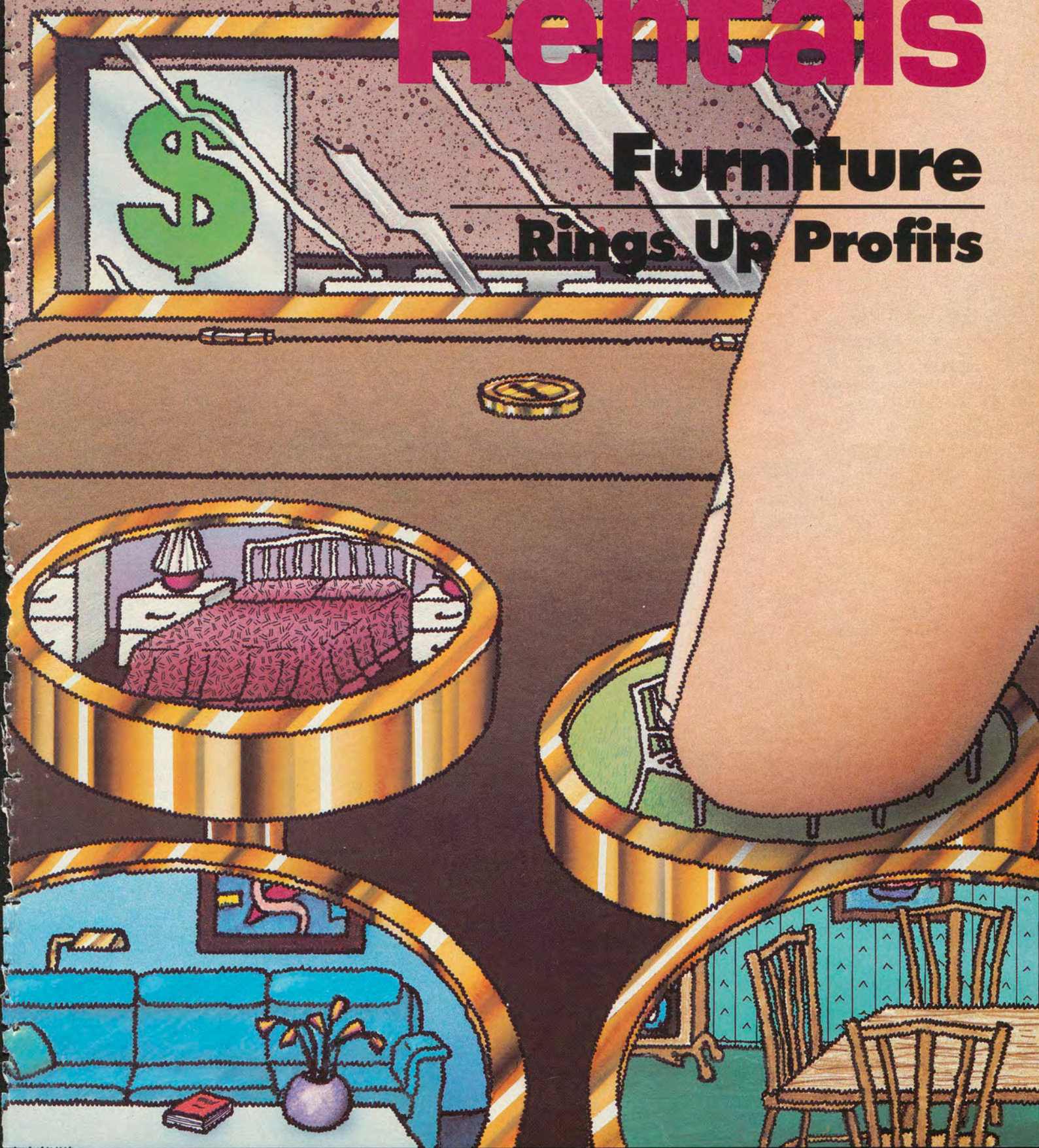


the magazine of the home electronics, appliance, and furniture rental industry

# Progressive Rentals

## Furniture Rings Up Profits



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For further information contact Jim Rives, National Rental Sales Manager

**Soundesign Corporation**

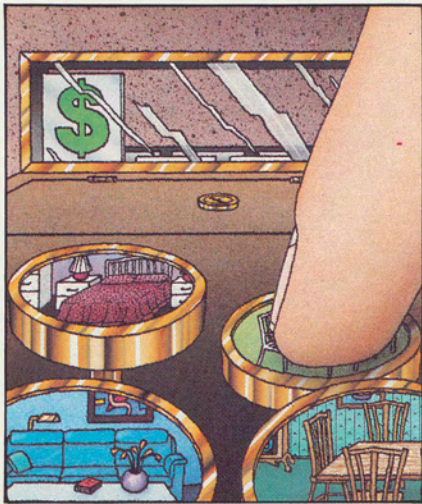
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**ON THE COVER:** Furniture requires more floor space and increases operating costs, but the profit potential is a proven factor. Read what some dealers have to say about this market in the cover story beginning on page 8.

COVER ART BY:  
*Design2*

## FEATURES

### 8 FURNITURE RINGS UP PROFITS

The bottom line is that furniture can improve the bottom line for rental dealers. Competition and a changing economy have a major effect on the market, however. Our cover feature tells how some dealers are handling these challenging circumstances to keep their furniture profits healthy.

### 10 WHO'S WHO IN FURNITURE

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

### 18 STATE ORGANIZATIONS

Almost everything you want to know about state organizations is detailed in this article by APRO's general counsel. Find out what each group has accomplished in the way of legislation favorable or unfavorable to the rental industry in their states.

### 26 SUNTAN EQUIPMENT

For the dealer looking for new products, tanning beds may be an idea whose time has come. Check out what dealers who carry this equipment have to say about their results.

### 32 PROFILE: AARON RENTS INC.

After a lengthy history in the rent-to-rent field, Aaron Rents joins the ranks of rental-purchase in a big way. An interview with two company officials reveals their plans for this venture.

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## THE DIRECTOR'S DESK

The theme for the 1987 APRO Convention & Trade Show, "Advancing To The Future," is certainly appropriate for the rent-to-own industry. Rent-to-own is a relatively new business approach that has experienced many changes to reach the current level of acceptance as a necessary part of the free enterprise system of distribution of goods and services. The industry is on the threshold of becoming a major force in the U. S. economy. Now is the time for "Advancing To The Future."

The 1987 Convention & Trade Show, scheduled for August 6-10, promises to be the biggest and best ever. The convention will be headquartered at the famous Fairmont Hotel in New Orleans. One for the trivia buffs—the New Orleans Fairmont is the scene of Arthur Hailey's novel *Hotel*. The television series of the same name is based on Hailey's novel but is actually filmed at the Fairmont Hotel in San Francisco.

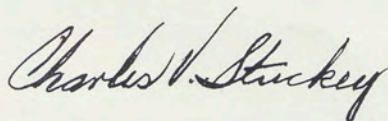
The convention begins with golf and tennis tournaments, and a cocktail reception on Thursday, August 6. The opening general session and awards luncheon will be on Friday. Friday afternoon features seminars followed by a gala cocktail party. Feature attractions on Saturday include the exhibit hall grand opening ceremony, seminars, and a special evening Mardi Gras party. The exhibit hall will also be open on Sunday and Monday for dealers to visit the nation's largest exhibition of goods and services for the rent-to-own industry. APRO members will receive a detailed schedule of activities and registration forms in May.

The APRO Add-A-Member Sweepstakes is under way and will continue until June 30. Sponsor a new APRO member and your name will be entered in a drawing for a Caribbean Cruise for two or \$1,000 in cash. The individual earning the highest number of points in the contest will win a trip for two to Hawaii.

A group health and life insurance program for APRO members is currently being developed, and we hope to announce details of the plan in the near future. A recent survey of APRO members provided valuable data that is being used in negotiating a group policy. The group insurance program is being designed to provide a service to APRO members by making health and life insurance available at a lower cost.

APRO's annual Big Brothers/Big Sisters fund-raising campaign will continue through the month of May. Members are asked to contribute \$1 per delivery during May to Big Brothers/Big Sisters. The campaign gains individual recognition for participating dealers and enhances the public image of the rent-to-own industry. APRO members contributing to the campaign will be listed in the June/July issue of PROGRESSIVE RENTALS and will receive special recognition at the convention in New Orleans.

The foregoing summarizes the major projects that are currently in progress. The APRO staff is in place to serve the members, and member suggestions are always welcomed. I have personally had the opportunity to meet a large number of APRO members and I am looking forward to seeing those members again and meeting more new friends at the APRO Convention & Trade Show in New Orleans.



—Executive Director

Published By  
Association of Progressive  
Rental Organizations (APRO)  
Executive Director  
Charles V. Stuckey

Editor  
Frances Knight  
Executive Editor  
Edward L. Winn III

Contributors  
Susan K. Elliott  
James D. Walker Jr.  
Edward L. Winn III

Circulation Manager  
Kayte Bean  
Data Processing Manager  
Marc Smith  
Data Processing  
Marilynn Greenwood

Advertising Director  
Samantha Sipowicz

Production Coordinator  
Vickie Williamson  
Mechanical Art  
Nancy Yohe  
Illustration  
Mike Krone

#### Editorial Advisory Board

Lew Allen  
Alan M. Dobzinski  
Barry Gambini  
R.C. "Bud" Holladay  
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Charles D. "Chuck" Sims  
Norman Smith  
Larry Tinney

Editorial and Advertising Offices  
2028 E. Ben White Blvd. Suite 200  
Austin, Texas 78741  
(512) 447-0333

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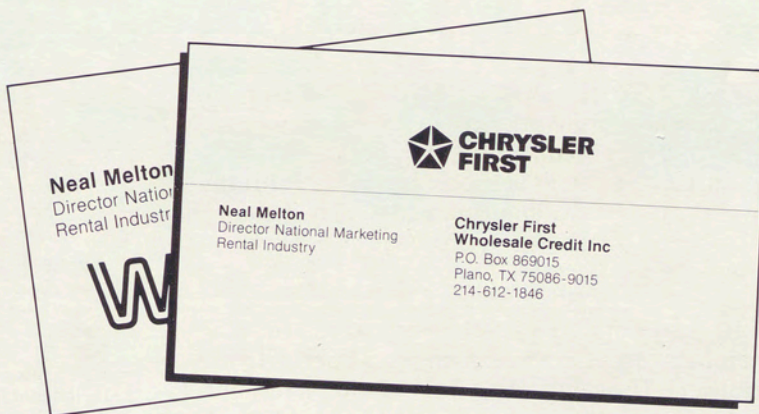
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# Furniture Rings Up Profits

## Dealers agree it is a favorable market for rental-purchase

No doubt about it: furniture is profitable and the market is expanding. That is the consensus of dealers across the country. They concede that handling furniture is not without problems, but the benefits far outweigh the difficulties.

Upgraded quality, more contemporary styling, and better color choice may be the drawing cards that are pulling more customers to rent-to-own furniture. There is no clear-cut picture of a typical furniture rental customer. It could be a newlywed couple, a young single person just beginning a career, or an established family. The rental customer is no different than the average retail customer, they just use a different method of paying for the product, according to Bob Sharp, marketing director for Network Rental of Atlanta.

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More companies are recognizing the present and potential value of the rental business.

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Agreement was general among those dealers interviewed for this article that furniture has a good "stick" rate with the customer. One dealer says the rate is better by far than electronics and at

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Upgraded quality, more contemporary styling, and better color choice may be the drawing cards that are pulling more customers to rent-to-own furniture.

---

least equals that for appliances.

RTO is taking the full plunge into furniture rentals after testing the waters for nearly two years. According to Deines, Barry Gambini, former RTO president, hired him away from the retail furniture business to head the experimental project. After test marketing in selected areas, Deines says that RTO is ready to say yes to furniture and will eventually add it to the product mix in all 62 stores. Furniture now makes up an estimated 13 percent of the company's BOR. In their second year of handling furniture, rentals are up a remarkable 412 percent over the first year.

Steve Grauel, owner of Mr. sTVe's based in Ardmore, Oklahoma, agrees that furniture's stick rate is better than other products and notes it is becoming a bigger part of his business every year. Furniture makes up 30 percent of his BOR and accounts for a healthy 33

percent of his company's net. Grauel says that furniture demand remains constant throughout the year and does not experience seasonal cycles as do other products.

### Market Is Changing

For more than five of the 12 years he has been in business, Grauel has offered furniture to his customers. He maintains that handling furniture now is much easier than when he first added it to his stores. Grauel recalls that furniture had to be purchased by the truckload and he used numerous mini-storage units to warehouse the surplus.

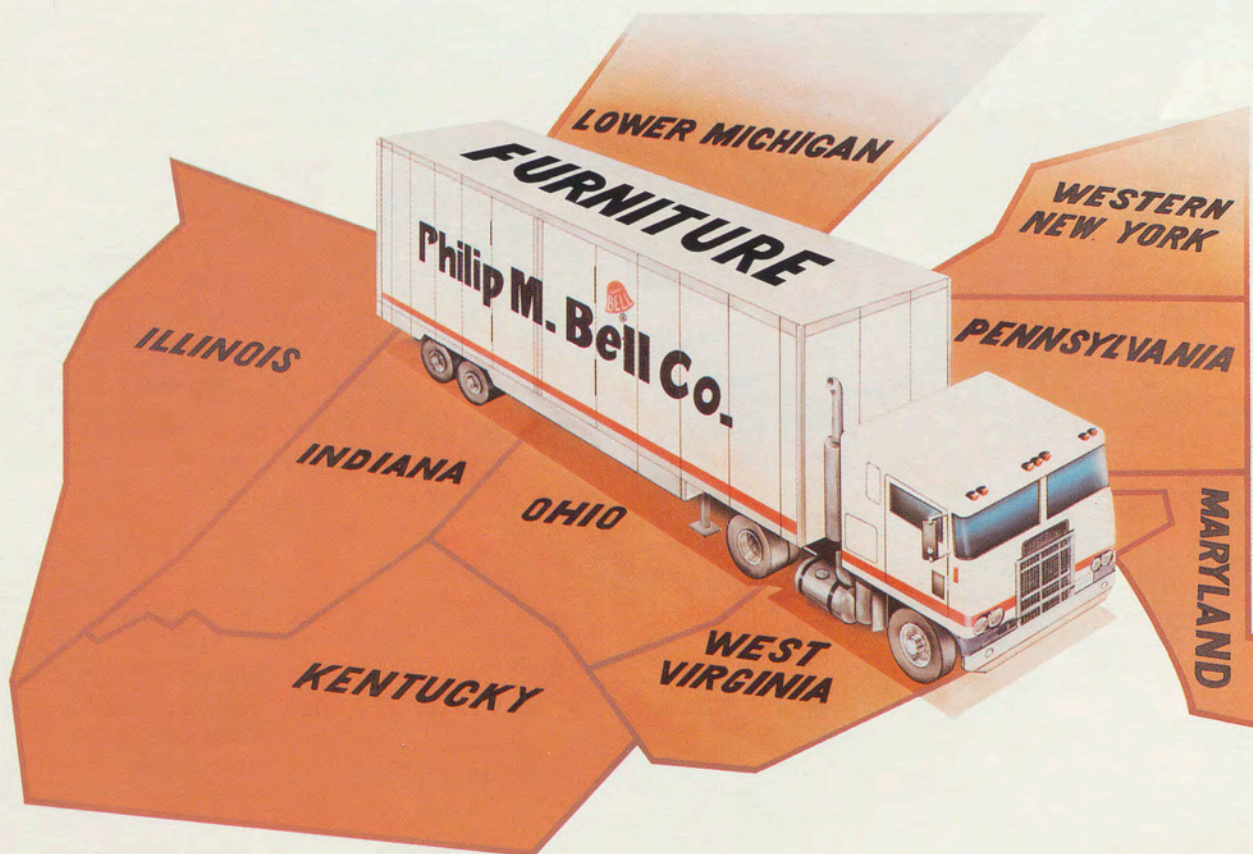
Warehousing of product is avoided by all dealers questioned. Better availability and speedy delivery have eliminated the need for expensive storage. Sample furniture is showcased in each store, with display space varying from "as little as possible" to more than 50 percent of the entire store. Some dealers display a sample of every piece they have available; others show only a representative sampling but have some sort of catalog picturing what they are unable to display. Some furniture distributors, such as Fraenkel Wholesale Furniture, provide their rental dealers with such illustrated catalogs or loose-leaf binders.

