

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

Progressive Rentals

Appliances Reliable Winners



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 TV Monitor with 105-
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 plus Stereo FM/AM
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 Graphic Equalizer, Dual
 Cassette Decks, Semi-
 Automatic Record
 Player, Tower Speakers
 and Custom-Designed
 Rack with Tempered
 Safety Glass Doors,
 Slide Out Tape Storage
 Drawer, Record
 Storage plus Wood
 Lift Lid



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

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 Wireless Remote Control
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 Tuner/Amplifier, Clock/
 Timer, 5-Band Graphic
 Equalizer, Dual Cas-
 sette Decks, Semi-Auto-
 matic Record Player,
 Tower Speakers and
 Custom-Designed Rack
 with Tempered Safety
 Glass Doors, Record
 and Tape Storage plus
 Wood Lift Lid



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



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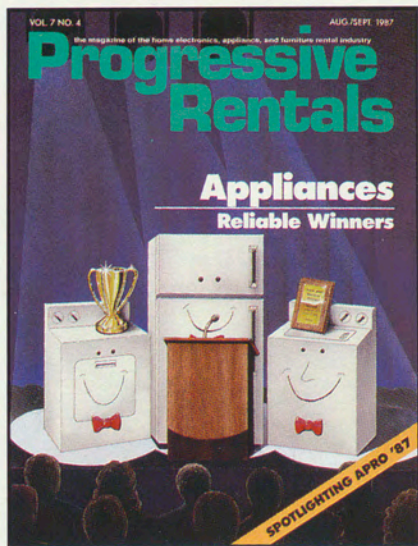
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For More Information, Contact Jim Rives,
National Rental Sales Manager

Soundesign Corporation
Harborside Financial Center
Jersey City, New Jersey 07302-3948
1-800-333-3092



ON THE COVER: The spotlight is on that old reliable—white goods—and on the annual APRO convention. Both merit recognition, and they get it in this issue. The appliance feature begins on page 8, convention coverage starts on page 28.

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*Ebel Photography,
Wichita, Kansas*

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Reliable standbys is how many rental dealers think of white goods. Find out what dealers and manufacturers say about current trends in rent-to-own appliances and what it takes to promote them to your customers.

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| | | | | | | | |
|---------|-------------------|-------|----|-------|-------|-------------|--------------|
| 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 | 0.00 |
| TIME | 10:35 | TAX | 1.98 | | |
| SALESMAN | Alan | PAYMENT | 32.44 | METHOD | CASH |

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

UNIQUE.

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

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Unique

Business Systems
Santa Monica, CA
213-396-3929

THE DIRECTOR'S DESK

The 1987 APRO Convention in New Orleans was a tremendous success. Record attendance, a record number of exhibits, and what surely must have been a record amount of fun had by the members attending the convention. New Orleans will be hard to top, but plans are already in progress for the 1988 Convention in Las Vegas.

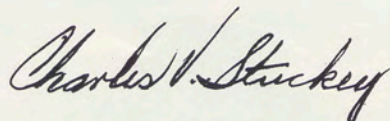
APRO's industry survey was announced at the convention. The survey is designed to gather industry statistics for rent-to-own. As Ed Winn pointed out in the general session at the convention, the importance of this survey cannot be overemphasized. All APRO members should have received questionnaires in mid-August. Deadline for returning the completed questionnaire is September 15. If you have not completed the survey, please do so, and mail it immediately.

The convention theme, "Advancing To The Future," seems particularly appropriate after hearing the various reports given by APRO officers and committee chairmen at the general session. APRO was born only seven short years ago when a handful of rental dealers met and formed a trade association to deal with common problems and to promote the general welfare of the members and inspire public esteem of the rental industry. Since that first meeting in 1980, APRO has grown to a membership of more than 500 companies representing close to 3,000 rent-to-own stores.

Legislative and legal problems came to the forefront early and continue to be the major thrust of the Association's programs. Much progress has been made with the passage of favorable rent-to-own laws in 12 states and favorable legislation pending at the federal level. Although the groundwork has been laid and progress has been made, there remains an enormous amount of work to be done to pass favorable legislation in the other 38 states and at the federal level. APRO and the rent-to-own industry are on the threshold of a new era: an era when rent-to-own is recognized as a major force in the U.S. economy.

As would be expected, APRO has experienced some growing pains due to the rapid growth from a handful of dealers in 1980 to its current position as a large national trade association. The Association is now entering a new period of stability when we can begin to formulate long-range strategic plans for the development of the Association and the industry. APRO continues to grow, but at a moderate pace. There is strength in numbers and the Association will increase its efforts to enlist those rent-to-own dealers who are not members at this time. APRO represents and benefits all rent-to-own dealers, and renewed efforts will be made to bring in new members to be a part of the team.

Yes, APRO is "Advancing To The Future" with renewed optimism and confidence that the future is indeed bright for rent-to-own.



—Executive Director

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Rentals**



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Hitachi has introduced a complete new product line-up filling the needs of rental dealers. Our profitable quality products backed by strong warranties with consistent supply from Hitachi's 40 authorized Distributors covering the United States, makes Hitachi the commanding choice for rental. Whatever your goal, HITACHI CAN HELP MAKE IT HAPPEN!

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Console CD System with Remote

Incomparable designer system with 32 program random memory, 10-key infrared remote, 50-watt amp., digital PLL synthesizer tuner and a high speed dubbing deck for tape to tape, CD to tape, or tuner to tape dubbing.



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Make Appliances Part Of Your Winning Team

Dealers call them most reliable rental products

When rent-to-own dealers gather to talk shop, someone may recall how Barry Gambini stumbled into appliance rentals nearly 20 years ago. With a batch of turquoise, coin-operated washers he pioneered in a segment of rent-to-own that most dealers say they wouldn't be without today.

Gambini, an APRO founder and former APRO president who was CEO of RTO Inc. and is now a rental industry consultant, accepted a group of 20 used, coin-operated washers in trade for some Maytags he had sold through his retail laundromat supply business. These antiquated machines—with glass tops—were in good working order. His service department set about cleaning them while Gambini considered their future. They were too outdated to be used further in a laundromat, and their coin boxes limited their resale value. What to do with them?

The plan he developed was really more humanitarian in concept than profit-oriented. Gambini decided to rent the washers at low prices to migrant farm workers who were trying to survive in the San Joaquin Valley.

"We figured," he explained, "that if there was anyone who really needed those washers, it was the farm workers in their camps. So we put an ad in the paper advertising an extremely low weekly rate, and they were rented immediately. The farmers leased them

Turquoise is not mentioned as a color preference today, nor are coin boxes considered a plus, but dealers large and small report that appliance rentals are a solid part of their profit picture.

for their camps and many even put them in their homes, coin boxes and all. That's how I got started in the rental industry," Gambini says, "with 20 turquoise-colored washing machines."

Today's Market

Turquoise is not often mentioned as a color preference today, nor are coin boxes considered a plus, but dealers large and small report that appliance rentals are a solid part of their profit picture. An informal survey of rent-to-own dealers across the country reveals that growth in appliance rentals is keeping pace with that of the entire rent-to-own industry and is expected to continue in the coming years. Dealers who have not built a strong appliance business say

they plan to do so in the near future.

Appliances have smaller profit margins than other rental products, but can still generate a substantial 20 to 35 percent of a store's income. Dealers note that appliances stay out on rent longer and go to term more often than other rental products. The introduction of longer warranty programs (18 months and longer) by some companies will eliminate one of the chief problems encountered by dealers—repair expenses during the rental contract period.

Almond continues to compete with white for honors as the most popular color choice, while customers' willingness to accept more sophisticated products means higher profits for many dealers.

Tom Kitchens, national rental manager of Whirlpool's Special Markets division in Benton Harbor, Michigan, reports tremendous growth in the past few years.

"The appliance rental market is very positive for us," says Kitchens. "Our sales to the rental market have gone up considerably in the last two years, probably 50 to 60 percent in that period of time, so we're very pleased."

Whirlpool has provided appliances to the rent-to-own market since 1979. Asked to comment on improvements in the field, Kitchens pointed to changes in rental marketing.

More Nationally Branded Merchandise

"Dealers are doing a lot more promotion and they're using nationally branded merchandise, not only in appliances, of course, but also in the electronics field," says Kitchens. "In and of itself, this technique creates a major draw for retailers in getting more customers into their store. I think retailers are becoming more sophisticated in their marketing techniques.

"The future still looks very good to us. Our growth will be upwards of 10 to 15 percent a year. That's what we're expecting anyway. And we're looking at continuing to do very good business with the customers we already have."

Appliances have smaller profit margins than other rental products, but can still generate a substantial 20 to 25 percent of a store's income.

Whirlpool Supports Training

Training is a critical element in a store's success with appliance rentals. Whirlpool offers solid support to its clients to simplify the store manager's job.

"We've even gone so far as to furnish trainers to do videotapes for one of our customers and then we've had sales training programs across the United States for some of the others where they actually brought their store managers in and we trained them. So, yes, we do support that along with a lot of data from our own education center here," says Kitchens.

"For example, we have sales training tapes on the laundry equipment that we produce, which is more geared to the retail side of the business, but it's useful to the rental business, too.

"We schedule training as the rental companies need it. We have ongoing sales and service training here at our education center in Benton Harbor. For the first time since last year, we've had rental companies participate in sales training seminars and service training seminars, so we're very pleased with that as well."

Whirlpool customers continue to

The introduction of longer warranty programs by some companies will eliminate one of the chief problems encountered by dealers.

order a mix of colors. "The most popular appliance colors are still white and almond," Kitchens says. "They're getting pretty close in popularity. In laundry equipment it's still about 60 percent white and 40 percent almond, and when you get into refrigeration it reverses and goes 60 percent almond and 40 percent white, but they're just very close."

Whirlpool's standard retail warranty on all products is one-year parts and labor, and for refrigeration, an additional four years on the seal system, "which is a pretty standard warranty throughout the industry," Kitchens says.

