- Prints Daily Activity Reports
- Tracks Customer History
- Prints BARCODES
- Prints Mailing Labels
- Daily Income Reports
- and more...

Single User Systems
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Regardless which system above you choose you can also utilize our full featured VIDEO TAPE RENTAL software for just \$1495

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117 South Oak Street
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504-542-9010

Providing Solutions for the Rent-To-Own Industry



Law Makes Sweeping Changes

Tax reform was the big news in 1986 that will continue to be news for most businesses during '87.

The Tax Reform Act of 1986 is the most comprehensive Federal tax law since 1954. It also is one of the most hastily written laws, leaving the real possibility of faulty regulations that may be modified later. For these reasons alone, business owners and managers must at the very least educate themselves concerning the new rules. After learning a bit about the new law, many will decide that this is not tax simplification at all and find that they really need a professional tax advisor.

Because of the sweeping changes, many businesses will want two kinds of financial information—one for the banker and one for the Internal Revenue Service. Now more than ever, tax planning can be a significant cost control method. Failure to plan wisely can result in much higher expense both in time and money required to correct or pay for a mistake.

While the Tax Reform Act of 1986 reduces tax rates for almost every business, it also eliminates several deductions and credits. Moreover, the new rates do not go into full effect until 1988. The 1987 rates are a blend of the 1986 and new rates.

It is not my intention here to make everyone an instant tax expert, but I do want to highlight the tax law changes. Any questions should be referred to your tax professional.

Business Meals And Entertainment

The deductions for business meals and entertainment are now limited to 80 percent of actual expenses. The provision generally applies to business meals, including those away from home. Business meals also are now

Because of the sweeping changes, many businesses will want two kinds of financial information—one for the banker and one for the Internal Revenue Service.

subject to the same business requirement test that entertainment expenses always have had to meet. The business connection must be substantiated by documenting who attended and what business was conducted.

There are some exceptions to the 80 percent rule. Reasonable cost of traditional recreational expenses for employees, such as Christmas parties and summer picnics, are fully deductible. However, the deduction is not allowed for lavish or extreme food or beverage purchases, and no deduction is allowed if an employee of the company is **not** present.

You'll be glad to know that business travel expenses are still 100 percent deductible. Also, meal expenses at trade conventions, like APRO's annual meeting, are fully deductible in 1987 and 1988.

Corporate Tax Rates

The previous top corporate tax rate of 46 percent is reduced to 34 percent on taxable income exceeding \$75,000.

The rate structure retains the rate of 15 percent on taxable income up to \$25,000. The rate on \$25,000 to \$50,000 is reduced to 15 percent from the previous 18 percent. The rate on \$50,000 to \$75,000 is lowered to 25 percent from 30 percent under the old tax law.

Graduated rates will be phased out

for corporations having taxable income between \$100,000 and \$335,000, so that a corporation with taxable income of \$335,000 or more will pay a flat tax at the 34 percent rate.

But before you start counting your tax savings, remember two things: 1) many tax benefits no longer exist, so your taxable income will be higher; and 2) the new rates don't apply until July 1. Blended rates will be used for calendar year corporations as noted in the shaded box accompanying this article.

Depreciation

As for depreciation, the Accelerated Cost Recovery System (ACRS) has been modified substantially for property placed in service after 1986.

Personal property had been treated in four asset classes and had recovery periods ranging from three to 15 years. The new law provides six classes ranging from three to 20 years.

As for depreciation, the ACRS has been modified substantially for property placed in service after 1986.

Real property will be depreciated on the straight-line over 27½ years or 31½ years, depending on the nature of the property. This compares to the previous periods of 15, 18 or 19 years.

Some tax experts have observed that lengthening the depreciation for real property reduces the present value of the tax benefits from about one-half of the value to one-third of the value. Business clearly lost here.

Futhermore, the loss of the investment tax credit and changes in depreci-

ation reduce the present value of tax benefits of current three-year property by about 10 percent. The reduction is even greater for current five-year property.

Investment Tax Credit

This was **repealed** effective January 1, 1986. There are special transitional rules that apply and other rules concerning binding contracts.

Businesses that calculated their 1986 estimated tax payments and included investment tax credit for which they now do not qualify have until **March 15, 1987**, to pay the additional tax without incurring underpayment penalties.

Personal Tax Effects

You probably get the idea now that we're in a whole new ball game as far as taxes are concerned. Of course, the changes aren't limited to corporations. There are significant changes in laws affecting our personal tax structures. I want to mention some of these just briefly.

