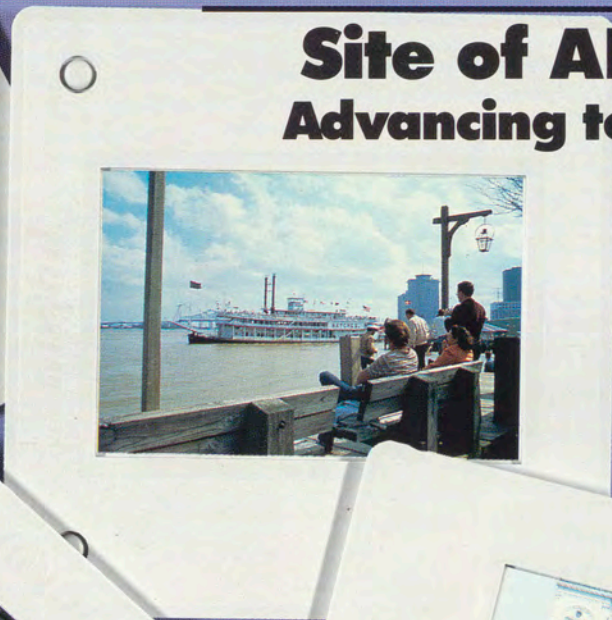
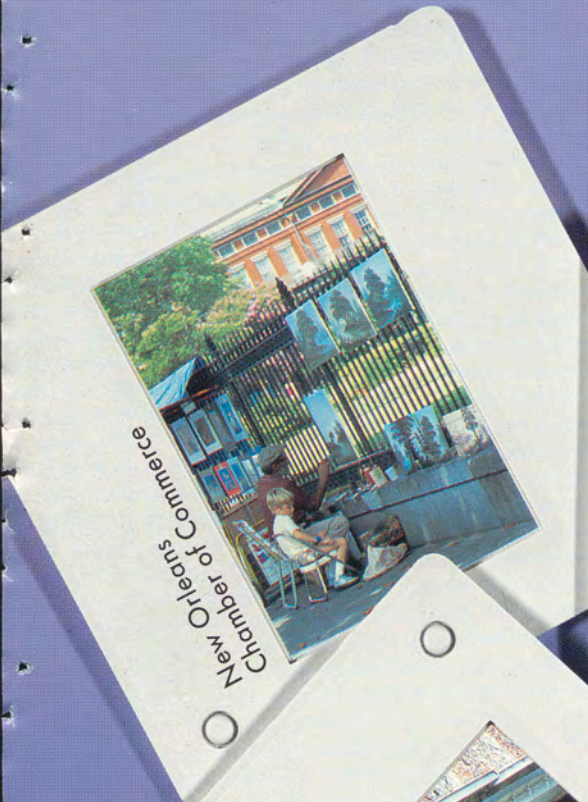


the magazine of the home electronics, appliance, and furniture rental industry

# Progressive Rentals

## New Orleans!

### Site of APRO '87: Advancing to the Future



**INSIDE:  
COMPUTERIZING  
RENT-TO-OWN**

# Rent to Own

from  
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Wireless Remote Control permits complete operation of TV from anywhere in the room



For further information contact Jim Rives, National Rental Sales Manager

**Soundesign Corporation**

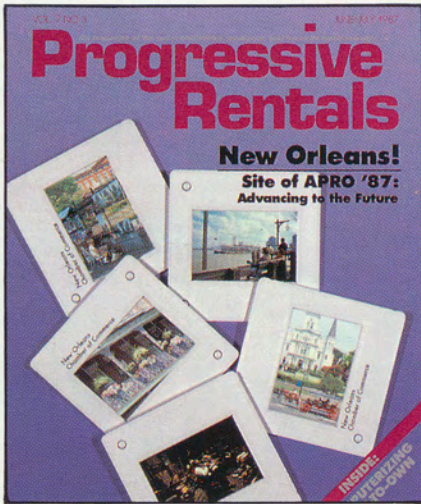
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Jersey City, New Jersey 07302-3948  
1-800-631-3092

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**ON THE COVER:** From sidewalk artists to "When the Saints Go Marching In" as played at Preservation Hall, New Orleans is an exciting, unique city. Read what will be happening there in August in the APRO Special Report beginning on page 38.

## FEATURES

### 8 COMPUTERIZING RENTAL: WHERE DO YOU STAND?

Rent-to-own, with its myriad record-keeping requirements, is a natural for computerization. Doing it right from the beginning can save time, money, and agony. Read about the problems and successes other dealers have encountered in computerizing their operations.

### 10 WHO'S WHO IN COMPUTERS

A handy reference listing detailing companies with computer hardware and rental software.

### 16 HOW TO HIRE SMART

Knowing what to look for in resumes and how to interview job prospects can give you an edge in hiring the right person for your rental business.

### 30 STATE RENT-TO-OWN STATUTES REVISITED

Eleven states have now enacted rental legislation. This article details, with several charts, what each state's legislation covers and how it has affected rent-to-own in those states.

### 38 ADVANCE TO THE FUTURE

Exhibit space is sold out for APRO '87 in New Orleans and early registrations have been flowing in to the APRO office. Read what is planned for the Convention in this APRO Special Report.

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# SERVICE

Meeting your needs as a Rent-to-Own dealer is what we do for a living. Providing you with superior service allows you to achieve the benefits of automation to the fullest extent.

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WICHITA, KANSAS 67203  
316-832-1611



WE DON'T MEET THE STANDARD, WE SET IT.

## THE DIRECTOR'S DESK

Exciting things are happening at APRO!

A feature article by APRO General Counsel Ed Winn, in a recent issue of this magazine, called attention to the need for industry statistics for rent-to-own. APRO receives inquiries daily from banks and other financial institutions, suppliers, and rent-to-own dealers seeking information about the industry.

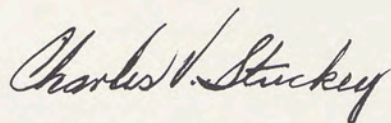
Financial institutions want to know how big the industry is, as well as industry growth patterns and success rates. Suppliers want to know how many TVs, stereos, appliances, and other goods are purchased by the industry each year. Members want to know how their operations compare with industry averages. What is the average rental store BOR? How much does the average store spend on advertising? What are average salaries for store employees? The need for this type of information is great and I could go on and on.

I am confident that by the time you read this, a major project of APRO to gather the statistical data to answer these questions will be well underway. APRO is sponsoring a survey that will provide the information to assemble industry statistics for rent-to-own. I urge you to complete the survey and participate in this important project. An independent consultant is gathering the data to insure confidentiality. Only the combined industry-wide figures will be seen by anyone other than the independent consultant. Every member of APRO will benefit from the information that will be available when the survey is completed.

Another new project is a survey of APRO members to determine future programs, policies, and directions of the Association. APRO exists only for the purpose of serving its members, and input is needed from the individual members to determine what members expect of their Association, and to be sure that programs and services are on target in meeting member needs. We want to know what seminars you want and your preference of locations. We want to know your convention desires, such as location, entertainment, speakers, and dates. We want your ideas for improvement of your Association. It may seem that you are receiving a lot of surveys, but this is the only way we can be responsive to member needs. Your participation is needed.

Another major effort in progress at APRO is a study of the feasibility of state and regional organizations of APRO members. Several states have already organized rental dealer associations, and these groups have proven to be beneficial to their members. APRO is working on developing a formal relationship between the national association and state associations. We are also considering the possibility of regional organizations. There are three basic reasons for this type of organization structure. It would strengthen the state organization's legislative efforts. It would improve communications between APRO and its members. And it would insure that every region of the country has input in deciding the future directions and policies of APRO.

Last but certainly not least—a reminder of the APRO Annual Convention and Trade Show scheduled for August 6-10 in New Orleans. Booth space for the biggest trade show in APRO history is a sellout. The scheduled round of entertainment and social events is exciting, and the seminars are designed to provide vital information on virtually every aspect of the rent-to-own business. "Advancing To The Future," an event you will not want to miss. See you in New Orleans!



—Executive Director

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**Progressive  
Rentals**

ID	A00073	MTYPE	L	COUNT	2	HOME PHONE	213-323-9799
NAME	Lance Starr	FREE		0		WORK PHONE	213-323-3829
ADDRESS	1665 Maple Street	STATE	CA	ZIP	90020	LAST ACTIVE	3/9/87
CITY	Los Angeles					CREDIT EXP.	1/88
COMMENT						MEMBER EXP.	12/31/99

ACT	ITEM	F	DESCRIPTION	DAY	INVN	QTY	AMOUNT	DEPOSIT	DATE DUE
RTO	C09372		19" Color TV						
PPMT			Payment No. 13				12.56		3/17/87
PMT			Payment No. 14				12.56		3/24/87
RENT	900022	V	Sound of Music	1			2.00		3/18/87
SELL	M00001	T	TDK-120			2	15.90		

DATE	3/17/87	SUBTOTAL	30.46	CHANGE	
TIME	10.35	TAX	1.98		
SALESMAN	Alan	PAYMENT	32.44	METHOD	CASH

1OVER	2RTRN	3SELL	4PAY	5CNCL	6RTO	7SEARCH	8MENU	9DONE	10HELP
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# UNIQUE.

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

The UNIQUE system makes life simple by computerizing the paperwork. The screen on which all transactions take place looks just like the age-old invoice (above). And just like a paper invoice, all RTO payments, merchandise sales, and even video rentals are done on this one screen.

The Unique system creates RTO contracts just like your manual system. Furthermore, you get reports on BOR, cashflow, late payments, collections, inventory status, and other information that your manual system could never provide.

Innovative solutions. That's what makes us unique.



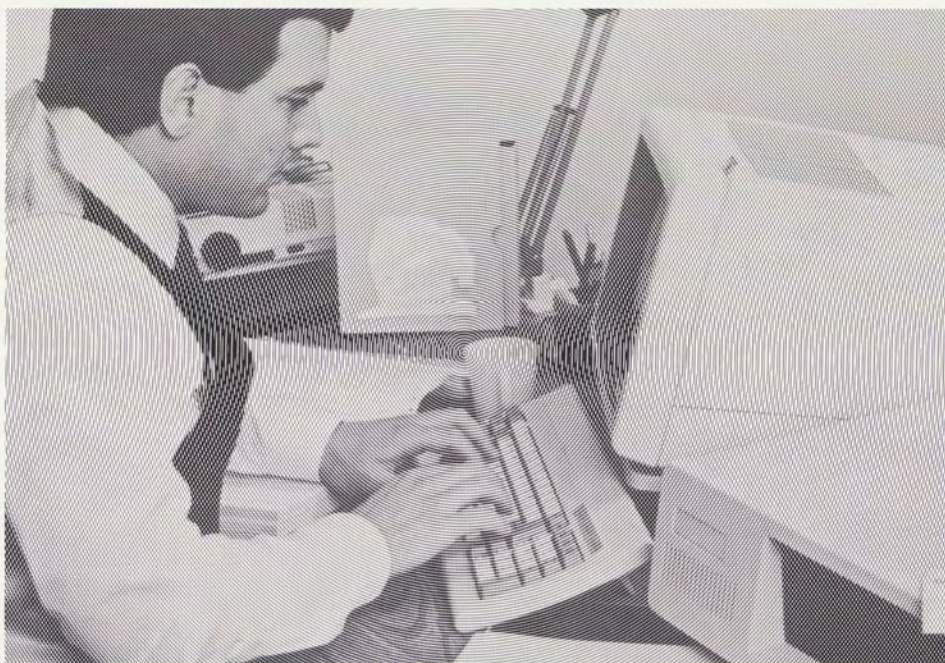
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**Unique**

Business Systems  
Santa Monica, CA  
213-396-3929

## Computerizing Rental: Where Do You Stand?

Dealers describe their problems and successes



Consider the Tennessee Walking Horse. With its high-stepping, prancing gait and bobbing head, this horse attracts admiring glances wherever it goes. Its direction is clear and beautifully executed. Although a young Tennessee Walker has all the elements of the adult's fancy gait in its stride, trainers know how to enhance this natural ability to create perfection.

A well-designed computer system is much the same. One can't expect to start with a mule (a bad paper system) and end up with a Tennessee Walking Horse. A good system of manual reporting, however, can be the basis of a high-prancing computerized store

system that takes the rent-to-own dealer further than he or she ever dreamed possible.

We talked to dealers with a variety of experience with computers to understand the problems and successes encountered by rent-to-own dealers today. These dealers include one still in the midst of putting in a new, multi-store system; an accountant who had participated in several computer conversions in other industries as well as rent-to-own; and a dealer who sat down seven years ago with programmers, lawyers, and accountants to design his own software.

The differences in their stories illus-

trate the many approaches to computerization, the results other dealers could expect if they followed the same course, advice on what to avoid, and what changes employers and employees have to make in their job functions as computers become more commonplace.

The answers to why dealers decided to computerize were both obvious and unexpected. Perry J. McNeal of Network Rental Inc., Atlanta, with about 300 stores, was still in the investigation phase of preparing to computerize two years ago (see *PROGRESSIVE RENTALS* June 1985). His conversion to computers was 75 percent complete when we talked, and should be nearly complete by the time this issue goes to press.

McNeal said, "In the rent-to-own business, you handle such a mass of information that computerization lends itself to the rent-to-own business probably more than any other industry that I know of. I believe that as we get larger it was a must that we computerize. We probably should have computerized a couple of years sooner than we did, and would have, except we could not find the types of software available that we wanted."

Tracey J. Morgan, president of Odyssey Leasing, owner of six Rent America stores in the District of Columbia area, gave a different reason for adding computers. "We decided to do it because we had a lot of problems on a manual system controlling internal theft. Inventory auditing was very difficult and time-consuming, especially when we moved a lot of inventory between locations. We

were looking for the advantages of not only controlling the inventory size, but also the ease of keeping track of customer payments, knowing when they were paid in full."

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Don't take the cheapest system you come up with.

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Jeff Loeb, who runs six RTO Inc. stores from Norfolk, Virginia, offered another reason. "We decided that what we wanted was more control than we had with the manual system. We thought we had a pretty good manual system and we were on top of things all the time, and as things turned out, we were. It just took a lot of effort to keep track of things.

"We have Rental Sales and Software Systems (RSSS) and right now all I have to do is push a couple of buttons and the stores can run their own reports, or I can run them here and it tells them what their idle inventory is by model and serial number. We never had a real good serial number control before, and in this business I think that's very important."

R.C. "Bud" Holladay, owner of Dallas-based ABC Rentals, recommends that dealers be clear about why they want to computerize. His own stores have been computerized for more than six years with a system that he helped design. (The software is now available to other dealers through High Touch of Wichita, Kansas.)

"Do you know what the real cost of conversion is? That's undoing, sorting, and defining the unholy mess of bad paperwork it takes to get straightened out before you can be on computer. My advice to anybody would be, unless you have a paper system that works and already tells you everything you want, don't computerize. Guys make a big mistake, they get a terrible manual system, and say, 'Why don't we just computerize this sucker and clean all this up?'"