"We seem to be moving middle- to upper-level quality products. We're certainly not selling the lower-end, builder-type products or things of that nature. We're not heavily into electronics yet. We're not selling a lot of those, in laundry or washers. It is the mid- to upper-end line without electronics products that dealers are ordering."

Are microwaves building a following? "We're doing better than we've ever done in microwaves, but it's still less than 10 percent of our volume. Microwaves still aren't a priority item for rental customers. It's pretty much the necessities of a washer, dryer, refrigerator, something like that. We're doing well with microwaves, but not as well as we do with our necessities."

Market "Maturing" Says Magic Chef

Odie Lindsey of Magic Chef in Cleveland, Tennessee, sees the appliance market "maturing as compared to growing two years ago. We're not opening as many outlets as two years ago, and I think people are beginning to organize in terms of groups, if you will, like a ColorTyme, like a Rent-A-Center. There seems to be an attempt to organize for the purpose of sharing information and buying.

"In total, we have been selling appliances to rental dealers for many, many

years. I've personally been selling them to rental dealers for 15 years, but we have only developed a specific rent-to-own program and pricing for two years."

Magic Chef's sensitivity to rental dealers' concerns is reflected in its new warranty program. "One of the successful programs we have used has been a 19-month, extended warranty," says Lindsey. "A 19-month warranty is an option for a dealer. What that does is allow a rental dealer, who generally rents for 18 months, not to have any concerns over product failure that might occur after a standard 12-month warranty."

He has only recently decided to put more emphasis on renting white goods, following a buildup in furniture.

"As the market does mature, I think the successful rent-to-own dealers will offer more deluxe products than they have in the past. I think there's been a tendency to offer only lesser-featured products and I think these deluxe products are desirable to customers. The other thing I think would be very profitable for rent-to-own dealers (and that they are beginning to do more and more) would be to offer a choice. Perhaps one of the choices will be to offer more deluxe product, so that for only a few more dollars per week or month they can increase their margins."

Training is a critical element in a store's success with appliance rentals.

"Many dealers offer only one washer and one dryer and they rent it for 18 months. The customer pays a given dollar amount per month. In many cases the dealer can buy a deluxe laundry pair for \$25 more and over the 18-month period the store could get two or three hundred dollars more for that additional \$25-cost product, just because of the features that the rental customer is prepared to rent. It represents an outstanding opportunity for rental dealers," says Lindsey.

Magic Chef recognizes the impor-

Who's Who in Appliance Suppliers

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

* = Associate Member

‡ = Advertiser

*‡ Admiral

1701 E. Woodfield Rd.
Schaumburg, IL 60196
(312) 884-2600
Refrigerators, freezers, ranges,
laundry

Amana Refrigerators Inc.

Highway 20
Amana, IA 52204
(319) 622-5511
Refrigerators, freezers,
microwaves, room air
conditioners, washers, dryers

*Appliance Distributors of CT

P.O. Box 8868
East Hartford, CT 06108
(203) 528-3781
Distributor in NE, Litton,
Crosley, Speed Queen brands

Athens Stove Works

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

Atlanta Stove Works

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

Avanti Products

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

Birmingham Stove and Range

2631 Hunstville Rd.
P.O. Box 2647
Birmingham, AL 35202
(205) 252-7800
Ranges, heaters

Brown Stove Works

1422 Carolina Ave.
Box 2490
Cleveland, TN 37311
(615) 476-6544
Ranges

Caloric/Modern Maid

403 N. Main St.
Topton, PA 79562-1499
(215) 682-4211
Ranges, microwaves,
dishwashers, refrigerators

Carrier

P.O. Box 4808
Syracuse, NY 13221
(315) 432-6000
Air conditioners, heaters

Crosley

P.O. Box 1959
Winston-Salem, NC 27102
(919) 761-1212
Refrigerators, freezers, washers,
dryers, ranges, air
conditioners

Dacor

950 S. Raymond Ave.
Pasadena, CA 91105
(213) 682-2803
Ranges, cooktops

Emerson Quiet Kool

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

Enterprise Appliances

710 Massman Dr.
P.O. Box 295115
Nashville, TN 37229
(615) 885-1405
Ranges, refrigerators

*Fowler Distributing

P.O. Box 42098
Portland, OR 97242
(503) 239-4940
Distributor in NW, appliances,
electronics

Friedrich

P.O. Box 1540
San Antonio, TX 78295
(512) 225-2000
Air conditioners, refrigerators

*‡ Frigidaire

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, freezers, ranges,
washers, dryers, dishwashers,
microwaves, room air
conditioners, dehumidifiers

*‡ General Electric

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

Gerald Industries

16390 N.W. 52nd Ave.
Hialeah, FL 33014
(305) 625-5550
Compact refrigerators, freezers

*‡ Gibson

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, freezers, ranges,
washers, dryers, dishwashers,
room air conditioners,
dehumidifiers

Glenwood Range Co.

Route 140
Industrial Park
Taunton, MA 02780
(617) 824-5811
Ranges, dishwashers,
refrigerators

Goldstar Electronics

1050 Wall St. W.
Lyndhurst, NJ 07071
(201) 460-8870
Microwaves, compact
refrigerators

Hardwick Stove

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

Hobart

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

*‡ Kelvinator

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, freezers, ranges,
washers, dryers, dishwashers,
room air conditioners,
dehumidifiers

Litton

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

Locke Home Products

4200 St. Claire
Box 192
Washington Park, IL 62204
(618) 271-1272
Gas heating equipment

*‡ Magic Chef

740 King Edward Ave.
Cleveland, TN 37311
(615) 472-3371
Ranges, microwaves,
refrigerators, dishwashers,
washers, dryers

Maytag Co.

1 Dependability Square
Newton, IA 50208
(515) 792-7000
Washers, dryers, dishwashers,
microwaves, ranges

* NAPCO

501 S. 2nd
Nashville, TN 37213
(615) 256-3646
Ranges, microwaves

Norge

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

*‡ O'Keefe & Merritt

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, ranges,
microwaves, dishwashers

Panasonic

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

Pearless-Premier Appliance Co.

P.O. Box 387
Belleville, IL 62222
(618) 233-0475
Eagle ranges, Orbon appliances

* Quasar

1325 Pratt Blvd.
Elk Grove Village, IL 60007
(312) 228-6366
Microwaves

Rangeaire

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

Roper

P.O. Box 867
Kankakee, IL 60901
(815) 937-6000
Ranges, microwaves,
dishwashers, refrigerators

Samsung Electronics

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

Sanyo Consumer Electronics

Appliance Division
1301 NW 89th Court, #204
Miami, FL 33172
(305) 592-9900
Microwaves, refrigerators,
washers, dryers, room air
conditioners, ranges

Sears Contract Sales

D/732G-Chicago
Chicago, IL 60684
(312) 875-6926
Refrigerators, freezers, ranges,
microwaves, washers, dryers,
room air conditioners

Sharp Electronics

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

J.B. Slattery and Bros.

171 Wallabout St.
Brooklyn, NY 11206
(718) 387-2200
Imperial ranges

David Smith Kitchen Aid

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

*‡ Speed Queen

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

*‡ Tappan

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, ranges, washers,
dryers, microwaves,
dishwashers

Thermador-Waste King

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

*‡ Toshiba

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

Welbilt Refrigerators

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

Wesco

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

*‡ White-Westinghouse

300 Phillippi Rd.
Columbus, OH 43228
(614) 272-4100
Refrigerators, freezers, ranges,
washers, dryers, microwaves,
dishwashers, room air
conditioners, dehumidifiers

*‡ Whirlpool Corporation

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I think there's been a tendency to offer only lesser-featured products and I think these deluxe products are desirable to customers.

tance of training support. "We have a direct sales force of representatives and they are responsible for product training. Magic Chef provides rental brochures as opposed to simply sales brochures. We also have what we call rental point-of-purchase advertising as opposed to retail purchase advertising."

Lindsey adds, "White is most popular with our customers. Again, the more deluxe a customer goes, the more almond they will select, but we sell more white than anything."

"The last time I looked we were doing about 60 percent laundry and probably 25 percent refrigeration, and another 5 percent freezers, and the last 10 percent in cooking products, either ranges or microwaves."

We're doing well with microwaves, but not as well as we do with our necessities.

Trends in microwave pricing led Lindsey to question their future sales volume. "It's really hard to say whether microwaves will become a bigger item. I don't think so. I think it's going to go the other way. The prices on microwaves are falling so low that it really is difficult to get a consumer to rent and to get that kind of cost from a microwave."

"Yes, We Know We Should . . ."

Although Gary Trumble's Rent-L-Center Inc. in Reed Center, Michigan, has been offering appliances since 1981, owner Gary Trumble reports that his stores are "light on appliances." He has only recently decided to put more emphasis on renting white goods, following a buildup in furniture.

"We will definitely be promoting appliances more in the future," says Trumble. "We've been to some of APRO's seminars saying that appliances are a necessary evil for a rental

store, meaning that the margins are not there as they are for some other items." Up to now, appliances have accounted for about 2 percent of his stores' revenues.

Steady As She Goes

In contrast, Warren Power of Americans' Rent-To-Own, a chain of 20 stores headquartered in St. Louis, has already discovered the importance of appliances to his stores' bottom line. He believes they have advantages over some of the other items in his product mix.

"We have included appliances in our inventory since 1984. I think appliances have been one of the steadiest—and have seen the least fluctuation—of any of the commodities that we rent, as compared to furniture or stereos. Appliances are probably—throughout the year, month in, month out—the steadiest merchandise that we rent. We do have some increase during the summer on items like freezers or refrigerators, but most of the time washers and dryers are pretty steady.

"We don't handle air conditioners. We thought about it hard and this summer we probably should have, because of the heat. But we don't think the keep rate is very good on air conditioners and we don't have the facilities to store that many air conditioners over the winter. So we just did not ever get into the air conditioner business."

Washers and dryers are the number one appliance that we rent and they're about 20 percent of our BOR.