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# Who's Who in Furniture

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

## A & M Furniture

P.O. Box 1796  
Maryville, TN 37802  
(615) 982-5958  
Pine dinettes and coffee tables  
distributed regionally in  
the Southeast

## Acorn Products

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

## Artisti-Craft

P.O. Box 1109  
Mena, AR 71953  
(501) 394-2993  
Upholstered furniture

## Ashley Furniture

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

## Associated Furniture Distributors

925 Cleveland St. #279  
Greenville, SC 29601  
(803) 235-3232  
Distributor

## Bassett

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

## Philip M. Bell

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

## Benchcraft Furniture

P.O. Box 86  
Hwy. 15 N.  
Blue Mountain, MS 38610  
(601) 685-4711  
Upholstered living room  
furniture, recliners, rattan

## Bestar Furniture

4220 Villeneuve  
Lac-Meganti, Quebec  
Canada, G6B 2C3  
(800) 567-2708  
Audio/video, computer  
furniture

## Bozof Dinettes

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

## Bush Industries

P.O. Box 460  
Jamestown, NY 14702  
(716) 665-2000  
Audio/video, computer  
furniture, microwave oven  
stands

## Case Manufacturing

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

## Charleswood Furniture

P.O. Box 346  
Wright City, MO 63390  
(314) 745-3351  
RTA furniture

## Chicago Speaker Stand

4701 W. Armitage Ave.  
Chicago, IL 60639  
(312) 745-5500  
Audio/video furniture

## Cooke Manufacturing

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

## D.A.C. Occasional

1018 Heyburn Building  
332 W. Broadway  
Louisville, KY 40202  
(502) 589-5475  
Occasional tables

## Danat Industries

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

## Danken Furniture Manufacturing

2988 E. Ana St.  
Compton, CA 90221  
(213) 531-4845  
Bedroom, living room sets,  
wall units

## Dean Wilkerson & Assoc.

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

## Dickson Furniture Industries

7015 Grand Blvd.  
Houston, TX 77054  
(713) 747-0341  
Living, bedroom room sets,  
dinettes

## Dixieland Manufacturing

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

## Eastern States Distributors, Inc.

P.O. Box 609  
Amesbury, MA 01913  
(617) 388-4400  
Distributor

## Elegance Furniture & Mfg. Co.

1656 W. 134th St.  
Gardena, CA 90249  
(213) 321-9195  
Upholstered living room  
furniture

## Fab-U-Gard

P.O. Box 39430  
Phoenix, AZ 85069  
(602) 252-3991  
Fabric protection

## Fournier Accessory Furnishings

7301 32nd Ave. N.  
Minneapolis, MN 55427  
(612) 593-0300  
RTA audio/video, computer  
furniture, microwave oven  
stands

## Fraenkel Wholesale Furniture

P.O. Box 15385  
Baton Rouge, LA 70895  
(504) 275-8111  
Living, dining room,  
bedroom furniture,  
bedding, wall units

## Gusdorf

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

## Hatley Distributing

2701 Ludelle St.  
Fort Worth, TX 76105  
(817) 534-1796  
Bedroom, living room  
furniture, recliners,  
dinettes, occasional  
tables

## House of Representatives

1404 Miller Dr.  
Los Angeles, CA 90069  
(213) 650-5254  
Furniture representative

## Image Products, Inc.

P.O. Box 57125  
Dallas, TX 75207  
(800) 448-3488  
(214) 324-8900 (in Texas)  
Kits for furniture arrangement  
in homes and stores

## Jackson Furniture Companies

P.O. Box 1359  
1910 King Edward Ave.  
Cleveland, TN 37311  
(615) 476-8544  
Living room sets and recliners

## Johnston-Tombigbee Furniture Mfg.

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

## Lane

P.O. Box 1627  
Tupelo, MS 38802  
(601) 566-7211  
Action recliners

## LBI/Rental Warehouse

10829 Millington Ct.  
Cincinnati, OH 45242  
(513) 793-6566  
Distributor

## LeFort Wholesale Furniture

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

## Leftbank Art Studio

20430 Tillman Ave.  
Carson, CA 90746  
(213) 603-0475  
Rental paintings

## Lewis & Associates/Goldmont

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

## Mar-Kel Lighting

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

## Memphis Dinettes

2137-L Lake Park Dr.  
Smyrna, GA 30080  
(404) 431-0800  
Dinettes

## Mohawk Finishing Products

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

## Morning Surf

303 Century Ct.  
Franklin, TN 37064  
(615) 790-3112  
Waterbeds

## Mylex Electronic Furniture

17 Village View Bluff  
Ballston Lake, NY 12019  
(518) 899-2140  
Audio/video, computer  
furniture

## Naiad Products, Inc.

Box 1840  
Brantford, Ont.  
Canada N3T 5W4  
(519) 756-4860  
Audio/video furniture

## O'Sullivan Industries

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

## Orleans Furniture

P.O. Box 867  
Columbia, MS 39429  
(601) 736-9002  
Living, bedroom furniture

## Perma-Fab

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

## Poole Furniture

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

## Restonic Corp.

101 N. Wacker Dr.  
Chicago, IL 60606  
(312) 346-9045  
Mattresses

## Rose Hill Company

P.O. Box 360  
Okolona, MS 38860  
(800) 647-6494  
RTA coffee and end tables,  
bookshelves, corner units

## Shelby Dinettes

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

## Southern Pine Manufacturing

Hwy. 17  
Aliceville, AL 35442  
(205) 373-8911  
Pine bedroom, dining room  
furniture

## Stuart/Sentry Furniture

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

## Style-Line Furniture

P.O. Box 250  
Verona, MS 38879  
(601) 566-1113  
Upholstered furniture

## Sunshine Furniture

P.O. Drawer 310  
Redbay, AL 35582  
(800) 321-7387  
Upholstered and wood  
furniture

## Tempo Lighting

P.O. Box 58751  
2050 Stemmons Freeway  
Dallas, TX 75258  
(214) 742-2685  
Lamps and shades

## 3 Star Manufacturing

P.O. Box 98  
Lynn, AL 35575  
(800) 633-4380  
Full line furniture and  
bedding

## Tri-Star Furniture

11969 Plano Rd., #170  
Dallas, TX 75243  
(214) 669-3889  
Dinettes, barstools, tables,  
lamps

## Walter Terry Distributor

P.O. Box 230714  
Houston, TX 77223  
(713) 227-6369  
Furniture pads, straps, covers

## Woodcrest Manufacturing

P.O. Box 205  
Peru, IN 46970  
(317) 472-2866  
Dressers, chests, bunk beds

turers and distributors have come to recognize that rental-purchase is a lucrative market and they are now tailoring their products and service to suit the industry's needs. Because he is able to get delivery within 7-10 days and is no longer required to purchase by the truckload, Steve Grauel says there is no need for extended storage. He points out that more distributors and manufacturers are targeting the rental industry and that they are providing more variety and better quality than ever before.

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The rental customer is no different than the average retail customer, they just use a different method of paying for the product.

---

Bob Tharp also notes an increase in vendors during the six years that Network Rental has been handling fur-

niture, especially in the past three or four months. He finds that more vendors are knocking on the door, "companies I never heard of." The soft retail market could be at least partially responsible for that trend, says Tharp, but he also believes more companies are recognizing the present and potential value of the rental business.

### Quality Improves

Improved quality is a trend noted repeatedly by dealers. To some extent, quality is being upgraded because of customer demand. To an even greater extent, it is being done for practical reasons. Consider that a customer is unlikely to go to term with a chair or sofa that doesn't hold up the full 18 months. Additionally, if the product is returned for some reason before the full term, it will be easier to refurbish the quality piece for re-rental.

Returned furniture is refurbished and re-rented, at lower and lower rates for shorter and shorter terms. If a piece becomes totally unrentable, two out of three dealers either give it to a charitable

organization such as the Salvation Army, or simply toss it out. Other dealers will put the item in a tent sale. Network Rental holds such sales about two times a year to dispose of their no longer rentable stock.

While there is still a market for traditional wood groups, newer, more contemporary styles are going out the door faster. Customers are no longer satisfied with the traditional wood sofa cushioned in an all-over floral pattern. They want overstuffed chairs and sofas in more modern fabrics and colors.

No matter what style they want, however, color is their primary consideration. If the fabric color fits the customer's decor, they will compromise on style.

Styles in dining room furniture are changing, also. The market for wood groups and formica-topped dinettes is still there, but brass and glass dining tables are increasing in popularity. Bob Tharp noted that Network Rental is offering the glass-top tables, something they would not even have considered a short time ago, but he finds they are popular and moving fast.

Network is considering adding a brass-accented black lacquer bedroom suite to their stock. Neither they nor any other dealer interviewed handles water beds. Mike Herschman, Fraenkel vice-president in Baton Rouge, Louisiana, said he knows of no rental dealer who has been successful with water beds.

RTO has found the traditional look the most popular nationwide, except in California where modern styles prevail. The California-based company, with outlets nationwide, offers three choices in dining room groups: one with a formica-topped table; a brass and glass table group; and a traditional wood group with a buffet/hutch. Deines says he works with a variety of furniture manufacturers to achieve the quality he requires, especially in living room furniture. His main concern is material and styling; he prefers wood on the ends of arms to give longer wear, and will ask to have furniture redesigned to meet his requirements.

### Customer Satisfaction

Deines's goal is a happy customer. He believes in providing good quality so that the customer who takes the furniture to term is satisfied with it and will continue to be an RTO customer. Good

*continued on page 52*

## TRIB + YOU = PROFIT\$

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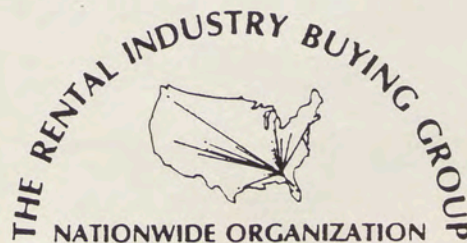
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## Expansion Continues At Rent-A-Center

Ground has been broken and construction is under way for Rent-A-Center's new corporate offices in Wichita, Kansas. Construction of the \$8 million facility is to be completed in early 1988.

Admiring the building model above are, from left, Thomas R. Devlin, Rent-A-Center chairman; Bill Livingston, architect; and Walter E. Gates, Rent-A-Center president.

The new office will house 350 employees with expansion room for an additional 100. The three-level building, financed by City of Wichita industrial revenue bonds, will encompass approximately 100,000 square feet. Additional space is available on site for construction of a second facility equal to the corporate headquarters.

Gates expressed his enthusiasm about the new building. "With our record of growth during the past 13 years averaging 30 percent, we are delighted with the flexibility of the new facility. We expect our Wichita employment to reach a level of 475 within a year of opening our new office. Operating efficiencies will be greatly enhanced by the consolidation of company headquarters at one location."

Rent-A-Center, the first publicly held rental-purchase company, reported record revenues and earnings for the second quarter and six months ended January 31. Second quarter revenues reached \$50,137,000 and net earnings rose to \$3,018,000, increases of 45 percent and 55 percent over the same period last year.

Year-to-date revenues for the six months climbed to \$93,854,000, a 47 percent increase over the prior year, and net earnings increased 38 percent to \$4,966,000. Primary earnings per share for both periods were up 30 percent over the previous year.

Groundbreaking ceremony for the new headquarters was February 10, and actual construction began March 2. Located in the Willowbend Addition of northwest Wichita, the new building will provide a maximum view of the surroundings, including Willowbend Golf Course and an adjacent lake. Extensive use of natural light will complement a central atrium and provide even interior offices with a view mirrored off the long, curved exterior wall made of reflective glass. Energy management control and outside terraces are designed to provide passive solar energy assistance. Earth sculpturing and extensive landscaping are part of the site development master plan.

Stan Gegen, Rent-A-Center vice-president and controller, is project manager for the new building. He noted the design has been developed with an eye to the future growth of the company. Consolidation of the headquarters at one location will, he says, ensure the continued support of expanded field operations.

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## What This Industry Needs . . .

I am meeting tomorrow with some people from a major national finance company. They are flying to Austin to learn all they can about the rental industry. Because I have had these kinds of meetings before, I think that I know the questions they will ask.

They will want to know what the legal climate is like in the industry. They have talked to dealers about the risks inherent in renting valuable property to people without credit and they have accepted those risks. They want to know from the lawyer whether lawsuits or government action is likely to put rental dealers out of business altogether. While the answer to that question is no, it is a complicated answer and requires a state-by-state analysis and, in some parts of the country, a city-by-city and even a legal aid office-by-legal aid office analysis.

They also want to know industry statistics. Just how big is rent-to-own? How many TVs does the industry purchase every year? How many stereos? How much furniture? What is the BOR of an average rental store? How much do dealers spend on advertising? Salaries for store employees? Vehicles? And, the questions go on and on.

I do have an opinion about the answers to these questions. My opinion is based on the accumulated wisdom of talking to rental dealers all across the country every day for 7 years. The fact is, however, that while I value my own opinion, the figures that I quote are anecdotal at best. That means that I cannot prove up the figures that I give with statistical data. My very best exposition on the industry is subject to second-guessing and good faith differences of opinion by others in the business.

What this industry needs is a good

statistical survey. Most other industries manage to do this on an annual basis. If you belong to NARDA, you can find out the average cost of doing business for a TV and appliance retailer of a given size. The American Rental Association collects data from its member rental yards, massages it—the current accounting term, I believe—and disseminates it to interested parties. TV manufacturers tell the Electronic Industries Association (EIA) how many TVs they make on a periodic basis so that their association can calculate market share and other such items of interest.

It is high time that in the TV, appliance, and furniture rental industry we do the same. As an example, the last time the Federal Reserve Board investigated this industry, they estimated that the rental-purchase industry accounted for no more than 2 percent of TV sales nationally. I have heard manufacturer representatives place the percentage as high as 12 percent. According to the EIA, manufacturers sold 16 million televisions in the United States last year. If the Federal Reserve Board is correct, as an industry, we bought 320,000 TVs last year. If the manufacturers' representative is correct, we bought 1.9 million TVs last year. That is an enormous spread, and the accuracy of the numbers could have an enormous impact on the industry. Obviously, the more TVs we purchase, the more time and attention we are likely to get from the people who make them. Actually, I think that we bought between 8 and 10 percent of the 16 million TVs manufactured in 1986, but I cannot prove it statistically. At this level, we are talking about tens of millions of dollars, and people do not like risking that kind of money on best guesses.

The last time APRO tried to do a

statistical survey of the members, we failed spectacularly. At the time, we had about 400 member stores. We used a Big Eight accounting firm and guaranteed the anonymity of all participants and their information. We spent a lot of time and money developing a questionnaire that dealers could fill out from their balance sheets, P&Ls and daily reports. We nudged, cajoled, and threatened the membership every way we knew how. When the deadline finally came—after several extensions—we got data from 60 stores, and 50 of those were from one company. The accounting firm told us the sampling was too small to be reliable and the results of the survey were never published.

At the time, I concluded that rental dealers, rather than being too lazy or too busy to fill out the questionnaire, preferred keeping to themselves what they considered to be the best-kept marketing secret around. In retrospect, I am not sure that I blame them for that attitude, even though it meant the failure of one of APRO's pet projects.

In 1987, rent-to-own is still a great idea, but it is hardly a secret anymore. We have one publicly held company which is required by law to publish its financial data to the public. There are at least four national franchising concerns whose financial information is a matter of public record in most of the states where they do business. This information is useful, to be sure; I know that I use it in forming my opinions. I am not so sure that Rent-A-Center's balance sheet, with interest expense running at 1.7 percent of revenues, is truly reflective of the industry as a whole.

The time seems ripe for another go at an official industry statistical survey. APRO now represents over 2,500 rental stores, and if we could collect data from

80 percent of them, we could all learn how this business really works.

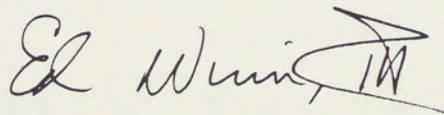
The need for the kind of information we propose to collect is pervasive. In addition to helping suppliers plan for the industry, it will give dealers some benchmarks against which to measure themselves. How much are you spending on advertising? Is it too much or not enough? One way to evaluate how much you should be spending is to see how much the industry is spending on average per store or as a percentage of rental revenues.

There is no magic in such a survey. Nor are there hard and fast rules about what questions to ask. We are in the process of creating a questionnaire and are open to suggestions about the kinds of information to collect. What we mainly need, however, is the participation of every dealer in the country when the time comes. We need a valid statistical survey to know where we are. Without it, we cannot plan for the future in any meaningful fashion. And we cannot get the information we need without the support and participation of all of you. We will guarantee the confidentiality of the information you furnish. No one at the APRO office or any other rental dealer will ever know specific

information from another company or even who does and who does not send in the information. It will all go to an accounting firm, and once they have compiled the results of the survey, they will shred the original information.

We take this project very seriously, because, quite frankly, the absence of the data is holding us back. It is hard, for example, to establish the credibility of the industry to bankers and others who know little or nothing about us without reliable statistical data about how we do business.

The time is coming when each of you can make a valuable contribution to the industry by participating in the statistical survey. When that time comes, I am asking each of you to help us at APRO, help your industry as a whole, and help your stores by giving the information requested.