"Well, they just get bad information faster. And they still don't know what they got.

"The only reason you go to computer is so that you have accurate, timely information, so it's not obsolete by the time it's collected. And you've got an ongoing record system that doesn't require hordes of file clerks in a big airplane hangar somewhere. You don't

computerize to clean up a bad system. That's impossible.

"You've got to identify the things within your operation that are preventing you from making smart decisions on a timely basis. You've got to identify the critical points that are creating problems with your customers in terms of correct information being retained or maintained. You've got to identify the areas where your accountants and tax people are going to have to have exact, correct, verifiable historical information. And you've got to meld all those together."

## Benefits

Despite these harsh comments, for the dealers we contacted, the results have been even better than most expected. Holladay summed up the major benefit of computerization this way.

"It changes the upper management or owner's perspective on how you make the right things happen. It totally changes the value of the information you've been getting. In the past, information was expensive and very time-consuming to collect, therefore you didn't collect a whole lot of it. If just cost too much time and money. Today it's instantly collected.

"The problem becomes not, how do I find out what's going on, and how do I control it, and what is really going on; the question today becomes, now that I have this exotic array of information and services available to me, who in my company is bright enough to go attack the root cause of what we have now defined as the real problem?"

"I think in the past rental dealers spent a ton of time working on symptoms and pseudo-problems and never got to the real problem. Now you can go right to the heart of the problem. It gives you absolutely instantaneous recognition of every critical factor in the store level on a day-to-day basis, even hourly if you want.

"And it allows you a far greater feeling of security and comfort in that if a store says they've got 600 BOR, you know in fact they do. And if it says your color portables are bringing in only 11 percent of your total income, well, you know in fact they really are."

Rent America, computerized for about 2½ years, is one of the chains that uses the High Touch software. Morgan says, "We feel it's an excellent store system. The positive results have been the abundance of detailed information on a daily level from each store; truthfully,

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We haven't reduced any of our staff. I think that's a real fallacy.

---

more information than you can possibly absorb.

"We haven't reduced any of our staff. I think that's a real fallacy. You more effectively utilize your staff, but I don't think that you reduce staff or labor costs at all.

"Our time is spent less on manual type figuring and more on evaluating the information the computer supplies. You do have to change your approach, but I didn't really have any problem, it was more a matter of addressing it."

McNeal and Loeb have each seen dramatic cost savings in their operations.

McNeal says, "Reduction in payroll is the most important benefit so far, but bear in mind that we're not into it well enough yet to really capitalize on the other advantages. We're still in the stage of getting the computers in and getting them to do the basic functions. Once we're totally converted we can look for ways to improve per-unit yield and improve revenue. But the immediate reduction we've seen is a reduction in payroll, both staff and overall hours.

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We now find that the assistant manager can start taking some of the burden off the manager.

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Probably on average we need three-quarters of a person less per store."

Loeb was pleasantly surprised at the cost savings he's seen. "A lot of people will tell you, 'Oh, you're going to reduce your costs and increase your efficiency.' So when they told me that, I kind of put my hands over my face and laughed a little bit because I know in the past that has not been the case. Whenever I've computerized other companies before, I've always added staff, if just someone to take care of the computer.

"So they told me I could save in personnel costs the cost of the system in a very short time. I think that I've done that in a year. That I will have saved the cost of the entire system just because I've been able to let four or five people, through attrition, go and have not only *not* lost control, but definitely increased control of the inventory, of the transac-

# Who's Who in Computers

Searching for the right computer equipment can be stressful for the computer literate as well as the novice. Experienced, knowledgeable sales personnel can ease your way through that stressful task. Here, then, is a list of computer hardware/software sales and service companies that work with rent-to-own.

## Axiom

1014 Griswold Ave.  
San Fernando, CA 91340  
(818) 365-9521  
Computer printers

## Bonafide Management Systems

6925 Canby  
Suite 110  
Reseda, CA 91335  
(818) 996-9191  
Movie Management system

## CASS Systems

17000 Dallas Pky.  
Suite 126  
Dallas, TX 75248  
(214) 931-5522  
Software for rent-to-own/  
movie rentals

## CLM Software

2730 Stemmons  
Suite 101 West  
Dallas, TX 75207-2204  
(800) 441-0091 in TX  
(214) 634-4456  
Rentpro software, Radio  
Shack hardware

## Capital Business Systems

P.O. Box 2088  
Napa, CA 94558  
(707) 252-9122  
Software for video rentals

## Commodore Business Machines

1200 Wilson Dr.  
Westchester, PA 19380  
(215) 431-9153  
Computers, peripherals

## Computer Dataware

7345 E. Acoma  
Suite 104  
Scottsdale, AZ 85260  
(602) 998-3163  
Movie management  
system

## Computer Diversified Services

11104 W. Airport  
Suite 205  
Stafford, TX 77477  
(800) 843-8829  
(713) 879-0933 in TX  
Software for personnel  
training

## Computer Logistics

4074 Old Gentilly Rd.  
New Orleans, LA 70126  
(504) 948-7266  
Alpha, Micro, Northstar,  
hardware and software

## Computer Specialties

P.O. Box 1718  
Melbourne, FL 32902-1718  
(305) 725-6574  
Hardware, software,  
accessories

## Computermax, Inc.

3805 Drake Ave.  
Huntsville, AL 35805  
(800) 322-2629  
(205) 533-4455 in AL  
Home, office, and remote  
rental package

## Custom Information Systems

117 S. Oak St.  
Hammond, LA 70401  
(504) 542-9011  
Software, hardware  
for rent-to-own

## Dynatech Computer Power

4744 Scotts Valley Dr.  
Scotts Valley, CA 95066  
(408) 438-5760  
Surge/line protectors

## Ergo Systems

303-3 Convention Way  
Redwood City, CA 94063  
(408) 436-7722  
Printers, paper

## First National Computer Corp.

4843 Keller Springs Rd.  
Dallas, TX 75248  
(214) 380-8700  
IBM, Apple, COMPAQ,  
computer rental

## High Touch

1900 N. Amidon  
Suite 200  
Wichita, KS 67203  
(316) 832-1611  
Hardware/software/service  
support for rent-to-own

## Innovative Concepts

P.O. Box 32899  
San Jose, CA 95152  
(408) 432-3288  
Computer care products,  
periphery equipment

## Interactive Software

P.O. Box 8810  
Stockton, CA 95208  
(209) 948-9500  
(209) 948-9457  
Software for rent-to-own

## International Mfg. & Mkt.

60 Pine St.  
International Mills Bldg.  
Methuen, MA 01844  
(617) 794-8693  
Back-up power systems

## Kaypro

533 Stevens Ave.  
Solana Beach, CA 92075  
(619) 481-4300  
Microcomputers

## Kebley Inc.

49 Pitman Ave.  
Pitman, NJ 08071  
(609) 589-2862  
Kebsoft management  
systems

## M. V. Software

651 N. Rochester Rd.  
Clawson, MI 48017  
(313) 583-4114  
Hardware/software for  
video rental

## Micro Enhancement

1620 First St.  
Cheney, WA 99004  
(509) 235-2718  
Video rental system

## Microfast Software

419 Occidental Ave. S.  
Suite 500  
Seattle, WA 98104  
(206) 628-8812  
Movie management  
system

## Microspec

P.O. Box 863085  
Plano, TX 75086  
(214) 881-0030  
Movie management  
system

## Mysoft

601 University Ave.  
Suite 150  
Sacramento, CA 95825  
(916) 973-8085  
Movie management  
system

## Okidata

532 Fellowship Rd.  
Mt. Laurel, NJ 08054  
(609) 235-2600  
Okimate 10, peripherals

## Olympia U.S.A.

Rt. 22, P.O. Box 22  
Somerville, NJ 08876  
(201) 722-7000  
Microcomputers,  
peripherals

## Panamax

150 Mitchell Blvd.  
San Rafael, CA 94903  
(415) 499-3900  
Surge/line protectors

## Qusim Systems

633 Battery St.  
Suite 250  
San Francisco, CA 94111  
(415) 982-4622  
Software for rent-to-own

## R.E.N.T.S. Software

P.O. Box 1503  
Sioux Falls, SD 57101  
(605) 338-1800  
Software for rental and  
rent-to-own

## Rental & Sales Software Systems

457 Robert Dr.  
Corpus Christi, TX 78412  
(800) 334-5224  
(512) 851-8709 in TX  
RSSS software, TI  
hardware

## Rental Information Systems

P.O. Box 1740  
Magnolia, AR 71753  
(800) 231-7471  
(501) 234-2471 in AR  
Software for rent-to-own

## Rental Referral Service

P.O. Box 29315  
Dallas, TX 75229  
(214) 263-0766  
Applicant referral system  
in D/FW area

## Retail Technologies

Pier 9, The Embarcadero  
San Francisco, CA 94111  
(415) 433-7944  
Video rental management

## S. A. Levitz Retail Systems

9725-C Scranton Rd.  
San Diego, CA 92121  
(800) 854-2263  
Turnkey systems for rental

## Shelton Software

P.O. Box 129  
Tualatin, OR 97062  
(503) 692-1874  
Software, hardware for  
rent-to-own

## Silver-Reed America

19600 S. Vermont Ave.  
Torrance, CA 90502  
(213) 516-7008  
Printers

## Solutions By Computer

121 Lyman St.  
Springfield, MA 01103  
(413) 737-0499  
Office software

## Southern Automated Systems

Drawer 3299  
Muscle Shoals, AL 35662  
(205) 383-2198  
Complete One-Write  
software package for single  
single and multi-locations

## Star Dealer Inc.

115 S. Dale Mabry Hwy.  
Suite 200  
Tampa, FL 33609  
(813) 875-2771  
Star Dealer software  
and hardware

## Star Micronics

200 Park Ave.  
Suite 3510  
New York, NY 10166  
(212) 986-6770  
Printers

## Systems Management

3135 Windjammer Dr.  
Colorado Springs, CO  
80918  
(303) 594-6314  
Software/hardware for  
IBM or IBM compatible  
machines

460 Totten Pond Rd.  
Waltham, MA 02154  
(617) 890-4636  
On-line database services

## Total Information Systems

4201 N. 24th St.  
Suite 150  
Phoenix, AZ 85016  
(602) 955-4017  
Retail Control System  
software

## Trinity Solutions

5765 Winfield Bldg. #3  
San Jose, CA 95123  
(408) 365-1588  
Video rental software  
and hardware

## Tyler Business Systems

13553 66th St. North  
Largo, FL 33541  
(800) 237-5913  
(813) 536-5588 in FL  
Management information  
systems

## Unique Business Systems Corp.

2901 Ocean Park Blvd.  
Suite 215  
Santa Monica, CA 90405  
(213) 396-3929  
Software for video and  
rent-to-own

## VSM Computer Systems

6069 Enterprise Dr.  
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system

tions, of the cash taken in the stores.

"For instance, if the weekly payment is \$20 and someone takes a \$19 payment, I know that the next morning, I can actually call for it any time, but we do call for it every day. And if someone was due on the 15th of May, come the 16th I know they are past due. If some-

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Our people love the computers.

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body makes a week's payment and gets updated for two weeks worth of time, the computer tells me that the next morning, or whenever I call for it. So I know when people are giving away free payments which costs me cash flow.

"Control-wise, we are a lot better off than we ever were, or a lot better off than I thought we were going to be."

Several unexpected benefits occurred in Loeb's stores. "Three or four months after we computerized and we started learning the system for ourselves and the best way of running it, we have also found that our credit percentage has gone down. I attribute that to increased efficiency, knowing who's going to be due, pre-calling and having the time to do that.

"The account managers still have the same basic duties that they used to have, but they can route themselves out. They can use a computer run to do that, to run the credit, they can route themselves by zip code if they want to do that, to make deliveries. They can use the machine. As a practical matter, we haven't fully utilized that capacity that the machine has. But we're on our way."

Loeb has also found that his computer has been able to replace several office administrators, lost through attrition, and thus eliminate their salaries from his payroll.

Holladay mentioned an additional benefit: "I can add probably five more stores without having any increase in the home office payroll, maybe seven. Simply because it just becomes a data entry process."

Loeb added, "I have six stores, and a sister company, operating in the same market, has five, so we have a total of 11 stores on the system, and we are going to be adding between the two of us, probably six more stores this year, all basically in the same market. All of them will be computerized from day one."

New methods replace old ones quickly. McNeal marvels that in some of his stores new employees have never even seen a manual receipt.

## Deciding on a System

Each store followed a different procedure in setting up their systems. McNeal hired an independent computer consultant.

"We checked his references and determined that he did not sell any products or any software. He only sold his time and we paid him an hourly rate to investigate what was available in software to the rent-to-own market, to investigate the cost of us doing our own software, and to give us his opinion of what we should do to get our stores computerized.

"Our consultant was only vaguely familiar with rent-to-own then, but he is certainly familiar with it now."

Although Holladay designed his own system, he agreed that one's software source should not be a hardware salesman. "I'd say, if I had to tell a rental dealer the one thing that you do not ever want to do, never have the computer salesman develop your program for you. The only level a hardware supplier should participate in your software development is making sure that what you want will indeed run on that hardware.

"And most important, don't go out and buy a bunch of hardware and then find someone to write a program for you. If you develop a system, you can always find hardware to run that system on. Once you buy the hardware, you're limited to the types of systems you can run on that hardware. It's the cart before the horse."

Morgan's company followed a different path. "We selected a committee that went to the APRO computer seminar that was held in Denver and they met with the representatives that were there and chose the ones that were the most interesting. Then they went to meet with them personally to spend a few days looking at each system."

Since Loeb had prior knowledge of computerizing, his approach was also different. He explained, "The last time PROGRESSIVE RENTALS ran an article on the different software companies (June 1986), we took all those companies listed and I talked to most of them. I had some definite, preconceived notions as to what kind of hardware I wanted to run this on.

"I kind of narrowed it down that way

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From the time the consultant told us his recommendation until the first installation took place was about three months.

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to begin with and then after talking to probably seven or eight software companies I narrowed it down to three. Those three were RSSS, RMK [now Star Dealer Inc.] in Arizona, and CASS in Dallas. The two, RMK and CASS, are stand-alone systems. They operate on PCs. RSSS is a mini-computer and it has dumb terminals. It's hooked up by telephone lines.

"There are advantages and disadvantages to both. We figured we're only going to do this once (we hope), so we wanted to go with the best we could. That was, and is, RSSS. I don't particularly want to tout their system over anybody else's, but I am real, real happy with it."

And then there was Holladay's approach, to design his own system, almost a necessity at the time he decided to computerize. "Obviously, I'm biased about High Touch because there's a certain pride of authorship, but I've seen at least five other systems and none of them combine all the right features, except for the High Touch system.

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What we found out was we used to pay a lot of people a lot of money to just go look and count and tell.

---

It's not perfect, you know, it'll never be perfect.

"If it was perfect, it would become obsolete in a minute. Anybody who tells you they've got the perfect system has got to be lying to you. Don't buy it. You don't want the perfect system. You want one that is adaptable and flexible and can change as you go on in the business.