In contrast to some of the others surveyed, Power says microwaves are a strong item in Americans' Rent-To-Own stores. "I see the microwave market improving all the time. The microwave market used to be only 3 or 4 percent of our business. Now it's 7, 8, maybe 9 percent.

"Washers and dryers are the number one appliance that we rent and they're about 20 percent of our BOR. They represent 60–65 percent of our appliance rentals. We probably have more calls for washers than dryers and purchase more washers than dryers.

"We rent a washer for a week at \$13, \$12 for a dryer, and \$20 for the pair. We try to keep four sets in inventory. We do

Manufacturer representatives are eager to come in and give you a full course on product knowledge.

a lot of our buying on appliances from a local distributor, so we pick up as needed. We may go down and pick up two one day, three another. We probably make a couple of runs a week.

"Refrigerators have picked up this summer. We keep four boxes on the floor, maybe two different models. Refrigerators make up about 20 percent of our total appliance rentals and we have a few freezers. Refrigerators come in sizes of 14 cubic feet up to 18 cubic feet, but an average rental would be about \$15.95 a week."

Sticking to Basics

As for other types of appliances, Power says, "We don't handle dishwashers. We have a few of them that are on rent, but we haven't had that much of a demand for them.

"The best movers for us are Kenmore and Speed Queed for washers, and we use Kenmore and Admiral for refrigerators. Our washers are three-speed.

"Customers generally look for a good, full-size washer with three speeds, not a high-end model. I don't think they're really looking to get into six cycles. I haven't seen demand for the high end. Customers want a two-door refrigerator, not a side-by-side. We have more demand for chest freezers than anything. We don't deal in uprights at all."

Small Problems, Easily Fixed

Are there difficulties in renting appliances that do not occur in other rental products? Power says, "I would think the biggest problem in renting appliances can be solved if people have a good knowledge of how to service appliances, especially washers. A lot of the servicing the local driver can handle if he has any knowledge at all of the washer. A sock in the pump or something like that usually causes the breakdowns we fix.

"Refrigerators very seldom have problems. Drivers very seldom have a problem. Your driver can handle most of that service. Some appliances may have to

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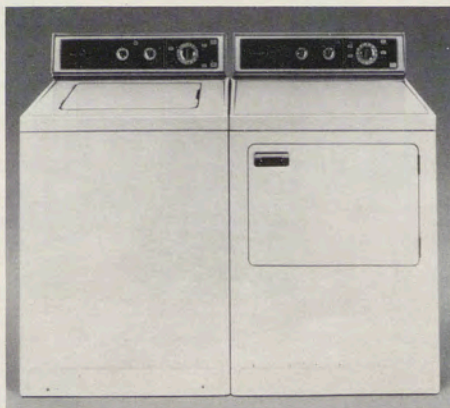
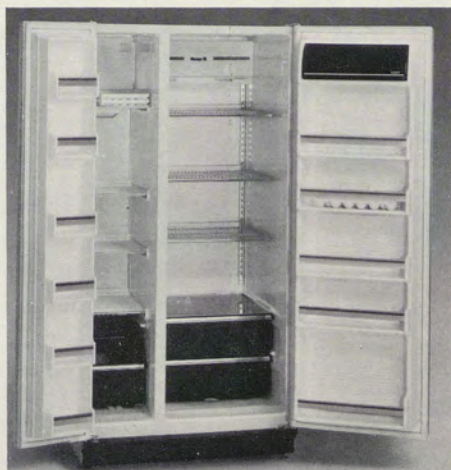
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In Hawaii, customers don't really want the upright because when they go fishing they want to be able to put a whole fish into it.

have parts replaced, but most service calls the driver should be able to handle.

"Drivers and delivery people install our washers and dryers. Our managers of each store ride with another driver for on-the-job training, plus we have a program we send them through in maintenance and installation of washers and dryers. It is a very simple procedure to install these appliances."

Training is simplified with support from appliance suppliers. "Manufacturer representatives are eager to come in and give you a full course on product knowledge," says Power.

"Our warranties have been very good. There is a chance to purchase an extended warranty of up to two years and I think that's beneficial. We're looking forward to getting that new warranty." He also expects the new bottom-mount refrigerators to be a big improvement.

Power has found that renting appliances need not be complicated. "We don't market appliances any differently than our furniture or stereos. We don't have any special promotions for white goods."

Power sums up Americans' Rent-To-Own position: "I do expect the market to grow. Just like every phase of our store, I expect appliances to have increased growth. Appliance rental has always been a strong part of our program and we expect it to continue."

In the West

Mark Bartholomew, operations manager for Canyon TV & Appliance Rental in Las Vegas, has a similar assessment of the market. (Canyon operates 11 stores in Nevada, Arizona, California, and Hawaii.)

"We've been in appliance rentals since the stores' inception in 1981. I think appliance rental is growing only in the sense that the rent-to-own business is growing in popularity. I haven't seen any increase. I think laundry products seem to be the biggest category.

"Our average price for a washer rental is \$50 a month. We don't have to keep items in inventory because we are for-

tunate to have distributors here, so I just pick them up as I need them. We probably order four to five a week. It runs in spurts. One week of the month you go crazy with them, then another it's nothing.

"A dryer runs right around \$39 a month. Some markets that we're in, washers and dryers are synonymous. Other markets, customers won't even touch a dryer. If they've got a good climate where they can hang up laundry, it seems the dryers are not important to them.

We've been fortunate that the companies we deal with have been willing to come by our stores periodically and do training with personnel.

"A refrigerator runs around \$76 a month. We carry the standard 17-to 19-cubic foot because manufacturers change them. We do carry side-by-sides. We've only been handling them about 16 months. Refrigerators and microwaves are probably rented the least.

"I don't see much growth in microwaves. I think the biggest thing our customers use them for is heating things up and they're not really cooking with them. Over the holiday season they go a lot because people want to prepare their Christmas or Thanksgiving meals with them.

"After washers and dryers, freezers are our most popular item. Again, depending on the market, we have both chests and upright. In Las Vegas, uprights do best. In Hawaii, customers don't really want the upright because when they go fishing they want to be able to put a whole fish into it. They don't want to cut it up. But that's really a market type variance."

We don't think the keep rate is very good on air conditioners and we don't have the facilities to store that many air conditioners over the winter.

I think the market's improved and more younger people realize it's a way to eventually own the product versus using the landlord's appliance.

Bartholomew says, "We do no rentals at all in stoves or air conditioners."

As far as appliance preferences, he says, "We've carried Whirlpool, Westinghouse and Gibson—they're all from White Industries, so it's really the same machine with a different name. I don't know that we've had a real problem with any of those brands we've carried.

"In washers we have two-speed models. We normally stick to white or almond, more almond than ever before. Almond is our first pick because it's a more neutral color and goes with anything, then white.

"In our mainland locations, Las Vegas and Phoenix, store personnel handle installation of washers and dryers. In Hawaii, because of insurance rates and the people who do our appliances, we have a separate warehouse with a set-up crew for appliances.

"It is most definitely important to train personnel in appliance knowledge," says Bartholomew. "We've been fortunate that the companies we deal with have been willing to come by our stores periodically and do training with personnel.

Get It Right the First Time

"I think 90 percent of all service problems on appliances are due to improper installation. Our store personnel don't do any repairs. We do the initial installation as far as hooking it up and running it through a few cycles, which is not a major thing. But if it's not done right or all the packing material not removed properly or the dryer's not vented, then it just creates service problems down the road, which just means more expense to the company.

"We have had no problems with warranty programs."

What advice would Bartholomew offer another dealer who does not carry appliances yet? After breaking into a long, hearty laugh he said, "Don't carry them. You wouldn't want them. They're too heavy. Too much trouble. Leave

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them alone." (More laughter.) "Seriously, I guess the best advice is that as with anything you ever do, emphasize product knowledge, knowing what you're doing and creating a trained staff."

WCI Sees New Customers and New Dealers

Richard J. (Dick) Clark speaks for a major force in appliance sales, WCI in Columbus Ohio, manufacturer of Frigidaire, Gibson, Kelvinator, Tappan, White-Westinghouse. He sees the market becoming stronger for several reasons.

"I think the market's improved, and more younger people realize it's a way to eventually own the product versus using the landlord's appliance. The mom and pop in the appliance business have also opened up a portion of their business to the rental area. By being established locally and knowing the area in which they have done business for years, they can control appliances that are placed out on a rental. Their reputation has helped them in the rental segment of the business.

"Their advantage is the combination of sales and service—having the reputation in their local area, and say, being an acknowledged appliance person, where somewhere else the salesperson might not be that familiar with the appliance. You always have the owner's reputation and this person has been in the appliance business and now he's selling appliances in the rental business. It's more of a natural.

The biggest problem in renting appliances can be solved if people have a good knowledge of how to service appliances, especially washers.

"Our Gibson appliance company has been around for 110 years. How long has the rental business been around? In some areas it's probably started by putting appliances, or used appliances, into rental properties. It was a combination. It just led naturally from apartment rentals to appliance rentals. And now, with the rent-to-own concept more people are getting into it."

I think the growth will continue. I can't predict any volume, but as each rental account adds another location you have that growth.

Clark explains one area of growth that still has great potential. "Going back to the younger people, they are asking, 'What if I have my own appliance, how much can I save on my monthly rent?' If there is a \$20 or \$30 difference then they can go to a side-by-side refrigerator and they know that at the end of two years that side-by-side refrigerator will be theirs.

"We have five major appliance lines—Frigidaire, Gibson, Kelvinator, Tappan, and White-Westinghouse. We do not have a uniform program for all five appliances. Hopefully, someday we will, but at the present time the warranty that we sell at retail through a retailer or distributor is the one that is offered to the rental business. But of course, when you have a quality product, it doesn't matter if it's one year or five years. And of course, that's what WCI makes, quality products.

How long has the rental business been around? In some areas it's probably started by putting appliances, or used appliances, into rental properties.