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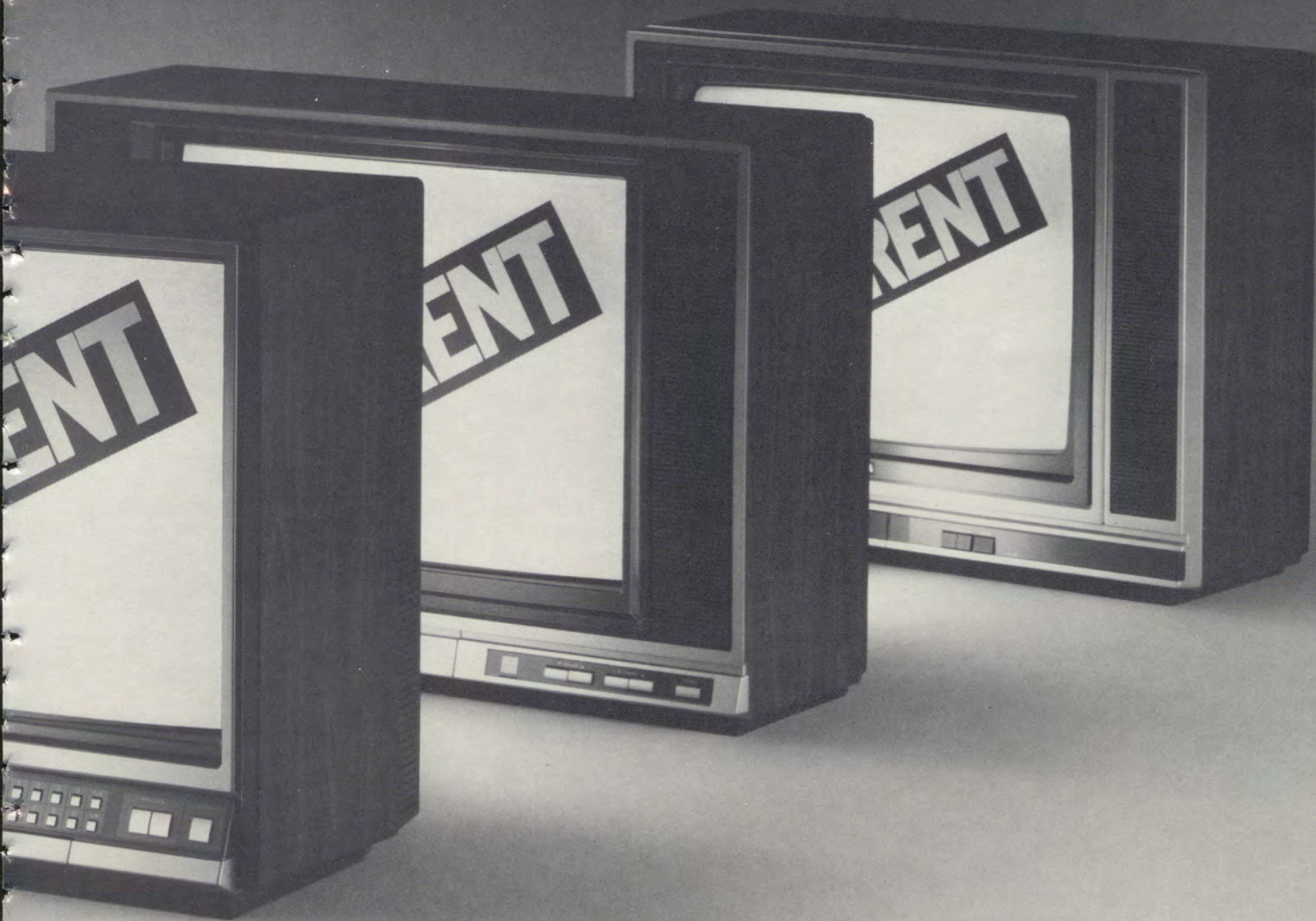
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# State Organizations

## An overview of their development and accomplishments

In 1980, in the face of mounting legal attacks, a handful of rental dealers banded together to form the Association of Progressive Rental Organizations. They felt, and properly so, that there were things they could accomplish as a group that they could not accomplish individually. The history and growth of that organization since then is well known in the industry. During this same era, there has been further organization of the industry, at the state level. This article traces the development of some of those state organizations. It reviews their legislative activities to date and addresses some of the issues facing these state groups in the future.

### Pennsylvania First

The first state-directed effort occurred in Pennsylvania and did not initially result in the creation of a state organization. In March 1982, the national association learned that a bill had been passed which recharacterized rent-to-own transactions as credit sales under Pennsylvania's Retail Installment Sales Act (RISA). APRO later learned that the bill was written and lobbied for by Woody Kozloff, the executive director of the standing House Committee on Consumer Affairs. The bill was passed with no public hearings and with no input from any industry representatives.

APRO mobilized rental dealers in the state, raised some money, met with representatives from the attorney general's office to discuss compliance options, and generally assisted dealers and their local attorneys in interpreting the new statute. Dealers were put in touch with one another around the state to discuss how to do business in light of the surprise legislation.

Kozloff was attempting to put dealers in the state out of business with his new law. Dealers coalesced long enough to develop a strategy for dealing with the

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State groups have proven themselves to be viable forces in the legislative arena, and they have in a few states literally saved the industry.

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new law and then disbanded. The strategy that developed, as many dealers know, was to add a balloon payment option to the rental program, thereby saving the transactions from the rigid controls mandated by the state's RISA.

For several years, the strategy seemed to work, until 1985 when a spate of lawsuits originating in the Bethlehem/Allentown area prompted another series of meetings of Pennsylvania rental dealers and ultimately the creation of a state association. By this time other groups had formed, and the Pennsylvania dealers did not have to start from scratch.

What dealers learned only later was that certain legal aid lawyers led by David Scholl, a lawyer in Allentown and currently a bankruptcy judge there, had never been satisfied with the balloon payment strategy. They waited for a good case to come along with which they could challenge the size of the balloon payments that dealers were charging. Also during this time, Woody Kozloff was quietly lobbying members of the Consumer Affairs Committee to gain support for closing what he considered a loophole in the law.

It was in 1984 that the legal aid office in the Lehigh Valley found its case. Styled as *Chandler vs. Riverside Leasing Inc.*, the case essentially challenged the size of the rental company's balloon payment as being too small to escape the Retail Installment Sales Act. While this case was creeping through the court system, Kozloff was working in the legislature. In early 1985, he called

the APRO office to inform the staff that public hearings had been scheduled on the rental-purchase industry because of alleged consumer abuses. News of the scheduled hearings was immediately circulated among dealers in the state and several major dealers joined together temporarily to hire a lobbyist to follow the activities in Harrisburg. APRO helped organize a meeting of all rental dealers in the state in February 1985. The chairman of the Pennsylvania House Consumer Affairs Committee, Representative Laughlin, wanted to schedule a series of public hearings in cities all across the state, including Bethlehem, the site of the pending lawsuit, to have legislators hear from unhappy rental customers, but was eventually dissuaded from following through with his plan.

Dealers at the first meeting agreed to organize themselves statewide as the Pennsylvania Rental Dealers Association (PARDA) and collected funds to help fight the legislative battle. Here, as elsewhere, the funds collected by dealers went exclusively for legislative expenses. None went to pay for lawsuits against individual dealers.

The group hired Sam Choate to serve as general counsel and Ralph Tive, a veteran lobbyist in Harrisburg, to work for them in the legislature. Since the organizational meeting, there have been several changes in the leadership of the organization, due in part to the enormous pressure being brought to bear on the industry as a whole, both from the legislature and from lawsuits. After some initial confusion, the group has coalesced under the leadership of Bill Morgenstern, a rental dealer from Erie.

Since its organization, the group has raised literally tens of thousands of dollars to pay for lobbying, legal and other expenses. To date, both sides have lobbied more or less to a standstill. No bills have been introduced either for or against the industry. From the

industry's point of view, this is partly due to the pressure of several lawsuits pending against different rental dealers across the state. Some of these lawsuits have important hearings scheduled for this summer. When the smoke clears from those hearings, the matter should be ripe for the legislature during the fall of 1987. Most recently, the staff of Laughlin's committee has met with consumer advocates in the New York governor's office to discuss how New York dealt with the rent-to-own issue. Pennsylvania dealers hope those discussions will ultimately bear fruit in their state.

It is not true that any one dealer has caused all of the problems in Pennsylvania. Consumer advocates in that state have been after the industry since 1982. During that time, one of the chief opponents, David Scholl, has moved from Philadelphia to Allentown and since been made a bankruptcy judge for the Eastern District of Pennsylvania. It is true that without the organized efforts of rental dealers in the state, there might well be no consumer rental industry left in the state. Kozloff's call to the APRO office was a mere formality. Only subsequent efforts by dealers in the state stopped public hearings and a snowballing legislative effort.

## Connecticut Fights Back

Another state that has felt the heat of legislative battle over the years is Connecticut. Connecticut's problems really began back in 1979 when a trial court ruled in the case *Murphy v. McNamara* that a rent-to-own transaction was a disguised credit sale under state law. One of the immediate effects of that lawsuit was to put a chill on the development of new rental businesses in the state.

The small number of dealers made organization easier when the need arose. In the summer of 1982 a legal aid lawyer from New Haven, Joanne Faulkner, filed a class action lawsuit against a large dealer doing business in her jurisdiction. Over the years, although she has her rivals, Ms. Faulkner perhaps stands alone as the single most virulent opponent of the TV and appliance rental industry in the country.

In the spring of 1983, Ms. Faulkner took it upon herself to introduce a bill into the Connecticut General Assembly to recharacterize rent-to-own transactions as credit sales in her state. She took this action despite a prohibition in the federal legislative charter to fund the Legal Services Corporation against

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This year, both sides agreed not to introduce bills, since neither side had been able to get a bill passed despite the exercise of considerable political clout.

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lobbying activities initiated by legal aid lawyers.

The first thing the national organization did was to file a complaint against Ms. Faulkner in Washington. Despite repeated promises that the matter would be investigated in full, nothing ever came of the complaint or the promised investigation. The second thing the national organization did was to alert rental dealers in Connecticut of the introduction of the bill and help them organize to lobby against its passage. The industry barely learned of the existence of the bill in time to appear at public hearings on the matter held in March of 1983. The group had met once before the public hearings.

Fortunately, one of the original members of the Connecticut group had used a Hartford law firm for some legal work, several members of which had very good reputations as lobbyists. The group interviewed and hired John King who has gone to bat for the industry in the Connecticut legislature ever since. There were originally only 10 members of the Connecticut Appliance Rental Dealers Association (CARDA), and they have underwritten a substantial financial commitment in order to have the industry represented in the state. (Compare with Texas where some 60 companies contributed to the legislative effort there in 1985.)

Suffice it to say that Ms. Faulkner did not make a persuasive showing before the legislature during the spring of 1983. Her bill died in committee. Connecticut rental dealers knew, however, that when the legislature adjourned in April 1983, all they had bought was time. Indeed, the Connecticut dealers have lobbied to a draw with legal aid in 1984, 1985, and 1986. This year, both sides agreed not to introduce bills, since neither side had been able to get a bill passed despite the exercise of considerable political clout.

CARDA members have probably met more often than any other state group. There are still no more than a dozen dealers who make up the membership of CARDA and the state is small enough

so that dealers can drive to meetings by car. It is not unusual for the group to meet in different members' homes. They usually try to have a meeting during the APRO national convention. Over the years, under the steady hand of Alan Dobzinski, a current APRO board member, the group has become a tightly knit unit.

During the 1986 session, CARDA fought off an attack from a state representative who made it his mission to regulate the industry out of business. Connecticut dealers and their lobbyist have not been without their friends and supporters in the legislature over the years. In 1984 one of their supporters, Senator Scully, narrowly missed getting an industry-supported bill based on the proposed federal rental-purchase disclosure scheme.

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As can be seen, while every state is unique and every state legislative experience has its own unique features, there are elements common to all of them.

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The rent-to-own issues and the players have become well known in the legislature given the frequency of their appearances. For 1987, both CARDA and the New Haven Legal Aid Society agreed between themselves that neither side would introduce rent-to-own legislation.

There was introduced, however, the model uniform personal property leasing act (see PROGRESSIVE RENTALS, Vol. 6 No. 1 p. 14). This bill has been introduced in seven different states this year primarily to gauge reaction from the leasing and legal communities. Nowhere was it expected to be passed the first time around. The uniform act is not aimed at rent-to-own dealers and does not have much to do with the way most rent-to-own dealers do business. One part of the bill does clarify the difference between a true lease and a lease with a security interest. This clarification would be of enormous benefit to rent-to-own dealers when dealing with customers who have declared bankruptcy.

At hearings last month in Hartford, no one from the commercial leasing community showed up to testify for or against the bill. Legal aid appeared to argue that because of the one clause which clarifies a gray area of the law in

favor of rent-to-own dealers, and therefore against consumers, the entire 54-page comprehensive legislative package should be killed. Such is the importance that the rent-to-own issue has taken in the Connecticut Legislature.

With no state regulation and an active legal aid society in New Haven, CARDA members have no choice but to remain actively involved with one another. It is no fun to be under constant scrutiny, but that seems to be the nature of the business in Connecticut, for a while longer at least. One thing is certain: without the money and dedicated efforts of CARDA members, there would be no viable rental industry in the state.

### **South Carolina Opts for Regulation**

Another state with an active association is South Carolina. As elsewhere, South Carolina dealers organized originally to enact rental-purchase legislation. The South Carolina story actually began in 1983 when Bob Simons, a Charleston dealer, had occasion to visit with Steve Hamm, the South Carolina Credit Code Administrator. Their discussions gave Simons reason to believe that some sort of reasonable regulation could be worked out between the industry and consumer advocates. In early 1984, industry representatives, initially organized by APRO, met with Hamm and some of his staff attorneys in Columbia.

One of the original chief negotiating points was whether the rent-to-own industry was going to be regulated by being made a part of the state consumer credit code or whether it was going to be regulated by a stand-alone statute as had recently been passed in Michigan. The industry argued against being made a part of the credit code but ultimately yielded the point.

Negotiations were cordial and much progress was made until a University of South Carolina law professor, Lewis Burke, and his wife, Ann Johnson, a legal aid attorney, appeared at one of the meetings. Burke had recently been appointed to the state consumer credit commission, an advisory body to the administrator. An outspoken critic of the industry, Burke attacked every effort at compromise that the two sides tried to develop. His position essentially was that the rental industry should not be treated any differently from the retail

industry, which position, of course, effectively would have put rent-to-own dealers out of business in the state.

South Carolina dealers organized in the face of this serious opposition and got their lobbyist, Russell Munn, to get their version of a rental-purchase bill introduced, despite the lack of any real agreement. Both sides agreed that amendments could be attempted or made by both sides at the subcommittee level. The danger with this kind of strategy is that the amendment process can be difficult to control and often moves very quickly.

Throughout the spring of 1984, the South Carolina dealers anxiously watched the progress of their bill. Amendments were made and, at the last minute, on the floor of the general assembly, consumer advocates attempted to get still further changes made in the bill. The watchfulness and persist-

ence of the dealers finally resulted in a new law. In the closing days of the session, Laura Nehf, a law partner of Sam Choate, asked Rep. Raymond Schwartz, one of the sponsors of the bill, to move the item up on the agenda so that she could go home to Augusta, Georgia, to get married. Otherwise, she threatened to make all of the house members be witnesses to her nuptials on the steps of the state capitol, since Sam had told her she could not leave Columbia until there was final action on the bill. The bill passed the next day.

Rental-purchase transactions were made a part of the South Carolina Consumer Credit Code, and dealers are as regulated there as they are anywhere. They must, for example, register each store location with the credit code administrator. Their fees and other charges are limited, but they are legal in the state, and all dealers report that

## **Georgia Court Says No To Theft Presumption**

The Georgia Supreme Court has recently ruled that a part of the state's theft of rental property statute is unconstitutional. The case arose when a rental tape customer failed to return the tapes she had rented when they were due and the store had her arrested. The Georgia statute, like most other statutes in other states, has a presumption that when a rental customer fails to return rented merchandise after a certain period of time, often 10 days, the customer has stolen the merchandise. In other words, by using the presumption, the state does not have to prove the customer's intent to steal as would ordinarily be the case. It was the use of the presumption in the case that caused the Court to rule that the statute was unconstitutional as a violation of the accused's due process rights.

As applied in the Georgia courts, the presumption is mandatory. In other words, when the state proved that the defendant failed to return rental tapes after 10 days, the jury had no choice but to return a verdict of guilty on the question of theft. The Court pointed out that the defendant should have an opportunity to disprove the presumption by offering proof that the property had been lost or stolen.

In striking down the mandatory presumption, the Court left the rest of the theft of rental property statute intact. The Court suggested that trial courts will have to revise their instructions to the jury in order to tell the jury that any presumption that arises from the failure to return rental merchandise is permissive, and not mandatory. In the future, Georgia juries will be allowed to listen to a defendant's story as to why he or she failed to return rental property. They will then have the choice of following the presumption or believing the defendant.

It is possible that Georgia prosecutors will be less willing to take cases from rental dealers because the Court's pronouncement may make it appear that convictions will be harder to get in the future. Actually, if rental dealers are careful with the kinds of cases they present for criminal prosecution, there should be no appreciable change in how the law is applied in Georgia. As a practical matter, dealers should never have been attempting to use the criminal laws merely as a means of recovering property. Rather, they should have been taking cases to the police when customers actually stole merchandise by pawning it, concealing it, or otherwise depriving the owner of his property early on in the rental agreement. Those kinds of cases usually have sufficient facts accompanying them so that the prosecutor can use the facts to get a conviction without having to rely on the mandatory presumption formerly allowed by the statute.

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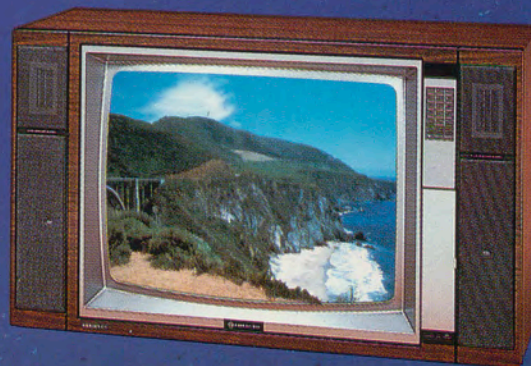
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Dallas, TX 75240

they are living comfortably under the new law.

Even after the bill was passed, Burke attempted to introduce a bill of his own to amend the brand new rent-to-own statute and allow courts to compare rent-to-own pricing with retail sales pricing in unconscionability cases. In the legislative rush, Burke's bill moved quietly along without attracting anyone's attention. By the time rental dealers learned of the bill, it had passed both houses and was on its way to the governor's desk for signing. The dealers were able to talk the governor's staff members into sending the bill back to the legislature where it was finally amended to the industry's satisfaction.

