

VOL. 7 NO. 5

OCT/NOV. 1987

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

# Progressive Rentals



## **Audio Rentals**

**Breaking through to  
new technology?**



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 Home Entertainment  
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 TV Monitor with 105-  
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 Cassette Decks, Semi-  
 Automatic Record  
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 Safety Glass Doors,  
 Slide Out Tape Storage  
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 Equalizer, Dual Cas-  
 sette Decks, Semi-Au-  
 tomatic Record Play-  
 er, Tower Speakers and  
 Custom-Designed Rack  
 with Tempered Safety  
 Glass Doors, Record  
 and Tape Storage plus  
 Wood Lift Lid



Wireless Remote Con-  
 trol permits complete  
 operation of TV from  
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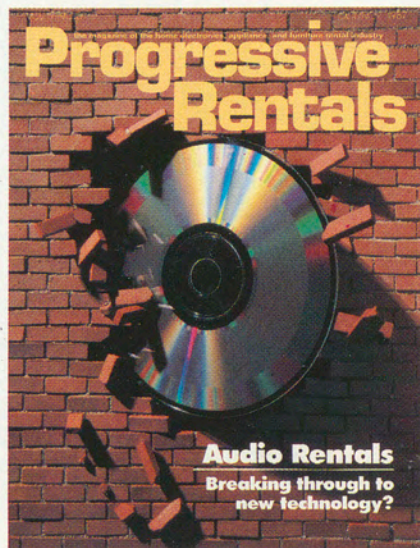


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1-800-333-3092



**ON THE COVER:** Compact disc players arrived on the audio scene several years ago and have been growing in popularity, especially since a wider variety of CDs has become available. Have they finally broken through to the world of rental-purchase? Check the cover feature beginning on page 8 to find out what's happening on the audio scene.

**COVER PHOTOGRAPHY:**  
*Carrington Weems*

**CONVENTION PHOTOGRAPHY**  
*Ebel Photography*

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

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

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

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## THE DIRECTOR'S DESK

The increased involvement of the directors of APRO in the Association continues to pay dividends to the members. At the recent convention in New Orleans, the directors took time from their busy schedules of convention activities to attend a meeting of the Board of Directors. Important decisions were made that will influence the direction of the Association for a long time. A summary of actions taken at that meeting follows.

The first order of business was to introduce and welcome the newly elected directors; Bill Coleman, Dick Grauel, Wendell McNeal, Bill Morgenstern, Ron Payne, Curtis Pearsey, Terry Washburn, and Ted Wilson. Following the introductions, new officers were elected for 1987-88: president, Mac Hennigan; first vice president, Dave Egan; secretary, Terry Washburn; and treasurer, Maribeth Duffy. Congratulations to this outstanding group of officers.

The next order of business was the presentation of a proposed APRO-sponsored group health and life insurance plan. A third-party administrator was present to discuss the proposal and to answer questions. The plan was designed to offer lower cost group coverage to APRO members. The directors voted to approve the plan with a 10-day waiting period to allow the directors time to study the proposal. The Board delegated authority to the executive committee to make the final decision after allowing directors 10 days to comment on the proposal. During the waiting period, an APRO member asked for additional time to prepare an alternate proposal. As this issue of PROGRESSIVE RENTALS goes to press, an independent insurance consultant is reviewing the two proposals and preparing a recommendation. It is anticipated that the availability of an APRO-sponsored group health and life insurance plan will be announced within a few weeks, adding another important benefit of membership in APRO.

During the Board of Directors meeting, President Mac Hennigan announced the appointment of an ad hoc State Legislative Committee chaired by Dave Egan. The new committee was charged with the responsibility of working to set up state organizations to protect the industry from adverse legislation, to advance favorable legislation, and keep state groups alive and active so that they can monitor legislative activity at the state level.

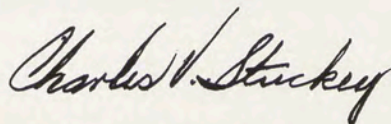
The directors held a lengthy discussion on APRO seminars and several suggestions were made to improve the seminar program. These discussions resulted in the appointment of a special ad hoc Committee on Seminars chaired by Bud Holladay. The new committee was asked to review the APRO seminars, topics, speakers, etc., and to present a proposal at the next meeting of the Board of Directors.

Preliminary plans for the 1988 APRO Convention & Trade Show were discussed. The Convention will be headquartered at the beautiful Bally's Hotel (formerly MGM Grand) in Las Vegas, August 3-7. Plans for the event are already in progress. The Vendor Relations Committee met October 1 at Bally's to tour the facilities and begin organizing the trade show.

Plans are being developed to hold a special session on the first day of the 1988 Convention for first-time attendees. The primary purpose of the meeting will be to provide an orientation for members attending for the first time in order to help them make the most efficient use of their time while attending the Convention & Trade Show. The schedule will be discussed in detail and suggestions will be offered to new attendees on how to plan their activities for maximum benefit.

The directors decided to meet next on January 11 in Las Vegas.

The pace is fast at APRO headquarters as the staff is busy making arrangements for the fall seminars and working on plans for the 1988 seminars; planning the 1988 Convention; producing the various APRO publications; and welcoming new members. Nine new associate members, and 36 new regular members representing 110 stores have joined APRO since August 1. Join us in welcoming the new members listed beginning on page 42. A strong Association continues to gain strength.



—Executive Director

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**Progressive  
Rentals**



# Audio Dealers:

## Lagging Behind the Latest Technology Or Running Ahead of the Pack?

Timing is everything in business, and for many rental dealers, deciding when to be on the cutting edge of the latest technology can be risky. Will their customers snap up the new compact disc players or let them gather dust? Which is better, rack or component systems? Should display systems be in warm oak or contemporary black lacquer? Have boom boxes moved from the sunshine to the shadows? Throughout the country, rental dealers recently answered these and other questions in an informal survey about their audio business.

Dealers report experimenting with their product mix and supplier sources in various ways as they look for the perfect formula that will increase their audio BOR (balance on rent).

### Typical Customer

Who is the typical audio customer? In some areas, it is still the young man who considers a stereo more essential to adult life than a washer and dryer, while other dealers find this traditional customer to be simply part of their wider clientele.

Allen Lewis, general manager of Amigo Rentals Inc., a chain of 12 stores in El Paso and New Mexico, says his audio customers fall into the traditional category.

"We identify the typical audio cus-

tomers as a single, young male who's left home, got a job, and his first apartment." He also says his customers tend to "run a trend behind. In other words, when the eight-tracks went out and cassettes were really the thing, they were still holding onto their eight-tracks. All of a sudden CDs have become the big thing and they're firmly entrenched in cassettes. They run behind the trend."

Others, such as Darrel Corrington, assistant to the vice president of American Way Rentals Corp. with three stores in Illinois, observe a broadening trend.

"Our customers are very diversified because we're going into jewelry now, so we have people from all walks of life coming in to our rental stores. At one time, when I started in the rental business, there was a fixation on what type of customer we would have, and I think that's changing."