"In some areas of the country we have stronger brand identification for a particular line. So, a brand that's doing very well is also into the rental business in that area. In some programs the rental store starts off with a small requirement of a washer and dryer every other week and they can go by a distributor and get one on a will-call basis, probably making payment when they pick up. This is practical except when you get into a larger operation where you have a more sophisticated system of order entry and tie-in.

"I think the growth will continue. I can't predict any volume, but as each rental account adds another location you have that growth. It's like any other business, the ones that are still around are the ones that will grow. Most of

them (rental dealers) start off with a very low financial investment so the credit aspect of it is also restrictive by good (appliance) companies who are concerned about protecting their investment, but I think they're around to stay."

I think some of the stores are starting to realize that the higher quality can also bring a higher price and a higher profit.

How does WCI help the retailer? "We have some display materials on the White-Westinghouse brand. All brands, if they franchise a rental account, will work in supplying literature and sales training to their personnel as far as product knowledge and product orientation. They will basically provide any other assistance requested, depending on how the rental dealer plans to go.

We prefer to offer higher-quality appliances because they hold up longer.

"Most stores have their own national advertising program or a local program, so sometimes it's not necessary to advertise appliances separately because anything like that affects the price. Some prefer to do it on their own.

We find that the summer months are particularly strong. There is an increase in white good rentals from May to August, so we offer more specials then.

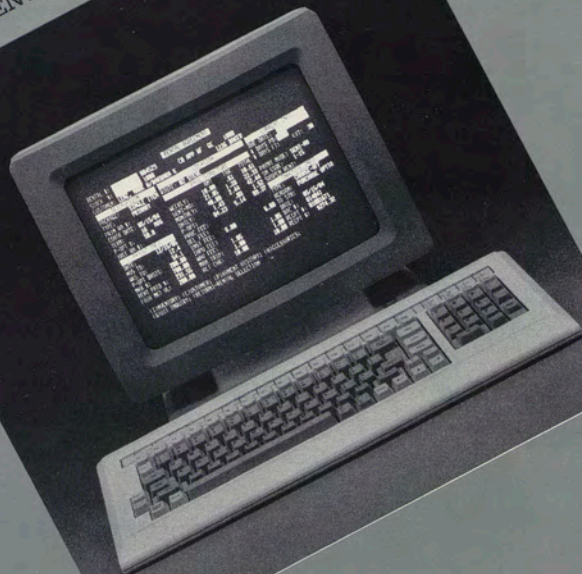
"There are some very good professional services around to assist retailers, such as the forms that are in the rental business, and the training that APRO gives, for example. I think the organization has taken a lot of the management skills and investment areas, and if you belong to APRO, I think everything's right there to make a new rental account a success. (It's always good to praise APRO because they do have a good organization.)"

continued on page 44

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A New Wrinkle in Chapter 13 Cases

Rental Contracts Under Attack

This article is for our advanced students. It is especially intended for those who write or review rent-to-own contracts. It discusses a new theory being used to attack our contracts in bankruptcy court. The remedy is easy, but requires some advance planning.

In the bankruptcy case, our customer, the debtor in bankruptcy, proposes to rewrite the contract to pay the remaining lease payments necessary to acquire ownership over 36 months through the Chapter 13 trustee. This arrangement, if accepted by the court, postpones the realization of income from our property.

There is a worse consequence in some cases. The debtor may propose to value the property at its fair market value and

When the court looks at our used color portable or sofa and considers the amount it would bring at a yard sale or used furniture store, we can end up receiving less than our cost in the item.

pay that amount rather than the payments remaining on the contract to acquire ownership. When the court looks at our used color portable or sofa and considers the amount it would bring at a yard sale or used furniture store, we can end up receiving less than our cost in the item. Worse still, payment of this amount might be extended over 36 months.

These consequences are quite common to the retail installment sale credi-

tor. Unlike an installment sale contract, an executory contract cannot be rewritten by the debtor in his Chapter 13 plan.

We are beginning now to convince bankruptcy courts that our mode of doing business does not lend itself to these consequences. As a lease, rather than a sale, the bankruptcy law prescribes a different treatment for us.

A lease is known in bankruptcy law as an executory contract. An executory contract is any contract that is not completed and requires additional performance on both sides.

Unlike an installment sale contract, an executory contract cannot be rewritten by the debtor in his Chapter 13 plan. It must instead be accepted or rejected within 60 days following the filing of the case. If it is accepted, it must be paid according to its terms and any arrearage or default in the contract must be cured at the time of the acceptance of the contract.

There Is a Way Out

Now for the new angle, take a look at the early buy-out provision of your contract. Does it say that the customer can elect to purchase the property by agreeing to pay the fair market value less credit for previous payments? Or does it say that the debtor may purchase the property by electing to pay a percentage of the amount designated as the unpaid portion of the scheduled payments? In either case, it is possible that the debtor may, in a Chapter 13 case, convert the rental agreement to a debt purchase transaction by making that

election within the Chapter 13 plan and simultaneously proposing to pay that debt through the plan over 36 months. In other words, the debtor agrees to buy the property according to the early buy-out terms of the contract and converts that obligation to pay for the property at that time to an installment payment obligation.

In these kinds of contracts, by electing to purchase the property and advising the rental dealer of that election, in theory, a debt is created. After the creation of a debt, the customer/debtor in the Chapter 13 case can handle that debt by proposing for its payment over a period of time. Extending payment of debts is a common practice in Chapter 13 cases.

This arrangement, if accepted by the court, postpones the realization of income from our property.

Sample Provisions

This result can be avoided if the contract provides for the debtor to exercise the early buy-out option by a tender of cash in the amount required to exercise the early buy-out right. The term "tender" implies payment in full simultaneous with the exercise of the right. The following two examples contain terminology that illustrates the principle:

"You [the renter] may purchase the [rental] property at any time by tendering to us [the rental dealer] full payment in cash in the amount of the fair market value of the property specified in the

We are beginning now to convince bankruptcy courts that our mode of doing business does not lend itself to these consequences.

rental agreement, less 40 percent of all rental payments paid pursuant to this agreement."

"You [the rental customer] may purchase from us [the rental dealer] the [rental] property by tendering to us [the rental dealer] in cash a sum equal to 55 percent of the unpaid amount of the total of scheduled payments as shown in this agreement."

There are certainly other ways to word the provisions of this paragraph. I believe the general idea should be apparent from these two samples.

There is one court decision that has dealt with this issue in a very limited way. That decision was favorable to a rental dealer. It held that the rental contract was a true lease agreement.

The troublesome thing about the decision was that it found that the debtor had failed to exercise his rights under the early buy-out option by not giving notice to the rental dealer of his election to buy the property. Presumably, the decision in the case would have been different if the debtor's attorney had produced evidence of notification by the debtor to the rental dealer of his

There is one court decision that has dealt with this issue in a very limited way.

election to exercise the early buy-out option. That notice could have come in several forms including the specification of that intention in the debtor's plan.

If the contract is construed to permit the debtor to make that election by doing nothing more than to simply declare it, the obligation to pay for the property can become a debt suitable for adjustment in a Chapter 13 bankruptcy case. We must be sure that the debtor is not permitted that option by a mere

declaration but is instead required to actually tender payment in full of the amount required by the early buy-out option. We can do this by plainly specifying the requirement in the early buy-out provision of our contracts.

PR

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

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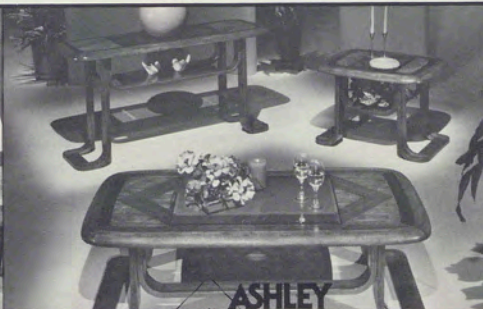
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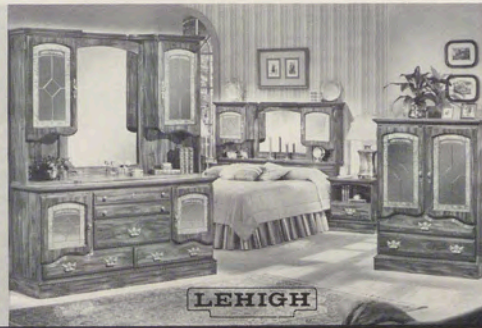


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Who's Getting All the Best People?

In these days of high unemployment in one region while workers are being brought into other areas from afar, it seems only logical to ask, "Who's getting all the good people?" The chicken-and-the-egg debate can go on forever: does the big and successful chain get big because it has good people, or does it attract good people as the result of being big and successful? And where must the little guy go to find some of those folks who show up on time and do reasonably good work?

Consider that if a job applicant has never made more than \$11,500 a year in his life (or hers, in these days of equal opportunity to be jobless), what are the odds of that candidate working tirelessly to earn \$25,000? This guy can't even *imagine* what it's like to make \$25,000 a year, much less go for it.

The difference is that one company lets people get rich if they make the company rich, while another firm tries to go the cheap route in filling those job openings that always seem to crop up.

Of course, the opposite is true as well: the top-rate manager who's making \$34,800 down the street probably won't answer your call to fill the \$23,750 job. And if the ownership can't figure out a way for that \$23,750 job ever to become a \$35,000 a year opportunity (through

The good people are still there—they're just not out of work and reading the classifieds.

effective bonus plans, imaginative marketing, and brilliant product placement) then everybody loses.

Defining the Problem, Finding a Solution

So the problem becomes quite simple in light of today's performance by the high-profit companies right next door to the ones struggling just to stay open. The difference is that one company lets people get rich if they make the company rich, while another firm tries to go the cheap route in filling those job openings that always seem to crop up.

The answer doesn't lie in simply increasing everybody's pay. Nor will it be found in creating a bidding war for the rights to every out-of-work rental store manager in town.