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Their fees and other charges are limited, but they are legal in the state, and all dealers report that they are living comfortably under the new law.

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The South Carolina group, thanks largely to the untiring efforts of Simons, has remained more of a unit than in some other states. They have met at least once a year since the law was enacted, and Hamm, the credit code administrator, has appeared at at least two meetings to discuss how the new law is working from his point of view. At the most recent meeting in Columbia, the issue of how to treat damage waiver fees and/or leased property insurance was discussed by both Hamm and several attorneys in attendance.

One reason the South Carolina dealers have remained together is their concern that some consumer advocates have made no secret about their displeasure at the law as finally enacted. Lewis Burke has been outspoken in his criticism, and he even took it upon himself to write an explanatory article about the rental-purchase statute suggesting to judges around the state how they might best use the statute to curtail the rent-to-own business in the state. Most recently, there has been a rumor circulating around Columbia that an effort will be made to amend the rental-purchase statute to give rental customers an extended grace period possibly up to 60 days—and otherwise make it more difficult for rental dealers to do business in the state.

## Arkansas Update

Arkansas Rental Dealers Association (ARDA) let no grass grow under their feet following their November 1986 organizational meeting. Under the leadership of Board Chairman Roy May, the group drafted a bill that was introduced in the legislature in February and signed into law by Gov. Bill Clinton in early April. The bill, which May says was based on the good parts of rent-to-own legislation in other states, is highly favorable to the rental industry.

ARDA has scheduled a seminar for Arkansas dealers May 20 to explain the impact that the bill will have on their businesses. Tentative location is the North Little Rock Holiday Inn. For more information on the meeting, contact Roy May, (501) 758-9188. The state attorney general, who supported the bill and helped maneuver it through the legislative process, has been invited to the seminar. A full analysis of the bill will appear in the next issue of PROGRESSIVE RENTALS.

Most South Carolina dealers understand the price they must pay to monitor the activities of their opponents. One great asset for the group's cohesiveness, according to Bob Simons, has been Jimmy Walker, the South Carolina associate general counsel. Walker, from Augusta, Georgia, is a former law partner of Sam Choate, and some dealers will recognize his name as the author of frequent legal forum articles in this magazine. Walker is also general counsel in the Georgia association. While dealers easily get caught up in the crunch of their own businesses and tend to forget group business, Walker coordinates efforts in both states, organizes meetings and generally keeps both memberships informed on group concerns and activities.

### Georgia Moves Quickly

In the case of Georgia, rental dealers there awoke in early 1985 to newspaper editorials and articles that the pricing in their industry was going to be regulated by the Georgia legislature. Rep. William C. Randall, from Macon, was quoted as being upset at a rent-to-own furniture program he had entered into. The representative actually introduced a bill to limit dealers' rental rates to the retail price of their goods plus 18 percent.

Fortunately for dealers in the state, the Atlanta contingency, guided by Sam Choate, was able to move quickly. It did not hurt that Choate had gone to law school with several legislators and was a good friend of Rep. Jack Connell, speaker pro-tem of the House. Representative Connell had learned about the rental business from Choate in Augusta and early on understood and was supportive of the industry position.

Another strength enjoyed by the

Georgia dealers was the group leadership shown by Perry McNeal, Ron Payne, and Mac McCullar, all Atlanta dealers. These three could easily have argued and quarreled among themselves, as has occasionally happened in other states, but they did not. Rather, they worked closely together to raise the money necessary to fund the effort and make the compromise decisions necessary to keep the legislation moving forward.

One of the problems facing the Georgia dealers was the short length of the session there. Each year the Georgia general assembly convenes for a mere 90 days. Generally, such a short session might be perceived as a good thing since legislators cannot do too much damage in such a short time, but it also puts constraints on getting something positive done.

The quick response of the dealer organization and Choate made everyone feel certain that nothing bad was going to happen to the industry as was originally feared. Contacts with well-placed people in the legislature guaranteed that no bill would pass without the support of the industry. The question remained, however, whether the dealers could work with Representative Randall and his bill to get a reasonable compromise bill enacted. For a brief period, dealer representatives were meeting every week in Atlanta to discuss the latest round of negotiations. At the last minute, the dealers were able to get a substitute bill introduced with the blessing of Representative Randall and his friends, and the substitute was worked through both houses during the closing minutes of the session.

The Georgia group has had annual meetings since the passage of the bill to discuss problems to dealers in the state.

*continued on page 46*

# 1987 New **PRO** Members

## Regular

**Classic Rentals, Inc.(2)**  
**Jerry Blankenship**  
 P.O. Box 1424  
 Corbin, KY 40701  
 (606) 528-3279

**Classic Rentals, Inc.**  
 109 N. Main  
 Barboursville, KY 40906  
 (606) 546-4016

**Kelly Rentals, Inc.(4)**  
**Grady Mitchell**  
 271 Nordan Dr.  
 Danville, VA 24540  
 (804) 793-1100

**Kelly Rentals, Inc.**  
 Centerville Shpg. Ctr.  
 South Boston, VA 24594  
 (804) 572-1084

**Kelly Rentals, Inc.**  
 Rt. 6, Box 4B  
 Martinsville, VA 24112  
 (703) 666-0336

**Kelly Rentals, Inc.**  
 Fort Hill Village Shpg. Ctr.  
 Lynchburg, VA 24502  
 (804) 237-0050

**John E. Thoenner, Inc.(4)**  
**John T. Jetson**  
 4145 S. Federal Hwy.  
 Fort Pierce, FL 33482  
 (305) 464-7050

**Jetson Appliance Center**  
 8421 South U. S. 1  
 Port St. Lucie, FL 33452  
 (305) 879-3700

**Jetson Appliance Center**  
 4400 S. Federal Hwy.  
 Stuart, FL 33494  
 (305) 283-7551

**Jetson Appliance Center**  
 902 North U. S. 441  
 Okeechobee, FL 33472  
 (816) 763-1117

**Mountain Home TV, Inc.(1)**  
**Lawrence Enders**  
 909 Hwy. 62, SW  
 Mountain Home, AR 72653  
 (501) 425-2195

**Economy Furniture Co., Inc.(4)**  
**Robert McKinney**  
 16082 State Rt. 170  
 East Liverpool, OH 43720  
 (216) 385-1110

**Rental World**  
 1271 Pidgeon Rd.  
 Salem, OH 44460  
 (216) 337-9973

**Rental World**  
 101 W. 7th St.  
 East Liverpool, OH 43920  
 (216) 386-5200

**Rental World**  
 1503 Kennedy Blvd.  
 Aliquippa, PA 15001  
 (412) 378-7552

**Bruce's Sales & Services(1)**  
**Chip Roberts**  
 802 Camino Del Rio  
 Durango, CO 81301  
 (303) 259-3630

**Lafco Rental Co.(1)**  
**Lee H. Landress**  
 50 S. Clayton St.  
 Lawrenceville, GA 30245  
 (404) 963-0398

**Ron's Sales & Rentals(1)**  
**Ronald G. Wentworth**  
 106 N. Orange St.  
 P.O. Box 126  
 Albion, IN 46701  
 (219) 636-3288

**Choice TV Rental, Inc.(7)**  
**Ronald R. Allen & Dean Berger**  
 7911 Harford Rd.  
 Baltimore, MD 21234  
 (301) 661-8000

**Choice TV Rental, Inc.**  
 2000 W. Pratt St.  
 Baltimore, MD 21223  
 (301) 233-3000

**Choice TV Rental, Inc.**  
 2202 E. Monument St.  
 Baltimore, MD 21205  
 (301) 563-4000

**Choice TV Rental, Inc.**  
 1829 Pennsylvania Ave.  
 Baltimore, MD 21217  
 (301) 728-4800

**Choice TV Rental, Inc.**  
 45 S. White Horse Pike  
 Stratford, NJ 08084  
 (609) 784-5400

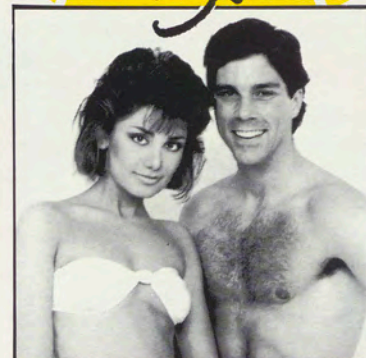
**Choice TV Rental, Inc.**  
 7716 Landover Rd.  
 Landover, MD 20785  
 (301) 386-3333

**Choice TV Rental, Inc.**  
 6423 Torresdale Ave.  
 Philadelphia, PA 19135  
 (215) 338-8555

## Associate

**House of Representatives**  
**Daniel Newman**  
 1404 Miller Dr.  
 Los Angeles, CA 90069  
 (213) 650-5254

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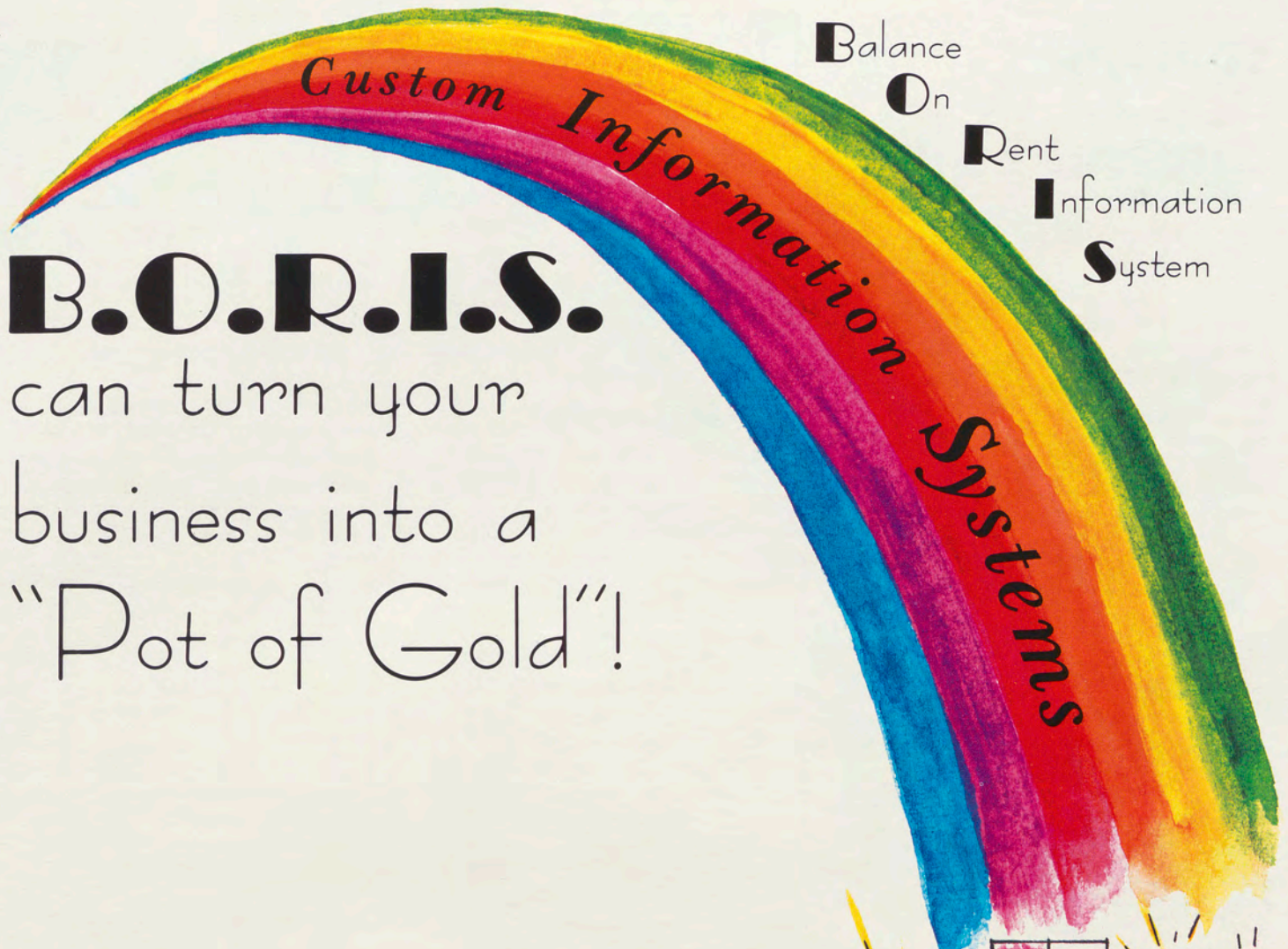
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**Sontegra**

222 Bridge Plaza South  
 Fort Lee, NJ 07024  
 In NJ 201-585-8080

1-800-826-7727

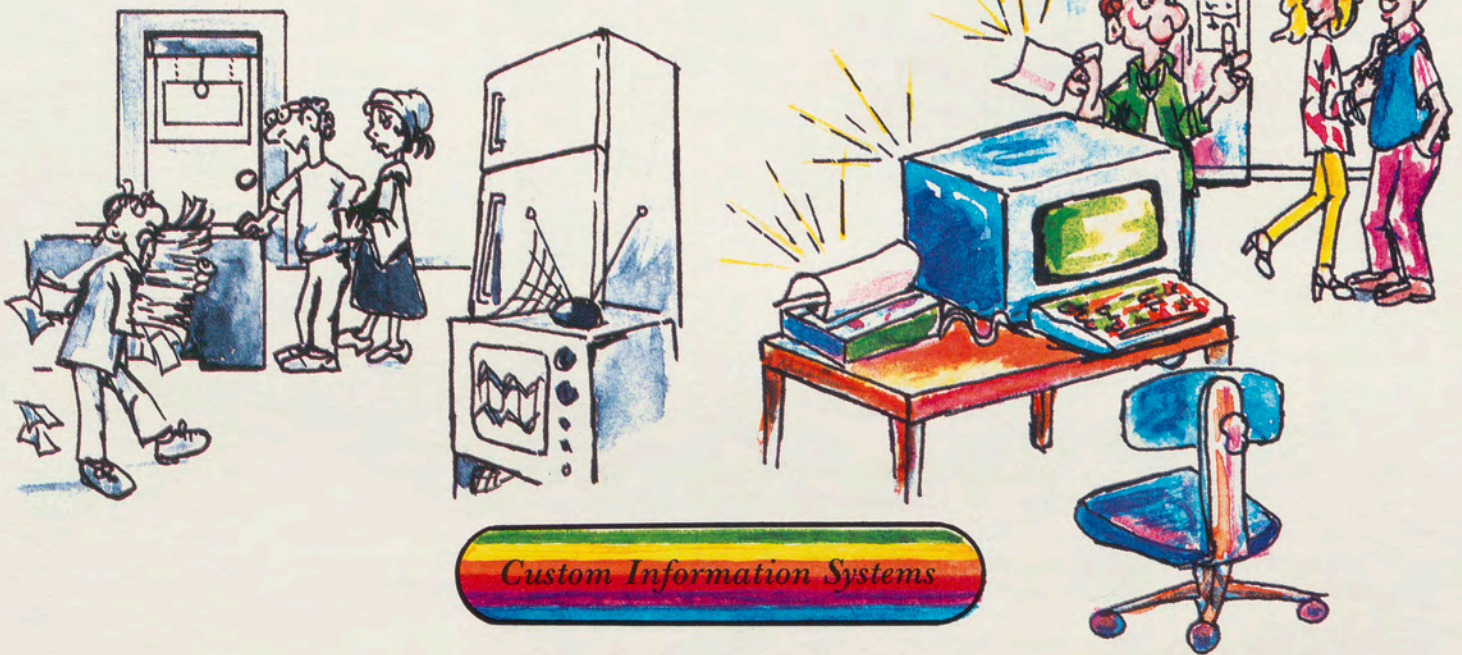




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# Suntan Equipment

*A bright idea whose time has come for rent-to-own*

Diversity can breathe new life into a stagnant BOR. But choosing the right product for diversification can be tricky. A few APRO members have found a golden opportunity in the bronzing business.

"Renting suntan lamps has been absolutely great for us," says Rita Dosse, part owner of Ross TV & Appliance in St. Paul, Minnesota. "They're a big money maker, they're practically maintenance free, and we don't have to worry about payments from the people we rent them to."

In the fast-paced culture of the '80s, suntan equipment is a natural. To some people, a deep, dark, year-round tan is not a luxury but as necessary as food and shelter are to others. Once, only those lucky enough to live in a warm, sunny climate or wealthy enough to travel to the tropics could afford a year-round tan. Now, as suntan salons spring up around the country, nearly everyone can indulge in the tan look. Increasing popularity has created problems, however, and crowded conditions. Scheduling is a hassle and traveling back and forth to the salon is time consuming. What's the perfect solution? Tanning in the privacy and convenience of one's own home. And rent-to-own is in a unique position to provide that solution.

## Are They Safe?

There are many variables to consider in renting suntan equipment, including price points, seasonality and marketing, but the main point on most dealers' minds is safety. Is tanning under sunlamps safe for your skin? "Indoor tanning is not safe; outdoor tanning is not safe," says Steve Underhill, president of the Texas Indoor Tanning Association in Dallas. "Indoor tanning is a safer alternative, however, because it is in a controlled environment."

With this thought in mind, it is important to consider that some people everywhere, at all times of the year, want to be tan. Indoor tanning provides that opportunity. Suntan lamps filter out most of the harsh, burning ultraviolet

rays and let through the tanning "A" rays, according to manufacturers' claims. "B" waves are the culprits that cause skin to redden and burn.