Benny Knox, owner of four Renter Center stores in North Carolina, says his typical stereo customer is somebody "who wants it," in other words, a cross-section of age groups.

### Heart's Desire

And what are customers asking for? Greg Cole, president of Crown TV Rentals Inc., a chain of 20 stores throughout southern California, Arizona and Nevada, believes they are becoming a

little more knowledgeable about technology. "The watts per channel is a key buzzword, whereas four or five years ago, nobody even asked about it. And also the dual cassette, you almost have to have a dual cassette—not that I think half of them even use the dang thing, but they have to have a dual cassette. Now we're seeing more and more people ask about the CDs."

Ken Austin, manager of Gene's Rent To Own in Farmington, New Mexico, talks to customers who have only a vague idea of what they want. "They know they want a stereo, but they really don't know what features they want in it. Once they see the bigger stereos they really like them, but some of them have to be talked down to smaller ones.

"We go up to 120 watts, and that is important to some customers. The lower watts go as low as 55 and those do well for us. Usually they go for the bigger ones. They think the bigger the stereo, the better. They're sitting in a four-by-four room and they'd rather get the bigger one."

Darrel Corrington says his customers may have an idea of what they want, "but they don't have the proper words for it. You still have to go through the whole show, and show them what the system can actually do, and what they can do with the system, and they seem to be kind of amazed. They didn't know

they could do so much."

Chuck Weaver, general manager of Mr. Good-Rents Inc., a chain with three stores in Missouri and two in Kansas, sees distinct differences according to the clientele.

"In our stores, it's like day and night, the difference between two of our stores. In this store (with an all-white clientele), the typical audio customer is 18 to 30 years old. In our other market (almost all black), it makes no difference. I'm finding that customers 18 to 50 years old rent the stereo equipment there.

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Should display systems be in warm oak or contemporary black lacquer? Have boom boxes moved from the sunshine to the shadows?

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"Most times customers do not have a firm idea of what they want, depending on which location you're discussing. At one store they do. At others, all they're looking for basically is the biggest system, wattage-wise. They're all looking for your booms and bangs. They want a lot of lights, high wattage (100 watts or better), and they're not interested in compact discs."

Allen Lewis echoed Weaver's comment, saying that "budget, and whistles and bells" are the primary factors that influence his customers.

Ernestine Siltmann, manager of a ColorTyme store in Seguin, Texas, one of two owned by Blake Wilson, reports that her audio BOR has declined slightly in recent years for several reasons, including the weak economy in the area. "They'll buy their refrigerators, washers and dryers, and furniture, and things they have to have more than a stereo."

But for those who know what they want, nothing else will do, says Siltmann. "They probably know more about the technology than we know. They know what they want. If they want something with a dual cassette, that's what they want and they're not going to take anything else. If they want one with higher power, that's all they'll take."

In Chuck Weaver's midwest stores, renting becomes a habit for his customers, benefiting his audio department. "If the customer has rented from us for a length of time, paid off a televi-

sion, they've paid off a VCR, it's possible they're just used to spending that money and they're going to move into something else, even though they don't need it."

Lewis also describes his audio rentals as a secondary choice for most customers, following their primary rental of a washer and dryer or other item.

## Selecting Suppliers

Dealers reported BORs ranging from a low of 8 percent ("we think it should be higher") to as much as 28 percent. The majority were in the 10-15 percent range. Inventories include equipment from the following manufacturers: Fisher, General Electric, Kenwood, Marantz, Philco, Pilot, Pioneer, Quasar, Sansui, Sanyo, Scott, Sharp, Sherwood, Sylvania, TDK, Technics, Thomas, and Zenith.

The critical area of which supplier to choose has been a problem for some dealers, while others have stayed with one or two manufacturers from the beginning. Certain manufacturers were identified as both "awful" and "excellent" by different retailers. Dealers also disagree about whether brand names are important to their clientele.

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"My customers tend to run a trend behind."

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Ivan Berg, co-owner and vice president of Prime Time Rentals Inc., a chain of 21 stores in Washington state, attributes his growth in audio BOR to better quality equipment available from manufacturers. He reports a BOR of 15 percent.

"In our market, it seems like customers are looking for power and all the digital displays. I think they like the cosmetics. We carry the Technics and Fisher lines. That's what I've been selling for years, so I guess they come looking for that," said Berg.

American Way Rentals' Darrel Corrington says that his sales people are trying to reeducate customers about the quality currently available.

"Name brands are important. We have Sharp and Zenith, those are our main lines, but we also have some TDK. We're trying to get the people to understand that the quality is changing in the product itself.

"We had some stuff once before from a different company which I won't men-

---

"They're sitting in a four-by-four room and they'd rather get the bigger stereo."

---

tion, and a lot of us rental companies have had, and it's pure junk. It was brought into the rental business and some people have rented that stuff before. It was down all the time for them, so the consumer's being a little more cautious about what they're going to rent."

Chuck Weaver agrees that name brands are important, "but I don't think that's all you need to carry. It just depends on what you consider a name brand. When you look into stereo equipment, to me name brand is Pioneer, Sansui, but we also carry Sylvania, General Electric systems, Quasar and Philco, which are a little less expensive. A customer can get into them for a little less money and still get their 100 watts if they want.

"Those are name brand products, but when you're looking for stereo equipment, myself I look for a name brand stereo system—Pioneer, something along that line. I don't think it makes that much difference to most of our customers, but you need to have them on hand.

"When we first got started, I think the biggest problem was we did not carry any name brands. We went with [a brand that was] the same as the television we were buying. That was good for a while, and then the customer who did have something particular in mind wouldn't rent that product, so in 1987 we upgraded our product to Pioneer and Sansui systems."

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"Customers are looking for power and all the digital display. They like cosmetics."

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Crown TV's Greg Cole has also upgraded the lines he carries. "The importance of name brands varies from store to store, but I'd say 75 percent of our customers are extremely interested in what the brand is, and they are familiar with the names. We carry predominantly Kenwood. We carry Kenwood as our high end and Sanyo as our low end.

# Audio Supplier Who's Who

The status of audio in rental-purchase is underscored by the number, scope, and reputation of audio suppliers now working with the industry. The following list of current suppliers details not only company addresses and phone numbers, but products supplied as well.