The deduction of Individual Retirement

BLENDED CORPORATE TAX RATES			
TAXABLE INCOME LEVEL	PRESENT RATES	BLENDED RATES	RATES FOR 1988 & LATER
Not over \$25,000	15%	15%	15%
\$25,001 to \$50,000	18%	16.5%	15%
\$50,001 to \$75,000	30%	27.5%	25%
\$75,001 to \$100,000	40%	37%	34%
Over \$100,000	46%	40%	34%

Failure to plan wisely can result in much higher expense both in time and money required to correct or pay for a mistake.

ment Accounts (IRAs) is phased out for middle- and high-earning plan participants. There are other changes for 401(k) plans, vesting and certain tax-sheltered annuities.

Income may no longer be shifted to children without consequences.

Nongrantor trusts and estates are taxed at the new rates and are required

to make estimated payments.

I cannot emphasize enough how important it is for most businesses to invest in professional tax advice. As this brief discussion indicates, it is easier than ever before for a business to make a poor tax decision and lose thousands of dollars to unnecessary taxes. Even more money may have to be spent in penalties, additional taxes, and accountants' fees just to research and correct a problem.

Maribeth Duffy, a certified public accountant, was in private practice in Houston before joining Seajay Investment Group as executive vice-president of finance in 1984. She is a Director and Treasurer of APRO.

ELECTRONIC APPLIANCE ANTI-THEFT DEVICE

Enables customer to move set from room to room; terminates service if set is moved from house, apartment, or your store. Service can only be restored by a reader key issued to your rental firm's employees. Up to 16 rental firms can operate in same market area without duplication of codes.

INNOVEX, INC., PO Box 15051, Arlington, TX 76015, (817) Metro 265-1540.

Advertising in **PROGRESSIVE RENTALS = results!** But don't just take our word for it:

Whirlpool's Rental Sales Manager Tom Kitchens says, "Advertising in **PROGRESSIVE RENTALS** helps us in dealing with our national accounts as well as our independent dealers. The response from our ads has increased our sales volume quite a bit."

For rates and closing dates, write APRO, 2028 E. Ben White Blvd. Suite 200, Austin, Texas 78741, or call (512) 447-0333.

Just pick up your phone and call
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TOLL FREE
1-800-222-PADS
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APRO SPRING SEMINAR CALENDAR

ATLANTA, GEORGIA

Doubletree Hotel

March 23—Rent-To-Own Accounting Under the New Tax Law

Speaker: Buck Small, Touche Ross

March 24—Adding Furniture, TVs, or Appliances to Rent-To-Own

Speaker: Claudia V. Filloramo, president, Rental Consultants of Panama City, Florida

ATLANTIC CITY, NEW JERSEY

Golden Nugget Hotel

April 16—Advertising and Marketing Rent-To-Own

Speaker: David Garrett, Biggers, Patterson, and Garrett, Inc., of Orlando, Florida

April 17—Adding Furniture, TVs, or Appliances to Rent-To-Own

Speaker: Claudia V. Filloramo, president, Rental Consultants of Panama City, Florida

SCOTTSDALE, ARIZONA

May 11 & 12—Two-Day Rental Retreat: The Future of Rent-To-Own

Place and speakers to be announced

KANSAS CITY, MISSOURI

May 28-29—Personnel: Two-Day Seminar

Topics include Wage & Hour Laws; Finding, Keeping, and Motivating Good Employees; Compensating Employees; Controlling Internal Theft; Personality Assessment

Place and speakers to be announced

For more information, contact Debbie Johnson in the APRO office, (512) 447-0333.

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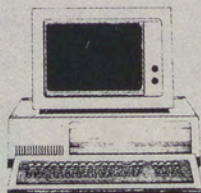
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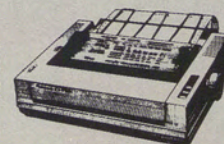
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INDUSTRY NEWS

Network Rentals was listed as 96th on *Inc.* magazine's annual *Inc.* 500 listing of the country's fastest-growing, privately held companies. The Atlanta-based company, founded in 1981, was the highest ranked of 12 Georgia companies listed. The *Inc.* 500, which appeared in the magazine's December issue, is based on 1981-1985 sales growth percentage. Network Rentals showed a 2,092 percent rate of growth for the period, growing from 1981 revenues of \$247,000 to nearly \$5.5 million in revenues in 1985. Network Rentals reports its 1986 annualized revenues exceeded \$16.5 million. Network Rental operates 35 company-owned stores and two franchised stores in six states across the southeastern and midwestern United States.

Borg-Warner Acceptance Corporation's Fleet Leasing Division has relocated its Southern Region office. Brian Morris, regional account executive, is now quartered in Suite 905 of Stone Tower in Dallas. The new address is 13760 Noel Road, Dallas, Texas 75240. New phone number is (214) 458-5920. Although the office has moved, Morris's territory, which includes Texas, Oklahoma, New Mexico, Colorado, and Louisiana, remains the same.