"You never want the system that is the end-all, because business is like a river current flowing. There's a constant attitude and temperature and speed and density and all that, and it's just like a

current flowing. What you want is a computer that should be able to sense all those things, measure and attach values for all those things. Therefore, your system has to be able to change also. It's like having a thermometer."

## Adapting Your System

Changes are to be expected in a system, and good support in this area is an important factor to consider when selecting software. McNeal (who preferred not to publicly name his system out of deference for his friends who produce other software) explained, "We did extensive modifications in the program as it was presented. I think as the industry changes, our software will have to change as well.

"We talked to one company that has sold a lot of store systems that said they were in the process of developing software with a home office program. We didn't know how long it was going to take. We talked to another company that sold a lot of equipment and software for store installations that had installed the home office system in one chain. When I spoke to the president of the chain, he did not recommend that software at all."

Loeb was also careful to get recom-

mendations from users of the systems he considered and to weigh companies' promises.

"One thing I was real concerned about, and still am (as anybody who wants to automate should be interested in this): a lot of the software companies tell you, 'Oh, we're in the process of making this report,' or, 'We're going to do this,' that kind of thing. I was not interested in what they were going to do, I was interested in what they already had done.

"We checked references on those three companies, and a couple of others, using references pretty much supplied by the company, and believe it or not, there were some people who were not happy with their systems. So we kind of eliminated those."

Morgan has not found modifications to be a problem either. "High Touch surveys their customer bases as to what kind of updates we're interested in having. They're very receptive to our ideas. We've had three different software updates in the past two years, which have really helped," she said.

## Should You Hire A Programmer?

Now that custom software is availa-

ble for the rent-to-own industry, Holaday says most dealers who hire their own programmers unnecessarily try to re-invent the wheel.

"I looked at a company that we were thinking about buying. They had a computer system that they had hired an independent person to write for them. This system was two years old and they were still trying to get the bugs out of it.

"They had to keep a full-time programmer on the payroll at \$27,000 a year to fix all the little glitches that occurred every time someone changed an operation. Not only that, but the information that the store manager and store-level people could get out of the home office was so fragmented that you had to literally go collect four, five or six different reports and manually add and subtract and glue them together to find the answer you were looking for, simply because somebody had to re-invent the wheel."

## How Long Will It Take?

Although all agreed that it was a tremendous amount of work, none of our sources found their conversions particularly lengthy. McNeal's stores

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were converted in a Noah's Ark plan, two-by-two.

"The consultant spent two to three months investigating possibilities. From the time the consultant told us his recommendation until the first installation took place was about three months. Basically, we've done two stores at a time.

"We had originally thought about having four conversion teams to try to do them faster. We ran into some problems with having enough support at the home office to do it that way and finally decided that for us two stores at a time was about the fastest rate we could go.

"Our consultant helped us train these teams of two people. It took about a week and half to two weeks per store to set up the systems and train the employees in its use."

Loeb describes his stores' conversion: "It took us one week from the time we got the equipment and it got set up until the time we started operations under the system, and that one week was to load all the data, the manual data into the system."

Loeb's stores did not rely on the computer information right away. "We stayed on a parallel system (manual and computer) for about six or seven weeks afterward, and that was a real pain in

the neck, because the computer system is on a real-time basis, so if it gets recorded today it's recorded today rather than the way it used to be, which was maybe it got recorded today, maybe it got recorded tomorrow. So you had to kind of make sure you were in sync. It meant a lot of reconciliation work that was going on.

"We stayed on it six or seven weeks and I was prepared to stay on it three months. But six or seven weeks is plenty. We started weaning the guys off the manual system and off the cards. That was the last thing to go."

Planning was important for Rent America as well. "From the time we initially started looking into it until the first install was easily six months," Morgan said. "Certainly there were unexpected problems, but I felt we'd done our research well enough that there was nothing that was a terrible surprise."

### Changes to Expect

What surprises did dealers encounter in switching to computerized information? Morgan commented that she had not expected her phone bill to increase so much, the cost of having one computer talk to another over phone lines.

Loeb and Holladay pointed to shifts in staff responsibilities that have occurred.

Loeb explained how his stores used to function. "In most of our stores we have a manager and an assistant manager. In a real small store we may have only a manager, but that's only until we get enough BOR to make it worthwhile to have an assistant. The way we work things here is that our manager is the sales-oriented person and the assistant manager is credit-oriented.

"The sales-oriented person is in charge of the whole store, but he's also in charge of scheduling the deliveries, scheduling the pickups, running the service call, making sure the merchandise is clean. The assistant manager had been the credit man, almost entirely. We now find that the assistant manager can start taking some of the burden off the manager, getting more involved in the sales effort, getting more involved in the administration because he has more time. That's very important."

With more time to adjust than the other dealers, Holladay has seen major changes in his employees' job descriptions that he believes will have far-reaching implications for the entire industry.

*continued on page 46*

# THE DEMAND LINE





## Just When You Thought It Was Safe...

Just when I thought that the rental industry had escaped its bad guy image in the press and could finally get on with legitimate business concerns—such as market share—recent events have proven me wrong. Shenanigans in the North Carolina General Assembly have given Raleigh papers a field day, and *Forbes* magazine has seen fit to make yet another attack on the industry.

What I have learned, and the lesson has been a painful one, is that the rental industry is never going to get a fair shake in the press.

As an example, in the *Forbes* article, the author actually presents a careful price comparison between rent-to-own pricing and installment sales pricing. The conclusion of the article is that consumers pay an average of 10 percent to 15 percent over top retail pricing for the rights and privileges that accompany a rent-to-own transaction—primarily immediate availability and the right to cancel the deal at any time. Despite this conclusion, however, the headline for the article talks of 89 percent interest rates.

The author knows and understands the difference between a rental rate and an interest rate, but ignores them for the sake of a sensational headline. That is the proverbial cheap shot, and the sad truth is that the press can and does get away with it. I will confess that I do not know why *Forbes* takes such an antagonistic view of the industry, but it is nothing new. In 1983, Malcolm Forbes himself editorialized about Remco, and in three short paragraphs panned the company and the whole industry, again making no distinction between credit sales and rent-to-own transactions.

The good news is that cheap shots in the press seem to have little lasting

effect in the marketplace. The obvious reason is that the sensational headlines have little to do with reality. If the matter were to be reported in full, then two sides would emerge and the industry would get a fair shake. But high-figure interest rate quotes make good headlines and they will not disappear any time soon.

In more thoughtful forums than the press—legislatures, for example—both sides usually end up getting heard. That is why, despite the news hysteria that exists for the moment in Raleigh, I feel that the industry will get a fair hearing ultimately in North Carolina, and will end up with responsible and reasonable legislation, similar to that which has been enacted now in 11 other states.

I wish that I had some useful and optimistic advice about bad press, but I really don't. I would continue to urge all of you as rental dealers to run your businesses in the most forthright and candid manner possible. I would tell you not to fear the press unnecessarily, and to continue to furnish them all of the information they will accept about how you do business.

Do make sure that you know what your company is telling the press. One person in the company should be in charge of media relations and all interviews should be coordinated. You can always send the press to APRO. We are used to dealing with them.

Also, I would tell you not to worry too much about what you read in the newspapers or see on television about the industry, or even about your own company. You will almost certainly continue to see negative comments about the business in the press. If even half of the things printed about our industry were true, we would no longer have

an industry, since the public would long ago have gone elsewhere.

Know, finally, that most industries get criticized by the press from time to time, albeit some worse than others. So, indeed, do most professions—lawyers, politicians, and lately, even preachers. When it is the rental industry's turn to take a cheap shot or two, I personally take the time to read what is written, to see if anything new has come up that needs attention, and then I quickly turn my thoughts to other things. I would recommend that each of you do the same.

EDWARD L. WINN III  
APRO General Counsel

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# How to Hire Smart

## Knowing what to look for can stack the cards in your favor

You've advertised for a new account manager and, wonder of wonders, you have an abundance of applicants for the position. Now all you have to do is pick the right one.

Sound familiar? It's a scenario every rental dealer knows, and involves one of the most difficult—and important—decisions any store owner must make. You know that the right person in the right position can dramatically affect your profits, but you also know the selection process is difficult, time-consuming, and costly, especially if the wrong choice is made.

You are probably also aware that the person who makes the best impression in a job interview isn't necessarily the best person for the job, and some people who make ideal employees simply do not interview well. Nevertheless, an evaluation must be made. While there are no guarantees, there are guidelines that will make the process easier.

### Evaluating the Resumé

A resumé is a balance sheet without any liabilities. To evaluate it, you need to read between the lines. With more candidates than ever before having their resumé professionally prepared, the resumé has lost some of its effect as an evaluating tool. The best resumé may not always come from the best candidate: it often comes from the candidate who has had the most jobs (and thus, the most practice writing resumé) or the candidate who has hired a skilled resumé writer. The best candidate may not even have a resumé.

Still and all, the resumé may give you a clue to narrow down a large field of candidates. Here are some tips to help you do that.

**Start at the end.** Most candidates put the least flattering information at the end. Save yourself time by reading resumé from the back forward.

**Be wary of the functional resumé.** A functional resumé usually has no dates,

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... the person who makes the best impression in a job interview isn't necessarily the best person for the job, and some people who make ideal employees simply do not interview well.

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only descriptions of experience and qualifications. The candidate who writes such a resumé could be right for the job, but functional resumé are often written by candidates who have been excessive job jumpers, or who have been out of work for a considerable time.

**Look for profit-mindedness.** See if you can sense, from descriptions of previous jobs, whether the candidate appreciates the fact that companies are in business to make money. One of the things to look for is how many times in the resumé a candidate mentions efficiency measures that have helped increase earnings.

**Watch out for trivia.** A resumé that is puffed-up with trivia (sports interests, children's accomplishments, hobbies, and the like) may be a sign that the candidate is weak in experience and skills. It could also mean the candidate won't have enough time for the job.

**Beware of qualifiers.** Many resumé are filled with phrases like "knowledge of . . ." "assisted with . . ." "had exposure to. . ." Don't confuse these qualifying descriptions with real hands-on experience.

**Don't be misled by a lengthy education section.** Candidates who lack appropriate education often beef up their background with lengthy, and often meaningless, descriptions of special courses and seminars.

**Be sensitive to sour grapes.** If the

resumé leads you to believe that the candidate is bitter about past jobs, tread with care. If the anger shows through in a resumé, it can easily surface on the job.

**Don't excuse sloppiness.** A candidate who isn't astute enough or doesn't care enough to make the resumé letter-perfect is not generally a good bet to be conscientious on the job.

**Don't read more into a resumé than is actually there.** You can usually assume that what is left off a resumé is a skill or quality that the person doesn't have.

**Look for evidence that shows a willingness to work hard.** This quality may not be easy to detect from a resumé, but if you find it, consider the candidate very carefully. Hard workers are not easy to find.

**Let a specialist do the screening.** People who specialize in a particular occupation, profession, or industry have the experience, training, and know-how to tell, on the basis of a resumé alone, which candidates should be eliminated from consideration.

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It is one thing to find the candidate you would like to hire but something else altogether to land that candidate.

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### Next Step: The Interview

You have sifted through the resumé and selected the most promising candidates. Now you face the second step: the interview. That level of the process is also fraught with uncertainty because you know that an excellent interviewee is not necessarily an excellent employee.

If there is a single key to interviewing, it is the ability to get the most mileage

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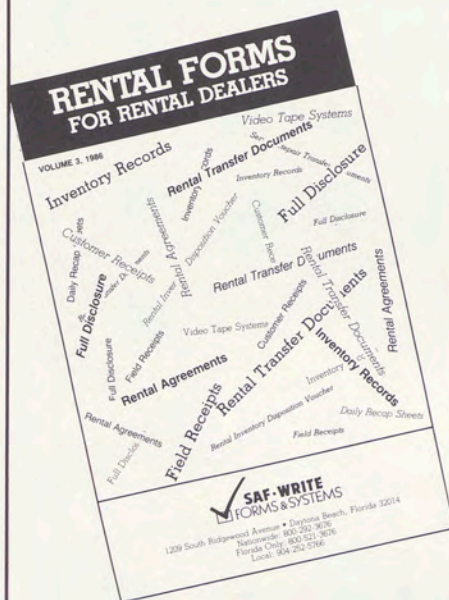
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out of each question you ask. Here are eight questions designed to get candidates to reveal characteristics they may not realize they are revealing.

1. Why are you giving up your job? Be wary of candidates who answer the question by bad-mouthing their current employer.

2. What did you like best about your last job? A candidate who can't give you a thoughtful answer here probably can't think beyond the basic mechanics of the job.

3. If you could have made improvements in your last job, what would they have been? The answer here is a good barometer of a candidate's creativity and general sensitivity.

4. Who was the most interesting client you had in your last job, or what has been the most interesting job or project so far in your career? The reasons are more important here than the answer. They should give you an idea, for example, of whether or not the candidate likes challenge.

5. Describe the best person who ever worked for you or with you. A candidate who has trouble answering this could lack compassion.

If there is a single key to interviewing, it is the ability to get the most mileage out of each question you ask.

6. What kind of people annoy you most? Frequently, but not always, the traits that candidates mention in their answers do not apply to the candidates themselves.

7. Describe emergencies in some of your jobs for which you had to reschedule your time. This is the question you

You have now reached the decision-making step and must select the candidate you think will do the best job. Don't fall into the "first one interviewed" trap.

ask instead of, "Are you willing to work extra hours when the situation calls for it?"

8. In which way would you like our company to assist you if you join us? Look for balance here, which means to be wary of candidates who indicate they may need a lot of help or candidates who suggest they do not want *any* help.

## Ending the Interview

Time has been called the ultimate depletable asset. That being the case, time is too valuable to waste, either yours or the job candidate's. If starting an interview is awkward for many people, ending one is even more of a problem. Most interviews drag on too long, far past the point where the interviewer needs more information in order to make a decision. This is because most interviewers don't know how to end the interview gracefully.

One way is to set a time limit at the beginning. A half-hour should be sufficient. Have a clock on your desk and let the candidate know at the start when the interview must come to an end.

You can give clues to the candidate to suggest the interview is approaching its end. For example, if you are using a pencil and paper, put the pencil down and the paper aside. Or, if you wear glasses for reading only, take them off and put them away. Finally, look at your watch and refer to another appointment.

End the interview on the appropriate note. What you should do at this point is mainly a matter of how good the candidate appears to you. If the candidate is somebody you definitely want, make sure the person knows you are actively interested. If the person is a "maybe," say that you are interested but want some time to think it over. If the person is a definite "no," be polite but noncommittal. "You have a fine record," you might say, "but I have other people to see. I will let you know if we are interested."

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making step and must select the candidate you think will do the best job. Don't fall into the "first one interviewed" trap. Personnel surveys show that frequently the first person interviewed doesn't get the job, even though that person may be the most qualified. What appears to be at work here is simply a quirk in human nature. Don't let this cost you a good employee. Consider carefully all the good and bad points of every person interviewed, no matter where they fell in the interviewing sequence.