\* = Associate Member

‡ = Advertiser

**Akai**  
800 W. Artesia Blvd.  
Compton, CA 90224  
(213)537-3880  
Turntables, receivers,  
speakers, rack systems, tape  
decks

**Brockwood Corporation**  
8120 Scott Hamilton Dr.  
Little Rock, AR 72209  
(800)826-9265  
(501)562-0043  
Stereos

**\*Communications World  
International**  
14828 W. 6th Ave. #13-B  
Golden, CO 80401  
(303)279-8200  
Telephones

**Denon**  
222 New Road  
Parsippany, NJ 07054  
(201)575-7810  
Components, receivers, tape  
decks, CD players, amps,  
tuners

**Emerson Radio Corp.**  
One Emerson Lane  
N. Bergen, NJ 07047  
(201)854-6600  
Stereos, speakers, radios,  
turntables, tape decks

**Fisher**  
21314 Lassen St.  
Chatsworth, CA 91311  
(818)998-7322  
Receivers, speakers,  
turntables, CD players, tape  
systems

**\*‡General Electric Consumer  
Electronics**  
600 N. Sherman Dr.  
P.O. Box 1976  
Indianapolis, IN 46201  
(317)267-5535  
Audio/video home  
entertainment centers

**Gran Prix Electronics**  
108 Madison St.  
St. Louis, MO 63102  
(800)325-7068  
(314)621-3314  
Rack systems, tape recorders,  
speakers, stereos

**Hammond**  
4334 Scottsdale  
Dallas, TX 75227  
(214)388-0523  
Stereo speakers

**\*‡Hitachi**  
401 W. Artesia Blvd.  
Compton, CA 90220  
(213)537-8383  
Rack systems, tuners, amps,  
receivers, CD players,  
speakers, turntables, tape  
systems

**JVC**  
41 Slater Dr.  
Elmwood Park, NJ 07407  
(201)794-3900  
CD players, receivers,  
turntables, tape decks,  
speakers, amps, tuners

**Kenwood**  
2201 Dominquez  
Long Beach, CA 90801  
(213)639-9000  
Complete line of audio  
equipment

**Kingspoint**  
106 Harbor Dr.  
Jersey City, NJ 07305  
(201)432-7707  
Portable AM/FM stereo and  
cassette players, compact  
stereos, rack systems

**\*‡L.B.I./The Rental  
Warehouse**  
10829 Millington Court  
Cincinnati, OH 45242  
(513)793-6566  
Audio/video distributors

**Marantz**  
20525 Nordhoff St.  
Chatsworth, CA 91311  
(818)998-9333  
Complete line of stereo  
component, cabinet, and  
rack systems

**\*Michie Distributing Co.**  
1408 N. Broadway  
Carrollton, TX 75006-3817  
(214)245-0006  
Philco distributor

**Mitsubishi**  
5757 Plaza Dr. P.O. Box 6007  
Cypress, CA 90630-6007  
(714)220-2500  
CD players, tuners, amps,  
receivers, turntables, tape  
decks, speakers

**N.E.C. Home Electronics**  
1255 Michael Dr.  
Wood Dale, IL 60191  
(312)860-9500  
Home audio, recorders, tape  
decks

**\*N.E.S. Distributing**  
7480 Harwin  
Houston, TX 77036  
(800)323-8290  
(800)233-1483 (in TX)  
Audio/video distributors

**Nikko Audio**  
5830 S. Triangle Dr.  
Commerce, CA 90040  
(704)252-2031  
Receivers, tape decks,  
speakers, CD players, amps

**Panasonic**  
One Panasonic Way  
Secaucus, NJ 07094  
(201)348-7000  
Stereo component systems

**Pfanstiehl Electronics**  
3300 Washington St.  
Waukegan, IL 60085  
(312)623-1360  
Electronics accessories

**\*‡Philco/N.A.P. Consumer  
Electronics**  
P.O. Box 14810  
Knoxville, TN 37914-1810  
(615)521-4316  
Receivers, CD players, tape  
decks, turntables, speakers

**Pioneer Electronics USA**  
2265 E. 220th St.  
Long Beach, CA 90810  
(213)835-6177  
Tuners, speakers, tape  
players, turntables

**\*R & R Distributing**  
1101 Gulf Breeze Parkway  
#200  
Gulf Breeze, FL 32561  
(904)934-3803  
Audio/video distributor

**\*Raybro Electric Supplies**  
301 S. 13th St.  
Tampa, FL 33601  
(813)223-7304  
Audio/video distributors

**Recoton Corporation**  
46-23 Crane St.  
Long Island City, NY 11101  
(718)392-6442  
Speaker, electronic  
accessories, stereo  
decoders

**Samsung Electronics America**  
301 Mayhill St.  
Saddlebrook, NJ 07662  
(201)587-9600  
Complete line of audio  
products

**Sansui**  
1250 Valley Brook Ave.  
Lyndhurst, NJ 07071  
(201)460-9710  
Amps, equalizers, tuners,  
headphones, turntables,  
speakers, tape players,  
receivers

**\*Sanyo**  
1200 W. Artesia Blvd.  
Compton, CA 90220  
(213)537-5830  
Rack systems, CD players,  
turntables, speakers, tape  
decks, receivers

**H.H. Scott Inc.**  
5601 Westside Ave.  
N. Bergen, NJ 07047  
(201)662-2000  
Components, receivers, tape  
decks, rack systems

**Sharp Electronics Corp.**  
Sharp Plaza  
Mahwah, NJ 07430  
(201)529-8200  
Component systems,  
receivers, speakers,  
recorders, turntables, radios

**Sherwood**  
13845 Artesia  
Cerritos, CA 90701  
(213)926-6337  
Speakers, turntables,  
receivers, tape players

**Sony**  
Sony Drive  
Parkridge, NJ 07656  
(201)931-6234  
Receivers, turntables, tape  
systems, speakers, CD  
players

**‡Soundesign**  
34 Exchange Place  
Jersey City, NJ 07302  
(201)434-1050  
Stereo component systems,  
portable stereos

**\*South Central Marketing  
Inc.**  
630 FM 1092 #106  
Stafford, TX 77477  
(713)499-7584  
Fisher representatives

**Tatung**  
2850 El Presidio St.  
Long Beach, CA 90810  
(213)979-7055  
Recorders, stereos

**Teac**  
7733 Telegraph Rd.  
P.O. Box 750  
Montebello, CA 90640  
(213)726-0303  
Receivers, turntables,  
speakers, CD players, tape  
players

**Technics**  
One Panasonic Way  
Secaucus, NJ 07094  
(201)348-7000  
Audio rack systems, audio  
component systems

**\*Teknika**  
353 Rt. 46  
W. Fairfield, NJ 07006  
(201)575-0380  
Audio components

**\*‡Thomas Corporation**  
122 Tices Lane  
E. Brunswick, NJ 08816  
(800)524-0160  
(201)238-6862  
Stereo systems

**\*‡Toshiba**  
82 Totowa Rd.  
Wayne, NJ 07470  
(201)628-8000  
Receivers, turntables, tape  
decks, equalizers

**\*‡Welton Sound Systems**  
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We had tended to carry less expensive stereos and found that a good majority of our customers are interested in the up-to-date, big-name stereo and that's what enticed us to slide over to Kenwood, that coupled with the fact that we were encountering problems with the lesser known brands in terms of breakdowns."

Ken Austin, whose store reported the highest BOR (28 percent) carries a wide range of brands, including Fisher, GE, Kenwood and Sherwood. His BOR is up.

"It's high, but we do have a lot of stereos. We're carrying a larger selection, a variety of stereos. We have more brands now. Some people say, 'Well, I've had Fisher and I don't like Fisher.' Some people say, 'I've had GE, and I don't like GE.' It just depends on who you talk to. Customers say, 'I've heard so much about this stereo' or 'that stereo.' We've got it."