Attendance at the **Winter Consumer Electronics Show** in Las Vegas last month topped 105,000, reflecting a mood of optimism about the industry's growth prospects, say officials of the sponsoring organization, Electronic Industries Association (EIA). The Washington, D.C.-based trade group represents the major manufacturers of audio, video, and home information consumer products.

Speaking at the opening session, **EIA/CEG Vice-President Frank Myers** predicted that unit sales will set new records in 1987. He cautioned, however, that ways must be found "to make profits keep pace with increases in sales volume."

Gerald M. McCarthy, president of the **Zenith Sales Company** division, also speaking at the show, urged dealers to give consumers the "product, performance and benefit facts, not just the price story that's come to symbolize retail merchandising today." He predicted that the most successful retailers will be those who temper their inclination to sell on price alone.

Continued high sales levels for color television were forecast by **Martin J.**

Holleran, GE/RCA vice-president and general manager, sales division, at the Las Vegas show. He said sales potential has taken a definite turn to premium products and identified consumer trends to larger size receivers, along with greater interest in stereo TV sound, advanced remote controls, and monitor capability.

Jack D. Sparks, **Whirlpool Corporation** chairman of the board, president and CEO, has been named Best Chief Executive in the Home Appliance Industry for the third consecutive year by *The Wall Street Transcript*, a New York-based financial publication. Sparks was

commended for his "foresight and discipline in evolving Whirlpool into a formidable, yet flexible, competitor." Whirlpool posted record sales and earnings for 1986. The company's 1986 consolidated net sales amounted to \$4,008,700,000, up 15.4 percent over the previous year's \$3,474,500,000. **PR**

Editor's Note: Industry News welcomes company news from all dealers, distributors, and manufacturers involved with rental-purchase. Send information (with photos for Corporate Moves) to: PROGRESSIVE RENTALS, 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741.

CORPORATE MOVES

Panasonic announces the promotion of **Rusty Bennett** to assistant general manager of the Sales Support Division/Consumer Electronics Group. Bennett moves up from manager of the division, which works with all national accounts, catalog showroom accounts, and premium accounts for all product categories.

Whirlpool Acceptance Corporation has restructured a couple of areas and named **Raymond J. Kuhn** to head a new corporate marketing department. In his new position of group vice-president, marketing, Kuhn will be responsible for coordinating core business marketing activities between field offices, corporate headquarters, and customers. **Daniel B. Spear** has been promoted to the new position of staff vice-president, marketing.

In another major move, Whirlpool has replaced the company's five-territory geographical structure with 10 field regions. Appointed vice-presidents of the newly formed regions are: **William F. McLaughlin**, Northeast; **Arthur F. Vine**, Eastern; **Frederick C. Polmanteer**, Midwest; **Kenneth E. Cumberland**, Great Lakes; **Frank R. Naccarato**, Southern; **J. Wayne Moore**, Southeast; **James A. Morphey**, Southwest; **Robert L. Bryan**, Plains; **H. Donald Hathcoat**, Western, and **William F. Bunner**, Pacific Coast.

And at **Whirlpool Corporation**, **Dennis P. Swanson** has been promoted to division vice-president, physical distribution. A company employee since 1970, Swanson moves up from transportation director.

Brian R. Smith has been promoted to vice-president, physical distribution, at Whirlpool Kitchens, moving up from director of logistics planning. In his new position, he will be responsible for the physical distribution system and for directing long-term distribution strategy.

New assignments have been announced at Whirlpool's sales and KitchenAid divisions, also. **Ed Pollock** assumes the newly created position of director of microwave cooking products. Pollock has been national director of the sales divisions at Whirlpool. Replacing him in that position is **Chuck Proctor**, who has been division vice-president of sales and distribution at KitchenAid. **Glenn Zerler** has been named to Proctor's old post at KitchenAid. **Dick Herrmann** moves to division vice-president, Whirlpool retail marketing, replacing Zerler in that post.

Mark Scope is the new East Coast zone manager at **Samsung's** home office in Saddle Brook, New Jersey. Scope will be involved with developing new accounts and implementing new marketing strategies, while handling all current eastern seaboard accounts.

Sharp's corporate moves include the promotions of **John Pogorelec** to assistant marketing manager for the home appliance department and **Patricia Koester Smith** to southeastern regional sales manager for the microwave oven department. **Kimberly M. Davis** has been named product training specialist for Sharp.

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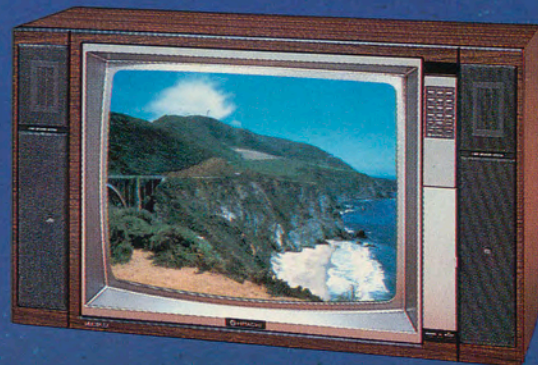
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Management Services Who's Who

Coordination is the key to operating a rent-to-own outlet. This requires a number of management services from insurance to point-of-purchase signs, to advertising and warranty programs. The following is an up-to-date listing of the management service companies that work with rental-purchase.