You might, however, take a look at what's happened to those who left your shop the past few years: are they making big bucks in the same industry, or are they sleeping on grates downtown? If the people who leave you consistently turn up down the street, making big profit for your competitor, then it would serve your interests to re-examine your management structure, company goals, and pay plans. (If they all turn out to be the guys on the grates, you might want

to take another look at your recruiting methods.)

Quality Begets Quality

Those who demand quality and pay for it usually get quality. If you're not happy with BOR and profits, just define your idea of "happy" and then calculate how much you're willing to pay for happiness. One dealer decided to sell the company because he "couldn't find good people." Funny, the other folks in town seem to find people who can rent, deliver, collect, and control. If not, none would be able to buy the business he's selling.

Most industry veterans would agree that a reasonably intelligent person can learn rent-to-own in a very short time. The ability to build on that knowledge and create valuable experience can only be measured by a careful examination of background, attitude, earnings history, and growth in career responsibilities. The simple answer? The good people are still there—they're just not out of work and reading the classifieds.

It is perhaps symptomatic of American retailing's ills that one can pick up a newspaper and find several pages of help wanted ads while millions complain of not being able to find work. While 6,000,000 line up for benefits, nobody can get waited on down at the neighborhood store.

Making the Match

Matching the job needs to the skills of the employee is one of the most dif-

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difficult tasks of store management. So the rent-to-own dealer must at some point take this step out of the hands of local management and develop a workable plan not only for hiring and training, but for recruiting as well. It does the Denver rent-to-own store manager no good to see 20 people apply for a route manager's job if half can't read and the other half have degrees in physics and can't lift a TV set. They all read the same ad.

Finding the Good Ones

Where to find "good people"? Most of this sort is not out of work. So you must do something other than just run ads in the section of the paper devoted to the unemployed. Try display ads in the sports section; intersperse your TV commercials with recruiting ads; pass out cards to every person you run across in stores or shops who appears better qualified than your current employees to work in a retail business. You will find it is easy to get good people. Keeping good people is a function of pay, work environment, opportunity, and the attitude of ownership toward those who rent, deliver, and collect.

Matching the job needs to the skills of the employee is one of the most difficult tasks of store management.

One dealer reported he "couldn't afford to give benefits." Another claimed he "couldn't hire honest people." Balderdash! What they are really saying is, "It's not worth the trouble to improve our people." It's always easier to complain about the ever-extant problem than to implement a corrective action. The first time the corrective action doesn't work, everybody wants to give up. "That won't work." The real question is, does your plan for developing quality personnel work now? If NO, then one might presume one mightn't have anything to lose.

Bud Holladay is president of ABC Rentals, past president of APRO, and a frequent contributor to PROGRESSIVE RENTALS.

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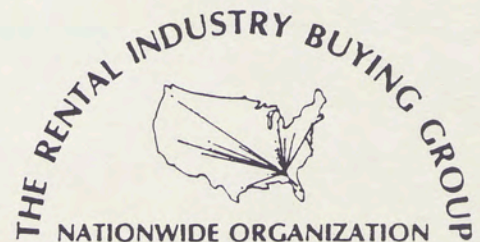
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PRODUCT FOCUS

Maxell has introduced a starter kit for new camcorder owners and first-time users. The kit contains all accessories needed for an immediate start on home videotaping, including a nickel cadmium rechargeable power pack, battery, and a VHS-C or MP 8mm videocassette, plus an instructional handbook with tips on use of a camcorder. The items are assembled in a lightweight canvas carrying case large enough to hold any brand of 8mm or VHS-C camcorder.

Suggested retail price: \$79.95. For more information, contact Ian Irving, Maxell Corporation, 60 Oxford Dr., Moonachie, NJ 07074, (201) 641-8600.

A universal remote control transmitter capable of operating up to three units, regardless of manufacturer, has been introduced by Sanyo. Model RBU1 uses an eight-bit microprocessor to learn and use the codes, letting the user control 87 different functions from three components in one command module. The control is available separately or with Sanyo audio/video products. Factory-programmed to work with any Sanyo remote control system, all controls are color-coded.

Other features: handy top-to-bottom layout; five separate LED indicators for monitoring the learn mode; and four user-definable keys for optional or advanced remote control applications. The control operates on three AAA batteries. Suggested retail price: \$99.95. For more information, contact Chuck Davis, Sanyo, Consumer Electronics Division, 1200 W. Artesia Blvd., Compton, CA 90220, (213) 537-5830.

A new electronic security control system for protection against fire, theft, and vandalism is available from Radionics. The Alpha II control center of the system is housed in a case approximately 4½" h. x 8" w. and has six standard functions plus four arming commands that allow selection from several levels of security. Up to 134 individual points of protection can be specified, and the system can be linked to other sensing devices such as smoke and fire alarms.

Special features include an exit delay timer, test mode, and duress code that sends a signal to police without sounding an alarm on the premises. Prices start at \$1,300. For more information, contact Susan White, Radionics, 1800

Abbott St., Salinas, CA 93901, (800) 538-5807; inside California (800) 682-9865.

Soundesign is branching into a new area by offering furniture to complement its electrical products. Wood Classics is a ready-to-assemble furniture line of five units including a TV/VCR cart, microwave oven cart, audio cabinet, four-drawer chest and a three-shelf bookcase. All are the same width and depth (30" x 14¾") with Scandinavian-style doors and a light oak finish with gold and black trim.

Model WC101K (TV/VCR cart) stands 25" high and retails for \$69.95; Model WC102K (microwave cart) is 37½", \$89.95; Model WC103K (audio cabinet), 37½", \$89.95; Model WC104K (four-drawer chest), 36", \$119.95; and Model WC105K (three-shelf bookcase), 36", \$69.95.

For more information, contact Jim Rives, Soundesign Corporation, Harborside Financial Center, Jersey City, NJ 07302, (201) 434-1050.

Samsung has added a 13-inch monitor style color TV to its 1987 line. Model TC3903F features 82-channel capability with 12 soft-touch presets, a removable tinted glass filter, an LED channel indicator, automatic fine tuning, and an auto color system.

Suggested retail price: \$229.95. For more information, contact Samsung Electronics America, 302 Mayhill St., Saddle Brook, NJ 07662, (800) 255-2550.

Fleetwood is a new line of high style tables from the Rose Hill Company. The four tables, all with black lacquer finish, have laminated, double-thick tops, painted hardwood turnings, and are trimmed in brass. Model 7205, a square cocktail table, measures 30" x 30" x 15"; Model 7208, a sofa table, is 16" x 48" x 27"; Model 7200, a rectangular cocktail table, measures 22" x 48" x 27"; and Model 7201 is an end table measuring 22" x 28" x 21".

Suggested retail price: \$99 each. For more information, contact Stacey Richburg, The Rose Hill Company, P.O. Box 191, Okolona, MS 38860, (601) 447-5425.

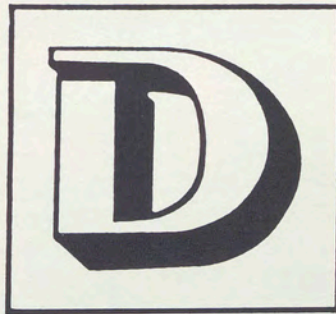
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Editor's Note: Suppliers should direct all release information to PROGRESSIVE RENTALS at 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741.



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APRO '87: A Traffic Stopper

It was Mardi Gras in August when APRO met in New Orleans



A resounding success. Skillfully organized. A smooth operation. All terms used by attendees to describe APRO '87 in New Orleans, August 6-10.

From the opening general session Friday morning to the closing of the exhibit hall at noon Monday, attendees had the opportunity to influence the future of their organization and the future of their businesses.

Ballots were cast for eight new directors; educational seminars covered a broad range of topics; and a large contingent of exhibitors demonstrated their products to eager members from around the country.

General Session

In his welcoming address at the general session, President Mac Hennigan reviewed changes and accomplishments of the organization during the

past year and noted that APRO is, indeed, advancing to the future as is the entire rental industry. Speaking of a successful membership campaign concluded at the end of July, Hennigan said, "APRO has never claimed that every rental dealer in the country belongs to the association; we do, however, claim to represent the best interests of every rent-to-own dealer. We estimate that our membership roll includes well over half, and perhaps even a majority, of the rental-purchase stores and franchises now operating in the U.S. That's quite an achievement for an association that was organized less than eight years ago." In a Sunday afternoon Board meeting, Hennigan was re-elected president of APRO.

Legislative matters were covered by APRO General Counsel Ed Winn and Washington attorney Sam Choate. Winn noted that he had just returned

from North Carolina where the rent-to-own industry is under attack in the state legislature. A bill in that body seeks to regulate rental rates; if passed, its effect would be devastating, Winn said. He called the situation in North Carolina a "bloodbath" and urged members to take preventive measures in their own states by becoming acquainted with their state legislators and contributing to political campaigns.

Choate agreed with Winn's assessment of the North Carolina problem and suggested that dealers in the state should get their vendors and suppliers involved in the effort to defeat the unfavorable legislation. Choate updated the ongoing federal legislative effort, which he says is closer than ever to some favorable action.

A slate of 13 candidates for the eight open seats on the Board of Directors was submitted by the nominating committee. Ballots were cast during the general session with announcement of winners at the awards luncheon, which followed the session. Nominees were:

- William Coleman** Coleman Enterprises Inc.
Kalamazoo, Michigan
- Robert D. Crane** R.D. Crane Rentals
South Dennis, Massachusetts
- Glenn Davis** RTO Inc. of Texas
Richland Hills, Texas
- Dick Grauel** Grauel Enterprises
Lafayette, Indiana
- Peter J. Hayes** Hayes TV Rental
Lockport, New York
- Daniel W. Hughes** Imagination Stores Inc.
Texarkana, Texas
- Wendell D. McNeal** McNeal Group Inc.
Lawrenceville, Georgia
- Lou Messervy** RenAppli of USA Inc.
Springfield, Illinois
- William Morgenstern** Rent-Way Inc.
Erie, Pennsylvania
- Ronald G. Payne** Shamrock Rentals Inc.
Atlanta, Georgia
- Curtis O. Pearsey** Pearsey Enterprises Inc.
Long Beach, California
- Terry Washburn** Remco
Houston, Texas
- Ted Wilson** Alrenco Inc.
New Albany, Indiana

Mac McCullar, ATM Enterprises of Lithonia, Georgia, was nominated from the floor, bringing the full slate of candidates to 14.