Benny Knox, on the other hand, carries a single line (Thomas) and feels that customers are not especially concerned with the brand name. His BOR is holding steady at 10.7 percent.

"We have basically stuck with Thomas," says Knox. "We have several different models, but just the one brand. Service is excellent on Thomas."

## Service With a Smile

"Service" was mentioned most often as a critical factor in selecting an audio supplier. Allen Lewis says, "I have tried probably 10 different manufacturers of stereo equipment. They all put out a good stereo that's got good whistles and bells. The problem for me has been to find one who will back it with service. I don't care to mention any names, but with a couple of lines that were highly rated, if they broke down, we could kiss them good-bye for six months. We couldn't get parts, and we couldn't get them fixed."

Ernestine Siltman reports that her ColorTyme store does service in-house. "The biggest problem now is getting it to the place for warranty and back out. The places that do warranty are too slow. We can get [the broken equipment] and give them a loaner and get it over there the same day, and work with the customer, but getting it back if it's under warranty is the biggest problem. It still is, it always has been."

Chuck Weaver's stores also handle repairs in-house. "We have a terrible problem with parts availability. We get the product before they even have

schematics to fix them. We've already got product on rent and broken down and back in the shop before our repairman has the information to fix it."

Ivan Berg's stores handle repairs in-house as much as possible. "In recent years manufacturers have become a lot more helpful in supplying us with replacement systems. If they can't provide service information they're replacing them."

Several dealers say they rely on local servicemen rather than an in-house department for repairs.

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"Name brands are important, but I don't think that's all you need to carry."

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Greg Cole discusses the reasons for more stereo service problems. "The down side of the stereos is that we've had more problems and I think that's predominantly because people are handling it all the time. We see a lot of broken cartridges and styluses. Another thing that happens, too, is that when you have a younger clientele like that the equipment is going to be the highlight of their party. They're going to be turning it up very loud, they're going to be perhaps drunk or whatever, and they're going to be handling it and abusing it. Whereas, with the television they sit back and watch. If it breaks, they call you, but they're not pawing it all the time."

Allen Lewis says, "We see a lot of blown speakers, which comes mostly from customer ignorance. The only way to change that is to try to do a better job of explaining upon delivery what will blow a speaker."

He adds, "If we can't service it, we can't make our customer happy. That's really been the problem I've found with stereos. It's who can back it up. We do our service in-house. It just comes down to parts availability and who will back it up."

## Stereo Season

Experience varies as to whether audio rentals are seasonal. Ken Austin of Gene's Rent To Own says winter, near Christmas, is his best season. Ernestine Siltman echoes that report, saying that her business is not really seasonal, but that customers do rent more close to Christmas. "We also pick up more at Christmas. A lot of them, even though

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The critical area of which supplier to choose has been a problem for some dealers, while others have stayed with one or two manufacturers from the beginning.

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it's rent-to-own, are smart enough to figure out that they're going to use it over the Christmas season and bring it back. There's not a lot you can do about that. Summer is the very worst time for us," she said.

Chuck Weaver sees audio rentals smoothing out during the year. "I don't think audio rentals are seasonal. I used to think so. We're getting into our busiest season, September to December."

In contrast, Illinois dealer Darrel Corrington says his sales are best during the summer, while Ivan Berg identifies August to May as his prime rental period.

## Competition

Do deep-discount audio chains have dealers running scared? Most dealers said no, they do not feel much effect from nearby discount stores. One exception was Ernestine Siltmann who said a Wal-Mart store across the street can sell audio equipment for less than her store can buy it.

Greg Cole also sees little problem with discounters, saying "There's actually decent margins in stereo, even at retail."

Chuck Weaver reports little impact on his business. "I don't think we've been affected by the discount chains, because our customers still can't afford to (or at least they don't feel that they can afford to) go out and put down that \$200 or \$250 all at one time, when they can come to us and put down \$10."

## How Much Will It Cost?

Most customers spend more than \$10 a week, although that would be a reasonable price to pay for a small stereo. Cole's Crown TV Rentals stores find that their most expensive system is the most popular. A Kenwood 100-watt side rack system, with dual cassette and compact disc player rents for about \$99 a month.

Ken Austin also names a Kenwood rack system with CD as his most popu-

lar, and rents it for about \$30 a week.

In Texas, Ernestine Siltmann puts customers into stereo heaven with a Sanyo 120-watt rack system at \$18 a week (with no CD).

Mr. Good-Rents in Kansas and Missouri offers a 105-watt Pioneer rack system with amplifier, tuner, dual cassette player, two speakers, glass stand, and turntable for \$20 a week.

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Several dealers say they rely on local servicemen rather than an in-house department for repairs.

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Non-rated systems under 10 watts from Quasar and Philco are popular with customers on fixed incomes, says Chuck Weaver. "They come with a small stand, they're all-in-one units, AM/FM, with turntable on top, and small wooden stand that goes with it, and two small speakers. Those are very popular with low-income renters. People on fixed incomes who pay us monthly love to pay us \$40 a month, that's \$10 a week. You really can't keep those in stock."

Benny Knox's North Carolina customers spend an average of \$50 a month for a Thomas 35-watt rack system. "Ours all come as one package, one unit. We don't have them broken down into components. We stay away from that."

In Washington, Ivan Berg sends most of his customers home with a 110-watt Technics system with CD for \$110 a month, the highest wattage the store carries.

Southwest dealer Allen Lewis finds his customers like a Philco 100-watt, big tower rack system best. It rents for about \$75 a month.

## Trying New Things

Compact disc players still play to a mixed reaction among rental customers, say the dealers surveyed.

Dick Hultine, national sales manager for Fisher's television and audio-video systems, sees dealer doubts turning to enthusiasm in many quarters.

"Compact disc players are growing in popularity for rental dealers, particularly as part of a system. We've had some real resounding success stories with rental companies that six or eight months ago would say, 'Gee, I just don't think our customer base will want a CD

changer, or CD player, for that matter.' So we asked them to test it, try it, and they're finding that it's phenomenally successful."

Greg Cole was one dealer who responded to a manufacturer's CD promotion. "Kenwood had a special going with their compact discs, so we thought we'll order all our systems with the compact discs. That way there'll be some customers that don't want the compact discs and we had some old customers that already had stereos that were asking about compact discs, so we figured we could go ahead and give them to those people. About 99 percent of our people take it with the compact disc when they see it."

Chuck Weaver did not find the CDs to be successful in his stores. "We tried the CD and it just didn't work. Most of the customers didn't understand what it was, and the ones who did, they're just not ready for it. We really jumped the gun when we had this compact disc idea. We have some in stock, but they just collect dust. If someone wanted one, I'd almost give it to them."

Several of the smaller dealers said they have taken a wait-and-see attitude with CDs, but will probably add them in the next year or so.

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"The places that do warranty repairs are too slow."

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Ivan Berg reports that his stores rent CDs alone, but "I'd say 90 percent go out in systems. They've been moving real well for us."