American Bankers Insurance Group

11222 Quail Roost Dr.
Miami, FL 33157
(305) 253-2244
Consumer protection plan and extended service contracts

Associated Personnel Technicians

1650 E. Central
P.O. Box 1036
Wichita, KS 67201
(316) 264-0681
Pre-employment testing

Baker & Company

14001 Dallas Pkwy., Suite 500
Dallas, TX 75240
(214) 661-1843
CPA, specializes in rental accounting

Biggers, Patterson & Garrett

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

Borg-Warner Acceptance Corp.

13760 Noel Rd., Suite 919
Dallas, TX 75240
(214) 458-5850
Inventory financing

Borg-Warner Vehicle Leasing

P.O. Box 95189
Schaumburg, IL 60195
(312) 490-8402
Fleet leasing and management services

Cable Call

10324 S. Dolfield Rd.
Owings Mills, MD 21117
(301) 363-3000
Security systems

Century 400

17287 Mount Hermann
Fountain Valley, CA 92708
(714) 957-0625
Upholstery and carpet cleaning equipment

Chrysler First Wholesale Credit

P.O. Box 869015
Plano, TX 75086
(214) 475-8920
Inventory financing

Color-Mail

18590 Cranwood Ct.
Cleveland, OH 44128
(216) 475-8920
Print advertising

Complete Financial Services Company

12173 S.W. 131st Ave.
P.O. Box 161464
Miami, FL 33186
(305) 233-1400
Rental financial services

Corporate Communications

333 W. Hampton Ave. Suite 412
Englewood, CO 80110
(303) 761-3822
Advertising agency

Custom Animated Productions

5675 St. Joe Rd.
Fort Wayne, IN 46835
(800) 351-3366
Sales aids

Custom Interior Designs

11733 Chesterdale Rd.
Cincinnati, OH 45246
(513) 771-5666
Custom store fixtures, displays

Evans, Fernandez, Forgerson & Knebel

14755 Preston Rd. Suite 731
Dallas, TX 75240
(214) 788-4511
Legal services

General Electric Credit Corp.

P.O. Box 833872
Richardson, TX 75083
(214) 907-4938
Rental financing service

Geneva Corp.

575 Anton Blvd.
Costa Mesa, CA 92626
(800) 854-4643
Financial services

Identicator Corp.

4051 Glencoe Ave.
Marina Del Rey, CA 90292
(213) 305-8181
Touch Signature security systems

Innovex, Inc.

P.O. Box 15051
Arlington, TX 76015
(817) 265-1540
Anti-theft devices for rental products

Insurance Mart

P.O. Box 12303
Jackson, MS 39211
(601) 956-5093
Rental property insurance purchased by renter; general business insurance

JCM Consulting

175 S.W. Temple Suite 500
Salt Lake City, UT 84101
Human resource development

Ken Nay Advertising

130 Tri-County Pkwy., #110
Cincinnati, OH 45246
(513) 772-5000
Syndicated advertising: radio, TV, print

Media Marketing Assoc.

1612 N. 2nd St.
Harrisburg, PA 17102
(717) 238-0283
Radio, TV, print advertising

Model Display & Fixture Co.

1405 E. McDowell Rd.
Phoenix, AZ 85010
(602) 258-6573
Store fixtures

Psychological Associates

8201 Maryland Ave.
St. Louis, MO 63105
(314) 862-9300
Sales and management training, strategic planning

Rental Property Insurance

5665 Oberlin Dr., Suite 202
San Diego, CA 92121
(619) 457-0711
Rental property insurance purchased by renter

Saf-Write Forms & Systems

1209 S. Ridgewood Ave.
Daytona Beach, FL 32014
(800) 292-3676
(800) 521-3676 (Florida)
Rental business forms

Sales Consultants Int'l

349 Centerville Rd.
Warwick, RI 02886
(401) 737-3200
Executive recruiting, locating sales and marketing personnel

Smitherman-Effinger & Associates

1800 W. Loop South Suite 1260
Houston, TX 77027
(713) 621-8948
Rental accounting (Texas only)

Sound Concepts, Inc.