## What's Available?

Suntan equipment comes in several forms, from face lamps and canopies to flat beds and vertical booths. Larry Gauler at Tan International in Dolton, Illinois, points out some differences. "For those who like to lie down while tanning, the beds and canopies are good; however, some spots on the body may lose tannability that way. For those who don't mind standing up, the booths provide a better position for an all-over tan," says Gauler.

The beds measure approximately 7 feet x 3 feet x 3 feet and weigh an average of 150-200 pounds. The booths measure 7 feet x 3½ feet x 3½ feet with a shipping weight of 500 pounds. The majority of suntan units use 100-watt fluorescent bulbs. Canopies require from 6 to 8 bulbs, beds use 14 to 28, and booths require about 34. The replacement of these bulbs is the major maintenance requirement. Manufacturers suggest replacement every 700-1,000 hours at a cost ranging from \$5 to \$15 per bulb, depending on the particular manufacturer.

Rita Dosse says Ross TV & Appliance has 75 units rented out with a waiting list of 25 or more. Dosse rents canopies, which are essentially the top half of a suntan bed. They are supported by a stand that allows the light to be adjusted up and down. Dosse says she prefers this type of unit because it is extremely mobile and easy to deliver. "The unit is 6½ feet long but only 3 inches deep and is very lightweight," she says.

Cost varies by the type of unit purchased as well as the quantity purchased. Dealer prices start at \$500 for canopies, \$1,500 for beds. Ross TV rents its canopy units for \$126 the first month, including delivery. If the customer rents for three months or more, the first month's rent is \$100 (including delivery) and \$80 the following months. A rent-to-own program is offered to customers,

says Dosse; however, very few of the units have gone to term. "They are a bigger moneymaker if I don't rent-to-own them," says Dosse.

Diana Hildebrand, manager at Elmen Rent All in Sioux Falls, South Dakota, has 30 units rented out with 10 names on a waiting list. Elmen charges \$75 per month with a delivery charge of \$12.50 and offers a rental-purchase program at 18 months. "Fifty percent of our units are rented to term," she adds.

Dosse says the secret to renting the beds is educating the customer to assure the safest use of the equipment. "You've got to explain how important correct timing under the lamp is," she says. "For first-time use, a person should only stay under the lamp for 10 minutes. Gradually, they can work up to 30 minutes under the lamp daily, but never over that, no matter how tan they are. Tanning in moderation is the key."

## What About Liability?

But what about those people who, despite your instructions, overdo it under the lamp and are overexposed to the rays? Can a dealer be held liable for a customer's negligence? Andy Huston, vice-president of SMI Sontegra in Fort Lee, New Jersey, says millions of people have used tanning equipment and there have never been any major claims won against any manufacturer or dealer that he knows of. Many dealers have customers sign release forms voiding any claims for liability. Several insurance companies issue this type of coverage and some manufacturers offer their own programs. Insurance on the units can be expensive, however, and can increase the cost per unit significantly. Huston says the general product liability coverage that dealers use on their other appliances should also cover the suntan units.

Warranty programs on suntan equipment vary from 90 days to 5 years on specific electrical, structural and moving parts, depending on the manufacturer. Most warranty programs cover a one-year term and some cover labor costs incurred during that year.

Tommy Thompson, sales manager at Sun Industries in Jonesboro, Arkansas, says suntan units manufactured for residential use differ from the units produced for commercial use. "The commercial units are built with a more durable structure and a tougher cooling system because of the heavy-duty use every day," says Thompson. "The residential units have the same warranties as commercial units but cost just about half the price."

### Who Rents Them?

Suntan equipment draws a different type of client than the usual rent-to-own customer. "We are drawing a refreshing clientele with the beds," says Dosse. "These people have more than the ability to pay. We have never had anyone miss a payment." Hildebrand says that most of their suntan customers are men and women who work long hours and enjoy the convenience of suntanning whenever they please.

Seasonal popularity of the units is an important factor to consider in renting such a trendy kind of product. TVs seldom go out of season, but what about suntan products? According to the dealers and manufacturers interviewed, the peak rental periods for suntan units is from December to May. During the off-peak times, those units that are being rented to term are still producing a steady revenue; those that are not are kept in storage.

Location is another factor to consider when renting suntan equipment. The northern sections of the country are faring well with suntan equipment rental because of cold temperatures. But what many do not realize, according to Underhill, is that it's the Sunbelt section of the country where the greatest volume of tanning products are sold and rented. "In Texas, for example, the summer heat is so unbearable that it drives people indoors," says Underhill. "Who can bear to just sit out in the sun for hours in 100-degree weather to get a tan? In the Sunbelt people are used to being tan. Demand is high year-long for the tanning facilities," he says.

Underhill, who has his own tanning salon, says residential tanning is a hot commodity and there is great potential in renting-to-own the systems. "I don't have a rent-to-own program set up in my store, but I get nearly a dozen calls every day from those who want to lease a system with the option to buy. I wish I had someone to refer them to; as it is now, I have to turn them away." Underhill adds, "If there was a dealer

here in Dallas who offered the opportunity to rent-to-own a suntan bed or canopy, it would take one newspaper ad and they would have their doors knocked down."

### Spreading the Word

Advertising and marketing play an integral role in getting the word out to consumers that home-use suntan equipment is available. Nearly all manufacturers offer support programs in the form of training seminars on use of the equipment for rental employees as well as point-of-purchase signs, brochures and advertising artwork. Hildebrand says she uses print ads and radio spots for advertising the suntan lamps. "We advertise during special events like Christmas and graduation and proms for students," she says. "It works very well for us."

Dosse uses television ads to spread the word about the suntan products at Ross TV. "We have a separate ad specifically for suntan canopies and we also incorporate the suntan line into our usual advertising."

Only a few APRO members presently rent suntan equipment. Those interviewed said they have found a successful niche in the marketplace and admit that they have a monopoly going in their respective cities. That may soon change as more dealers see the light that suntan equipment can shine on their businesses. Manufacturers who supply the suntan industry are listed below.

**PR**

*Samantha Sipowicz is director of advertising for PROGRESSIVE RENTALS.*

### Suntan Equipment Sources

**Body Bronze**  
4181 114th Terrace N.  
Clearwater, FL 33520  
(813) 578-1325

**SCA Wolff**  
P.O. Box 97015  
Kirkland, WA 98083  
(206) 821-1133

**SMI Sontegra**  
222 Bridge Plaza S.  
Fort Lee, NJ 07024  
(800) 826-7727  
(201) 585-8080 (in NJ)

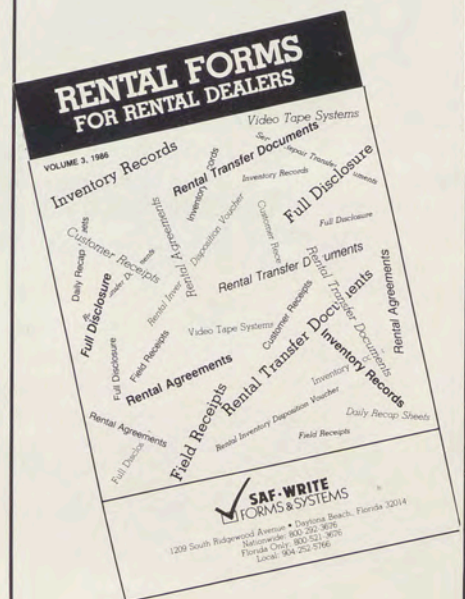
**Southern Exposure Tan Equipment Co.**  
2527 Royal Lane Ste. 140  
Dallas, TX 75229  
(214) 247-TANN

**Sun Industries, Inc.**  
P.O. Box 2026  
Jonesboro, AR 72402  
(800) 235-8555  
(501) 935-1130 (in AR)

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Simulated TV picture.

T A L S



# ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS APPLICATION FOR ACTIVE MEMBERSHIP

Avoid delay. Application cannot be processed until all requested information is provided.

<b>Owner Info</b>	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:

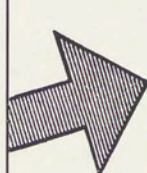
\_\_\_\_\_

Signature \_\_\_\_\_

Be a Winner  
in the  
**APRO**™  
**Add-A-Member  
SWEEPSTAKES**



**Y**ou 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.

**J**ust 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?  
Call Kayte Bean, Director of Member Services  
(512) 447-0333



2028 E. Ben White Blvd. Suite 200  
Austin, Texas 78741  
(512) 447-0333

## Profile: Aaron Rents Inc.

### They're moving full steam ahead into rent-to-own

"We may have waited too long, but we can't turn back the clock, so we have to turn it on at this hour." So says Ken Butler, newly appointed vice-president of Aaron's Rent-To-Own, about his company's decision to enter the rent-to-own field after 25 years of solid achievement and growth in the rent-to-rent industry.

Throughout its history, Aaron Rents has catered to rent-to-rent (RTR) customers, beginning when Charlie Loudermilk rented his first couch to a young newlywed couple in Atlanta in 1962. In its earliest days, the company rented party furniture and sickroom equipment. Expansion has been a byword of the company ever since, resulting in a consistent annual revenue growth rate of 22 percent.

Depending on the time of year and store location, typical Aaron's customers now range from winter visitors in Florida and Arizona, to office building planners in Chicago, students in Seattle, and relocated executives in Texas.

#### Company Goes Public

Loudermilk (chairman, president and chief executive officer) took Aaron's public in 1982 and the company trades on the NASDAQ National Market System under the symbol ARON. Described as a vertically integrated company, Aaron Rents is the nation's largest furniture rental and sales company. It both rents and sells residential and office furniture with 172 stores and four manufacturing plants in more than

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We see the rent-to-own industry as possibly the future of our company.

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50 metropolitan areas. The company also owns five bedding plants. Locations are primarily in the Southeast and Southwest.

In recent years the company has acquired several of its competitors, including Modern Furniture Rentals of Texas (1983, for \$6.5 million); Metropolitan Furniture in North Carolina (1984, \$4.5 million); and Broyhill Furniture Rentals of Texas and Florida (1985, \$2.5 million). Aaron's has also dabbled in the stock of its largest competitor, Grantree of Portland, Oregon. (See PROGRESSIVE RENTALS April 1985 issue for previous coverage of Aaron Rents.)

The announcement that this giant plans to widen its net by entering the rent-to-own segment of the rental industry is being met with more than a little interest by those already in the field. Recent interviews with both Charles Loudermilk and Ken Butler provide insight into the company's directions and philosophy as it makes this major expansion move in 1987.

Aaron's began experimenting with rent-to-own three years ago, explained Loudermilk, by adding Aaron's Electronics departments to a few existing Aaron's Rents locations. Those 12 stores in Atlanta and Florida carried basic

white goods: stoves, freezers, refrigerators, as well as microwaves, televisions, VCRs, and stereos. "We found out that is not the way to do it," says Loudermilk.

"We have now decided that we are dealing with a different customer and the location should be different, so we are in the middle of taking each one of those departments out of our existing RTR showrooms and giving them their own facilities."

#### Plans Revealed

Three Aaron's Rent-To-Own stores were slated to open in Atlanta during March, followed by another in April, and as many as six more in Orlando, Tampa and Clearwater, Florida, in May. According to Butler, "In the months following, we are going to open up in Miami and Fort Lauderdale, and then we are going to come back to Atlanta and look to add as many as 12-16 stores in the metropolitan Atlanta area." A total of 20 stores should be open by the end of the year.

Typical locations will be in strip shopping centers with furniture as part of inventory. Aaron's plans to distinguish the new division from its RTR stores by using a colorful new logo and operating the rent-to-own stores independently, while capitalizing on the reputation established by the parent company. Furniture that comes off rental in poor condition will be sold through the company's Aaron Sells outlets.

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# Aaron's

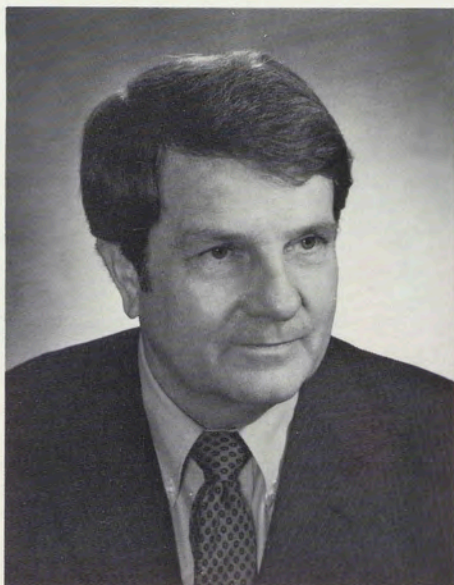
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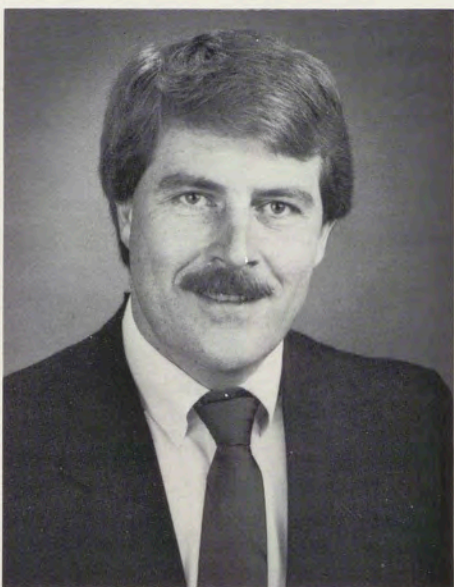
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A Division of Aaron Rents, Inc.



Loudermilk



Butler

PROGRESSIVE RENTALS asked Butler how these plans fit into the overall growth of Aaron Rents.

**Butler:** In the last two or three months we have been expanding rapidly in our office furniture division. We have opened up in Boston, Minneapolis, and Chicago. We are also opening up in Los Angeles, Philadelphia, Cleveland, and a lot of new cities. What we are doing is becoming a coast-to-coast operation and it is going to give us the ability to advertise on a national basis in our office furniture. We feel when we do that it is also going to help Aaron Rents as a company, the rental division as well as the rent-to-own in the market segment that we're in there.

Generally we only have one office furniture store per city, so it is easier and quicker to become nationwide in every mass media market in office furniture than it is, say, in RTO. In rent-to-own we are going to really concentrate in the Florida, Georgia and Tennessee markets for right now, until we basically feel we have captured, or are in every market segment in those states, then we'll look to expand in other states.

The other biggest division we have is Aaron Rents Furniture and we're in almost 50 metropolitan areas there as well. Another difference in the RTR business from RTO is that most major cities can only handle roughly four or five Aaron Rents Furniture stores, and we know rent-to-own can handle as many as 20 in some cases. We see the rent-to-own industry as possibly the future of our company.

**PR:** Why has Aaron Rents decided to expand into rent-to-own after so many years of specializing in RTR marketing?

**Loudermilk:** Companies such as Rent-A-Center and some of the others have shown me the size of the market that I really didn't know existed. When I think back on it, it all makes sense, but I wasn't smart enough to look forward and see it, I guess. We have been in the

RTR furniture business for about 20 years, but we've been very selective in our customer base and, frankly, only taking customers who had the financial ability or discipline to pay monthly.

I didn't realize there was such a large number of people who had need for our goods or services who really should be collected from weekly, who found rent-to-own the way to acquire merchandise.

**PR:** Does Aaron Rents have any particular advantages as it goes into rent-to-own now?

**Loudermilk:** Yes, I think we have some advantages. First, let me say, since we've been in the rental business, dealing with the customer on a rental basis for 30 years, I think we have the ability to do well in this business—realizing that the approach is different and the customer base is somewhat different. Over the years we have developed the name of Aaron, Aaron Rents as being synonymous with the rental of household goods. I think that will give us an advantage over some of the competitors, possibly.

We have two other advantages that I think will be important to us. We have four manufacturing facilities that can supply our needs. In the rent-to-own business you must have quick shipments and we're going to be able to do that for ourselves through our plants. We are in the top 10 percent of the country in furniture production through our plants in size, number of dollars.

Third, we have a chain of retail furniture stores whose primary purpose is selling rental return merchandise. They go under the name of Aaron Sells and we have about one of those in every town we operate in, if not two. So we have the ability to get shipments from our factories very quickly, and we have the ability to sell this rental return merchandise at maybe a higher recovery of cost percentage than some of the other rent-to-own operators.

Plus, I think we have a lot of back-

ground on basic rentals. We have a computer system set up to handle the rental business. We have a home office staff of about 125 people that is our own advertising agency and handles the basic accounting functions, merchandising, buying, freight traffic, and so on.

So, we're set. Everything is poised to go. Our limitation now is getting the physical facilities. We have selected brand name suppliers. We are putting a staff together. We have the core of a staff together and we are remodeling space in our office building to accommodate this division. Everything is upbeat. Everybody is excited about this. It's kind of like we've discovered a new oil well.

We've now decided that we are dealing with a different customer and the location should be different, so we are in the middle of taking each one of those departments out of our existing RTR showrooms and giving them their own facilities.

**PR:** How many employees will be hired?

**Butler:** We currently have managers working in the Aaron's Rents Electronics departments, and three to four people working with them in the existing 12 stores, so if we add eight more stores to that, we will probably add 50-60 new employees.

**PR:** How do you train employees? Is training conducted in a central location? What is covered in the training program?

What we are doing is becoming a coast-to-coast operation and it's going to give us the ability to advertise on a national basis in our office furniture.