The high price of discs causes customer resistance to CDs, says Allen Lewis. "They've already got their cassettes or their records. If the compact disc would break below the \$10 barrier, in the rental business I think you'd see a big increase."

Hitachi's national sales manager for distributor and special markets, Gary Wooten, says there is a "definite resurgence of growth in the CD field. More and more consumers are becoming not only aware, but have the capabilities and availabilities of buying the software disc. In other words, the source material is very readily available in record stores, and the selections are quite good now. So you have the software selection as it is, then the consumer will support that particular format, so the growth curve is definitely on an upcurve cycle."

## Smaller Units

Only two of the dealers contacted say they carry tabletop stereos, with rates ranging from \$4 a week to \$39 a month. Boom boxes are another category that has virtually vanished from most stores, although the store reporting the highest BOR includes them at \$4 to \$16 a week and reports no increased service problems with them. Others say they either have little demand for boom boxes or find them too much trouble.

Chuck Weaver recalls, "We had a lot of problems with them in the past because of the portability—people carrying them, dropping them. You know, they put them in the back floorboard of the car and somebody steps on it. We ended up putting them back together all the time."

## Display Trends Changing

Dealers' display units tended to be whatever their supplier offers as the latest and most up-to-date design.

John Arce, marketing manager for H.H. Scott Inc., says this is one area to be restyled in his company's line of rack systems. "We improved the furniture. Last year we had pretty straightforward equipment and cabinets. The cabinet was tall and thin, like most of the ones that you see out there with a top that opens to allow access to the turntable. This year all of our racks are about four inches shorter and quite a bit wider. They have more of a furniture look. We've improved the appearance of the rack cabinets and they also have additional storage space that we didn't have. The overall effect has been very gratifying."

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"We get products before they even have schematics to fix them."

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Scott offers both a wood finish and black lacquer, and Arce says that dealer interest seems to be "split right down the middle on the two," although the black lacquer has not yet arrived.

Other makers, such as Hitachi's Gary Wooten, say that the industry is shifting to the warmer tones of oak, following the lead of furniture designers.

"There have been some changes as far as customer preference in styling. All of our new stereo systems will have this

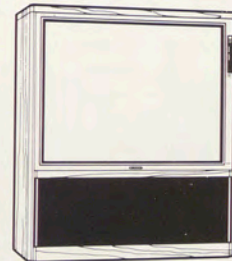
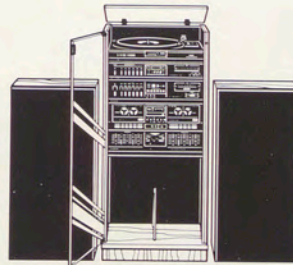
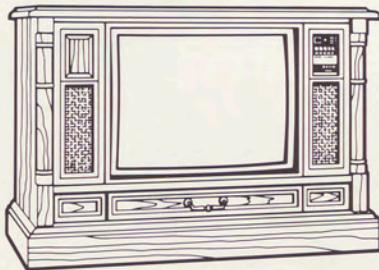
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"People on fixed incomes love to pay us \$40 a month."

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styling with an oak-type or wood-grain finish on the speakers and on the rack around the electronics that, of course, matches.

"A year ago, and in the past, the 'in' thing was to have everything black, just about. And now the whole industry is gravitating—they've not had their total fill of black, there's still a market for black—but the customer is gravitating to the wood cabinetry, a more warm-look, cosmetically appealing unit that fits into the wood used in homes, like end tables and so forth. If you do any research on the furniture business, there are many more oak coffee tables, end tables, and hutches that are being sold."

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It seems obvious that audio equipment manufacturers no longer regard the field with skepticism and appear ready to lend their full energy to promoting its growth.

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Greg Cole likes the shift to oak. "It's predominantly swung over to the oak. The Kenwood we're carrying is an oak look and it seems to be real popular. They're showing more wood on the speakers as opposed to where the whole front of the speaker used to be all grill cover. Now they've raised that up, oh six inches, and they're showing the oak wood which seems to delight the customers. We have the vertical display cabinets."

Tim Shannon, manager of rental accounts for RCA and GE, takes a more traditional view. "In the racks themselves, walnut is a traditional finish, and the black seems to be very well accepted. People like the black face on the electronics themselves. The traditional stand-up rack system, I guess you'd say vertical rack configuration, has been the most popular so far.

"For right now, black seems to be the most favored color because it's high tech. A few of the companies, for example Marantz, have been into gold, but

I think they just went away from gold audio systems for a long time and they've gone into black. Black seems to be the more favored color."

Dealer Allen Lewis still sees a lot of appeal in the black-face equipment. "Vertical display systems with the black face have much more eye-appeal as far as the bells and whistles go. We carried a stereo line one time that had a smoked glass door and it didn't sell as well because you couldn't see the digital readout and everything else."

"Lots of glass" was another display feature that dealers mentioned as being popular with customers.

Most stores prefer to offer rack systems rather than individual components. The exception was CD players, which can be rented alone. Fisher's Dick Hultine says his company also does well with graphic equalizers, receivers, and speakers.

### More Fliers, Please

Not all dealers were pleased with the amount of point-of-purchase and advertising materials their suppliers provided. Some said they didn't get any while others were entirely satisfied. The level of support that a manufacturer offered was a deciding factor in whose product to carry, said several dealers.

Allen Lewis, whose stores handle three stereo lines, says he does not feel he has good support in this area. "Over the years I've watched them slowly reduce it, or make it much tougher to get."

Darrel Corrington says it is "definitely important to get point-of-purchase materials. If they provide it, we definitely use it."

### Looking Ahead

Californian Greg Cole was one dealer who hopes to double his audio rentals in the next year. "We're at about 8 percent and we don't feel that's enough. Because we've been short on merchandise we haven't actively pursued the market as well as we should have. We're gearing for chasing 15 percent right now. That's our goal. We plan to increase our inventory and feature it a little bit more in our advertising."

Dick Hultine expects Fisher's new infrared wireless remote controls to be popular with dealers, allowing customers to build a complete audio-video system combination. Available in increasing degrees of sophistication and price point, the device is called a RAV 86 or RAV 87. "We've had unified remote

control available before, but never as exciting or as interactive as it is now," says Hultine.

Hitachi is also introducing a remote control, 50-watt rack system, the System 80-50, available with or without CD player. It has a dual cassette tape deck with high speed dubbing, five-band graphic equalizer, AM and FM, with 10-inch, three-way bass reflecting tower speakers. The speakers are the same size as the rack.

Gary Wooten expects audio systems to be increasingly merged into TVs, "in other words, a theater home entertainment system, which can be easily tied together with a TV and VCR."

John Arce is excited about H.H. Scott's expanding line of CD players—especially one of the newest with a switchable analog filter. "The performance is quite a bit better and the top of the line, which is a DA 990, has a switchable analog filter, which is switchable from the front panel.

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Most stores prefer to offer rack systems rather than individual components. The exception was CD players, which can be rented alone.