3485 Meier St.
Los Angeles, CA 90066
(213) 390-7406
Animated TV and radio production

Southern Accounting Systems

P.O. Box 3299
Muscle Shoals, AL 35662
(205) 383-2029
Rental record keeping system

Stanton Quilting

U.S. 52 N.
P.O. Box 8
Sheraw, SC 29520
(800) 222-7237
Furniture pads, hand trucks, appliance trucks, walk boards

Strawberry Communications

3330 Earheart
Carrollton, TX 75006
(214) 239-5699
Customer relations workshops—audio/video and on-site

T-Buff Promotions

17727 Junegrass Pl.
Parker, CO 80134-8924
(303) 699-0141
TV advertising

TCL Insurance Agency

P.O. Box 763398
Dallas, TX 75376-3398
(214) 298-0006
Rental property insurance purchased by renter; general business insurance

TRIB Group

Presidential Parkway Suite 113
Atlanta, GA 30340
(404) 451-4302
Buying group (APRO membership a requirement)

Voyager Insurance

P.O. Box 2918
Jacksonville, FL 32203
(800) 237-8314
Rental property insurance purchased by renter; general business insurance

BURNOUT!

continued from page 9

Identify the tasks in your business that are left undone, or are done inadequately. Determine why this is happening. Look at all aspects of the job, remembering to include the good aspects. Start the pleasant parts of the job and momentum will help to get the work completed. Break tasks into smaller portions. Ten one-day lates is easier to handle than a delinquency of 40.

Set deadlines and make "to do" lists. Establish a pattern that becomes so routine the tasks are approached with familiarity instead of fear. Be sure to reinforce this positive behavior with a reward. The reward can be a simple "thank you" or a bonus structure tying close-out to growth. We all want and need what I like to call "warm fuzzies."

Good communication includes the ability to listen with the mind's ear. Unfortunately, we are in a high crisis business. To help avoid that snowed under feeling that can lead to burnout, management must be able to define a crisis, the cause of the crisis, and create an adequate solution to that crisis.

A crisis is one of the fastest ways to get off schedule and generate poor management. An excess of crises in an operation can indicate poor or inadequate communication, procrastination, poor planning, lack of training, blame-laying, or managers who are technically proficient but managerially deficient, resulting in a domino effect throughout the business.

Remember, urgency and importance are not the same. Urgency relates only to time, importance relates to value. The Pareto Principle, developed by economist Vilfredo Pareto in 1890, states that 80 percent of the value comes from 20 percent of the things we do. Which means that we do 80 percent of our work in 20 percent of our time and it takes the remaining 80 percent of our time to do the last 20 percent of our work.

So, include effective time management as part of burnout prevention. Here are some tips for managing your time:

- Think before you act. Don't get seduced by "busy work." Handle paper only once, if at all possible.
- Ask yourself, "Is this the best use of my time right now?"
- Say "No." It can be one of the best timesavers of all. Listen carefully, say no immediately, give your reasons and offer alternatives.
- Planning saves time. Make the

time to plan, and set priorities.

- Keep communication accurate and simple.
- Dump it, delegate it, or do it—but don't delay it. Resolve the problem as it arises.
- You are in control of your time.

Training and cross training are also effective methods of dodging burnout. An employee in any position will function more efficiently and profitably if they understand the whys and what fors of their task.

A rental clerk who takes a direction sheet stays in the store and rarely gets the opportunity to follow those directions, especially in the rain, during rush hour traffic, or when pressed with multiple deliveries. On the other hand, the account manager on the two-way radio requesting immediate information from the rental clerk has no empathy for what may be going on in the store: ringing phones, taking payments, or the verification of an order.

Sloppy, mindless tasks transform immediately when they are given value. Have that same rental clerk go out on several deliveries with only her own directions to follow. Allow that account manager to answer the phones, take

Now we know the signs, how to spot them, some of the causes and symptoms. How do we correct and prevent future burnout?

payments, and let him listen to the customers complain about that antenna they were promised and never received.

Establishing empathy for co-workers, understanding first-hand how your task affects others, and how they are related creates a team of co-workers united in a goal. That goal is productive and viable deterrent to burnout and everyone—owner, employee, and customer—wins. Which brings us to the American Ideal, a happy ending.

Claudia Filloramo, president of Rental Consultants, recently sold her rental stores to train and consult in the rent-to-own industry. She was elected to the first APRO Board and was also first treasurer of the Association. She frequently conducts APRO seminars.

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Testing for Drugs

The area of employment relations might be best described as the effort to find and reward good employees and to eliminate bad employees. If it were possible, we would never hire the bad employees in the first place. We would only hire the good employees. That kind of advice is about as useful as a tip I received recently for dealing with pawn shops. The suggestion was that a dealer could protect himself from a customer who would pawn his merchandise by never renting to that customer in the first place.

We can no more identify in advance the customer who will pawn our merchandise than we can the individual who will turn out to be a bad employee. Nevertheless, we must deal with these people as we find them and try to make good management decisions after we may have made a bad decision.