Art Holst, former National Football League official, closed out the general session with anecdotes about his 15 years as a line judge. His crowd-pleasing speech mixed humor with business, as he admonished members to be "A Pro" in their operations. Qualities he cited as necessary to be a pro are

Members elected to serve two-year terms on the Board are: William Coleman, Dick Grauel, Wendell McNeal, William Morgenstern, Ronald G. Payne, Curtis O. Pearsey, Terry Washburn, and Ted Wilson.

Holdover directors who have one year remaining in their terms are: Maribeth Duffy, Alan Dobzinski, Dave Egan, Steve Grauel, Mac Hennigan, Larry Tinney, Bill White, and Bob White.



And the winner is... President Mac Hennigan draws the second-place winner in the Add-A-Member Sweepstakes as Secretary Terry Washburn holds the bucket.

persistence, discipline, creative thinking, knowledge, integrity, and the ability to solve problems.

"The only difference between a rut and a grave is its depth and the length of time you're in it," Holst noted. He advised the audience to find out what new things people can't live without and supply those items if they hope to keep their businesses progressive. Holst's book, *Sunday Zebras*, is in its fourth printing.

An estimated crowd of 500 attended the general session. Total convention attendance tallied at close to 1200.

Awards Luncheon

Awards from advertising to sports were handed out at the Friday luncheon, climaxed by announcement of successful candidates in the Board of Directors election.

The President's Award of Excellence went to Dave Egan, member of the Board and first vice president of APRO. In making the presentation, President Hennigan praised Egan for the many hours he devoted to Association business during the past year.

Top winner in the first APRO Add-A-Member Sweepstakes was none other than President Mac Hennigan, who earned a trip for two to Hawaii by garnering the most points in the contest. A Caribbean cruise for two went to John W. Means III, G.S.&J. Enterprises, Huntsville, Alabama, for winning second place in the contest.

Plaques were presented to winners in the 1987 Advertising Contest. They went to:

Television commercial: **Action TV & Appliances Rental**, Mesquite, Texas

Radio spot: **Rent-To-Own Furniture and Appliances**, Sioux Falls, South Dakota

Newspaper ad: **U-Rent Inc.**, Fayetteville, North Carolina

Flyer: **Grauel Enterprises**, Lafayette, Indiana

Billboard: **Rent-To-Own Furniture and Appliances**, Sioux Falls, South Dakota

First-place trophy in the golf tournament went to Mike Russell, Chrysler First Wholesale Credit; second-place trophy was won by Mike Walts, Alrengo, New Albany, Indiana; and third-place went to Joe Eason of Borg-Warner Acceptance Corp., Dallas. A

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APRO's 1987#88 Board of Directors. Front, left to right, Wendell McNeal, Maribeth Duffy, Mac Hennigan, Dave Egan, Terry Washburn, Ted Wilson. Back, Ron Payne, Alan Dobzinski, Curtis Pearsey, Steve Grauel, Dick Grauel, Bill White, Bill Morgenstern, Bill Coleman, and Larry Tinney. Not present was Bob White. Hennigan was re-elected president. Dave Egan, first vice president; Terry Washburn, secretary; and Maribeth Duffy, treasurer, were also returned to their offices. Below, Egan receives the President's Award of Excellence from Hennigan.



Cajuns say, "Let the good times roll!" And that is just what APRO members did after the serious business of the day was over. Above, at the Mardi Gras gala reception, and, right, boarding the Creole Queen.



thunderstorm forced many of the 38 golfers off the course early.

First place in the men's tennis tournament was won by Don Early, Mr. Good Rents of Kansas City; Greg Cole, Crown Rentals, Mission Hills, California, took second place. In the women's division, Kathy Lefort, Lefort Wholesale Furniture, Smyrna, Georgia, took first; Linda White, Crown Leasing, Texarkana, Texas, won second.

Exhibits and Seminars

Convention attendees had nine hours to increase their knowledge in a variety of seminars, and many took advantage of that opportunity. A number of sessions were standing room only.

After the seminars, it was off to the exhibit hall to see what the suppliers had to offer. With 91 exhibitors in 160 booths and showrooms, there was plenty to occupy one's time. The usual standby appliances, video and audio products, and furniture could be viewed, plus some more exotic products. Last year there was one display of suntanning equipment; this year there were three such exhibits. And for the first time, rent-to-own jewelry was on display.

Spouse Tours

A record number of attendees went on the Saturday morning spouse tour, a fascinating visit to Longue Vue House and Gardens, followed by lunch at world-famous Commander's Palace. Part of the group got involved in a genuine police chase, which was not a scheduled part of the tour.

Sunday's spouse activity, shopping at the Riverwalk, drew a good response, also. That tour included an optional visit to the Jackson Brewery.

Party Time

APRO does know how to party. And members had the chance to do just that Thursday, Friday, and Saturday nights.

The early bird cocktail party, sponsored by Chrysler First Wholesale Credit, got the partying started into the future, so to speak. There were balloons, mylar space men, a rocket, "space" music, a magician, and fortune tellers. But the food was down to earth, as were the drinks.

Friday night was costume night for the Mardi Gras Gala. Clowns, gangsters, "sisters" in black habits, the King of Siam, and other strange and startling characters were colorful participants in

the party. Masks and beads were handed out as favors. Once again, the food was plentiful and the drinks flowed. Borg-Warner sponsored the gala reception, which featured an open bar, as did all three of the APRO parties.

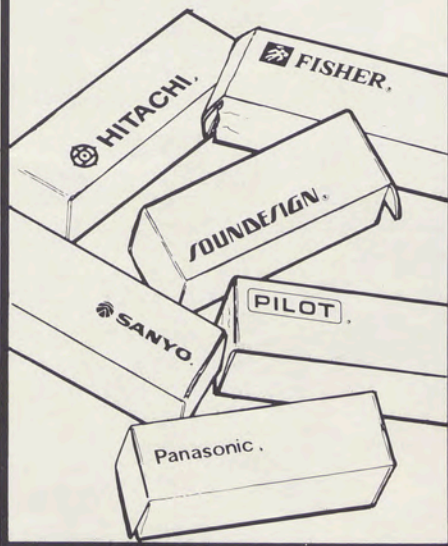
The really big bash came on Saturday night, and it was a traffic stopper. Everyone knew the party was a riverboat cruise; what they didn't know was that we would parade from the Fairmont Hotel to the Mississippi behind a marching band complete with police escort. One side of Canal Street was blocked off for APRO's private parade. Thundershowers earlier in the day had caused some anxiety among the staff, but no rain fell on our parade.

Once on board the *Creole Queen* (a last-minute substitute due to a boiler problem on the larger *Natchez*), there was dancing to the disco downstairs, singing to the Cajun band on deck, and drinking and eating on both levels. A full moon added romance to the evening. Soundesign and BORIS/Custom Information Systems sponsored the party.

What does APRO '88 have in store for you? Better set aside August 4-8 and find out for yourself. We'll meet at Bally's in Las Vegas.

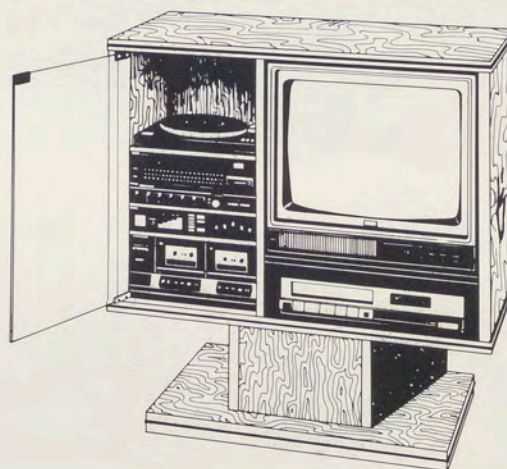
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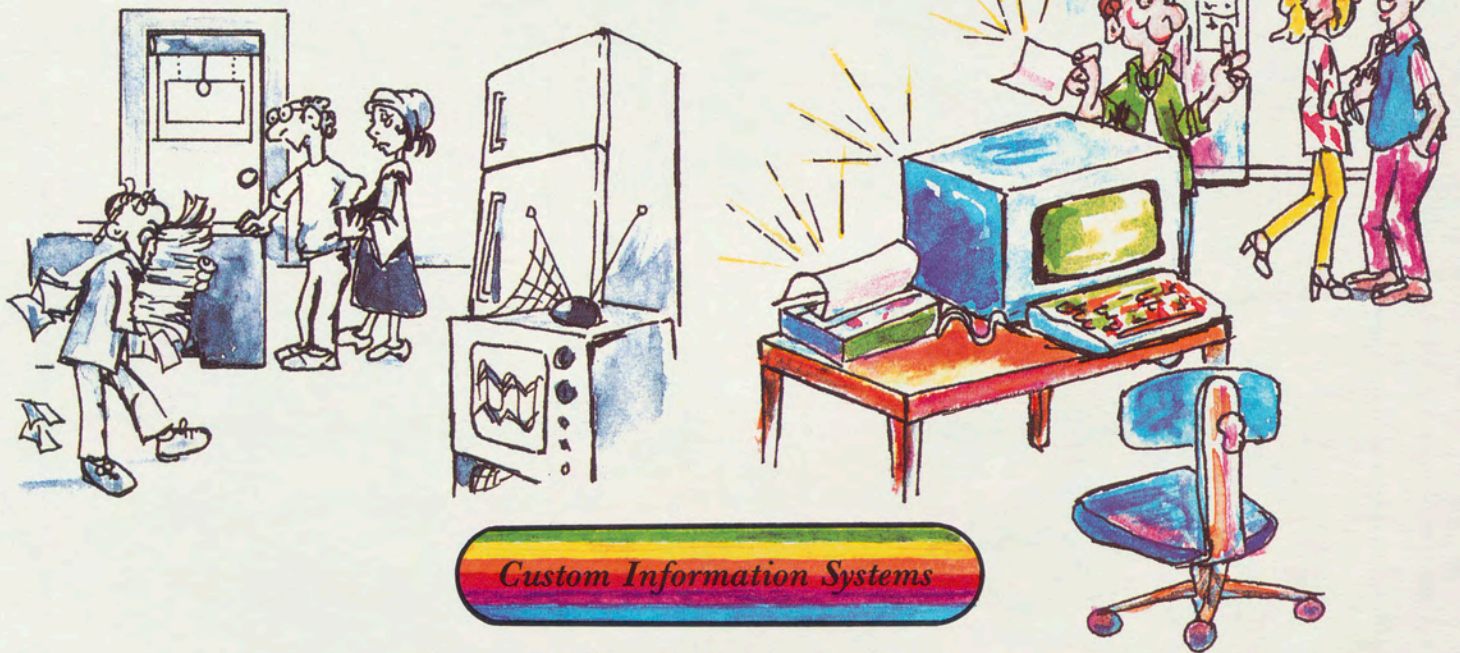
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(404) 432-1530
Steven Stokes (1)
Stokes Bros.
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Logan UT 84321
(801) 753-8310
Robert J. Moore III (10)
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Collingswood, NJ 08108
(609) 854-2300
Prime Time Rentals
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(215) 533-0800
Prime Time Rentals
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Yeadon, PA 19050
(215) 259-3800
Prime Time Rentals
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Philadelphia, PA 19150
(215) 242-1500
Prime Time Rentals
2401 Vare Ave.
Philadelphia, PA 19145
(215) 467-0100
Prime Time Rentals
Levittown Shopping Ctr. (3A)
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Levittown, PA 19055
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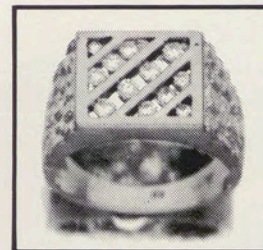
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Direct Mail Uses Ad Dollars Wisely