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"A lot of the new releases in compact discs, like the Beatles albums that were recently introduced, the Sergeant Pepper album, and the White album, have just recently been introduced on CD, but those CDs were pressed out of analog sources. All of those CDs that are made that way sound better with an analog filter. That's why we have it on the front panel of the 990. You don't need it with a CD that was pressed from

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a digital source, you only need it when they're pressed from analog sources."

Tim Shannon says that GE will continue to add more illumination, and more light-up features on the front of the units themselves. He expects a strong future for audio rentals.

"I think that rack systems continue to be strong, that people (the rental stores themselves) are going to look for a more reliable unit so they can cut down on their idle and their breakage. I see the audio systems expanding over the next two or three years, rapidly."

Dealers' display units tended to be whatever their supplier offers as the latest and most up-to-date design.

Dealer Greg Cole also has an optimistic outlook for audio rentals. "I see it as a boon. The television prices at retail with all the discounters are beat to death, and it gives us an opportunity to have some nice equipment now that

"Vertical display systems with black face have much more eye-appeal as far as the bells and whistles go."

the prices aren't being slashed quite so much at retail."

Ken Austin expects audio to keep going strong, and says "with CDs in, the market will keep growing."

Chuck Weaver says, "The biggest thing is serviceability, to keep the product working and getting it back to the customer. Otherwise, people are going to get frustrated. All they're going to do is go somewhere else and rent."

Ernestine Siltmann says, "With discount stores like Wal-Mart around, I don't think audio is ever going to be very much stronger. I think it will probably stay about where it is."

Darrel Corrington assesses the market with a best case-worst case approach. "I think that as the audio business grows and changes, the technology gets faster and faster. I think if

the prices remain the same, we will continue to rent the audio. If the prices drop and the technology increases and it becomes a situation in the market that anybody can buy it, I think the audio rental business will cease to exist."

Ivan Berg, Benny Knox and Allen Lewis all predict that the market will remain steady. As Lewis explains, "I foresee it as a pretty level trend. I think that people like the quality, but I think it's a one-household item as opposed to people having two or three TVs in the house. They'll only get one stereo."

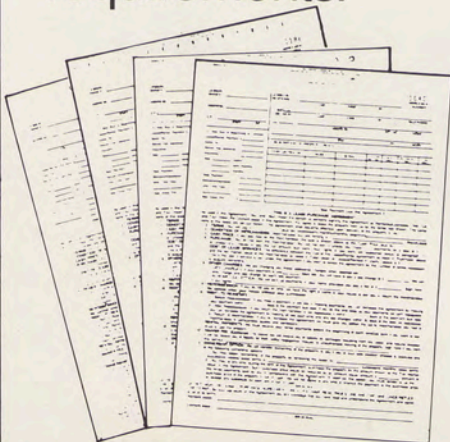
As these comments show, much diversity exists in the audio market and the outlook for its future. It seems obvious, however, that audio equipment manufacturers no longer regard the field with skepticism and appear ready to lend their full energy to promoting its growth. Dealers who continue to test new items and product lines geared to their customer base should be able to enjoy ever higher sales—running ahead of the pack.

**PR**

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

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## CORPORATE MOVES

**Thomas P. Costello** has been appointed vice president of sales for the Philips brand, and **Ronald E. Archer** has been named to a similar position for the Philco brand at **NAP Consumer Electronics Corp.** Costello has held marketing and sales positions since beginning his career in 1971, most recently as director of national accounts for Philco. Prior to joining NAP in 1985, Archer worked in a variety of sales and sales management positions at KitchenAid and Sharp Electronics.

Also at NAP, **John F. Williams** has been appointed national audio sales manager for the Magnavox brand. Williams has more than 17 years experience with Panasonic, most recently as regional manager for that company's southeast distribution division.

**Samsung** has appointed **J. Paul Michie** as consultant to management at its U.S. headquarters in Saddle Brook, New Jersey. Michie was previously associated with Toshiba America and Panasonic.

**Al Silverberg** has been named to the newly created position of national sales manager at **Bush Industries**. Silverberg comes to Bush from Uniden Corp., where he was a regional vice president of sales.

At **Whirlpool**, **Charles E. Proctor** has been promoted to division vice president, sales and distribution. **Art E. Maxon** replaces Proctor as national director, Whirlpool sales divisions. Maxon had been regional director of Whirlpool's Great Lakes branch.

**Mike Krause** moves up to manager of **Panasonic Company's** Atlanta region. A Panasonic employee since 1974, he had been district sales manager for North Carolina, South Carolina, and Georgia.

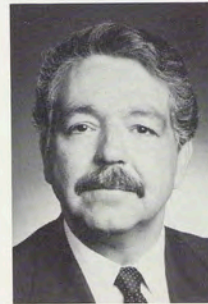
Three new regional account executives have been named at the Fleet Leasing Division of **Borg-Warner Acceptance Corporation**. **Charles West** will cover



Silverberg



Krause



Archer



Costello

the southern region from the Dallas office; **Oswald (Oz) Molina** will be based in Anaheim and will handle sales development in the western region;

**Charles A. Bryan** will work out of the eastern office, which has been relocated to Cherry Hill, New Jersey, from White Plains, New York. **PR**

## INDUSTRY NEWS

**Rent-A-Center** has now officially merged with **Thorn EMI PLC** of London, effective September 9. With the merger, Rent-A-Center is again a private company, with its stock no longer being publicly traded. A spokesman for Rent-A-Center says no changes are expected in the operation of the company at the Wichita, Kansas, headquarters. He noted construction continues on the new \$8 million corporate offices, with move-in expected some time in February or March.

"Captain ColorTyme" is the animated cartoon hero of an estimated \$3 million network TV advertising campaign breaking in early October for **ColorTyme Inc.** of Athens, Texas. The major ad push, using the theme, "Add a little ColorTyme to your life," attempts to set their advertising apart from that of other rent-to-own companies, says Thom Webb, ColorTyme vice president of marketing and advertising. Spots also will air on cable networks, and a direct mail effort of nearly 9 million pieces will be dropped in late October by ColorTyme and its franchisees, now totalling 540 in 43 states.

Atlanta-based **Aaron Rents Inc.** has agreed in principle to purchase Ball Stalker Co. in a transaction valued at approximately \$8 million. Ball Stalker is a 34-year-old contract office furniture dealer in Atlanta specializing in high-end executive office furniture and office furniture systems. The company will maintain its market identity while operating as a wholly owned subsidiary of Aaron Rents. Ball Stalker presently operates three locations in the Atlanta metropolitan area. The acquisition is subject to the approval of both companies' boards of directors.

**Soundesign** has launched its first television game show promotion. The company's products will be given away on six nationally televised shows: "Jeopardy"; "Truth or Consequences"; "Wheel of Fortune"; "Win, Lose or Draw"; "Love Connection"; and "The Price is Right." Harry Franco, senior vice president, says the game show promotion is part of a new campaign to build up brand awareness of the Soundesign name.