An Obvious Hazard

Drug testing has been suggested as a method of eliminating certain personnel problems which are known to exist but have previously been incapable of detection. The hazards of drug use and abuse in our business are well known. In addition to poor work habits and errors of judgment which occur in routine management and customer relations activities, there is a major hazard in the case where a vehicle is operated by an employee who might be under the influence of drugs. Further, valuable merchandise is handled by employees whose attention to detail and overall sense of responsibility may be substantially impaired by drugs or their residue.

Drug testing of employees is an inviting solution to that problem since it not only identifies an employee who might currently be taking drugs but also because it can tell us whether that same

The court appears to be discouraging random testing unless there was some other overriding public welfare consideration in favor of random testing.

employee has taken drugs in the recent past. The nature of drug use and abuse is such that it is generally not an isolated occurrence.

This is a relatively new legal issue. We are beginning to hear more published news reports about drug testing and its consequences. We are hearing of athletes who are banned from competition due to the results of drug screening. We are hearing from persons in positions of leadership who are advocating drug testing for various reasons. No less a leader than the President of the United States has advocated the use of drug testing in some circumstances.

The law is vague at this time as to whether drug testing is an invasion of the right of privacy guaranteed by the Fourth Amendment to the Constitution. The Supreme Court has not addressed the subject directly. The high court did decide the case of *Schmerber vs. California* in 1966. That case considered the question of whether the police could withdraw a blood sample from an individual for the purpose of determining that person's level of intoxication. The Court approved this invasion of an individual's privacy by the police.

Following *Schmerber*, other courts in various cases have approved the use of the breathalyzer and fingernail scraping. Courts have approved searches of a bowel movement for drugs which were allegedly swallowed by the

individual. Courts have allowed body cavity searches and surgical intrusions. It follows that courts should also determine that urinalysis tests are a permissible invasion of an individual's expectation of privacy. The Fourth Amendment protects persons against unreasonable searches. The idea expressed by the *Schmerber* case is that these kinds of invasions of privacy are not "unreasonable."

Consider the Consequences

There are at least two major consequences to consider in the case where a drug test yields a positive result. In a criminal prosecution, the test is very likely to lead to a guilty verdict. On the civil side, a positive result in a test of an employee will very likely result in the discharge of that employee. In both instances, the consequences are substantial. It is for that reason that we can expect courts to continue to look at these cases with an eye towards the possibility that drug testing may at some time be considered to be unconstitutional.

It is a correct statement at this time to say that drug testing is not generally considered by the courts to be unconstitutional. In order to be secure in requiring drug testing of employees, it is suggested that an employer apply certain procedural standards to the administering of any such tests. The best statement of the law as it will probably develop is contained in the case of *Shoemaker vs. Handel*, decided in 1985 by a District Court in New Jersey. The decision of that court was upheld by the Third Circuit Court of Appeals. The Supreme Court recently refused to hear the appeal.

That case addressed the constitutionality of random blood and urine drug

We must deal with these people as we find them and try to make good management decisions after we may have made a bad decision.

testing of horse-racing jockeys. The court suggested several ideas for standards which might be utilized by employers in applying such tests.

There should be a clear likelihood in advance that the testing would result in evidence of the alleged offense. In other words, the court appears to be discouraging random testing unless there is some other overriding public welfare consideration in favor of random testing.

Another factor concerns the reliability of the test. Urinalysis has been severely criticized for its inaccuracy. The administering of the test by non-technical personnel increases the chance of an inaccurate result. It has been suggested that a positive test should be followed very quickly by a confirmation test if the test is to serve as the basis for the discharge of an employee.

The nature of drug use and abuse is such that it is generally not an isolated occurrence.

Yet another factor is the manner of the testing. Under no circumstances should the test be administered in such a way as to cause the employee unnecessary embarrassment. An example of the most reasonable manner for conducting a test would be the use of trained hospital personnel in a clinical setting.

It has been said that the standards specified above are necessary to protect employees from employers who might otherwise utilize the drug testing device as an opportunity to harass undesirable employees and to unnecessarily intrude into an employee's private life. It is very likely that the discharge of an employee by an employer as a consequence of a drug test will result in either an administrative or judicial inquiry. An employer must be in a position to answer that inquiry by showing that the test was reasonable and administered in accordance with the safeguards specified above.

Employer's Rights

Having considered the question of how a test might be administered, a brief mention should be made of the right of an employer to rely on the test in the decision to discharge an employee. It should be remembered that the doctrine of "Employment At Will" is still very much the law in most states. This doctrine, briefly stated, simply expresses the idea that an employee can be discharged at any time by an employer for any reason, or for no reason, so long as that discharge does not violate an employment agreement or some law or public policy.