### Getting the Person You Want

It is one thing to find the candidate you would like to hire but something else altogether to land that candidate. The better the people, the more they are likely to be in demand. That is why when you have an opportunity to hire good people, you should act promptly. To conclude the hiring process, here are a few things to remember:

- Don't delay the offer. If a candidate is right for the job, don't hesitate. You can always hire someone contingent upon their references checking out.

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Most interviews drag on too long, far past the point where the interviewer needs more information in order to make a decision.

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- Limit the number of decision-makers. The more people involved in the hiring decision, the longer it's going to take to hire, and the greater the chances that the person eventually hired will be a compromise candidate.
- Set an early starting date. The longer the time between the job offer and the starting date, the greater the risk of losing the prospective employee. You may allow other companies to come up with a better offer.

Finally, trust your instinct, up to a point. Occasionally, you will come across a prospect about whom you have either very positive or very negative feelings. If they are negative feelings, you probably shouldn't hire that person under any circumstances because you

will never be comfortable with your decision or the person.

If, on the other hand, someone strikes you as feeling right for the job, that's the person you probably should hire. Don't let those good feelings prevent you from checking references, of course. But chances are you will have a better working relationship with someone who "fits in" and, consequently, a happier, harder-working employee.

**PR**

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*Frances Knight is editor of PROGRESSIVE RENTALS.*

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## CORPORATE MOVES

After 30 years with **Borg-Warner Acceptance Corp.**, **Joe Eason** has been named general manager of the rental division. Eason has been national sales manager for rentals since the division began operations more than six years ago. **Gordon Crenshaw**, a 13-year Borg-Warner employee and most recently a branch manager for rental in Dallas, replaces Eason as national sales manager.

**Borg-Warner Acceptance** has appointed **James C. Davis** regional sales manager of its Fleet Leasing Division. Based in the Dallas office, Davis will be responsible for sales development across the southern half of the U.S. and will be working with account executives in Dallas, Atlanta, and Los Angeles.

**Total Rentals Inc.**, operator of five ColorTyme stores in Baltimore and one in Annapolis and a subsidiary of Houston-based **Seajay Investment Group**, has promoted **Bill McCrae** to Chesapeake regional manager. **Elton "Buz" Sease** was transferred to Baltimore from San Antonio to assume McCrae's previous duties as market manager for the company. Total Rents opened its first store in August and expects to have a total of 10 stores in the Chesapeake area. McCrae will be responsible for developing that market and Sease will oversee operation of the stores.

**Jesse Montoya** replaces Sease as market manager for six San Antonio, Texas, ColorTyme stores operated by **San Antonio Product Leasing**, another Seajay subsidiary. Montoya moves up after two years as manager of a ColorTyme store in San Antonio.

**David R. Whitwam** takes over as president and chief executive officer of **Whirlpool Corporation** on July 1. Currently vice chairman of the board and chief marketing officer, he replaces **Jack D. Sparks**, who will retire on December 1. Whitwam will retain his position as vice chairman, as will the vice chairman and chief operating officer, **George E. Wardeberg**. At Whirlpool's **KitchenAid** division, **Kenneth W. Kaminski** has become president, succeeding **Glenn S. Olinger** who has retired. Kaminski has also been elected a vice president of Whirlpool.

**Roger J. Blaha** is now general manager of KitchenAid's southern zone. He



Nay



Sullivan

replaces **Don Hassinger** who transferred to Whirlpool sales, Midwest region. Blaha has been senior account executive of retail marketing for Whirlpool.

In other corporate moves at Whirlpool, **James A. Workinger** has been promoted to division vice president, merchandising, and **David W. Williams** has been promoted to director of refrigeration products. Workinger, who replaces new KitchenAid president Kaminski, will direct the merchandising of Whirlpool brand products. Williams will be responsible for refrigeration product line planning, pricing, forecasting, and introductions for merchandising programs, and new marketing approaches.

**Ken Nay Advertising** has joined forces with **Sullivan & Findsen Advertising Inc.** in Cincinnati, Ohio. The combined agency will do business under the Sullivan & Findsen name. Nay, an associate member of APRO who has given rental dealer advertising seminars at APRO conventions and regional seminar activities, is vice president in charge of business development for the firm. **Kirby Sullivan** is president of the agency and **Shirley Findsen** is senior vice president.

**Gary Wagner** and **Curt Henninger** have been appointed to newly created sales management posts at the consumer electronic division of **Sanyo Electric**. Previously with JVC, TDK and Magnavox, Wagner will be responsible for accounts in the eastern half of the country. Henninger assumes responsibility for retailers based in the west.

**PR**

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

## INDUSTRY NEWS

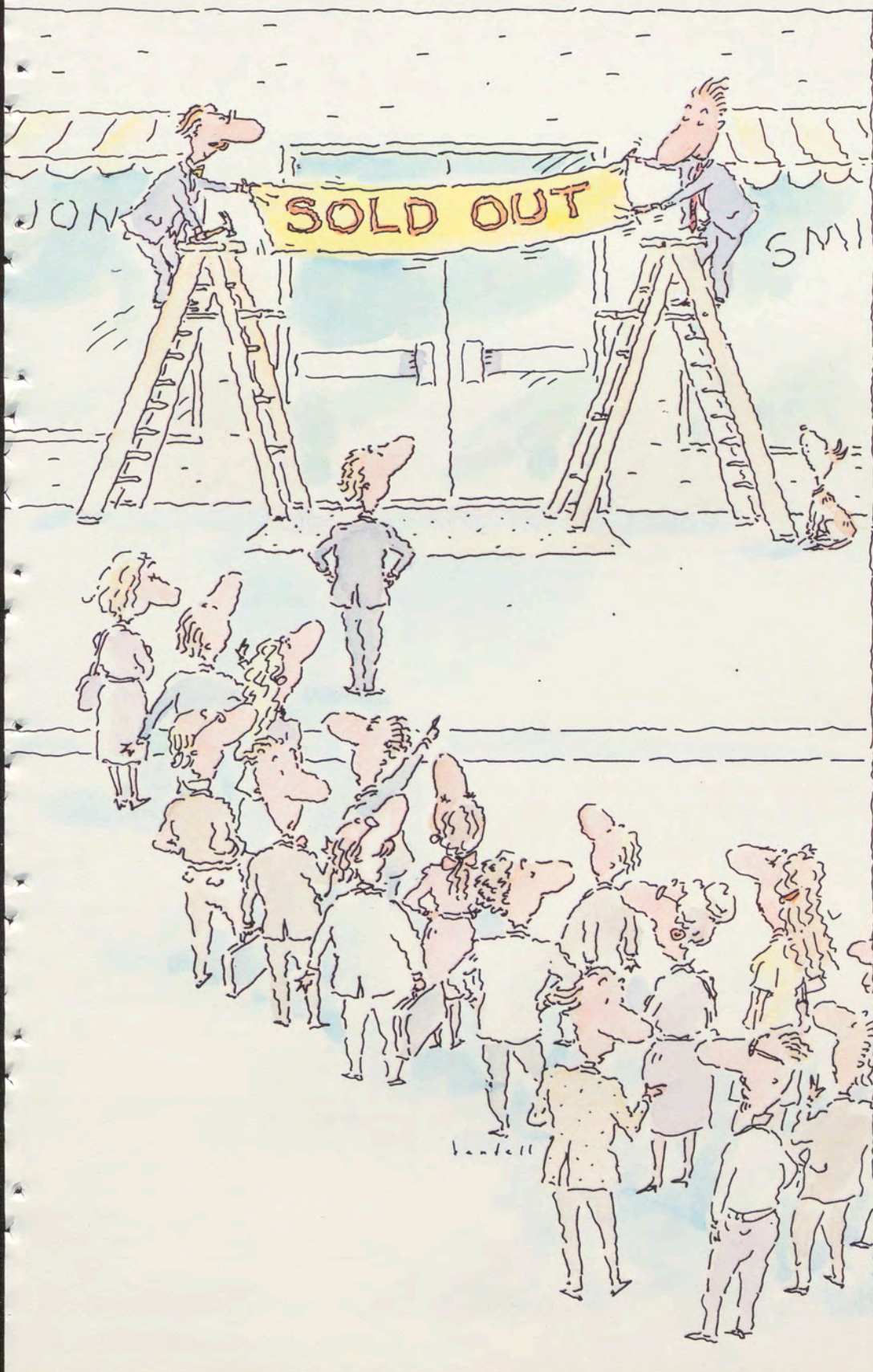
**Two subsidiaries of Houston-based Seajay Investment Group** have opened new ColorTyme stores, one in Florida and the other in Texas. One Stop Rentals Inc. opened their new store in Pine Plaza Shopping Center at Ocala in mid-May. One Stop operates two other ColorTyme stores in Florida, one in Lakeland and one in Winter Haven. The company expects to have eight ColorTyme stores in the Central Florida region by 1989. San Antonio Product Leasing's new ColorTyme store also opened in May in the Las Palmas Shopping Center in San Antonio. Six other ColorTyme stores are operated by San Antonio Product Leasing. In all, Seajay owns 36 ColorTyme locations in five states.

**Pilot has closed its Brooklyn office**, but continues to operate out of Dallas, Texas, where the company moved its national headquarters in 1986. No change has been made to Pilot's distribution centers in Los Angeles and Dallas.

**White Consolidated Industries' (WCI) appliance group** will be marketing more aggressively with a stronger focus on consumers. WCI, completing its first year of ownership under AB Electrolux of Sweden, will position both Frigidaire and Tappan as its premium appliance lines. White-Westinghouse, Kelvinator, and Gibson are the remaining WCI appliance lines. Advertising for all five lines has been stepped up in consumer and trade publications.

**Summer CES in Chicago was the quietest** in years, according to long-time attendees. Attendance was down and a number of companies who have been regular exhibitors chose not to participate. One manufacturer who was absent from the show cited questionable payback on investment as his company's reason for pulling out of the summer event. Appeal of one of the few innovative products shown, the compact disc-video (CD-V), will likely be limited to affluent teenagers, pretty much wiping out its potential as a rent-to-own item.

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## Immigration Law Is for Everybody

Until recently, I would have listed immigration law as an area outside my field of interest. That is because I would have believed it would have no practical application or significance to any of the kinds of matters that my clients typically encounter. I was even aware that there was a substantial change in the law in 1986 based on news reports I had heard. These news reports principally emphasized the amnesty provisions for illegal aliens.

I have come to realize recently that the law has provisions that affect all employers, not just those in geographical areas where illegal alien employment has always been an issue.

For the first time, the law is placing the burden of determining the citizenship of an employee directly on the employer. Previously, there has been no such provision. An employer could, in good faith, employ an illegal alien without necessarily violating the law.

The requirements for employee identification have been primarily income tax and accounting oriented, requiring only that the employee provide a social security identification number. In cases where employees were hired on a temporary or casual labor basis, even that requirement was frequently overlooked.

### Reporting Requirements

The reporting requirements for companies have been changing recently to require more extensive documentation for such disbursements. It had become necessary for employers to obtain from all payees tax identification numbers so that such disbursements could be more specifically documented by a company. This requirement makes it possible to check disbursements against reported income to insure proper taxation.

Now we have some new provisions

If this sounds to you like a border check in an old World War II movie, it means you are beginning to understand the new law.

that tighten up the requirements for employee identification. These new provisions make it practically impossible for an employer to innocently employ an illegal alien.

The new law provided for a six-month educational period during which employers will not be prosecuted for violations of the law. This six-month period has expired.

There is also a provision for a probationary period to follow the educational period. During this one-year period, an employer who is found guilty of violating the law will receive merely a warning rather than a fine.

The distinctive feature of the new law is that *every* employer must check a new employee's "papers" to make sure that he or she is not an illegal alien. Next, the employer must sign a form provided by the government describing the documents that were checked. The employee will also have to sign that form to certify that he or she is not an illegal alien. An employee who cannot present the proper papers cannot be hired.

If this sounds to you like a border check in an old World War II movie, it means you are beginning to understand the new law. The best papers an employee can have would be a U.S. passport or a foreign passport with a valid U.S. work permit.

If the employee does not have a passport, he or she must present two docu-

ments. The first must be either a birth certificate or a social security card. The other document must be a driver's license, state I.D. card, or a "green card." The latter document is issued to a legal alien. An employee who fails to have the right papers *cannot* be hired.

### Some Exceptions

While it is emphasized here that *every* employer must comply with the law, there are, theoretically, exceptions that exempt some employers. An employer would be wise to comply with the law rather than chance an interpretation of the exceptions provisions.

The law does not apply to a casual hire. For example, the neighbors' teenage child who baby-sits for you on Saturday night would not be covered. On the other hand, a temporary employee may be covered by the law. If you ever heard any reference to the "three or fewer" exception, forget it. That provision was eliminated from the final version of the law that was signed by the President.

Be careful to distinguish the teenage baby-sitter from the maid or other domestic help. This employment is regular and consequently it is covered by the law.

Now that we have cautioned everyone to consider that all hiring circumstances are covered by the law, it should come as no surprise to a lawyer for his or her client to demand these papers prior to the initiation of the attorney/client relationship. Since I carry neither a copy of my birth certificate nor a social security card, I would be unemployable as a lawyer except for the 24-hour exception.

In this situation, an employer can employ a person for a period of 24 hours without the proper papers. During that one-day grace period, the employee is

required to produce the proper papers for the employer. I think in 24 hours I could find a copy of my birth certificate somewhere to show my prospective client.

What about current employees? It is not necessary to check the papers of a current employee. However, if a current employee is known to be an illegal alien, that person cannot continue to be employed. If that employment is continued, the employer will become subject to the penalty provisions of the law.

For the first time, the law is placing the burden of determining the citizenship of an employee directly on the employer.

### Penalties Apply

These penalties can result in a civil fine from \$100 to \$1,000. For hiring an illegal alien, the fine can range between \$250 and \$2,000 for a first offense. Penalties increase with successive violations to a maximum penalty for the third

Since I carry neither a copy of my birth certificate nor a social security card, I would be unemployable as a lawyer except for the 24-hour exception.

offense of \$10,000.

These are civil penalties. They would apply in the case of non-compliance, however innocent. In the case of a willful violation, where an employer knowingly hires illegal aliens, the penalty can be a fine up to \$3,000 and imprisonment for up to six months.

Lastly, and most publicized, are the amnesty provisions of the law. This does not have particular significance to most employers since the hiring of illegal aliens has always been a violation of the law. The amnesty provisions permit an illegal alien to apply for temporary resident status under certain circumstances without fear of prosecution.

In summary, it is not the actual prohibition on the employment of illegal aliens that is considered to be the sig-

nificant part of this law. It is, instead, the documentation requirements of the law with respect to new employees, even in the case where those new employees are known to be U.S. citizens.