Targeting your audience reduces costs and increases response

One of the most common complaints about advertising is that it is difficult to measure. How many customers came into your store today because they saw your TV spot or heard about you on radio? Asking the customer doesn't help. He will answer but often forgets the last message he heard or saw. In fact, he might have seen your competitor's message.

Direct mail, however, is measurable and because of this, Seajay Investment Group, the company I work for, has found direct mail to be a very cost-effective and reliable way to advertise.

Benefits

There are many other benefits, but let's focus on measurability first. When we use direct mail, there is a noticeable increase in phone and foot traffic in the store. When we print the rental-purchase application on the back of the direct mail piece and offer an incentive to bring the completed application into the store, we can actually count the rentals. Including the application on the back also speeds up the rental process and the merchandise tends to stay out. In other words, the applications usually have better information. When a coupon is used, the customer also physically brings it into the store and we have a measurement of how effective the effort is.

Another benefit of direct mail is that it goes into the home. People are curious and always read the mail. They are looking for a bargain and will open an envelope even though they know it contains direct mail. If the piece is clever and eye catching enough, you will get their attention.

The cost per unit message is very reasonable with direct mail. In many metropolitan markets, radio and TV are prohibitive for smaller companies.

Once customers read it, the message is imprinted on their memory. They may react right away or it may be a delayed reaction. They may think of it again if they see your TV spot or hear the radio and then react. The piece is in the home and physically in their hands. They can see it and feel it and therefore it is very real. It also has a second life in that it can be passed on to another party or lay around a week or two and then be acted upon.

Target the Audience

With direct mail, you can target any area you wish by using ZIP codes. If your store is servicing a certain area of town or a certain group of people, direct mail can pinpoint those customers. It is not a mass medium like radio or television. With these media you hope that statistically a certain amount of numbers in the areas that you want to target will get your message. With direct mail, you can choose exactly whom you will reach.

The physical piece is another advantage. It is larger than the ads most small businesses can afford. We use a piece

that is 5 inches x 10½ inches, which gives enough room for clever art, a strong headline, body copy with reasons to rent-to-own, the store addresses and phone numbers, and the logo.

Costs

The cost per unit message is very reasonable with direct mail. In many metropolitan markets, radio and TV are prohibitive for smaller companies. Direct mail is affordable, about 4.3 cents per home for marriage mail and 12 cents per home for solo mail.

You can choose to send out a large mailing or a small one. The costs include art and production of the piece, printing, mailing service, and postage. We have sent out many mailings of 25,000 pieces and frequently send out mailings of 120,000. Final cost per unit is much less than mass media and, from my point of view, much more effective.

We use a mailing service and find it to be the best way to reach our markets in five states in a timely manner. The costs are reasonable and the service does all of the hard work.

When we use direct mail, there is a noticeable increase in phone and foot traffic in the store.

As advertising director for Seajay, I write, design, produce and disperse all advertising. Additionally, I buy all the media. Functioning as an in-house ad agency I use direct mail on a regular

Remember, a rental customer will often rent one piece of merchandise and then come back in two months and rent something else.

basis. In several markets, including Baltimore, northern California, Florida and all of Texas, direct mail is used at least every other month. In parts of California, it is used monthly.

"I have an extremely high opinion of direct mail. I have found it to be more beneficial than any other single form of advertising," says Russ Blackford, our market manager for California. "Any time the direct mail goes out, we experience a 25 percent return. Phone traffic and walk-in traffic increase. The order form on the back helps greatly and when the customer brings it in filled out, it speeds up the rental process. In December we delivered a net of 107 units in one store because of direct mail."

Al Westfall, market manager for our four Corpus Christi, Texas, area stores, reports that in February, which is traditionally not a great month, "We had a net growth of 93 units as a result of direct mail. Direct mail used in an ongoing basis will create solid growth. It is definitely a stimulant."

Flexibility of this medium means that with very little cost you can change your message and incentives each time it is used. I try to do a new piece that looks nothing like the last one each month. That way the person receiving it feels that he is getting something new and may respond to it for the first or even second time.

Remember, a rental customer will often rent one piece of merchandise and then come back in two months and rent something else. So customers can be targeted repeatedly, but the message must be new each time.

Timing

Timing is very important in the use of direct mail. Since we want to be in the homes just before the first and fifteenth of the month, I schedule direct mail for the weekday closest to those dates. Marriage mail often goes out on

Wednesdays and I try to use the one closest to our preferred dates. When mail arrives in-home on these dates it is much more effective.

ColorTyme Inc. has used direct mail over the years. Last year the franchisor sent a 10,000-piece mailing to the primary ZIP code of each store and the response was outstanding. Another major direct mail thrust is in the works for this year. "Direct mail has been exceptionally successful. This is true of all our franchisees, large and small. It is an essential part of our advertising plan," said Thom Webb, vice president of marketing and advertising for ColorTyme Inc.

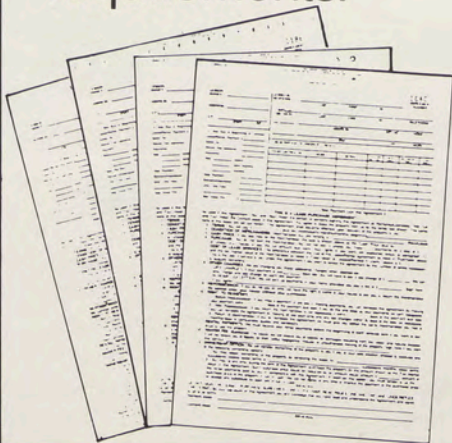
Direct mail is big business all over the U.S. and you know, just from the mail you personally receive, that hundreds of thousands of pieces go out constantly. The reason is simple. Direct mail works.

PR

Tina Irick is a member of ColorTyme's National Advertising Council and advertising director for Houston-based Seajay Investment Group Inc., which operates 46 ColorTyme stores in six states. She has 25 years' experience in advertising and ran her own ad agency for 12 years.

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Good News and Not So Good

There has been an astonishing array of rental news lately, some of which will certainly influence the future of the industry.

There is, of course, the annual trade show and convention, which will just have happened as you read this issue of the magazine. I hope you were there. As I write, the show is imminent with a record number of suppliers in attendance and APRO's first attempt at a members only policy for the convention.

Then there is the news—as I write, still hot off the presses—of the sale of Rent-A-Center to Thorn EMI, a United Kingdom conglomerate, for an estimated \$594 million. That kind of price tag is headline news in any industry and is further proof not only of the Rent-A-Center success story, but of the rent-to-own industry's coming of age.

Those of us who have been around the business for a while can remember Tom Devlin as one of several medium-size company owners struggling to make good. Now he is preparing to take his place among the wealthiest entrepreneurs in the country, and he did it in the same business the rest of you are in—TV and appliance rental.

Aside from the marvel and pride we all take in Devlin and Rent-A-Center's accomplishments, the sale raises important issues for the industry. Rent-A-Center, since its initial public offering, has never been strapped for cash. The company has used the enviable position of having little debt to grow at startling rates, pushing hard against established dealers in many markets. However cash rich Rent-A-Center was,

now it is richer. The purchase could easily pump more cash into the company than before. That raises the question, "Just how big is big in the rent-to-own industry?"

We all might suppose that Thorn EMI will not try to fix a company that is not broken. However, Thorn is already heavily in the rental business—English style—all over the world. Will they tinker with the Rent-A-Center rent-to-own concept in the U.S.? Previous strictly British efforts in the U.S.—e.g., Granada and RentaColor—have not been particularly well received. Might the U.S. rent-to-own concept begin to be exported? It should be interesting to observe how two different rental systems interact with one another.

Then we have news on several fronts of power retailers jumping on the rent-to-own bandwagon. Notably, Bob Palko of Home America made the cover of *Leisure Time Electronics* (May 1987) with just such an announcement.