**Butler:** Aaron's Rents Electronics was based out of Memphis, and it has moved to Atlanta with my appointment as vice-president of rent-to-own. We

That business has grown up from a kind of mom and pop operation and I think the rent-to-own business is now about where the RTR business was 10 years ago.

have a training specialist in-house. We're trying to crawl before we can walk and currently teach the Learning Power program that was put out by APRO (and Rosanne Flatt). We are in the process of developing a training program that will encompass the store's entire operation. We want to have hands-on training in the field with a finishing school in Atlanta. This is more in theory than reality at this point. In the past, Aaron Rents has hired people as manager trainees and basically let them learn the business from the ground up and we're still doing that, but we want to establish some guidelines.

**PR:** What products will be carried by stores in the new Aaron Rents division? Will they concentrate in one or two areas, or offer a full line of video, audio, and appliances?

**Butler:** It will be full line: microwaves, appliances, freezers, TVs, stereos, and we'll carry a full line of furniture from compulsory living room, dining room, bedroom, and our bedding. But no waterbeds.

I didn't realize there was such a large number of people who had need for our goods or services who really should be collected from weekly.

**PR:** Will the new rent-to-own stores have different types of furniture in different areas?

**Butler:** For right now it will be pretty much the same product mix since we're not on a national scope. If we had stores in California, we'd probably have to be a little bit different.

In the early years the company was primarily in the Southeast, but over the last few years we've had some major acquisitions of rental stores that have put us in RTR markets such as Seattle, Phoenix, Denver, San Diego, Salt Lake City, and Tucson. We may add stores in San Francisco and Los Angeles, and

already have strong coverage in Texas, Florida and Georgia, up and down the East Coast, the Carolinas, Washington, D.C., Baltimore, and the Midwest.

If there is one geographic area we have not entered, it would be primarily the Northeast, except for office furniture now. We hadn't entered the Northeast because migration was to the Sunbelt. Of course, furniture rental offers furniture to people looking for temporary housing, and the Northeast didn't have that demand. I think it has changed somewhat. I think that taking regional differences into account is even more critical in furniture sometimes, and we will be considering that when we expand. But now that we are in Florida and Georgia (in rent-to-own) we can keep the product mix pretty much the same.

I think that taking regional differences into account is even more critical in furniture sometimes, and we will be considering that when we expand.

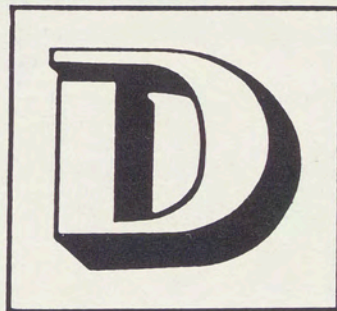
**PR:** How do you go about selecting the towns for your locations? Do you have a minimum size population requirement?

**Loudermilk:** The plus side of the rent-to-own business is that it will flourish in very small towns. The RTR business will not. In the RTR business, a town the size of a quarter of a million is the minimum, say, in a town like Nashville or Knoxville, Tennessee, or Austin, Texas, those size towns. In the RTO business, you can do well in much smaller towns, say 50,000 people, and I've seen some doing well in even smaller towns. So, the market is much greater in the RTO than in the RTR business.

**PR:** Do you think you will locate rent-to-own stores within easy distance of your RTR stores so you can continue to utilize the Aaron Sells facilities?

**Loudermilk:** That's right. We will go into a town like Orlando and probably establish four, five, six, seven RTO stores, and then of course, Miami-Fort Lauderdale, all the Florida towns. And then we will go in all the other cities in which we have a presence and establish a name. We have our work cut out for us. It's a lot of stores. It depends on the real estate we can find, the vacant buildings we can lease, the people we can put together.

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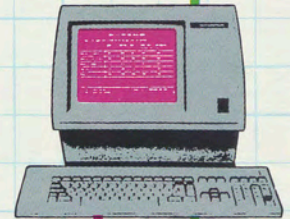
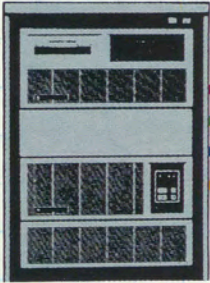
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I really think we will be expanding the market. The market is growing so fast.

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**PR:** Has your furniture division, McTavish Furniture Industries, developed lower priced or different types of styles to accommodate the RTO customers?

**Butler:** Our factories will only make bedding for Aaron now. To stay with current market trends, we will buy from outside sources until we feel like we've established a line-up we can live with long term. We plan to go in and experiment with new things and see what the rent-to-own customer's needs are.

In RTR, our factory makes couches wrench-disassemblable, but I doubt seriously we'll go into that type thing with rent-to-own. Long term, we do look at our factories as making a large majority of our product.

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So, we're set. Everything is poised to go. Our limitation now is getting the physical facilities.

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**PR:** Since your factories already make so much of the furniture stocked in Aaron's RTR stores, will you now begin developing any Aaron Rents lines of TVs as ColorTyme has done?

**Butler:** I don't think so. We feel that name brand recognition in the electronics industry is strong enough that we shouldn't have to. I wouldn't close the door to it, but we're not thinking that way.

**PR:** Will the new Aaron Rents stores follow the industry format of no credit check, no minimum lease period, free delivery, and free service?

**Butler:** Yes, and no deposit. We'll rent to everybody!

**PR:** How much will this planned expansion cost during 1987?

**Butler:** I'm not sure, but it's not what it's going to cost, it's what it's going to make us.

**PR:** How will the furniture departments be accessorized?

**Butler:** What accessories we use will be big, and very few small knickknacks, if any. We won't rent them. We might

have a large plant or something to that effect, but we won't accessorize that heavily.

**PR:** Will single pieces be available in furniture?

**Butler:** We will probably rent by the group, but we are going to consider cocktails and end tables, accessory pieces; they can be added or deleted. Of course, the sofa will be the meat of the living room group, but customers can add on a chair or love seat. They won't be forced to take the whole package. It will be an option.

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And then we will go into all the other cities in which we have a presence and establish a name. We have our work cut out for us.

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**PR:** What about delivery and terms?

**Butler:** We will have same-day delivery, week-to-week terms.

**PR:** How many groupings will be on display in each store?

**Butler:** We will display six to seven upholstery groups, two to three bedroom suites, and five to six dining rooms. Based on what the industry is telling us, we will be more in casual styles than formal.

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I think it is only going to get better as the rent-to-own industry continues to help each other in advertising and promoting.

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**PR:** Will rental ever overtake retailing?

**Butler:** I don't think it will ever overtake it. I think rent-to-own is capturing the bottom of the market share, obviously the people who can't get credit from other sources, but I see it as an alternative for the yuppie industry and the middle income people also, who aren't yet committed to buy.

I can use myself as a classic example. I bought a video camera a few years ago. A year later prices dropped substantially and the technology had improved so much that now I'm wishing I hadn't bought it. If I had rented something like we have I could have gotten a camera, filmed the children, and then changed

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You're asking someone to pay a premium each week, and if that product is not holding up for them after five or six months and they know that they can terminate at any time, that is exactly what they are going to do.

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as the technology changed. A year later I could have bought something at a better rate.

I think another advantage of rental is that so many people buy something and find it's not what they expected it to be. Things aren't as comfortable as they would like to have, so they start wishing they hadn't bought it, but they're stuck with it. In rent-to-own you have 18 months to make that decision. It's another avenue, another untapped market out there. But I think it's only going to get better as the rent-to-own industry continues to help each other in advertising and promoting.

**PR:** Do you have a profile of the average rental customer?

**Butler:** That's hard to say because we rent to so many different groups across the country. Our Florida and Arizona stores just had their winter visitors who were 90 percent of their market at that time. Whereas, during summer months, nine out of ten of the customers walking through the door could be students. Then in late September and early October, we serve families who are moving and relocating, and need temporary furnishings, so they become a stereotype.

But I guess if you had to isolate one group after you take those out, it would be someone under 25 years old, just starting out, or maybe someone who just moved from another city for a new job, again just starting out, that can't afford to buy.

The RTR prices are so much less that Aaron Rents Furniture, or RTR, will always have a place in the industry. There are a lot of people who don't know what they want to acquire, and can actually furnish a complete one-bedroom apartment in the RTR business for \$50 or under. But in rent-to-own, obviously you can't do that.

**PR:** What do you project the price will be for a one-bedroom in rent-to-own?



*The first two Aaron Rents stores opened in suburbs of Atlanta in April. Above, city officials joined corporate and store personnel for the grand opening of the Smyrna store. At left, the store in Doraville.*

**Butler:** Well, it's funny you ask, because I really haven't established all of our furniture prices yet. The rate will be pretty close to where everybody else is. I think we will be less in price. We won't be more than 20 percent less, 10-20 percent. Our weekly rates are going to be excellent, and I think that's probably where we'll beat most people.

**PR:** What will be the average life of the furniture you select for Aaron's Rent-To-Own stores?

**Butler:** That's a loaded question. I hope they last forever. We're actually toying with the idea of having a lifetime warranty on an upholstered frame, but I don't know if we're going to go that route yet. If you rented from us for 18 months, I expect the merchandise to still be in excellent condition after the 18 months under normal, ordinary use. I don't want to see the foam in the cushions starting to crack, or the spring heads falling apart, or the seams coming unglued.

I think the durability from the customer's viewpoint will be one of the most important factors in them ulti-

mately buying and acquiring the merchandise. You are asking someone to pay a premium each week, and if that product is not holding up for them after five or six months and they know that they can terminate at any time, that is exactly what they are going to do. They're not happy and we're not happy. So that's a lose/lose situation. We're going to look at it from win/win and give them a good product that will last. They win and we win.

**PR:** How is business in the other divisions of Aaron Rents? Is it better or worse in some areas of the country than others, and to what do you attribute these differences, other than the obvious ones such as the fall of oil prices for Texas, Oklahoma and similar locales?

**Loudermilk:** Oil-related markets continue to go down and to put a drag on our earnings, but fortunately, only about 15-20 percent of our total revenue comes from the oil-related markets. It was 21 percent and it's dropping as we open outside those markets and they continue to climb. So the overall impact is becoming less and less.

But when I thought a year ago, and six months ago, and three months ago, that it had leveled out and we were going to hold our own, that was simply not true. We are looking to maybe close another store or so in some of those markets. I don't see us getting out of any of those cities completely, but I see us scaling down as to demand.

Business otherwise is good, outside of those markets. We've had a good snowbird season in south Florida and Arizona, and we had a good student season before that, back in September. Basically, we're really happy with business in general.

We're looking forward to developing the rent-to-own business and fortunately we have a mentor, that's Rent-A-Center. We're going to continue to study them and try to do a lot of the things that they are doing. I think it's interesting that a number of RTR operators have followed our footsteps. We've been the pioneer of that business over the years and people have followed us and that's flattering to us. Now, we're going to turn around and do the same thing to Rent-A-Center.

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The plus side of the rent-to-own business is that it will flourish in very small towns. The RTR business will not.

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**PR:** How do you expect that this expansion program will affect the price of Aaron Rents' stock?

**Loudermilk:** Growth in the RTR furniture business has leveled off. Growth is very small for all the operators we know about, Aaron Rents as well as the others. When we realized this some time back, we accelerated our expansion in office furniture where there is still some growth potential, and we're opening a number of those stores currently—10 within the next 60 days. Then we looked at rent-to-own and we think we should be able to do real well with that. We're keeping within our field of furniture to the consumer, we're just doing it in a different way, RTR to RTO.

I think the stock market will recognize that potential. I say I'm an admirer of Rent-A-Center, and they're public, so I see quite a bit of information on them every month. I think that the investors will see our potential and feel that our

When I think back on it, it all makes sense, but I wasn't smart enough to look forward and see it, I guess.

stock is a good value at this point. As a matter of fact, it's jumped two points in the last week [early March].

**PR:** Would it be fair to say that Aaron's will concentrate on growth through new store openings rather than expanding through acquisition of other companies in the future?

**Loudermilk:** No, I don't say that. Number one, acquisition in the RTR furniture business has slowed down or stopped simply because there's no one out there who really wants to sell. It's kind of boiled down to the large operators, so that opportunity's not there. Rental office furniture is relatively new and we don't see any potential for sellers. We see a number of sellers in the office furniture selling business, but we're primarily in the renting business and there are just very few of those around the United States.

Now, when you get to rent-to-own, there are a lot of those. A lot of the smaller operators, one, two, three-store operators. And we are certainly interested in talking to any of those who want to sell. That business has grown up from a kind of mom and pop operation and I think the rent-to-own business is now about where the RTR business was 10 years ago.

In the past 10 years we have purchased about 25 different rental operations, so I would be surprised if we don't purchase a number of rent-to-own stores in the years to come. We have the financial ability to purchase for cash and it's a good way for us to get in a marketplace. So I think that's a big opportunity for us.

**PR:** Do you think that Aaron's will be expanding the market or cutting up the pie into smaller pieces?

**Loudermilk:** I really think we'll be expanding the market. The market's growing so fast. It's just a new way for people to acquire the goods they want. As I see it, a vacuum was left in the financing of this type merchandise when the banks decided they didn't want to deal with making loans for small numbers, and most of the dealers do not want to finance this type merchandise. It opens up a whole indus-

try for people who are wanting to acquire this merchandise.

Fortunately, rent-to-own customers are interested in having the option to return it at any time, or to go on and pay all the payments and acquire it, the ownership. So, with the rent-to-own business, customers limit their credit obligation, but they have the ultimate option to own the merchandise.

It's surprising to me the number of people who want to do that because they know, we know, everyone knows, that it's the most expensive route of acquiring whatever they need, but they're willing to pay the additional dol-

lars just to have those options.

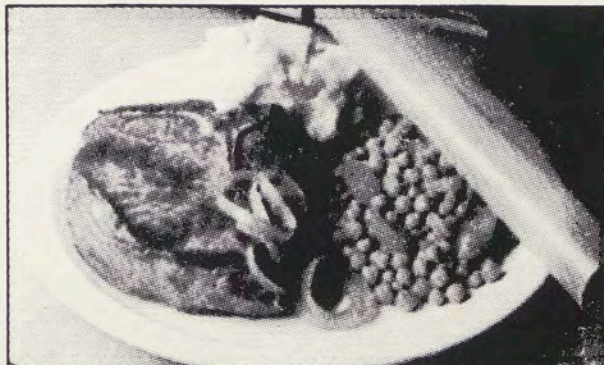
Buying habits change and we merchants must change with that.

**PR:** Ken, do you have any final comments?

**Butler:** Although I've been in RTR for more than 14 years, I'm a baby in RTO, so I'm learning day by day. But I am totally converted now, I will say that. Once you get into it, I don't think you can go back. **PR**

*Susan K. Elliott is a Texas-based free-lance writer. This is her first contribution to PROGRESSIVE RENTALS.*

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## Lawyers and Their Fees

In this column and elsewhere there is legal advice for the rental dealer. Every business including the rental business has its fair share of legal problems. Many of those problems do not require sophisticated solutions. Most are resolved by simply knowing the right answer to the legal question.

Occasionally the problem requires a lawyer's attention. That will be the end of the convenient economical solution to the problem and the beginning of a complex and often expensive process. Next to knowing how to handle the problems, the best thing to know is how to handle the lawyers and their fees.

Surveys of clients conducted by bar associations usually indicate that lawyers and clients have the most difficulty communicating with each other on the subject of fees. Clients are often reluctant to ask questions about fees for fear of appearing ignorant, cheap, insincere, or all of the above. Lawyers hate to discuss fees with clients because they feel that it makes them appear to be greedy and disinterested. As a result, the subject is usually not discussed candidly.

For what it may be worth, it is my opinion that fee disputes are always the lawyer's fault. Lawyers who adopt that point of view are careful to explain fees in advance and to prepare clients for billing statements. It has also been said that a client should never be surprised by a lawyer's next bill. This is accomplished through the initial consultation with the lawyer and conversations along the way as the legal matter progresses. Certainly if more lawyers would take these two principles to heart, there would be fewer fee disputes and more satisfied clients.

### Hourly Rates

Whenever a rental dealer engages the services of a lawyer, that lawyer will be working by the hour. He may not say so and he may not quote an hourly rate.

Clients are often reluctant to ask questions about fees for fear of appearing ignorant, cheap, insincere, or all of the above.

Still, most lawyers expect to receive between \$75 and \$125 per hour for their work. These rates will vary based upon the level of expertise and the size of the city where the lawyer is located. Experienced lawyers obviously charge higher fees. Fees are typically higher in big cities than they are in small communities.

Lawyers expect to bill about six hours per day. Considering vacations, seminars, bar and civic activities, a lawyer can expect to work about 46 billable weeks per year, or 1,380 hours. Overhead takes about half of the fees, on average. The lawyer charging \$100 per hour is expecting to make about \$70,000 per year. While this is an average, it should demonstrate the economic factors that underlie a lawyer's fee requirement.

The best arrangement for a client to make with his lawyer is an hourly fee for services rendered. The hourly rate is a matter that can be discussed and even negotiated. However, a lawyer should not be expected to reduce his hourly rate in negotiations. He will have already given that matter considerable thought in other cases and with other clients. A good lawyer does not expect or need to get business by cutting fees. There are some exceptions for lawyers who have a volume practice in an area such as real estate. If the hourly rate is too high, talk to another lawyer.

If a lawyer is rendering services on an hourly basis, a client has a right to receive an itemized statement with each billing reflecting specific services in increments of time and by date. Law-

yers who do not have the discipline for keeping time and rendering itemized billing systems should not be considered for employment.