It is quite easy to violate the law. Employers should be careful to comply with the law's documentation and reporting requirements. **PR**

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

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T A L S

# State Rent-To-Own Statutes Revisited

*Eleven states have now enacted rental legislation*

In the February 1986 issue of PROGRESSIVE RENTALS, there appeared an article, "Rent-to-Own Statutes: A Comparison and Analysis." That article analyzed in some detail the first four states to have enacted rent-to-own legislation—Georgia, Michigan, South Carolina, and Texas. Since that article, seven other states have enacted rent-to-own legislation for a total of 11 states. This article will analyze the 11 statutes as a whole and some of the trends emerging in the new rent-to-own legislation.

## Scope and Coverage Of the Statutes

The 11 rent-to-own statutes have virtually identical definitions of a rent-to-own transaction. Michigan and Georgia call the transaction *lease-purchase agreements*. In Massachusetts, the transactions are simply called *consumer leases*. For the most part, however, the transactions have been given the statutory name of *rental-purchase agreements*. That is the name given in eight of the 11 statutes, and the trend is likely to continue. There is still a great debate within the industry as to what exactly is or should be covered by the term *rent-to-own*. To a certain extent, the furniture industry still attempts to distinguish itself as a separate industry with the name *rent-to-rent*.

Under the new statutes, a transaction with an initial term of less than four months that is terminable by the consumer and that affords the consumer an opportunity to own the merchandise under any circumstance is a *rental-purchase transaction*. As a practical matter, unless furniture lessors are writing agreements with an initial term of longer than four months, they will be covered by the statutes. Any attempt by

There is still a great debate within the industry as to what exactly is or should be covered by the term *rent-to-own*.

the furniture lessors to segregate themselves from TV and appliance rental dealers will be a marketing distinction, not a legal one.

All 11 statutes distinguish rent-to-own transactions from credit sales, some better than others. To date, there have been no lawsuits brought arguing that a regulated rental-purchase transaction under one of these statutes is also a credit sale under a state retail installment sales act. However, in bankruptcy court, the argument is still being made that rental-purchase transactions are security interests. This has been particularly a problem in Alabama even with the Alabama statute and in several unregulated states as well.

In an effort to correct this misapplication of the law by consumer-oriented bankruptcy judges, some of the statutes have amended the definition of security interest in the Uniform Commercial Credit Code to exclude rental-purchase transactions. It is hoped that dealers in states where this definition has not been amended will be able to take evidence of these amendments and argue persuasively in their states to recover merchandise from the bankruptcy courts.

## Contract Disclosures

The new statutes fall more or less in line with the four existing statutes in terms of contract disclosures. (See Rental-Purchase Regulation chart.) Michigan has perhaps the most rigor-

ous disclosure scheme, with Georgia a close second. Alabama and Arkansas have the fewest number of required disclosures—six. None of the states, however, have seriously restricted dealers' abilities to do business by virtue of the disclosures. All states require disclosures of the rental rate and rental term. This is the information that customers scrutinize most closely, and dealers have always made these disclosures everywhere.

Unfortunately for multi-state dealers, there is relatively little effective coordination of contract disclosures among the states. A dealer doing business in the 11 regulated states will likely need to have 11 different contract forms, one for each state. A possible exception is that Georgia contracts, and perhaps others, may work in Arkansas and Alabama.

Every state requires certain disclosures that have now become part of the general practice in the industry. An example is whether the property is new or used, although Alabama, Georgia, and Michigan will allow a disclosure of *previously rented* in lieu of the term *used*.

Dealers in unregulated states who refuse to make this disclosure run the real risk of allegations of deceptive trade practices if, in fact, they are renting and pricing used merchandise the same as new. It has become a common story in civil courts for customers to allege that they were promised new merchandise and were given used. Such conduct, if proven, is fraud under the laws of every state.

Another disclosure required everywhere is the total cost of obtaining ownership through the rental-purchase program. In New York, that disclosure must be prominently labeled as *total cost*. In Iowa, the number must be labeled *total dollar amount of lease pay-*

# Rental-Purchase Regulation Comparison State by State

Contract Disclosures	GA*	MI**	SC**	TX**	AL**	MA***	NY**	AR**	TN**	IN**	IA**
1. Description of the leased property	X	X	X			X	X		X	X	X
2. Whether the property is new or used (GA, MI, and AL allow "new or previously rented")	X	X	X	X	X	X	X	X	X	X	X
3. Initial payment (compare with down payment on installment sales)	X	X				X			X		X
4. Amount and timing of payments (weekly or monthly rental rate)	X	X	X	X	X	X	X	X	X	X	X
5. Amount of "Other Charges"	X	X	X	X	X	X	X	X		X	X
6. Explanation of purpose of "Other Charges"			X	X	X	X	X	X		X	X
7. Explanation of risk of loss during lease or rental term	X	X	X	X	X		X	X	X	X	X
8. Statutory limit on consumer risk (fair market value or other limit)			X				X	X		X	X
9. Reinstatement rights of consumer	X	X		X				X			
10. Explanation of service and maintenance responsibilities	X	X				X			X		
11. Conditions for terminating the agreement	X	X				X	X				
12. Total cost of obtaining ownership via rental- or lease-purchase plan	X†	X	X	X	X	X	X†	X	X	X	X†
13. Disclosure of any early buy-out options or formulas	X	X	X			X	X		X	X	X
14. Early buy-out required by statute	X	X	X							X	X
15. Manufacturer's warranty coverage after ownership	X‡	X‡				X			X‡		
16. Fair market value or cash price of property	X	X		X			X		X		X
17. Cost of lease service (difference between rental- or lease-purchase price & cash price)	X										
18. Statement that the transaction is regulated under state law		X									X
19. "No Equity" statement			X	X	X		X	X	X	X	X
20. Statement of any fees or taxes payable by lessee						X					X
21. Statement of amount of any lessee liability at end of lease term (compare with termination penalty in long-term lease)						X					
22. Description of any insurance required of lessee						X					
23. Description of any security interest retained by lessor						X				X	
24. Limit on "Other Charges"—must be "reasonably related to the cost"				X			X				
25. Statement of how lessor may terminate the agreement and how the lessee may terminate the agreement							X				
26. Must allow consumer to terminate at any time without penalty									X	X	

\* Lease-Purchase Agreement

\*\* Rental-Purchase Agreement

\*\*\* Consumer Lease

† GA requires "cost of lease"; NY "total cost"; IA "total dollar amount of lease payments you will have to make to acquire ownership."

‡ Information required in GA, MI, and AR.

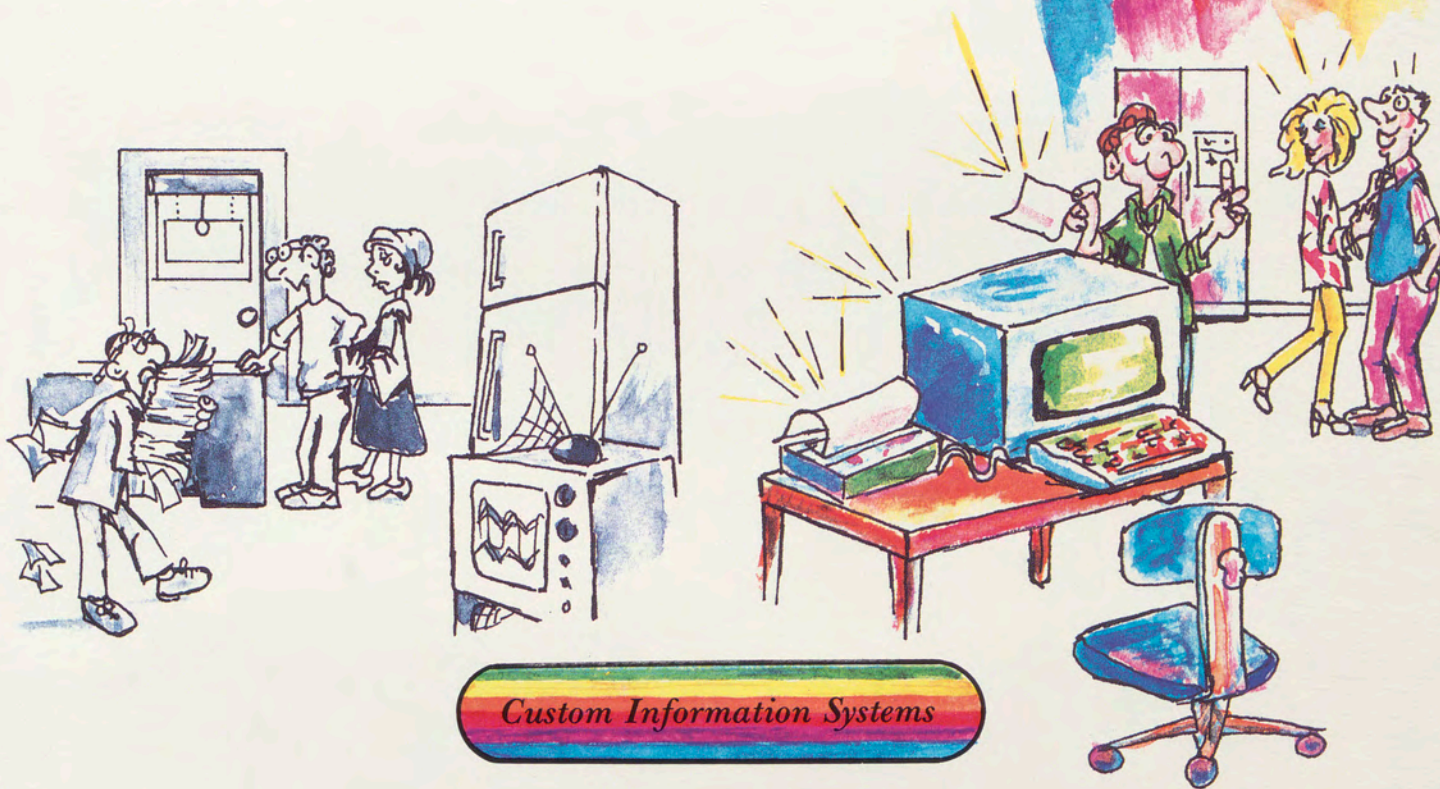
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ments you will have to make to acquire ownership. Most dealers make this disclosure voluntarily in unregulated states, and dealers who continue to refuse to make this disclosure are simply unenlightened, although that omission in and of itself probably does not rise to the level of a deceptive trade practice.

The cash price disclosure has received mixed treatment in the new states. New

### New York limits dealers' rent-to-own cost to twice the cash price.

York, Tennessee, and Iowa require the disclosure; Alabama, Massachusetts, Arkansas, and Indiana do not. This disclosure is, of course, a disclosure that consumer advocates would like to see on the rental-purchase agreements because many of them feel that it will deter customers from renting merchandise. Dealers, on the other hand, would ordinarily prefer not to make the disclosure for reasons explained in the previous article. Whether or not the disclosure appears in a state statute is largely a matter of compromise and negotiation during the political process.

Most of the other disclosures vary only in their details from state to state. Georgia remains the only state that requires dealers to disclose the difference between the cash price and the total rent-to-own price mathematically, labeled there as *cost of lease service*.

### Restrictions on Contract Terms

The seven new statutes have all of the standard restrictions on overreaching by dealers. For example, all forbid confessions of judgment and waivers of defenses, counterclaims, or rights of actions connected with rental-purchase transactions. Indiana and Ohio join Georgia, Michigan, and South Carolina to forbid garnishment of wages.

Other than the creation of consumer reinstatement rights, and some time limit on when late fees can be assessed, there are few restrictions on rental dealers that probably did not already exist in other state consumer protection statutes.

### Price Controls

As explained in the previous article, Michigan and South Carolina both

One item that has been discussed in at least two states but has not been passed is whether rental dealers should be licensed.

enacted a form of price controls by tying the total rent-to-own price to the disclosed cash price. New York and Iowa have joined the other two states.

New York limits dealers' rent-to-own cost to twice the cash price. Iowa follows South Carolina by requiring that dealers sell merchandise to consumers for 55 percent of the difference between the rent-to-own price and the total rental paid at any time.

The February 1986 article predicted that in South Carolina customers would learn they could exercise their early purchase option in the 17th month and, in effect, avoid making the final payment. While the practice has not become widespread, customers have learned

that such a calculation is indeed possible and it is beginning to be the rule there. The prediction here is that the practice will quickly spread to Indiana.

### Limits on Other Charges

New York, Indiana, and Iowa have put limits on late charges; Alabama, Massachusetts, Arkansas, and Tennessee have not. New York, Indiana, and Iowa have enacted grace periods before a customer can be assessed late charges. For the most part, those grace periods are related to the contract term and are not unreasonably long. (See chart, Specifications on Fees and Payments.)

### Reinstatement Rights

All 11 states have enacted reinstatement rights for consumers. (See chart.) New York and Tennessee have staggered reinstatement periods depending on how far along the customer is on the contract. The reinstatement period can extend up to six months in both states.

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MA

NY

I. **Triggering Term(s)**—If an advertisement contains these items, then the disclosures listed below must also appear in the advertisement:

Rental rate due of a specific item

Rental rate due at start of lease

Reference to or statement of a rental rate

Reference to or statement of a rental rate

Reference to or statement of a rental rate

Reference to or statement of a rental rate

Reference to or statement of a rental rate

OR

OR

OR

OR

OR

Reference to RTO of a specific item

Reference to RTO of a specific item

Reference to RTO of a specific item

No down payment

Reference to RTO of one item

## Disclosures

- |     |  |  |  |   |   |   |  |
|-----|--|--|--|---|---|---|--|
| (A) | Amount of initial payment due                        | Amount of initial payment due                        | Identify transaction as an RTO agreement         | Identify transaction as an RTO agreement                    | Identify transaction as an RTO agreement                    | Identify transaction as a lease         | Identify transaction as a rental-purchase agreement                              |
| (B) | Amount of periodic payments                          | Amount of periodic payments                          | Total of payments necessary to acquire ownership | Total and number of payments necessary to acquire ownership | Total and number of payments necessary to acquire ownership | Total initial payment due               | Total and number of payments necessary to acquire ownership labeled "total cost" |
| (C) | All other charges                                    | Cost of lease service                                | No equity statement                              | No equity statement   |   | Security deposit, if applicable         | Availability of early buy-out ownership options                                  |
| (D) | Total of all payments necessary to acquire ownership | Total of all payments necessary to acquire ownership |  |   |   | Number, amounts, and timing of payments |  |

II. **Triggering Term(s)**—AND, if the advertisement also contains the following items, then the disclosures listed below must also appear in the advertisement:

Amount of lease payments and rate necessary to acquire ownership of a particular item

Multiple items and rate information

## Disclosures

- |     |  |  |  |  |  |  |   |
|-----|--|--|--|--|--|--|---|
| (E) |  |  |  |  |  | Total of payments necessary to acquire ownership | New or used                                       |
| (F) |  |  |  |  |  | Early buy-out formula                            | Identify transaction as rental-purchase agreement |
| (G) |  |  |  |  |  | No equity statement                              | No equity statement                               |

AR	TN	IN	IA
Rental-purchase agreement	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate
	OR	OR	OR
	Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item
Transaction is a rental-purchase agreement	Identify transaction as a rental-purchase transaction	Identify transaction as a rental-purchase agreement	Identify transaction as a rental-purchase agreement
	Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership
	No equity statement	No equity statement	No equity statement

While troublesome at first glance, such a reinstatement period need not cause any particular hardship for a dealer.