Likewise, Steinberg's, an Ohio retailer, has similar plans. When asked, I tell retailers and others that the TV and appliance rental business is not merely a matter of putting out product and waiting for the money to come in. Ours is a labor-intensive, collection-oriented business with tight controls that requires a considerable degree of expertise.

One of the things we are certain to see in the evolution of the industry is a fair number of entrants who decide, after a while, that the business is not for them. Mr. Palko, for example, does not rent used product and will not do business with people with bad credit. It is

too early to tell whether his approach will be successful, but his is not the approach of most rental dealers in the country.

New entrants and new money, attracted by the startling successes of Devlin, of course, and many other dealers on a smaller scale, will impact on everyone. The business is already exponentially more competitive than it was just a few years ago. New faces in the industry will change it in ways as yet unforeseen. Successful dealers will be those who can adapt to the changes and stay in front of the process.

Finally, lest we be swayed by too much good news about success and growth in the industry, there is also the North Carolina story. Headlines in Raleigh read "Senate Panel OK's Bill Controlling Rent-to-Own Prices." The state's attorney general has called the entire industry a "cruel hoax," and he has published statistics of an industry charging the poorest citizens in the state interest rates of up to 360 percent.

It's all political rhetoric, of course. The attorney general is running for governor, but such attacks have the North Carolina dealers and their lobbyists and lawyers scrambling to keep the legislature from regulating rental rates. This is the state, incidentally, that has sent Jesse Helms to Washington and ought to know better than to try to legislate the price of goods and services in the state.

The fact is, though, that such an attack is not new and could happen anywhere. But for the continual vigilance of dealers and their allies at the state legislative level, rent-to-own could

continued on page 42

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MESSAGE

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be declared illegal anywhere. It is far from a settled matter in the minds of Legal Aid lawyers around the country that rent-to-own is an idea whose time has come. The concept remains on the cutting edge of marketing and legal theories in lots of places.

What that means is that rental dealers cannot just be entrepreneurs, which they might prefer. They must also be active politically. Failure to do so for any reason keeps the entire industry at risk. Those of you who sit back and let Rent-A-Center, or now Thorn EMI, support and fund the legislative effort for you are taking an awesome chance with your business, which is probably your life investment or a large part of it.

None of us likes the political environment in North Carolina. Responsible dealers, however, are responding to the challenge as best they are able and when the full story is told, they are cer-

tain to end up with satisfactory, rather than crippling, legislation.

It is then the best of times and the worst of times for rental dealers. Opportunities and pitfalls abound. The rental business requires a steady hand and not a little courage to withstand the internal and external pressures that go with the job. For those who can take the heat, the rewards have been generous.

Along with the pressure, there is a certain fascination at watching and helping to make it all happen. It is that fascination and wonder at what will come next that keeps us all in the game.

PR

Ed Winn, III

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APPLIANCES

continued from page 16

The Color Question

WCI sells a high percentage of almond appliances, says Clark. "Almond is about 85 percent of the business right now and the rest white." He also concurs with the trend toward upgrading appliance offerings to rental customers. "I think some of the stores are starting to realize that the higher quality can also bring a higher price and a higher profit."

Customers Come Back For More

Charles Koenig is executive vice-president for operations of Seajay Investment Group Inc., a privately held Houston company with 46 ColorTyme stores in six states and 10 operating subsidiaries.

Koenig describes the appliance market as "a consistent market that provides a more continuous relationship with customers. These customers want to rent more than just TVs and stereos."

"Better warranty programs" are one improvement of recent years, says Koenig. Seajay stores do 25-35 percent of

their business in white goods, depending on location. Rental fees are: refrigerators, \$18 a week or \$65 a month; washer/dryer combination, \$20 weekly, or \$75 monthly; washer only, \$13 weekly, \$45 monthly; dryer, \$10 weekly, \$35 monthly; and microwaves, \$10-13 weekly, and \$35-50 monthly.

"We order goods as needed, with no specific ordering schedule. We prefer Whirlpool and Magic Chef, and also use Speed Queen. We offer almond only, because it fits into the existing decor most easily and maintains a good appearance longer than the standard white."

The only real problem Koenig identifies with appliance rental is, "When a warranty does expire, repair costs can be an expense to the dealer. The 18- to 19-month warranties are a major improvement," says Koenig.

At Seajay-owned stores, account managers install washers and dryers. "It is important to provide comprehensive training in installation, such as the proper use of the appliance dolly, how the self-leveling legs work, and how to attach water hoses properly," says Koenig. Installation problems have caused Seajay to eliminate icemakers from their options on refrigerators.

"We find that the summer months are

particularly strong. There is an increase in white good rentals from May to August, so we offer more specials then. We have refrigerators and air conditioners going out in the summer. In our three ColorTyme stores in the Lower Rio Grande Valley, we promote air conditioners heavily."

Koenig gives a practical reason for upgrading appliance rental choices. "We prefer to offer higher-quality appliances because they hold up longer. It makes better business sense and we save the additional cost by not having to pay repair bills."

The Formula

Regional differences may affect the choices that dealers make in certain products, but retailers seem to agree that the problems are few and rewards are great in renting appliances. Emphasize brand name merchandise, train your people properly, experiment with higher-end models, and you should find the perfect cost-to-profit ratio for your store.

PR

Susan K. Elliott is a Texas-based freelance writer and a regular contributor to PROGRESSIVE RENTALS.



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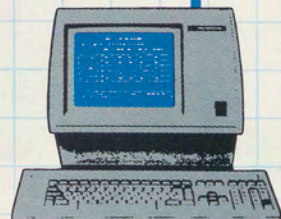
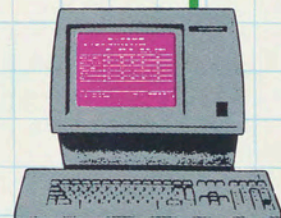
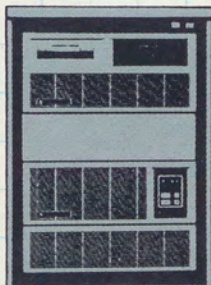


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Network Rental has made four additions to its management team, including two new vice presidents. **Jimmy Almond** has moved up from an operations capacity to vice president of human resources. As such, he will be responsible for recruiting, training, and all other human resource functions.

Named to the position of vice president of store operations is **Doug Mitchell**, formerly with Radio Shack, where he was regional manager operating 215 stores. **Ira McKee** is new general counsel for Network Rental, coming from Huddle House, where he held a similar position.

New service manager is **Andy Stephens**, previously general manager of Rental World. He will be in charge of providing service on all Network Rental products. Network Rental now has 39 company-owned stores and one franchise store operating in six states.

Corporate moves at **Seajay Investment Group** include several personnel changes and addition of nine stores to the group. Seven ColorTyme stores in Florida were purchased by One Stop Rentals Inc., a Seajay subsidiary, and another subsidiary, Rex Venture Inc., bought two ColorTyme stores in Phoenix.

Robert Pena, market manager for another Seajay subsidiary, Prime Rentals Inc. in El Paso, will supervise the Phoenix stores.

The new Florida franchises are located in Bradenton, St. Petersburg, Clearwater, Tampa, Gainesville, and Jacksonville, where there are two stores. **Tom Pavone** will supervise the Gainesville and Jacksonville stores. He joined the company from another rental dealership in Massachusetts. John Alfonso will oversee the stores in Bradenton, St. Petersburg, Clearwater, and Tampa. New assistant market manager for One Stop rentals is **Bryan Highsmith**, who is responsible for stores in

Lakeland, Winter Haven, and Sanford, Florida.

Dean Jenkins has been named Florida regional manager for the 11 stores Seajay operates in that state. Seajay's operation now includes 46 ColorTyme stores in six states operated through 10 subsidiaries.

Reach for a Star Productions, an in-store sales promotion and full service ad agency, has been formed by **Lew Allen**, formerly vice president of advertising/merchandising for Pilot Audio/Video Systems. The new company will specialize in providing sales ideas in conjunction with star and sports personalities for both the retailer and manufacturer in the rental industry.

David P. Shepard has been appointed treasurer at **Aaron Rents**, and **Joseph Knesz** has been named to the position of director of information systems at the Atlanta-based company. Shepard was most recently chief financial officer at Mutual Broadcast System in Washington, D.C. Knesz has 23 years experience in computer-related work and comes to Aaron Rents from Sensible Solutions Inc., a company he founded.

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

Rent-A-Center has agreed to be bought for \$593.9 million, or \$27 a share, by a subsidiary of Thorn EMI PLC of London. The British electronics and entertainment concern has video-rental businesses in the United Kingdom and other countries. No changes in the short term are anticipated for the Wichita-based rental company. A Rent-A-Center spokesman said Thorn will permit the U.S. company to operate on a fairly autonomous basis. The agreement and plan of merger with Thorn's subsidiary, Teusa Acquisition Co., expires September 1, unless it is extended beyond that date. The offer must be approved by Thorn's shareholders.

General Electric Company played "Let's Make A Deal" with **Thomson S.A.** of France and is ending up in the medical equipment business. GE will swap its electronics business for Thomson's medical equipment business, plus something under \$1 billion in cash. The deal will make Thomson one of the three biggest consumer electronics firms in the world and turn GE into one of the two or three biggest medical equipment companies. Thomson, owned by the French government, will continue to sell the consumer electronic products under the GE and RCA labels. A company spokesman indicated the acquisition will have no immediate effect on the way GE/RCA business is conducted.

Zenith—now the only surviving large American manufacturer of branded video consumer electronics—has reported improved second-quarter results. The company reported earnings of \$0.3 million, or 2 cents per share, reflecting improved results compared with the loss of \$9.9 million, or 43 cents per share, in the same period of 1986. Sales rose 41 percent to \$538 million from \$381 million for the second quarter of 1986. Computer product sales were cited as the key factor in the increase, rising from \$142 million in 1986 to \$291 million for second quarter 1987. Consumer electronics sales for the second quarter of 1987 were up to \$247 million from \$239 million for the same period in 1986.

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