### Keeping Time

It should be understood that lawyers hate to keep time. It is a monumental inconvenience. The lawyers who do the best job of keeping time find that it is impossible to record every item of service rendered to a client. Some telephone conversations, impromptu conferences, document review and, most important, the creative processes, are difficult to describe and to log on a lawyer's daily time record. Even worse, lawyers often forget to log even simple activities just because it is such an unnatural thing to do.

For example, a lawyer may receive a message to return a telephone call to another lawyer or to an adverse party about a subject that has been lingering in the office for many months. The lawyer may have to retrieve the file, review the correspondence and pleadings and mentally reconstruct the position of the client in the matter before returning that telephone call. It is difficult to describe this process and put an increment of time on it. Equally difficult to record is the time spent after the call making notes and planning a course of action.

For this reason, some entries are not "real time." They are more in the nature of charges that are triggered by events. They will correspond with actual time spent working for the client but may not actually correspond with the time spent on the particular item described in the statement.

In the area of document preparation, some documents are simple and some are not. Drafting and redrafting are sometimes required. The time entries by the lawyer will reflect that fact. Conferences and other face-to-face services will probably correspond more directly

to "real time." Legal research is a "real time" item that is sometimes required even for the specialist. Travel time will usually be charged at one-half of "real time." Time spent traveling is just as much spent as time spent meeting with clients and drafting documents. Nevertheless, this break is generally available for travel time because it is not directly productive to the client.

### Figuring the Rate

An inquiry should usually be made as to the extent to which a lawyer utilizes paralegal services. It is frequently possible for a paralegal to perform the needed services at one-half or less than the standard hourly rate for the lawyer.

For general consultation, financial planning, routine acquisitions and sales, a rate between \$75 and \$100 per hour is typical. Complex litigation should be handled by a specialist. For those services a client should expect to pay between \$125 and \$250 per hour.

For collection work, fees in the area of \$75 per hour are typical. In this area, lawyers will often agree to work on a flat fee basis. From a client's point of view this is the best method of representation since it permits the client to make a cost versus benefit decision in advance. Most experienced lawyers will avoid flat fee work because it leaves the lawyer and not the client with the responsibility for handling unexpected complications that can easily arise in any routine collection case. Nevertheless, many lawyers are willing to perform services on this basis, partly because the level of service is not sophisticated or complex and partly because the lawyer may expect other business of a more profitable nature to come from the representation.

Some lawyers and clients get into retainer relationships. Typically in a retainer situation, the client pays a set amount of money to the lawyer each month as compensation for any services that might be necessary within a specifically defined area. Retainer arrangements can leave one or the other of the parties to the agreement with a sense of dissatisfaction. There is no way the retainer can perfectly equate to the services rendered each month.

The only way that the retainer agreement is really attractive as a basis for representation is where the client is willing to pay more than an hourly rate for the privilege of having the lawyer's priority attention. In such a situation, it often happens that the representation of a particular client creates conflicts that may cost the lawyer business in

other areas. In such a situation, a lawyer may be expected to cancel appointments or arrangements with other clients in favor of demands that might be made by the retainer client.

This may be considered a luxury depending on the needs of a particular client and a particular business situation. It should be remembered that a client who tends to pay a lot of money in legal fees each month will get priority attention with the necessity for a premium which might be contained in a retainer.

### Talk It Over

If the lawyer does not initiate the discussion of fees, the client should. The lawyer will welcome the opportunity to discuss the subject of fees and will participate freely in the conversation that he should have initiated.

Lawyers are usually very sensitive to the cost benefit nature of their services. Even though a client may agree to pay a certain hourly rate for services regardless of the outcome, a lawyer is going to be reluctant to bill the full measure for those services when the work turns out to be of no benefit to the client. Most lawyers are conscientious enough on that point because they realize that they depend on each client for repeat business in order to sustain a law practice.

There is one last suggestion that might inspire better communication between lawyers and clients. That suggestion is that every rental dealer who reads this article should submit it to their lawyer for comment. Whether or not the lawyer agrees with the particular views expressed here, the exchange between the client and the lawyer over the subject of fees will be useful and productive. Such a discussion can take place on a theoretical level without questioning either the client or the lawyer's good faith or intentions with respect to a particular transaction.

A lawyer is one of your employees. He needs to understand your business and, most of all, to care about it. Treat him like you would other employees. Be sure he is adequately compensated. Respond to his work with praise and criticism when appropriate. If you make him feel like a member of your team, he will be.

**PR**

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

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## Corrections & Amplifications

Correct telephone numbers for Chrysler First Wholesale Credit are, toll-free outside Texas, (800) 442-5331 and, inside Texas, (214) 612-1846. Their number appeared incorrectly in the Management Services Who's Who in the February issue of PROGRESSIVE RENTALS.

JCM Consulting's telephone number is (801) 262-8560. It was inadvertently omitted from the February Who's Who listing.

In addition, due to a regrettable oversight, we failed to include a listing for Coopers & Lybrand. Here is the information for that company:

#### Coopers & Lybrand

One Galleria Tower, Suite 1400  
13355 Noel Rd.  
Dallas, TX 75240  
(214) 458-8000  
CPA, rental accounting

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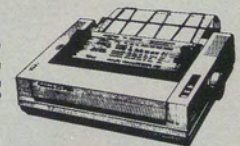
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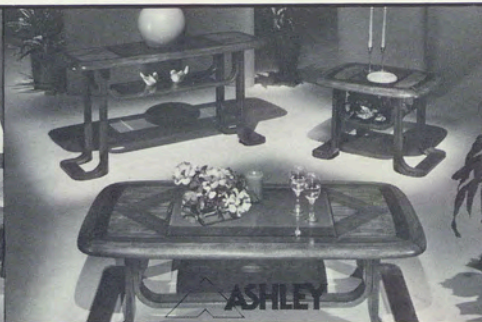
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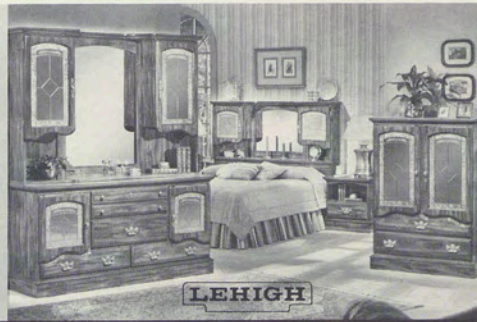


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**GENERAL  ELECTRIC**

## STATE

*continued from page 23*

### Texas Experience Is Different

The Texas rent-to-own legislative experience was unique, because for a while there were two organizations speaking on behalf of the rental industry in the legislature. APRO, since its founding, has been headquartered in Austin, the state capital. Trouble started brewing quietly in the legislature, and by the time the association caught wind of it, one senator had actually introduced three rent-to-own bills at the request of a third-year law student.

APRO was able to call dealers representing over 300 stores to a meeting in Dallas to face the pending legislative battle. Thanks to Willie Talley of ColorTyme, who has good political connections in the state, the group was able to locate one of the strongest lobbying teams in the state to represent the industry. The Texas group hired this author to work as their attorney to draft statutory language and to negotiate with the consumer interests.

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They waited for a good case to come along with which they could challenge the size of the balloon payments that dealers were charging.

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At the same time, a local organization, the Texas Association of Rental Agents (TARA), an independent group of Texas rental dealers, also got involved in the lobbying process. Many of the TARA members either had been or were in the finance business and, over the years, had gained considerable experience in working with the legislature. TARA hired its own lobbyist, a former member of the House of Representatives, to protect their interests. Having two groups represent the industry made negotiations tricky from time to time, but in the end worked to the benefit of the industry as a whole, because the industry in effect always had two bites at the apple. The resulting legislation was pronounced satisfactory by both groups.

Since the passage of the legislation, the APRO-affiliated group has not seen fit to reconvene, trusting the APRO home office to keep everyone apprised of legislative currents in Austin. Over

the course of the passage of the Texas bill, this author made friends with Representative Glossbrenner, who has a reputation as being the most outspoken consumer advocate in the legislature. Representative Glossbrenner has stated that she is satisfied with the way the rental business is being conducted in the state, and, unless rental practices change drastically, she will not move to amend the law.

TARA, on the other hand, remains a viable organization in the state. The group meets at least once a year at an annual convention, complete with supplier exhibits and noted speakers from across the state. The first annual meeting was organized by Weldon Chaney and was held in San Antonio. Since then, Tara has met in El Paso and has another meeting scheduled for the spring of 1987 in Kerrville.

### Alabama Seizes Opportunity

In early 1986 an Alabama rental dealer, John Suttle, called the APRO office to discuss the possibility of organizing the dealers in his state to get rent-to-own legislation there. Suttle had once worked for Gov. George Wallace when Wallace made his presidential bid, and Suttle has maintained his political connections at the state level ever since.

Soon after these initial conversations, Alabama rental dealers convened in Montgomery to discuss whether there was sufficient interest among the dealers to undertake a legislative effort. This was to be the first time, really, that rental dealers organized to take the initiative at the state level and introduce their own legislation, rather than respond to a legislative attack by opponents.

The sentiment among Alabama dealers was that they had a good opportunity, and they committed to seizing it. This author drafted a bill for the group, met with key legislators, and generally tracked the bill's progress through the legislature. Suttle was able to call on some of his political allies in both houses to lobby the bill on behalf of the dealers. Three months after the original draft bill was introduced, it was passed exactly as written in the closing days of the session.

Alabama dealers were not put under the intense political pressure that dealers in some other states have had to endure. That may be one of the reasons the group has not stayed together as well as in some other states.

Another factor contributing to this lack of cohesion is that Suttle has since gotten out of the rental business altogether. General satisfaction with the new law has been expressed by dealers around the state, although there are two bankruptcy judges who continue to ignore it.

### New Yorkers Strike Deal

The New York rental dealer experience was as dramatic as any. Over the years the rental business in the northeast has been slower to develop than in other parts of the country. New York has been no exception. No one except the British company Granada, for example, has tried to crack the New York City market in any major way. New York State still has perhaps fewer rental stores per capita than any other state.

In any case, consumer advocates in the state were aware of the business because, in the annual package of bills sent to the legislature from the governor's office in 1986, there was a bill to regulate rent-to-own, including, among other things, a cap on total rental charges of the cash selling price plus 25 percent. Fortunately for the industry, Rent-A-Center keeps a monitoring lobbyist in a half dozen or so states, including New York. The lobbyist in New York was Don Boyle, who found out about the bill several days before it appeared on the computer printout that APRO gets in the home office of all bills introduced in every state legislature in the country.

The call immediately went out to dealers across the state that the governor was threatening to put them all out of business, and within a week, dealers met for the first time at La Guardia airport to plot their strategy. Since the lobbyist was already in place, it was really a matter of committing the necessary funds to combat the threat and securing the services of Sam Choate to monitor the language of the bill and to negotiate with consumer advocates in the governor's office who were pushing the bill. The people in the governor's office were well informed about the business and had definite ideas about how the industry should be regulated in their state. Fortunately, some of those people proved to be reasonable in their approach to the issue of rent-to-own. They eventually assisted the industry in overruling several last-minute suggestions from New York legal aid lawyers who wanted much tougher restrictions than were finally enacted.

The result in New York is perhaps the most comprehensive regulatory

scheme of any state. Dealers, nonetheless, expressed satisfaction with the new statute, particularly in light of the original bill as introduced by Governor Cuomo.

It is no exaggeration that eternal vigilance is the price of freedom. New York has a very active legislature. Every year there are more bills introduced into the legislature there than in any other state. New York rental dealers wisely realized last year that once they were placed under the scrutiny of the legislative process, they would remain subject to re-examination. Indeed, already in 1987 there has been a move afoot to modify the brand new rent-to-own statute there.

One of the principal negotiating points last year was the percentage early buy-out formula. A deal was finally struck whereby customers are given 50 percent credit for every rental payment off the dealer's cash selling price. During the current session, consumer advocates are seeking to raise that percentage to 80 percent, which is where some of them began negotiating last year. Dealers in the state are already aware of the move and have remained organized to fight it. Latest reports are that the new bill does not have much chance for passage.

## Wisconsin Is In for Long Haul

There has been preliminary legislative activity in Wisconsin since at least 1983, although no formal state association was formed until the summer of 1985. For several years, industry representatives, this author included, attended meetings of the Wisconsin ad hoc Consumer Act Negotiating Committee to discuss the rent-to-own industry in the state.

Wisconsin has long prided itself as being the premier consumer protection state in the country. Such a reputation, which, incidentally, is well deserved, has done little to encourage industrial development in the state, but it has, one might suppose, allowed consumer advocates across the state to sleep better at night.

Historically, any changes made to the Consumer Act have been initiated in the ad hoc committee and submitted by that committee in an agreed form to the legislature. The legislature has dutifully followed the advice of the committee and passed the recommendations as submitted. In other words, most of the debate concerning changes to the Wisconsin Consumer Act have occur-

## State Leaders

For more information about specific state organizations, listed here are leaders or contact people.

<b>Arkansas</b>	
Roy May, N. Little Rock	(501) 758-9188
<b>Connecticut</b>	
Alan Dobzinski, Darien	(203) 782-0669
<b>Georgia</b>	
Perry J. McNeal, Atlanta	404) 252-3143
<b>New York</b>	
Peter J. Hayes, Lockport	(716) 433-4468
<b>Ohio</b>	
Peter F. Bush, Columbus	(614) 471-8423
<b>Oklahoma</b>	
Richard Ortley, Ardmore	(405) 223-1120
<b>Pennsylvania</b>	
Bill Morgenstern, Erie	(814) 455-0941
<b>South Carolina</b>	
Bill Simons, N. Charleston	(803) 767-3634
<b>Tennessee</b>	
Murphy Williams, Nashville	(615) 297-2566
<b>Wisconsin</b>	
Dan Trudell, Madison	(608) 258-8810

red in the ad hoc committee rather than in the legislature.

APRO first learned of the existence of the committee as a result of a lawsuit brought against a dealer in Milwaukee, the *Palacios* case, which case eventually



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cast considerable doubt on the legality of the rent-to-own business in the state. APRO, independently, and Sam Choate, on behalf of a rental company, attended numerous meetings of the committee to discuss how to regulate rent-to-own in Wisconsin on some reasonable basis. Unhappily, nothing of substance ever came of those meetings. The consumer representatives kept insisting on annual percentage rate disclosures, lengthy cure periods, and other items which exist in the Consumer Act, but which would devastate the rent-to-own industry if applied to it.

When the *Palacios* case was finally affirmed by the state Supreme Court, dealers in the state quickly organized to see how to minimize the damaging effect of that case. Dealers had a general meeting in July 1985 in Milwaukee to organize themselves in the face of a serious threat from the attorney general's office to use the *Palacios* case against the entire industry.

The dealers located and hired a Madison lobbyist of some renown, Mike Vaughan, and also hired Sam Choate as their general counsel. The group continued to work with the ad hoc negotiating committee for another year before finally giving up.

When it became apparent that the consumer members of the ad hoc com-

mittee were not interested in working out a compromise solution to the rent-to-own issue, the dealers finally decided to take their case directly to the legislature. In the meantime, the association had made contacts with the attorney general's office, which has indicated its willingness to work toward some reasonable regulation of the industry. The association has been guided through what can only be described as truly troubled times by the steady hand of Dan Trudell, a Madison dealer. Current predictions are that there will be a bill ready for introduction sometime during the fall of 1987.

One of the problems in Wisconsin is that there are relatively few dealers in the state. That means that the financial and emotional burden is being carried by fewer players than in some other states. The group, however, remains committed to the task, and fully expects to see a bill get passed, if not this year, then the next, at the latest.

### **Elsewhere, Efforts Are Ongoing**

This year at least six groups are actively pursuing legislation in their state legislatures. Indiana, Tennessee, Arkansas, Oklahoma, and Ohio all have efforts going to get rent-to-own legislation enacted. It is predicted that

all states will get satisfactory bills enacted sometime this spring or during the fall. Without a law yet on the books, it is simply too early to tell what will happen to the groups once a law is passed (see separate box for update on Arkansas).

As is often the case, the effort in Oklahoma began in response to news that a legislator was planning to introduce a bill to regulate the industry. Discussions with the legislator in question disclosed that a constituent, a former rental store employee, had complained that the owner was running a shoddy operation. Examples of the abuses included intentionally picking up property after it had been out on rent for 15 months and assorted acts of intimidation when collecting at the house or picking up merchandise.

These are the kinds of complaints the industry has heard before. A novel allegation was that the dealer was deliberately setting up customers with due dates different from paydays so he could add to revenues by collecting daily late fees. The dealer in question was contacted by Oklahoma rental dealers and volunteered to contact the legislator to tell his side of the story. In the meantime, rental dealers were renewing their own considerable legislative contacts to make sure that

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unsatisfactory legislation would not get through.

Oklahoma, Iowa and Indiana, like South Carolina, are states which have enacted versions of the Uniform Consumer Credit Code. This model legislation was developed in the late '60s and early '70s to consolidate and simplify the different consumer protection laws that were proliferating at the time. The result was a comprehensive statute regulating retail installment sales, consumer loans, door-to-door sales, referral sales, and a host of other consumer issues. To oversee compliance with the statute, each state has a UCCC administrator given broad investigative and enforcement powers to regulate the businesses covered by the law.

It was the UCCC administrator in Maine who did everything in her power to put the Hawkes out of business (see *THE APPROACH*, Vol. 3, No. 2, pp. 30-32). She would have succeeded but for the Maine Supreme Court which finally ruled, 9-0, that the administrator had no authority over rent-to-own businesses. In Iowa and Indiana, the approach is to incorporate rent-to-own lease agreements into the UCCC. The Oklahoma bill resembles the stand-alone statutes that have been enacted in six other states.