In the first instance, the customer must return the product in every state within a fixed period of time or lose all of his rights. The dealer, therefore, has physical possession of merchandise and can immediately put it back out on rent. No state requires the dealer to hold the same merchandise for a customer, and all states allow dealers to provide customers who do reinstate with comparable merchandise.

There is an added bookkeeping function under these state statutes, but for dealers who are on computer, this should cause no hardship.

## Advertising

All of the new state statutes have advertising disclosure requirements. Most state that if a dealer advertises prices, he must disclose other pertinent financial terms of the transaction. Such restrictions were enacted to prevent dealers from luring customers into the store with promises of low payments that do not accurately reflect the total cost of the transaction. For example, a dealer in a regulated state cannot advertise a 99 cents per week rental unless he is also willing to disclose what the rental is for the rest of the rent-to-own term and often the total cost of the transaction.

Again, unfortunately for multi-state dealers, the advertising restrictions vary from state to state so that the disclosures made in one state may not satisfy the statutory dictates of another. (See chart.)

## Registration and Other Fees

South Carolina enacted a \$50 per store per year fee, which funds were earmarked for monitoring dealer activities by the South Carolina Department of Consumer Protection. Likewise, Indiana has enacted a fee of \$250 per lessor as an initial fee and an annual fee of \$100 per lessor thereafter. While the Oklahoma bill has been tabled, the discussions there were to assess a fee of \$100 per store per year.

One item that has been discussed in at least two states but has not been passed is whether rental dealers should be licensed. For example, in most states, pawnbrokers are licensed. They must go through a licensing process and actually be approved by a designated

# Reinstatement Rights

## "Cure Period"

Item	GA	MI	SC	TX	AL	MA
1. Weekly Payments	21 days	21 days	60 days	7 days then 30 days if property returned	2 days then 30 days if property returned	None
2. Monthly Payments	90 days	90 days	60 days	15 days then 30 days if property returned	5 days then 30 days if property returned	None
3. Statutory "Cure Period" after notice before suit can be filed						
Monthly						
Weekly						

# Specifications on Fees and Payments

Item	GA	MI	SC	TX	AL	MA
1. Late Charges/Reinstatement Fees/ Delinquency Charges permitted	Yes	Yes	Yes	Yes	Yes	Yes
Statutory amount per missed payment	\$5 max.	Lesser of 5% or \$5	\$4/monthly \$2/weekly	\$2-\$5		
Grace Period on late fees, etc.						
Monthly			5 bus. days	7 days		
Weekly			3 bus. days	7 days		
2. Separate Reinstatement Fee permitted						
Statutory Fee Limit						
3. In-Home Collection Fees permitted	Yes	Yes	Yes	Yes	Yes	Yes
Statutory Fee Limits						
Monthly			\$7 per trip (limit 3 trips per 6 months)			
Weekly			\$7 per trip (limit 6 trips per 6 months)			
4. Processing Fees permitted	Yes	No	Yes*	Yes	Yes	Yes
Statutory Fee Limits			\$5 per agreement			
5. Delivery Charges permitted	Yes	Yes	Yes*	Yes	Yes	Yes
Statutory Fee Limits			\$15-5 items or less \$45-more than 5 items			
6. Redelivery Fee after Repossession permitted	Yes	Yes	Yes	Yes	Yes	Yes
7. Fees or Penalties for Return of the Merchandise or Termination of the Agreement permitted	No	No	No	Yes	Yes	Yes
8. Security Deposit permitted	Yes	Yes	Yes	Yes	Yes	Yes
9. Final "Balloon Payments" permitted	Yes	No	Yes	No	Yes	Yes
10. Requiring Insurance to be Purchased from RTO Dealer	No	No	No	No	No	No
11. Limits on Rent-to-Own pricing		RTO price cannot be greater than 2.22 times cash price				

\*Option of processing fees or delivery charges, but *cannot charge both*.

NY	AR	TN	IN	IA
7 days then, if property ret., 30, 60, or 180 days dep. on rental payments made	3 business days then 30 days	2 days then, if property ret., 30, 90, or 180 days dep. on rental payments made	60 days	60 days
15 days, then if property ret., 30, 60, or 180 days dep. on rental payments made	5 business days then 30 days	5 days, then if property ret., 30, 90, or 180 days dep. on rental payments made	60 days	60 days

5 bus. days  
3 bus. days

NY	AR	TN	IN	IA
Yes Greater of \$3 or 10% weekly or greater of \$5 or 10% monthly	Yes	Yes	Yes \$5/mon. \$3/week	Yes \$5/mon. \$3/week
7 days 3 days			5 days 3 days	5 bus. days 3 bus. days
	Yes		Yes \$5	Yes \$5
Yes	Yes	Yes	Yes \$10	Yes \$7
				(None if late charge assessed) \$7 per trip (limit 3 trips per 3 months) \$7 per trip (limit 3 trips per 6 months)
Yes	Yes	Yes	Yes* \$10 per agreement	Yes* \$10 per agreement
Yes	Yes	Yes	Yes* \$10	Yes* \$10 (\$25—more than 5 items)
Yes	Yes	Yes	Yes	Yes
No	Yes	No	No	No
Yes	Yes	Yes	Yes	No
No	No	No	No	No
RTO price cannot be greater than 2 times cash price				

Unfortunately for multi-state dealers, there is relatively little effective coordination of contract disclosures among the states.

state official. Likewise, small loan dealers are licensed in many states. The power to license is, literally, the power of life and death over a business. Dealers have been successful in combatting attempts to license this industry, and, indeed, it is expected that they will continue to do so.

New York, like Michigan, has required in-store disclosures on merchandise. New York requires dealers to tag all merchandise in the store and to disclose the cash price, the weekly or monthly payment, the total of payments necessary for ownership, and the total cost.

Michigan has perhaps the most rigorous disclosure scheme, with Georgia a close second. Alabama and Arkansas have the fewest number of required disclosures.

## Summary

Dealers in the states with rental-purchase legislation are largely satisfied with the legislation enacted. That is not to say that all dealers in the 11 states are happy with all aspects of the legislation. Some dealers are unhappy with being regulated at all. Some dealers are unhappy with the role they played in the legislative process.

These efforts have not come cheaply. The average cost per state for getting rental-purchase legislation enacted has been between \$25,000 and \$40,000 per state. This money has been spent to pay for lobbyists and attorneys. It does not generally include political contributions made by individuals in the states.

Nor has it been any cheaper to attempt to enact federal legislation. To date, the industry has spent in excess of \$350,000 in the federal effort without having a federal bill.

*Continued on page 44*

# Advance to the Future With APRO in New Orleans

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*Excitement is building for the annual Association meeting*

New Orleans, billed as America's European Masterpiece by its own tourist commission, is one of those unique cities travelers around the world want to visit. Its history and romance capture the imagination.

APRO members have the opportunity to satisfy that desire when the annual convention meets in the Crescent City on the Mississippi, August 6-10. *Advancing To The Future* is the theme of APRO '87 and all signs point to it being the biggest, best show the Association has yet sponsored.

A soldout exhibit hall, an information-packed seminar schedule, and plenty of fun and festivities guarantee attendees an exciting convention.

The entire Fairmont Hotel has been reserved for the APRO event. Located at Canal and University, the hotel is ideally situated for tours of the French Quarter. The ever exciting Vieux Carre offers good shopping, fine dining, and fantastic music.

*Le Vieux Carre*, now the French Quarter, was the original city of New Orleans. Its narrow streets, filled with distinctive architecture, reveal glimpses of New Orleans's past. By day you can shop for almost anything from the finest art and antiques to inexpensive souvenirs. At night, you can hopscotch the bars listening to the bands, or just stand outside and watch the passing parade. You will still hear the music. And always, always, there is the food—Cajun, Creole, Continental, Chinese, soul food, seafood. New Orleans has it all.



*New Orleans blends the old with the new and the result makes for a captivating convention site.*

## BB/BSA Contributors

This list includes members who have pledged or contributed to Big Brothers/Big Sisters of America as of press time. APRO will continue to accept donations through July. If you have neglected to send in your pledge or contribution, do it now. All BB/BSA contributors will be recognized at APRO '87 in New Orleans.

**Alan Dobzinski**  
The Rental Experts  
Hamden, Connecticut

**Robert Fishman**  
Rentown Inc./Rent-A-TV Co.  
Plantville, Connecticut

**R. C. "Bud" Holladay**  
ABC Rentals Inc.  
Dallas, Texas

**Lee Landress**  
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Carefree Rental  
Pueblo, Colorado

**Wayne Sutton**  
Instant Rent-To-Own Inc.  
Hammond, Louisiana

**Chris Trudell**  
Laser Rents & Sells  
Beloit, Wisconsin

## Mixing Business With Pleasure

The first scheduled activities are the golf and tennis tournaments Thursday morning, August 6. Golfers will tee off at the Timberlane Country Club, and tennis players will take to the courts at the Fairmont. That evening, attendees can take a step into the future at the early bird cocktail reception, where Advancing To The Future will be the theme.

A look at the future of the rental industry will be one of the topics at the opening General Session Friday morning. State and federal legislation, the cable TV issue, and advertising regulations will also be up for review at the session.

Eight directors will be elected to the board during the session. Letters soliciting nominees for the eight positions have been mailed to all APRO members. Nominations may also be made from the floor.

Achievement awards will be presented during the awards luncheon following the General Session and winners of the first APRO Add-A-Member Sweepstakes Contest will be announ-

ced. Trophies will be presented to the Advertising Contest winners and to the top-ranked golf and tennis tournament participants. Contributors to the annual Big Brothers/Big Sisters of America fund drive will also be recognized and a check will be presented to a BB/BSA representative.

## Seminars

Nine hours of seminars, spread over three days, are built into the convention schedule, beginning after the Friday luncheon. They cover a broad range of topics pertaining to rental-purchase.

Still wondering if you should add furniture to your stock? There is a seminar that will help you address that question. Or perhaps you already rent furniture, but you are having repair problems. The furniture repair clinic will offer solutions.

Maybe you need to know more about advertising and marketing, or you want to explore new markets for rent-to-own. Those topics will be covered.

Other seminars will address effective inventory management, getting good personnel, wage and salary programs, techniques of rent-to-own manage-

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ment, financing, insurance, accounting, policies and procedures, and the list goes on.

In all, 22 topics are included in the six seminar sessions. None will conflict with exhibit hall hours.

## Trade Show

Opening ceremony for the exhibit hall is planned for Saturday morning, with the hall open from 11:30 to 5 p.m. The same hours will be observed on Sunday. Final day of the show, Monday, the hall will open at 9 a.m. and close at noon.

Familiar faces from companies well known to the rental industry will be seen in the exhibit hall. Plenty of exhibitors new to the industry will also be there. In addition to standard rental items, some products you may never have considered for rent-to-own will be on display.

You already know that some dealers are renting tanning beds (see PROGRESSIVE RENTALS, April-May 1987), but were you aware that jewelry has become a possibility for rental-purchase? It has, and several exhibitors

will be on hand to demonstrate their programs.

More than 80 exhibitors will display in over 160 booths in the Imperial and International Ballrooms of the Fairmont.

Lunch will be available for purchase from 11:30 to 1:30 Saturday and Sunday in the exhibit hall, where a special sidewalk cafe area has been set aside. On the closing day, breakfast with bloody marys and screwdrivers will be served in the hall from 9 to 10:30 a.m.

## Just for Fun

Evening ushers in the purely social events. What could be more appropriate for New Orleans than Mardi Gras and the Mississippi?

Friday, it's time to pretend you're at Mardi Gras. Become a Confederate general or Southern belle of the ball and join the revelry that spells Mardi Gras in New Orleans. Costumes will be available for rent.

A Riverboat Cruise has been added to the schedule of night-time events. The Saturday night cruise will be

preceded by cocktails and promises to be a truly fun-filled evening's entertainment.

As they say in Cajun country, *laissez les bon temps rouler*, or, let the good times roll!

## Other Highlights

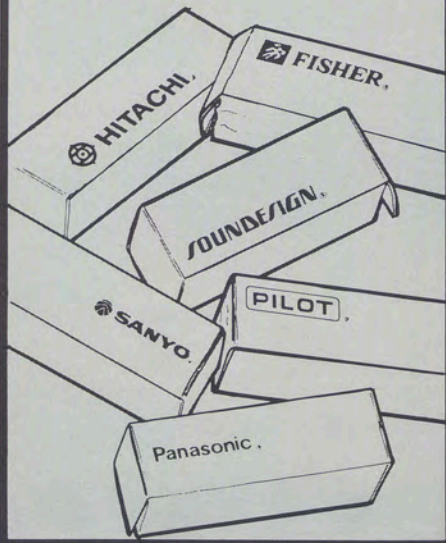
Two really special excursions are planned as part of the spouse program. Longue Vue House and Gardens, an exquisite city estate furnished with European and American antiques and surrounded by beautiful landscaping, will be toured Saturday morning. Lunch at the world-famous Commander's Palace Restaurant will follow.

A shopping tour to the Riverwalk, a colorful new marketplace located on the site of the 1984 World's Fair, is on the agenda for Sunday morning.

Sunday night, you are on your own to enjoy the wonders that are New Orleans.

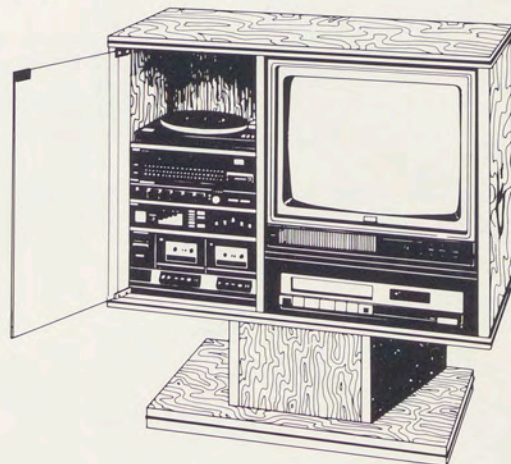
Registration packets have been mailed to all APRO members. Don't wait any longer to mail your registration. APRO '87 in New Orleans is an event not to be missed. **PR**

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- Tracks history of each rental unit
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- Maintains records of repair and service by unit or by customer
- Handles intercompany transfers or units

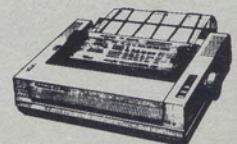
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# Rent-To-Own:

### For some, it is the *only* alternative

*The following is an editorial that originally appeared in Network Rental's employee newsletter, "Network Notes." Written by Perry McNeal, Network Rental president, it is reprinted here with permission.*

Someone asked me once if I didn't think it was a little shady to sell televisions to people for three times our cost. I'd like to answer this question to the whole world, but since this newsletter has a rather limited distribution, I will answer it for you.