It is well known that an employee cannot be discharged on the basis of race, color, sex, religion or age. Furthermore, an employee cannot be discharged because of a refusal of that employee to follow an illegal instruction from an employer. Assuming the discharge of the employee does not fall under any of these categories, it is therefore safe to conclude that an employee may be discharged for drug use, regardless of whether an employer can show that particular drug use has impaired the employee's ability to perform his or her duties. There is no law that protects an employee from such a discharge.

It appears that drug testing can be required under controlled circumstances. It also appears that the discharge which would result from a legally administered drug test would not be a violation of the law. It is important to recognize, however, that the law in this area is going through a period of evolution. There will have to be a favorable decision from the U.S. Supreme Court before an employer can feel completely safe in requiring an employee to submit to drug testing.

For now, it is suggested that the testing be limited to situations where drug abuse is suspected and, further, where that drug abuse is likely to create danger to persons or property. Within that narrow category, the law as it is currently stated in the various court decisions endorses drug testing of employees. **PR**

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

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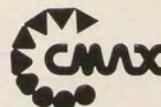
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Planning for Human Resources

A system long touted by Fortune 500 companies as important to their successful growth, and critical to reducing turnover, is a process called human resource planning. This is a system by which successful companies can track, plan for, and provide development of their employees.

Human resource planning is not new, but the rigors of the process are relatively new to the rental industry with more and more rental companies becoming involved in the process.

You may well ask why a company would want to get involved in such a rigorous system. Listen to managers tell of the horrors of promoting the wrong candidate, or one that is not ready when needed, and the explanation is obvious. As companies grow, management's ability to identify and develop their own subordinates becomes more and more difficult. High-growth rental companies that complain of a slowing of their growth because of the non-availability of human resources, or the inability to maximize their existing assets because of the lack of adequate human resources, are generally victims of poor human resource planning systems.

In 1986, Rent-A-Center adopted its own human resource planning for many of the reasons stated above. With its 50 percent growth per year and average industry turnover, the requirement to produce one manager for every one of its stores within a nine-month period demanded a rigorous system whereby both the supply of human talent and the demand for that talent could be measured and plans developed.

How It Works

At Rent-A-Center, determining the demand for human resource talent basically works this way. Each year, future growth needs and strategic issues are reviewed. One-year annual plans are then developed based on these long-range goals. Incorporated into these long-range goals are the creation of future organizational structures.

These new organizational structures reflect the different and increased numbers of positions needed to accomplish

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the projected growth and replace personnel due to anticipated turnover within the organization. In addition to considering the number of positions, a review of qualitative changes within positions also takes place. Qualitative changes may occur in positions over time as the complexity of the rental industry changes and as competition causes margins to narrow. After analyzing the positions needed for growth, and additionally having integrated a historic turnover perspective, Rent-A-Center is able to determine, by position, its people demands for its annual and long-range plans.

On the flipside, to determine who is available in the system to supply that demand, the process begins with a Performance Appraisal System which will identify by position those individuals who have been successful within the organization. The process of matching those successful people with the demand in the organization is a process called "succession planning."

Once individuals are slotted against positions, the next piece of the process is to create an Individual Profile for the position. This process compares the individual against the knowledge, skills, experience, and traits of the position's requirements. An Individual Development Plan helps to address development areas for a particular individual in a particular position and determine that person's readiness for promotion.

Outcome Explained

An obvious outcome of succession planning is to determine where defi-

ciencies may exist in not having sufficient numbers of internal promotional candidates to fill annual growth and anticipated turnover. With deficiencies identified, recruiting plans can be developed to determine specific numbers and geographical areas where recruiting should take place in advance of anticipated needs. With this information, proactive hiring can take place and activities such as annual college interviews make sense.

Another outcome of the Individual Development Plan is the creation of management development training plans. These plans can be developed by summarizing generic weaknesses found on Individual Development Plans.

Human resource planning is not a stand-alone system and cannot exist without excellent operational training systems, management development systems, and a total commitment by senior management. Once accepted as a major planning process and communicated to all employees, human resource goals need to be integrated into bonus plans and regular monthly management reviews.

Human resource plans serve as more than just a tool for management to insure growth and continued profitability. They also serve as an employee motivator. Employees in companies with human resource planning systems have a clearer understanding of where they stand in terms of their personal development. They are less likely to demand consideration for positions for which they are not qualified, and they are better able to handle the frustration of waiting until there is a suitable position available.

All of the above generates lower turnover and higher productivity. Human resource planning is one of the factors that helped Rent-A-Center supply the demand created by a 50 percent increase in management needs in the past nine months.

Michael A. Jones is senior vice-president in charge of human resources at Rent-A-Center, Wichita, Kansas.