## Need for Cooperation Continues

Whether or not rent-to-own statutes have been passed in a given state, important issues face the different state groups as well as the industry as a whole. One of the first issues is what will become of the state groups once a rent-to-own bill has been passed. Keeping a group organized and active requires some effort and expense. Often the group tends to lapse once a bill has been passed and the immediate problem has been solved. The fact is, however, that once the rent-to-own industry becomes regulated at the state level, it becomes like a lot of other businesses in the state. There are tax and other issues that arise during each legislative session which have an impact on how rental dealers do business. Most of the time, these issues are not matters of life and death like the recharacterization issue, but they are nonetheless issues which do have an impact on profitability.

For example, in South Carolina this year, the state is short of money and is looking for revenues. That kind of attitude often means higher taxes in certain portions of the economy. South Carolina has put a 25¢ tax on the rental

of videos in the state. Likewise, the Oklahoma legislature has been looking at a registration fee of \$100 for each rent-to-own outlet in the state per year, to help raise revenues for the state.

When legislators look around for people and businesses to tax, it is always easier to tax someone who is not around rather than someone who has a presence in the legislature and who will object to being singled out. That is one reason for sticking together at the state level.

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It is no exaggeration that eternal vigilance is the price of freedom.

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There are other problems besides legislative ones that are peculiar to states. Most times when a rental dealer goes to court, it will be to state court. Dealers need to maintain contact with one another to share information about current court procedures as they affect their businesses.

Whenever competitors meet, they need to be mindful of the antitrust laws. There are certain topics which cannot be discussed—pricing, for example. Nonetheless, rental dealers at the state

# THE DEMAND LINE



level have a need to keep in contact with one another, much as they do through APRO for industry news in general and especially national trends and news.

State groups also need to keep in contact with one another. When the Alabama dealers organized to work on legislation there, they consulted frequently with dealers from Georgia. The result was that Georgia dealers were able to use their Georgia contract in Alabama. To date there has been relatively little contact among the different state groups, other than the fact that each group has generally used as general counsel either Sam Choate or this author. The lawyers have been fairly good at keeping in contact with one another, but leaders in the different states have not been keeping in contact with one another.

Maybe this is where APRO can be of some assistance. Most of the state leaders are members of the national association. It would not be a difficult task for APRO to get these people together under the banner of the national association. At the very least, the association could carve out some time at the annual convention during which these people could meet. As can be seen, while every state is unique and every state legislative experience has its

It is true that without the organized efforts of rental dealers in the state, there might well be no consumer rental industry left in the state. Only subsequent efforts by dealers in the state stopped public hearings and a snowballing legislative effort.

own unique features, there are elements common to all of them. Closely coordinating state activities can save the groups time and money.

For example, if the South Carolina dealers want to have a meeting to discuss matters of general importance to rental dealers, they might want to coordinate such a meeting with the Georgia dealers, and meet close to the border. At the very least, state groups need to know what other state groups are doing. It is no secret that legal aid lawyers confer with one another all across the country. They have meetings expressly for the purpose of sharing information about how to protect con-

sumers' interests and the latest trends in consumer law. Can rent-to-own dealers afford to do less? If late fees are an important issue in Wisconsin, might they not also be an important issue in Illinois?

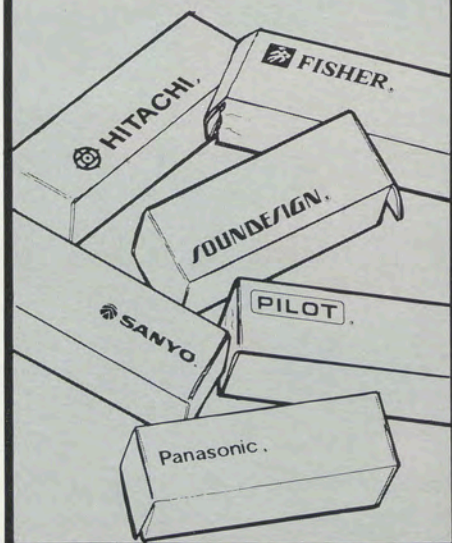
State groups have proven themselves to be viable forces in the legislative arena, and they have in a few states literally saved the industry. They can and should do other things for the rental dealers in their states.

APRO has grown and prospered and done much to enhance the image of the rental industry at all levels. It has done much to educate dealers into more efficient and more enlightened ways of doing business. It has introduced new suppliers to the industry and aided relations with long-time vendors. But APRO cannot do everything that there is to be done for the rental industry.

State groups have a place in the business and should play a vital role in the next stage of the development of the rent-to-own phenomenon. Let us all hope that the next few years will show state groups and the national association working closely together for the betterment of dealers everywhere.

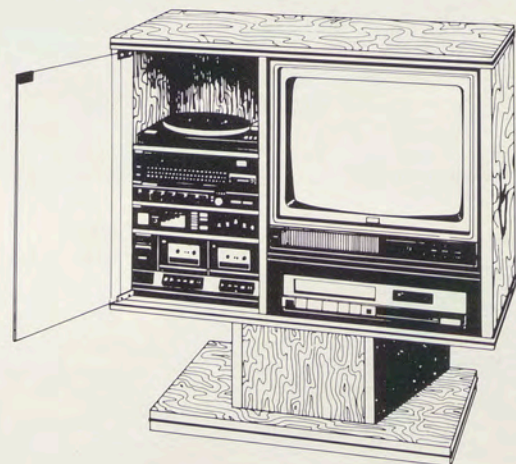
*Edward L. Winn III is general counsel of APRO and a frequent contributor to PROGRESSIVE RENTALS.*

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## FURNITURE

continued from page 11

quality also assures that, should the furniture go out often, it will still be a good product and can be re-rented with a minimum amount of refurbishing.

Steve Grauel maintains that frequently damage to upholstered pieces is caused by his own delivery people, who neglect to cover the pieces properly when they are being transported. He uses furniture repair kits and takes advantage of clinics offered by vendors to train his personnel in repairing and refurbishing furniture. If he has a substantial number of pieces that need cleaning, Grauel has a professional cleaner come in to do that. By having a large quantity cleaned, he gets a better rate.

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To some extent, quality is being upgraded because of consumer demand. To an even greater extent, it is being done for practical reasons.

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Grauel is more flexible than other dealers in how he rents his items. He will rent a complete group or individual pieces, and allows add-ons to the basic group. Network Rental rents only complete packages, no individual pieces; they do have some end tables as part of the package, but no accessories. RTO

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rents their products only in groupings. Their living room package comes complete with end tables and lamps.

Living room furniture is far and away the most frequently rented product, by at least 50 percent, according to one dealer's estimate. "They will throw a mattress on the floor for sleeping, but they want something to sit in while they watch TV." The same dealer noted that bedroom furniture is returned more often than either living room or dining room groups.

Locale is a major determining factor in furniture demand. A customer living in a low-rent apartment doesn't have much space and won't be able to rent a seven-piece living room group. But that same group can be easily rented to a customer in a low-rent house.

### Competition, Economy Affect Market

Competition is a concern for rental dealers. Steve Grauel says it has certainly affected his business. Where he was once the only store in town in many areas, now he is one among four or five others. The economic downturn in Oklahoma and Texas has also affected Grauel's business, making him "work harder than ever just to stay even." Even so, his furniture rentals continue steady.

Bob Sharp attributes Network Rental's move to upgrade quality, at least in part, to pressure from competition with retailers and other rental dealers.

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They will throw a mattress on the floor for sleeping, but they want something to sit in while they watch TV.

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Mike Herschman sees the rental business filling a niche that retailers seem to be vacating: the lower end of the market. He calls rent-to-own stores the low-rent furniture stores of the future and believes that even more rental dealers will be adding furniture to their inventory.

Herschman noted the economic slump in states such as Louisiana, Texas, and Oklahoma was felt across the board, even in rent-to-own. However, since the first of the year, rent-to-own has been coming back faster than retail, he says. Fraenkel's business peaked in 1983-84, according to Herschman, then

went into a slump. Within the past six to eight weeks, he reports, business has picked up and is as strong as it was in the peak years.

An investment of \$1,500 would put a sample living room, dining room, and bedroom group on your display floor, according to Herschman. He figures the average rental dealer uses 300-400 square feet of display space for furniture.

In addition to more display space—which means higher rent—and the investment for products, Steve Grauel says furniture requires an additional person to help with delivery and a larger vehicle to make those deliveries. He points out that it is more difficult to make furniture pick-ups and the time spent in refurbishing returned pieces means money lost.

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Furniture has a good "stick" rate. One dealer says the rate is better by far than electronics and at least equals that for appliances.

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Nevertheless, furniture is profitable for Mr. sTve's and Grauel says it has certainly lived up to his expectations. One area he has been unable to market successfully is apartment complexes. Not that he has been unable to place furniture in them, but Grauel says it is impossible to keep up with the pieces because the landlord moves the furniture from unit to unit and sometimes it just disappears. He would like to hear from anyone who has figured out a profitable method for marketing to that audience.

Sixty-six percent of dealers queried advertise furniture as part of their overall marketing package. They include it in their broad spectrum advertising and only rarely separate it out for special campaigns.

Deines says that RTO has brochures for store employees to hand out. He calls their program "back-to-basics, aggressive, time-scheduled in-field marketing" using brochures and flyers to attract customers.

Furniture is a changing market, as are other consumer markets. Admittedly, it is not all skittles and ale, but the experience of these dealers clearly demonstrates it is profitable. **PR**

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*Frances Knight is editor of PROGRESSIVE RENTALS.*



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## CORPORATE MOVES



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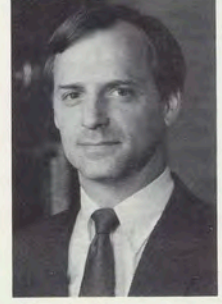
Groen



Leonard



Browne



Slaymaker

**Network Rental** has filled two financial positions. **Robert S. Burkholder** has been named vice-president, finance, and chief financial officer. With 20 years of finance and accounting experience, he will be responsible for all financial aspects of the company. Newly named controller **James J. Smith II** will supervise Network Rental's accounting and data processing functions, including the current store computerization.

**Keith C. Groen** has been appointed to the board of directors at **Aaron Rents** and will also serve as corporate secretary. He is currently vice-president, legal, for the company. **Virginia Drewry Leonard** is the new national sales manager of Aaron Rents' rental division, moving up from a regional sales manager position.

**Christopher C. Browne** is the new senior vice-president, marketing/purchasing, for **Rent-A-Center**. Browne was president and ceo of HINET Communications, a division of Holiday Corporation. Previously, he held various marketing positions with Burger King and Johnson & Johnson and was an account executive at two New York advertising agencies. He will be responsible for all marketing and purchasing-related operations in his new post.

Also at Rent-A-Center, **John H. Slaymaker** has been named vice-president/treasurer and will be responsible for corporate financial planning, tax and investor relations. Formerly chief financial officer of Pizza Hut, he was a business and financial consultant before joining Rent-A-Center.

Two sales vice-president appointments have been made at **Sylvania** as the result of the retirement of **Harold J. Draper**. Replacing him are **James J. McFalls**, who becomes vice-president of national accounts, direct markets, and **Eugene J. Ridings**, who is the new

distributor market sales vice-president.

**Ron Long** has been named market manager for **Royal Venture Inc.**, a newly formed company with plans to open three ColorTyme TV rental stores in Richmond, Virginia. Royal Venture is a subsidiary of Houston-based Seajay Investment Group. Before his move to Virginia, Long managed ColorTyme stores in Central Texas and West Texas.

**Brian Alterman** is the new southeastern regional account executive for **Borg-Warner Acceptance Corp.**'s Fleet Leasing Division, located in Roswell, Georgia. Alterman has been in the automobile leasing industry for the last

10 years, most recently with U.S. Fleet Leasing.

**Chrysler First Wholesale Credit** has appointed **Neal Melton** to the newly created position of director of national marketing. He will be involved in developing CFWC's rent-to-own opportunities and new marketing strategies.

*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.*

## INDUSTRY NEWS

**More than 1,400 exhibitors** are expected to display their wares at the 1987 Summer Consumer Electronics Show in Chicago, May 30-June 2. The show will open on Saturday and run through Tuesday this year, rather than Sunday through Wednesday as in past years, partly to improve hotel room availability, according to show sponsors. A new expansion facility, McCormick North, will allow accommodation of new exhibitors, plus adding to the miles of walking attendees will face.

**William E. Boss** of RCA Corporation and **John C. Messerschmitt** of North American Philips were co-recipients of the Electronic Industries Association's 1987 Medal of Honor. Presentation was made at the Association's annual Government/Industry Dinner April 7. Bestowed annually, the EIA Medal of Honor recognizes outstanding contributions toward the advancement of the electronics industry and high personal achievement in the field of industry management.

**Samsung Electronics America** has moved its parts depot from New Jersey to Rancho Dominguez, California, a Los Angeles suburb. The move means that delivery time will improve for parts coming from Seoul, according to a company spokesman. The expanded, fully computerized facility will accommodate a larger inventory and provide speedier order processing, he added. Toll-free number at the new depot is (800) 524-1302.

**Two Seajay Investment Group executives** were honored at ColorTyme Inc.'s annual dealers' meeting in Lake Tahoe. Charles Koenig was presented with ColorTyme's special green jacket, given to dealers or part owners who have been with the ColorTyme system five years. Koenig is executive vice-president of operations for Seajay. Bill McCrae, market manager for five ColorTyme stores in Baltimore and Annapolis, was recognized for outstanding metropolitan market development. He earned recognition by opening the six Maryland stores within a five-month period and bringing them to a total of 1700 units on rent. Total Rents, Inc., a subsidiary of Seajay, operates the Maryland stores.

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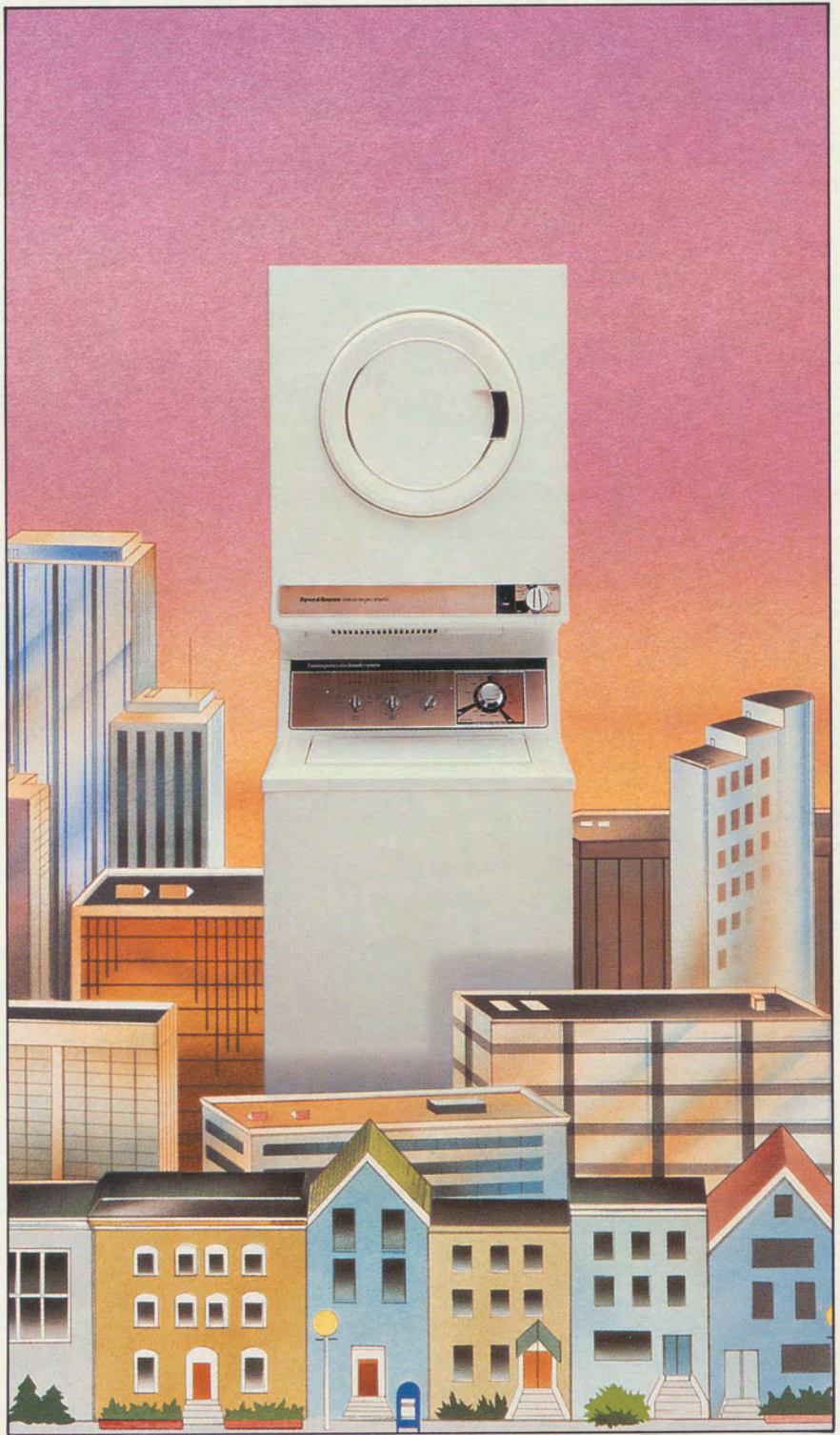
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