I will begin by relating to you the story of Mary Bethel, who was one of our first customers at the Greenbriar store back in 1981. During this period, most of our policies were experimental and we had yet to learn many things that we learned in the ensuing months and years. For approximately two weeks we exercised a policy prohibiting rental to anyone who could not verify bona fide employment.

Mary Bethel phoned in an order for a washer to one of our people, who promptly rejected the order when he learned she did not have a job. When Mary began to sob, he turned the call over to me and I listened to her story. Mary drew \$1100 per month in Social Security, but she was blind and confined to a wheelchair. She told me of her repeated efforts to get a washing machine by trying to buy one on credit from various sources. She had gone through three \$80 used machines in six months. She explained to me between her sobs that if I would let her rent a washer, she would finally be able to own one. I changed our policy immediately and, 18 months later, Mary Bethel had a perfect pay record and her own washer. I often wonder what Mary is doing these days.

So, why did Mary Bethel have to pay \$846 for a washer she could probably buy at Rich's for \$399.95? It is very simple. It has to do with the price you pay for the services rendered and the cost of doing business with the company rendering those services. It is easy for me to see that we could sell washers all day long for \$399.95 and perhaps be equally profitable, if we sell those washers for cash plus tax and charge a cost-effective delivery fee. However, we

provide service that goes far beyond the manufacturer's warranty; we maintain an entire collection department, which utilizes 50 percent of our human and physical resources; we allow the customer to return merchandise at any point with no penalty; and, we pay very dearly for the cost of the money we invest in the washer that Mary Bethel pays for over a period of 18 months.

I think the most important thing I learned from Mary Bethel's experience is the fact that there is a large segment of the population who cannot own a

nice washing machine or other home furnishings unless they deal with a rent-to-own company. Fortunately for these people, they can deal with Network Rental. I believe we have more to offer in terms of professionalism, and perhaps even integrity, than many of the other options.

Our bottom line is approximately 6 to 8 percent. Jewelry stores, furniture stores, oil companies, computer companies, and many others would scoff at that percentage. For Mary Bethel's sake, I'm glad we're happy with 6 to 8 percent.

## Secrets to Rental Marketing

*Ed. note: The following tongue-in-cheek advice was submitted by an APRO member who prefers to remain anonymous.*

The ultimate success of any retail enterprise turns on the ability of that business to effectively market its product. Wal-Mart says marketing is "when the refrigerator looks good in the store and works right in the kitchen." Everything before and between is management.

Gathered from rent-to-own dealers across the country is this collection of marketing secrets that, when combined with effective management, smart advertising, and incredible luck, will surely turn your business into a powerhouse:

1. Buy only products that you can make money from. All that warranty and reliability stuff is only for people who intend to still be in business when it breaks.
2. Make certain store employees know little or nothing about the product; otherwise, they will waste valuable time telling it all to customers.
3. Never uncrate or assemble anything prior to delivery; the element of surprise keeps even average employees alert.
4. Don't use any type of current point-of-sale materials. Your customer has to SEE last year's model to appreciate the deal on the new one.
5. Never replace burned-out light bulbs or worn carpeting. This is a sure tip-off to your competitors that your sales are up.
6. Hold sales training meetings at odd times in out-of-the-way places. You will save on coffee and doughnuts and have more time to spend with the handful who do show up.
7. Advertise only the first payment and keep it low since this is the only one your customer intends to make.
8. Try to place new outlets on one-way streets or at the back of half-empty shopping centers so that money saved on low rents can be applied to the triple ad budget you will need.
9. All brochures and other collateral should be designed by the owner's brother. Who else knows so much about what the owner's wife wants?
10. Finally, use contracts that have lots of small print, confusing terms, and contradictory phrases. This should eliminate all those potential customers who are smarter than your employees.

If you make prudent use of these valuable tips and track your advertising regularly, you should soon move into the ranks of those all-time great marketing operations: Woolco; W.T. Grant; Studebaker; Imelda Marcos, et al.

In the remote event any or all of these ideas fail to produce the desired results, you have obviously set your sights too high and you should immediately cancel the deal on the Maui condo.

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## STATE

*continued from page 37*

An important question now has become what effect will federal legislation have on the state statutes that have been enacted? Almost certainly, any federal legislation enacted will have most of the disclosures required in any of the states; a few state statutes are being enacted to declare that in the event federal legislation is enacted, compliance with the federal bill will be compliance under the state disclosure statute. Almost certainly, federal legislation will not have any effect on substantive controls placed on dealers at the state level.

In the unregulated states, there is a sentiment in some states that "if it ain't broke, don't fix it." There is the risk with this attitude that consumer advocates will take the initiative to attempt either to seek unfavorable legislation or muscle it through a given state. To date, that

Such restrictions were enacted to prevent dealers from luring customers into the store with promises of low payments that do not accurately reflect the total cost of the transaction.

has not happened, although as of this writing, the attempt is being made in North Carolina.

Elsewhere, dealers at the state level fight among themselves unnecessarily. There inevitably arises a certain pride of authorship in state legislative efforts and dealers can and will fight over who controls the effort.

While much of the concern is a sincere interest over what kind of legislation gets passed in a given state, some of the concern, unfortunately, appears less highly motivated. It is a serious problem with which the industry must deal in a forthright manner. During legislative efforts, it is imperative that the industry at the state level present a united front.

It is also true that reasonable minds can differ as to how hard one should fight over certain issues that arise at the state level—for example, whether or not to allow a cash price disclosure. To a certain extent, those who pay the bills are

entitled, and indeed should be entitled, to make the decisions. What the industry does not need is for dealers to sit on the sidelines and throw stones at a sincere legislative effort.

One movement that would help would be for dealers at the state level to coordinate better with one another. If the cash price issue is an important one to the consumer advocates in New York, it is vital for dealers in surrounding states to know that it is an important

It has become a common story in civil courts for customers to allege that they were promised new merchandise and were given used. Such conduct, if proven, is fraud under the laws of every state.

issue. It may well crop up in the legislative battle next door, and dealers need to be prepared with a strategy for dealing with the issue. It is hoped that APRO will be able to assist these state groups with coordinating efforts and disseminating information about current issues.

With the passage of time, more state governments will look at the rental-purchase industry and attempt to regulate it. It is too late in 1987 for many states that have not already done so to have bills introduced. The year 1988 is an off year for many states and it is unlikely that there will be as many bills introduced then since there are fewer legislatures sitting. The year 1989, which will have every state legislature in session, may see a great number of rental-purchase bills introduced either by the industry or consumer advocates if federal legislation has not been enacted by January of that year.

The good news is that the statutes enacted seem to work. Dealers have not been confronted with lawsuits for non-compliance nor are dealers reporting that they are unable to live under the restrictions. Indeed, the 11 states where statutes have been enacted are safe harbors for the industry and should lead to a rapid development and maturation of the industry there.

**PR**

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

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## COMPUTERIZING

continued from page 13

Holladay admits that he was the last to learn to use the system and that "the low-level store employees caught on the quickest, absolutely no problem. The hardest part of it was in taking (and this took months and months) management to figure out the critical aspects of the management reports and how to go effect changes in those numbers in the field, based on the printed word.

"Basically, rental dealers are eye-ballers. The dealer walks into his store and talks to a few people and picks up a notebook, looks at a few TVs and says, gee, my problems are this, this and this. When you go to computerizing multiple stores (and when we computerized, we computerized 11 stores in five different markets, just bang, bang, bang, one after the other), that whole picture changes.

"What happens then is somebody sits at the home office, looks at a report, and says, 'Based on this, X is happening out there. Now, go look at it.' And a guy goes and looks and he says, 'Gee whiz, you're right, why didn't I see that before?' Those are the kind of changes you have to get used to.

"It's more of a change for the mid-level and operational financial people than it is for the store people. Store-level people should have no problem. It's no different than putting a different type of typewriter in there. That's the easiest place to change.

---

I spoke to the president of that chain and he did not recommend that software at all.

---

"It's almost like there was a real critical time period when the middle management people had to suddenly wake up one day and learn that you don't go spend six hours digging into all the dark corners of a store. You flip through some pertinent reports and highlight some areas and go right to the store and attack those areas. It was like the use of time changed for them. It's a time shift problem.

"The typical middle-level management guy in a rent-to-own company spends a lot of time out in the field. Spends a lot of time physically looking and physically counting, and physically

## Developing a Software Program For Rent-To-Own

### An interview with Bud Holladay

We've been computerized at least six or seven years. The High Touch System being sold is our system. It was developed for us. We hired those folks and our CPA firm came into our company and we laid out the parameters of what we needed and developed the system. Then we sat down one day and said, "Gee, we could probably sell this to other people," and High Touch said, "You can't because you're in the TV rental business, but we can because we're in the computer business."

So we licensed the rights and ultimately sold it to them. But that is our system. It's almost exactly the way we laid it out six or seven years ago.

Back when they did it, there weren't that many systems out there to be duplicated or cloned for other multiple, remote locations. The programmers spent about two weeks in the field, behind the counter, on the truck with the delivery and collection people, talking to the secretaries, clerks, and assistant managers.

They spent a good month and a half huddled with the accountants and attorneys because we approached it from two standpoints. This is the important thing. What we've seen in most companies that are computerized are two major flaws—they're critical flaws, they're fatal flaws.

One, the system has to be devised from an accounting control standpoint. Second, it has to be flexible enough to allow for, or to take into account the legal parameters, the statutory regulations, the administrative rules and laws.

What happens is that the guy goes out and hires his brother-in-law or the jerk from the local computer company to design him a program and the accountants can't use it. And then the state passes a law that regulates rent-to-own in his state and his computer can't handle the disclosures and such, the manipulations you have to make in pricing and terms to fit the state law. So what the guy ends up with is a computer that's nothing more than a helluva file cabinet.

The legal changes don't take place that often, but the problem is if a guy's got a good-sized system (and he'll have a couple hundred grand invested in a good-sized system), all it takes is one time and he's got to redo his system. But more important, it's a long-range picture. When we started to develop our system, we sat down with the tax accountants, the tax attorney and the operations people from the company, and we said there are three paths that have to merge here.

The three paths that have to merge are: generally accepted accounting practices; the legal and statutory regulations; and then the operational needs. At some point in time those have to merge and the proper information come out the other end. Whenever you go out and look at a computer system that doesn't work, it's because one of those three paths was ignored.

Generally, what they do is they go out and design a computer system that only the accountant understands, and the information that comes out is only of value to the accountant. Or, it's only usable and understandable by an operations person and it doesn't have any concept of tracking inventory depreciation, cash receipts, inventory write-off, interest, you can't move expenses around by store, you can't allocate expenses.

It's nothing more than a manual system done on a machine. That's why we've been so incredibly happy with our system. We sat down in the beginning and said, there's two people who have to totally understand and accept this system—the lowest level person and the ultimate end-user, which is the tax accountant. Now, if those two are satisfied with it, everyone else can learn to live with it.

Problems occur when someone begins without a clear end objective. It's sort of like building a house by having different members of the family come up and say, "Make this room bigger and move that room back." What you wind up with, you don't have a house, you have a collection of rooms. They don't fit, the walls aren't straight, and the floors aren't level.

That's exactly what happens when people go out and start re-inventing their

own computer systems. Because everybody's got their favorite room: the accounting room, the collections room, the inventory control room, the delinquency report room, the file room, so you'll have all those rooms, and it can be ugly.

Do you know what the most common problem was for us? It's like a reverse Catch 22, or a discovery process. Once you accomplish Objective A, the natural thing is to say, "Well, gee, if it can tell us that, let's take it a step further, because holy smokes, we didn't realize that we could get this. If it can do this, let's make it do that."

At some point in time, the programmer and systems design people have to have the guts to say (and fortunately ours did), "Hold on. Let's go back and redefine the objective because if you keep wanting this and this and this, you're going to have to give up something back here because the system can't just expand infinitely. So, make a decision. What in your business is not essential to maintain for more than a month?"

"What's critical to maintain forever? And what might you change your mind on maintaining or retaining for 30 days or 90 days?" And then they blocked those out. So consequently, what we have is a system where the vital records and details are held literally forever, the things that change as the business changes, i.e., customer files, records of charge-offs, records of rentals paid on certain inventory items, we may retain those in the system for 30 days to 90 days at our choice. And other things leave the system the minute they're Xed out.

What the average guy does when he starts working on that, he says, "Wait a minute. I can get 40 different kinds of management reports." He thinks, wow, I can run the company by paper.

Hey, ain't nobody gonna read all those reports. There are too many. Then what you find out is, the more management reports you get, the less complete information you get from each report. So what you want to try to do is build your system so that like facts, or like facets of the business, are collected, reported and detailed in one report. So that you don't have to go putting this report with that report, and that report to find out what you want to know.

For example, anything detailing how customers pay and who customers are; that has to do with how many times they've been late; that has to do with what they're renting and when they rented it and how many days they've got it and when they pay it out; cost; all that should be on one piece of paper for you.

What a lot of guys will do, they'll have a report that tells them everything about every customer in the world, except it doesn't tell them what that customer's renting. Or it tells them what he's renting, but it doesn't tell them what he's going to pay into the future. They've got to go pull another report. That's stupid. You want to try to meld down the number of reports to the smallest practical number usable and readable by your employees.

And the other thing you find out is there are computer reports out there, unless you're from Jupiter, you aren't going to be able to read them. I don't know who reads some of these reports because you've got to have three degrees from foreign universities and speak in charismatic tongues to figure out what they're trying to tell you. I mean really.

And do you know why they do it? Well, because Ethel's son Leroy took a course at the junior college when he got off working at the filling station and he said he's going to write this for us for free. And what you wind up with is something that's totally incomprehensible.

The key thing is, if a guy thinks he might ever want to sell that business he better go look at what is loosely termed "state of the industry." Make his system conform as much as possible to what the dominant people in his market are producing. Because when it comes time for him to sell his company, the company that wants to buy it can't figure out what he's got.

The terminology is different, the definition is different, the processes are different. Everything is totally screwed around, so the big company says, we don't know what you've got, but we think it's probably worth half of what you do. Now the guy whose system is consistent with the big folks, or consistent with other folks in his market, can name his price and be able to prove that price on his record-keeping and his historicals, simply because he's calling an apple an apple.

That to me is probably the biggest single danger to going out and having your own system designed. When you die, the system dies with you because nobody else understands what it means.

uncovering and physically discussing, and physically adding and subtracting and balancing.

"When his time is no longer spent doing that, his time is spent going to the root of the problem, then it becomes a people problem. Whereas in the past it's been a mechanical, functional problem of wading through a myriad of mechanical, routine tasks to find the problem, and what happens is you always find out some of your good old, middle-level management people, they ain't worth (the money you pay them). Because they were counters and controllers and fixers and finders.

"Now, because you have this instant flow of accurate information, all the fixing, finding, and counting is done for you. Now, they have to become developers and solvers and motivators and organizers—totally different job requirements. That's the hidden problem or aspect of converting to computer, and it's the last one you ever realize.