**Sharp Corp.** marks two anniversaries this year: its 75th in Japan and 25th in the United States. Since its beginnings in 1912, Sharp has mushroomed into a \$6 billion company operating 34 overseas plants in 29 nations and marketing its products in 135 countries. Their first "Made in Tennessee" products rolled off assembly lines at Sharp Manufacturing Company of America in Memphis in 1979. In all, the company has 2,000 employees in the United States and markets 25 product lines under the Sharp name in America.

*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.*



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## COMMANDS THE FUTURE



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Built-in MTS

Slide mounted front firing speakers

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Luminar white balance "pure color" control

On-screen color menu and sound indicators

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Hitachi gives you value-added step-up features not available in even our competitors' higher-end models.

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We put two tuners into one set, so two stations can be viewed at one time. There's also a full on-screen menu, surround sound, S-VHS jacks, an astonishing 600 lines of resolution and a wood cabinet.

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Both are fully automatic with solid state MOS sensor. The "C" model has a self timer and wind switch. The full size model has a variable high speed shutter.

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Our hottest VCR ever. Features 12-channel, 12 strobe picture, Freeze 'n Store, hi-fi stereo sound, video index search system and more.

#### Console CD System with Remote

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A World Leader in Technology

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## PRODUCT FOCUS

**Magnavox's** new compact stereo system features a vertical CD player with 20 memories. Model CMX1920 also carries dual cassette decks, digital tuning, five-band graphic equalizer, two-way, eight-inch speaker system, and high speed tape-to-tape dubbing. The rack system is packaged completely assembled in one carton for easier displaying and shipping.

Suggested retail price: \$529.99. For more information, contact N.A.P. Consumer Electronics Corp., P.O. Box 14810, Knoxville, TN 37914-1810, (615) 521-4494.

**Speed Queen** has introduced a high-end line of Marathon heavy duty washers and dryers with electronic controls. The new All Fabric Compu-Care system gives consumers the option of using pre-programmed cycles or customizing functions such as wash and rinse temperatures and agitation time. Other washer option features include a warm rinse, an extra rinse, auto pre-wash, end-of-cycle signal, and delayed start.

Dryer features include four selections for dryness as well as an extended cool-down cycle. The 8000 series washer has

a steel tub and both the washer and dryer are serviceable from the front in the installed position. Both are available in white or almond and the dryer comes in gas or electric versions.

Suggested retail price: \$599 for the washer, \$429 for the dryer. For more information, contact Speed Queen, P.O. Box 990, Ripon, WI 54971-0990, (414) 748-3121.

**Whirlpool** has introduced a new line of mid- and full-size countertop TimeMaster microwave ovens. Model MW8900XS is an electronically controlled full-size unit with an auto sensor that senses vapors, aroma, and gases from food to determine proper cooking power and time. Other features: quick defrost, keep warm cycles, in-use reprogramming commands, a spillguard sealed-in shelf, digital timers, and 700 watts of power.

Model MW3600XS is an electronically controlled mid-size unit featuring microcomputer touch control, temperature probe, auto set capability, 10 levels of cooking power, and 650 watts of power.

Suggested retail price: Model MW8900XS, \$369; Model MW3600XS, \$229. For more information, contact Whirlpool Corp., 2000 M63, Benton Harbor, MI 49022, (616) 926-5000.

**Hitachi** has added a new 20-inch, high-resolution, color TV to its line. CT-2079 is a top-of-the-line model featuring 181 channels, a 35-button wireless unified remote control, on-screen channel and volume, off timer, last channel recall, built-in MTS, and side-mounting speakers. The highlight of the TV is a Luminor color temperature switch that can change any one of the four color functions by adjusting the on-screen display.

Suggested retail price: \$549. For more information, contact Hitachi Sales Corp., 401 W. Artesia Blvd., Compton, CA 90220, (800) 421-1040, (213) 774-5151.

A multi-purpose, heavy-duty appliance cart is available from **Dethmers Manufacturing**. The 6-ft. high cart carries up to 750 lbs. and moves bulky, heavy products safely. Features include soft tread, non-marking wheels, roller glide belt assembly, rub rails, 5,000-lb. nylon securing straps and a roller bar buckle. Suggested retail price: \$89.50. For more information, contact Dethmers Manufacturing Co., Boyden, IA 51234, (800) 543-3626.

A new VHS-C camcorder measuring 6.2" x 5.2" x 10.2" is new from **General Electric Consumer Electronics**. Weighing only 3.7 lbs. (with battery), Model 9-9712 features automatic focusing, built-in viewfinder and a power zoom. A solid state CCD imager improves resolution and eliminates image lag and burn-in.

Other features: automatic iris and white balance; quick record view; and built-in condenser microphone. VHS-C tapes can be played on any standard VHS VCR by using a special sleeve adapter supplied with the camcorder. Model 9-9712 is backed by a limited one-year warranty.

Suggested retail price: \$1,799.99. For more information, contact General Electric Consumer Electronics, P.O. Box 11009, Indianapolis, IN 46201, (317) 267-5000.

**PR**



Speed Queen models NA8531/NE8533

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STORE SYSTEM	CORPORATE SYSTEM	SERVICE DEPARTMENT
<ul style="list-style-type: none"> <li>*Agreement Maintenance</li> <li>*Payment Processing</li> <li>*Receipt Printing</li> <li>*Collection Reports</li> <li>*Route Reports</li> <li>*Payment Projection</li> <li>*Pay-off Projection</li> <li>*Agreement Statistics</li> <li>*Cash Drawer Audit</li> <li>*Inventory Audit</li> <li>*Inventory Status</li> <li>*Promotional Mailers</li> <li>*Billing Mailers</li> <li>*Store Activity</li> </ul>	<ul style="list-style-type: none"> <li>*Remote Stores Interface</li> <li>*Centralized Inventory</li> <li>*Purchase/Transfer Control</li> <li>*Store Reports</li> </ul>	<ul style="list-style-type: none"> <li>*Customer Invoice</li> <li>*Service Orders</li> <li>*Parts Inventory</li> <li>*Pricing</li> <li>*Status Reports</li> <li>*Management Reports</li> </ul>

For more information, to schedule a customer site visit or system demonstration, call (214) 931-5522, or write:

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# North Carolina: A Legislative Memoir

Dealers in every state can learn from this story

It can be safely said that the legislative process is different in every state. The rental industry has encountered relatively easy, smoothly managed legislative successes in a few states. In others, the legislative process has been a contentious struggle full of rancor on both sides. Nowhere has the battle been more bitter than in North Carolina. Although the legislature has adjourned for the year, the North Carolina story is not over.

Rental industry representatives and consumer advocates battled to a draw during the closing days of the 1987 session. All bills not finally passed upon, including the rent-to-own bill, are automatically carried over to the 1988 session, which convenes next June and lasts about one month.

North Carolina rental dealers have not lost and they have not won. The outcome certainly rests on what the industry will be able to accomplish between now and the 1988 session. But, the North Carolina story to date holds important lessons for dealers everywhere. North Carolina dealers themselves have already learned much about their political process, their current legislation, and the quality of the opposition. All dealers can profit from a careful review of this most recent legislative struggle. It could happen again anywhere.