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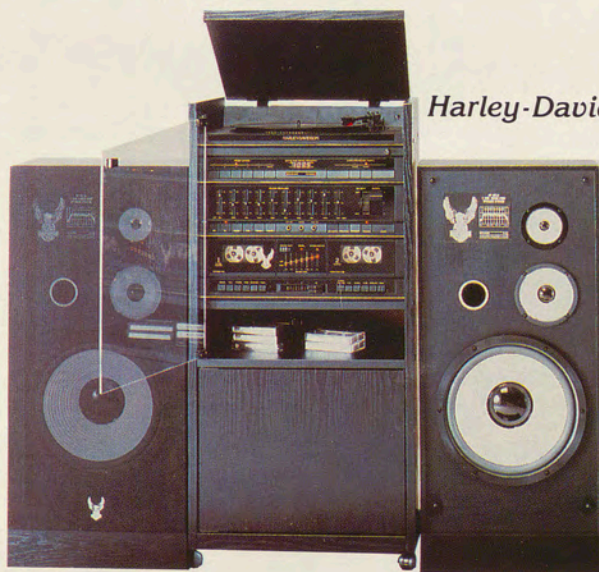
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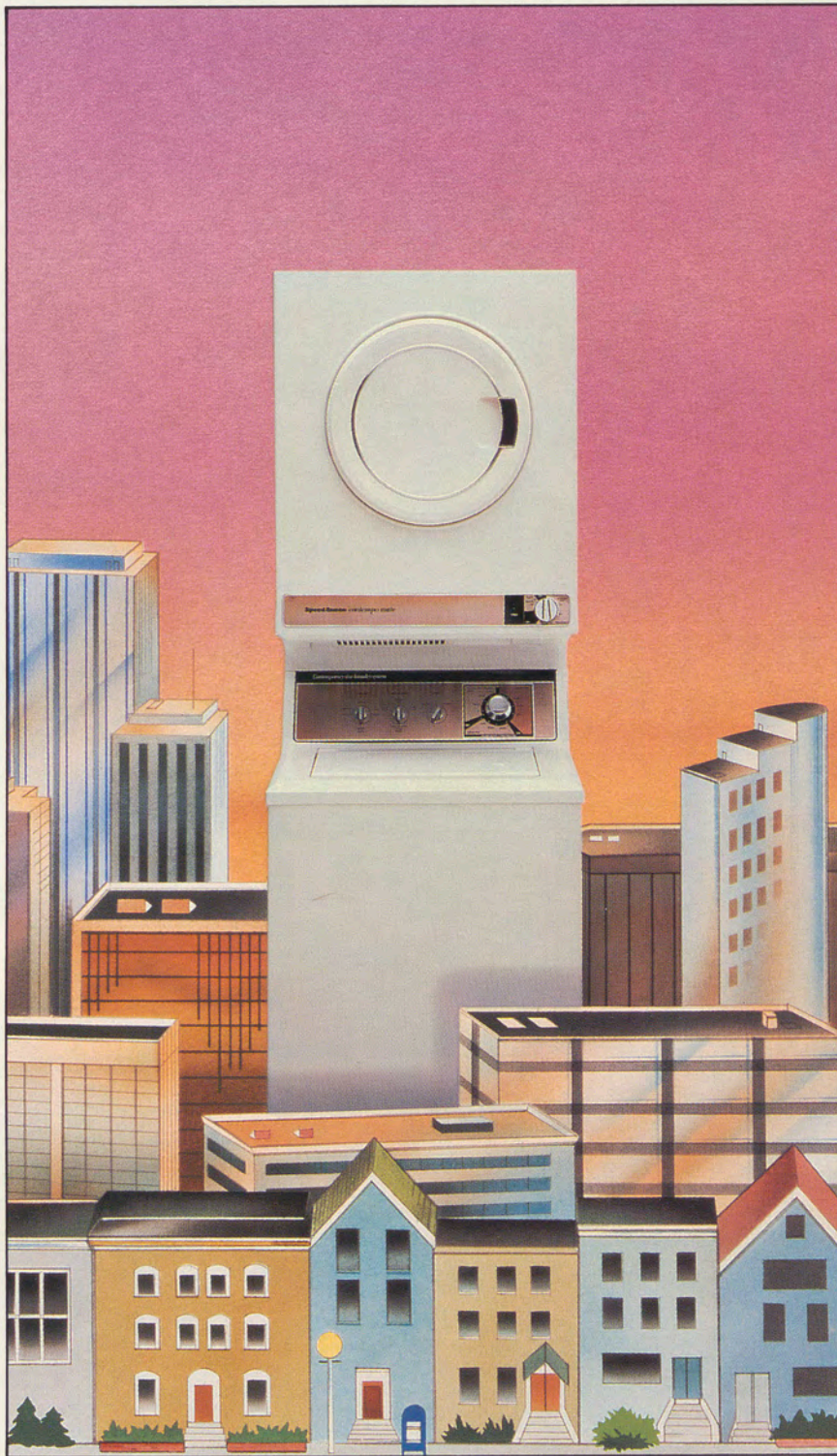
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