"What we found out was, we used to pay a lot of people a lot of money to just look and count and tell. Now you can pay far fewer people a few less dollars to go develop people's abilities, which is a totally different type of deal.

## **Lower Level Management Improves**

"What it boils down to is moving the work down to lower levels within the system. It's the old management theory of the best decisions are made at the lowest level, where the decision has the most impact. That's what happens because the real decision making becomes a process that's able to be done at the lowest possible level.

"Now what happens to all your middle management people who've been making those decisions? What do they do now? They don't know. What happens is they go out and screw up the works.

"What you find is, if the store manager has available to him the information about the store that you have, he can act on it more quickly and more effectively than sending a home office guy out to the field to spend three days in the store to find out that they can't control their inventory because of X. Well, what this means is you're able to hire smarter managers who will have more hands-on control at the store level, and your middle management people become analyzers, teachers, trainers, planners, motivators.

"I think the days of the old regional

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manager who goes out and makes a list of everything wrong in the store and counts all the missing TVs, and burrows into the back rooms to find all the missing receipts—that guy's days are numbered. They used to make a lot of money for doing that, because they were indispensable."

### Employee Reactions

Except perhaps for the mid-level people who have disappeared from Holladay's company for not adapting well enough, none of the companies surveyed reported major resistance or problems with their employees connected with computerizing.

"Our people love the computers," McNeal said. "We've had zero resistance. In one situation we transferred an assistant manager from a computerized store to be a store manager at a non-computerized store. He offered to do the conversion at night and to get his wife to help him to get the computer put in because he wanted it so bad."

Morgan's employees in the Washington, D.C., area were equally positive. "About 99 percent of our employees adjusted very well, and a few of them

The key thing is, if a guy thinks he might ever want to sell that business he better go look at what is loosely termed "state of the industry."

just couldn't cope with the idea of a computer and probably left my employ because of it. Basically, they were people who hadn't had any exposure to a computer and it frightens them. They're afraid they'll make a mistake and they're not willing to try."

ABC Rentals tried to make the transition as simple as possible for its employees. "You know the people who caught on the fastest?" Holladay asked. "The clerks, the account managers. I mean, it was almost instantaneous. But again, that had a lot to do with the planning that went into it because one of the important things we insisted on is that no printed report or any screen report (anything that would show up on the screen) would look totally foreign to the old manual thing they'd seen. We

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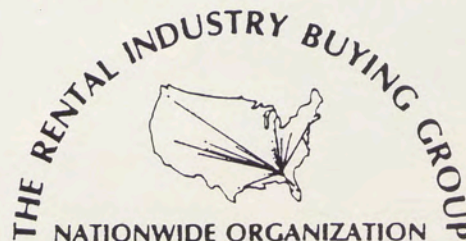
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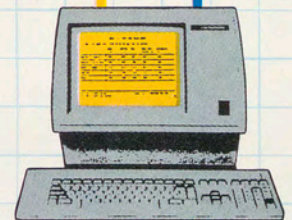
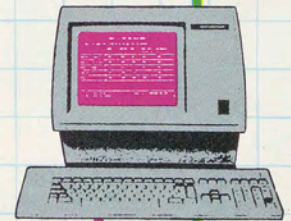
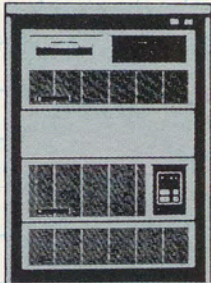
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wanted to maintain some kind of consistency, so it wasn't a total day and night process.

"For the past dues report we wanted the physical layout and look to be as much like the old manual card system as possible to keep the fear down that this computer is some kind of magical, mysterious device that's going to screw us."

Loeb added, "I was pretty familiar with conversions. This was far easier than anything I had ever done. I wish I could take the credit for that, but I can't. It was just a matter of pre-planning everything and getting things done well before you really needed them done."

## A Little Advice

What would these dealers advise others who might be considering computerizing? Asked that question, Perry McNeal immediately said, "I'd tell them to sell me their stores."

Then he added, "I don't know what I would tell them. I guess I would tell them to enter cautiously and definitely to hire a consultant. Also, don't be too optimistic about the time and work involved. Don't be naive. It's a monumental job."

Tracey Morgan offered this advice: "It takes not only a lot of money but time, and you have to be very careful not to let your rental business suffer while you spend so much time putting in your data base and getting your employees trained. In hindsight, I think our business was very flat for a few months there because we were spending so much of our energy getting computerized instead of getting units delivered."

"I wouldn't want to have to go through it again. So, I'd also tell others to make a very good choice the first time, because you don't want to have to do it twice."

Jeff Loeb made several suggestions. "Do your homework. Be prepared for a long, arduous task, and get it done as quickly as possible. Even though it's a lot of work, don't spread it over a long period of time. Get it done and get off the manual system and rely on the computer."

"Another thing I would tell someone is, don't take the cheapest system you come up with, because it would be terrible if that system didn't suit your needs and you had to scrap it and start all over again. And, probably be prepared for more of an investment initially than you thought you were going to be

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Never have the computer salesman develop your program for you.

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able to do it for. I was kind of surprised at how much it ended up costing us, but as I said, it was worth every penny and then some.

"One final bit of advice: software companies change, unfortunately, too frequently. Among those who were in your magazine when I was evaluating, some of them were no longer in business within a very, very short period of time. That's another thing I would suggest, that you use somebody who's been around for a while and who you feel you can trust."

And what does Bud Holladay say about computerizing?

"The dumbest guy is the one who says, 'I'm not going to go computer until I get bigger. Because A, he probably isn't going to get much bigger, and B, getting bigger won't make him any more money because he never knows what he's really got. I would computerize every single store starting the first day the doors open.'"

**PR**

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



## Clarification

Several lines of copy were incorrectly deleted from the article "Furniture Rings Up Profits" in the April-May issue, resulting in incomplete identification of Ed Deines, who is director of ancillary projects for RTO Inc. in Visalia, California.

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## Respectability/Responsibility

By all indications, the rent-to-own industry has achieved a significant level of respectability to the extent that we are now entering an era of glamour.

Sure, there are people who believe that rent-to-own is a big rip-off of poor, uninformed, defenseless consumers. (One lesson we can all learn is that this society likes to regulate any transaction that looks like someone "financing" someone else.) These people should be concerned that the transaction be properly documented, full disclosure of money and the deal be made, and the consumer be treated with dignity and respect within the framework of the deal.

As a long-time observer of this industry, my impression is that (with some notable exceptions) the vast majority of people on both sides of the rent-to-own transaction are satisfied. If not, explain simply to me the very bulk of rent-to-own transactions that occur every day. But there remains a gnawing question: How much should someone make on a transaction that involves someone financing someone else who is not "credit-worthy"? It remains to be seen whether government regulation or competition ultimately answers this question.

But make no mistake, the rent-to-own industry has become very respectable. Rent-to-own is young enough that most of the entrepreneurs who started this industry are still alive and many are still active in the industry. These people were the risk-takers and the people who worked at figuring out rent-to-own and making it work.

By the late '70s, rent-to-own had grown to the point that respectability was needed—the risk had to be lessened. APRO was formed with one major objective: Make rent-to-own respectable. It is my opinion that APRO has done an admirable job in this mission. We now have a major rent-to-own company that is publicly owned. We also have rent-to-own being examined by very respectable journalistic sources. And, of course, we continue to have state and federal legislative interest with the intent of regulation.

Believe me, there is nothing like government regulation to make us more respectable. One measure of the level of respectability that rent-to-own has achieved is what can only be described as an invasion of new vendors, new sources of money, new professional organizations, and new owners, many from other markets.

With the respectability of rent-to-own come certain responsibilities. I would like to develop one such area of responsibility. My remarks are directed to owners who aspire to be more than a "mom and pop" operation. (By the way, mom and pop operations are going to be around for a while in

rent-to-own.) The management of each rent-to-own company has the responsibility to create and effectively use quality information as a critical management tool. The days of a rent-to-own company running business by the seat-of-the-pants and gut reactions as well as running money in and out of the hip pocket are, for all intent and purposes, gone. You, as owners, are to be *accountable* for your company and its operations.

Why? With respectability comes the responsibility of putting your company's operations under a magnifying glass. There is a small army of people who will come to seriously examine your company. There will be your accountant and lawyer, your investors' accountants and lawyers, the credit departments of your major vendors, your bankers, the IRS, various regulatory agencies, and surely the people who ultimately want to buy your company. For openers, they expect to see information in the form of financial statements (balance sheet and income and expense statements).

Your financial statements are the ultimate measure of how your company is performing. The reason you are in business is to accumulate wealth. The balance sheet reflects your current position in the accumulation of wealth. The income and expense statements document the only real source of addition to a company's wealth, net profit after taxes.

These people also expect to see quality information: timely, accurate, complete, and presented in a format that allows comprehension. The financial statements represent the end of a chain of information processing that starts with the basic transactions performed at your stores and at your home office. These people will test the integrity of this entire chain of information because they must be convinced that they are looking at accurate and complete information. That means your information control and processing system not only must produce quality information but also must be auditable. Accuracy and completeness must be demonstrated at every point in the chain. Such a demonstration creates integrity in the minds of those people who are examining you very closely.

How? Since the early '70s, we in my profession have been distributing computing power to the masses of small to medium-sized business organizations. From the beginning, we realized that these small, affordable computer systems could be used for two purposes:

1. These systems could be used to control basic business transactions to insure that policy set up by upper management is carried out across the entire organization. In the case of rent-to-own, this means not

only transactions at the store but also transactions at the home office.

2. Having captured the basic business transactions, these systems could be used to generate quality information about these transactions. At the top end of the chain of this information are the financial statements.

Computers provide only an appropriate physical environment in which to process transactions and generate information. The simple acquisition of a computer is not enough. The computer may not be appropriate. (There are no good and bad computers. There are, however, appropriate and inappropriate computers.) More important, the character of the computer (how well it does the intended job) is determined exclusively by your real asset—software.

Hardware comes and goes in a never ending cycle of newer models with more capacity for fewer dollars. Good software should be relatively independent of computer hardware. Good software is the end-product of people who have listened, learned, and achieved a high level of understanding about the nature of the business of rent-to-own. It is these people who translate the needs of rent-to-own into software that is understandable by computers. It is a job for professionals, people who understand precisely what they are doing and why.

I have tried to make the case that one significant measure of the respectability of the rent-to-own industry is the level of sophistication of the information-processing systems that are being used by owners to control their business. Get the controls in place at the basic transaction level. From these transactions, generate an information chain that starts at the transaction level and ends at the financial reporting level. Make that chain believable.

Fully disclose the rent-to-own transaction to your customers, and then treat your customers with dignity and respect. Treat your people as your most important asset even if the accountants cannot put it on your balance sheet. Treat the vendors that supply you with the critical goods, services, and money as if they are your own people. Because, in a very real sense, they are your people. Treat APRO as a critical vendor.

Do all of this and you are well on your way to respectability. You offer no apologies. You are part of the new era of rent-to-own, that part which will survive.

*Ted Cary is president of High Touch Inc., based in Wichita, Kansas. The company offers computer-based automation of business procedures for the rent-to-own industry.*

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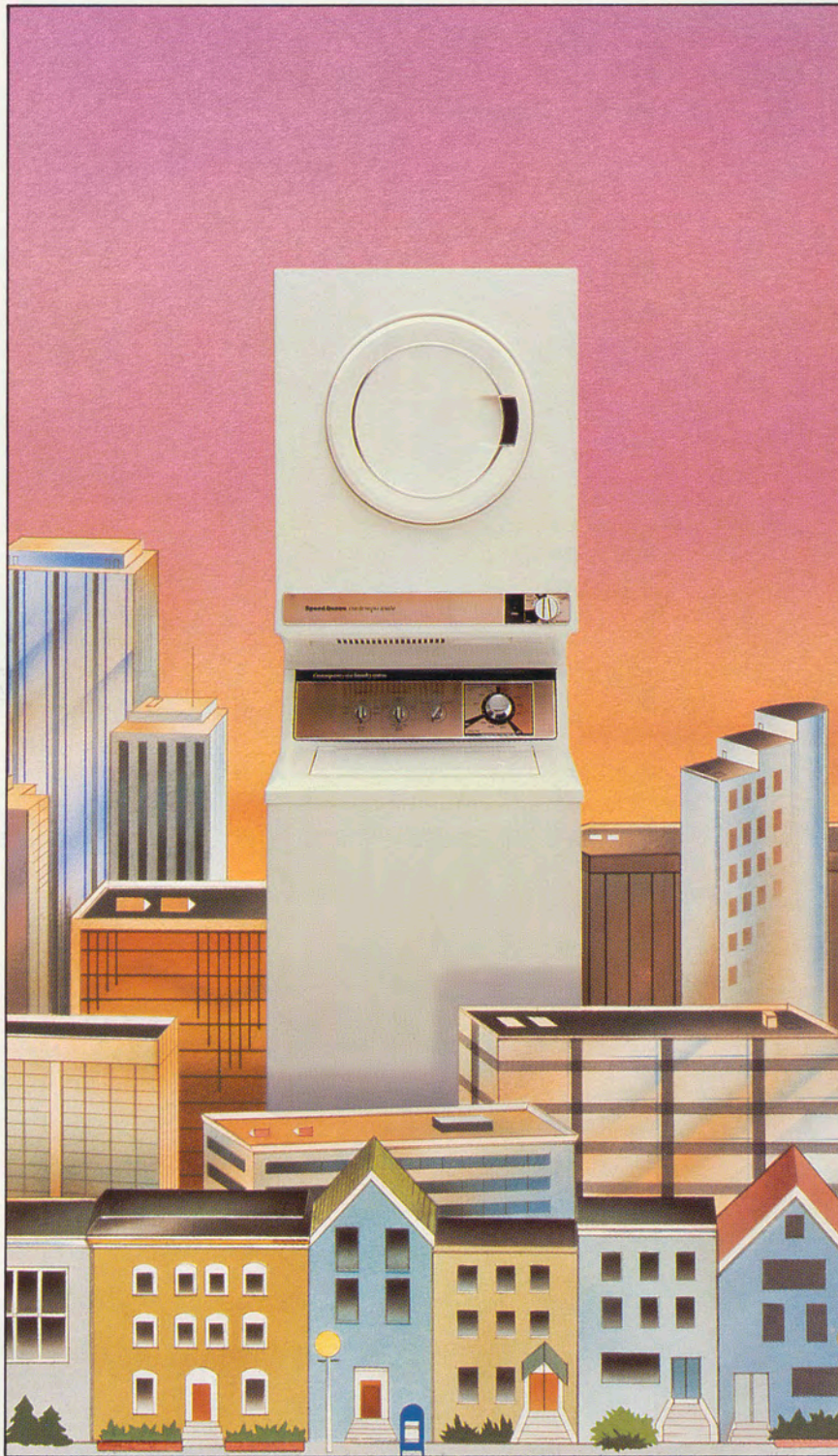
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