## The Beginning

The North Carolina rental story actually began back in 1983 when rent-to-own legislation was first introduced

(see *The Approach*, May 1983, p. 16; July 1983, p. 24 and 26). The North Carolina legislature meets for a long session January through June or July in odd years, and for a short session—one month—in even years, to allow plenty of time for elections.

In 1983, Rep. Jeannie Fenner, a Democrat from Wilson County, had apparently heard a rent-to-own horror story from her maid's sister. The woman had rented a washer from a local dealer, quit making payments, and had the units picked up. Representative Fenner was less upset about the particular transaction than she was about the nature of the business.

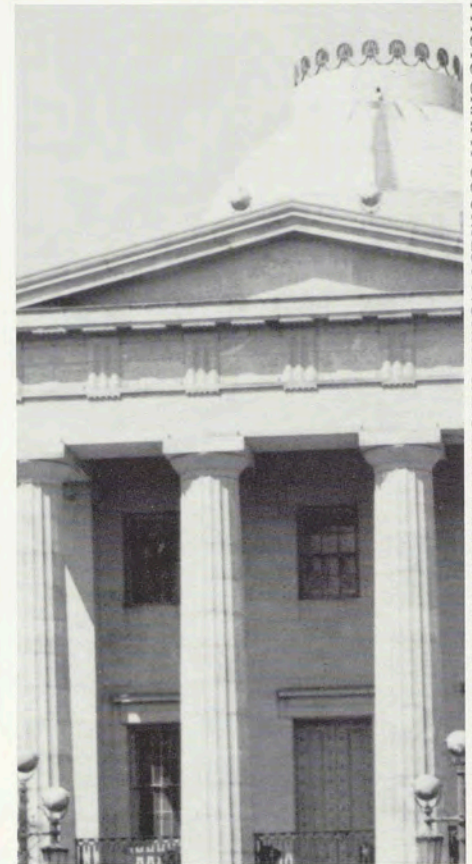
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All dealers can profit from a careful review of this most recent legislative struggle. It could happen again anywhere.

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Fenner enlisted the Legal Aid Office in Raleigh to investigate the problem and suggest a legislative solution for her to introduce. The legal aid solution, of course, was and is to recharacterize rental-purchase transactions as disguised credit sales. Representative Fenner introduced just such a bill early during the 1983 session and succeeded in getting the bill passed through the House of Representatives without holding public hearings before the industry learned of the bill.

It did not bother Fenner then and it



PHOTOGRAPH COURTESY NORTH CAROLINA TRAVEL AND TOURISM DIVISION

does not bother her now that the industry point of view was not heard in the House of Representatives. In fact, when that same House did the same thing again in 1987, Fenner, who no longer holds office, was heard to praise the speed and efficiency of that body. It may be a mark of an unsuccessful politician not to acknowledge two sides to an issue.

In any case, the industry did hear about Representative Fenner's bill by the time it got to the Senate. North Carolina dealers organized quickly, hired as lobbyists a former gubernatorial candidate and a former Speaker of the House, and actively began campaigning against the bill among North Carolina senators.

## Early Advocate

An important player during the 1983 campaign was the North Carolina attorney general, Rufus Edmisten. He ran for governor in 1984 after 10 years as attorney general, lost, and is currently an attorney in Raleigh. He has been one

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The rental industry has encountered relatively easy, smoothly managed legislative successes in a few states. In others, the legislative process has been a contentious struggle full of rancor on both sides.

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of the lobbyists for the North Carolina rental dealers during the 1987 session and has been accused of selling out to special interests more than once in the Raleigh newspaper(see box below).

Actually, even in 1983, the attorney general himself had no particular quarrel with the industry. There had been a few complaints about sharp business practices around the state, but relatively few. Unfortunately for the industry, as the state's lawyer, the Office of the Attorney General has enormous demands for its time, and in fact, in 1983, had a staff of approximately 110 lawyers. There is, as might be expected, an entire division within the attorney general's office devoted to consumer protection. Because the attorney general can be an important player in political affairs, especially on consumer issues, when the rent-to-own issue arose in North Carolina in 1983, one of the first industry efforts was to meet with the attorney general himself and selected staff members to explain industry practices and the devastating impact of the 1983 bill. Attorney General Edmisten quickly stated that he had no desire to put rental dealers out of business in the state and instructed his staff attorneys to work out some sort of compromise with industry representatives.

At the same time, the federal effort was just getting off the ground, and in fact, it was also during the spring of 1983 that the Federal Reserve Board sent its proposal to regulate rent-to-own transactions to the U.S. Congress. North Carolina rental dealers suggested that the state follow the lead of the FRB, but Alan Hirsch, a staff attorney in the attorney general's office, was persuaded that the FRB proposal did not really solve the problem.

The problem, according to Hirsch, was one of consumer confusion—they did not really understand rent-to-own transactions. His solution was to carefully segregate the two aspects of the transaction, and have consumers rent

products and then buy them. This is the now familiar "balloon" concept, which dealers are forced to use in a handful of states.

North Carolina dealers carefully explained to the attorney general and to Hirsch that requiring a balloon payment at the end of the rental term would result in fewer consumers obtaining ownership of the property, thus working a hardship on them. Hirsch disagreed, arguing that "everyone has \$100 in his pocket" to pay the balloon price.

Hirsch's attitude was symptomatic of rental industry critics in 1983 and again in 1987. North Carolina consumer advocates have repeatedly failed to understand either the industry or the customers it serves. The result of that insistent misunderstanding has been the most intense legislative battle the industry has ever known.

## Opposition Appears

In 1983 there were several public hearings before senate committees concerning the rent-to-own issue. At each hear-

ing scores of dealers filled the room. At one dramatic moment, Hirsch held up a stack of papers indicating they were consumer complaints against rental dealers. He read one off the top, which he admitted had just come into his office and whose facts had not been investigated or verified.

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The legal aid solution, of course, was and is to recharacterize rental-purchase transactions as disguised credit sales.

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The complaint concerned a pregnant woman whose husband, an army private, had originally rented a TV set and had subsequently been sent to Europe. The woman complained that rental employees were "harrassing" her and trying to make her return her TV set, miscalculating rental credits, and other misconduct. In his written complaint, the husband cavalierly concluded,

## Interest vs. Public Interest

From *The News and Observer* of Raleigh, North Carolina

(Reprinted with permission)

Rent-to-own companies are getting their money's worth from high-powered lobbyists hired to fight legislation to regulate the industry more closely. Rent-to-own customers are just getting it, period. Unless the General Assembly acts, many North Carolina consumers may continue to suffer under horrendous finance charges they pay for merchandise as a result of the rent-to-own lure.

Most rent-to-own customers make what appear to be small weekly payments on appliances and furniture items. Those who offer them these deals argue that they're providing a service to people who could not afford the items without special financing arrangements.

The state attorney general's office has opened a window on some of those arrangements. The overwhelming number of rent-to-own customers pay at least 70 percent annual finance charges. One contract examined by Attorney General Lacy H. Thornburg showed that on a washer, a customer paid over 257 percent in annual finance charges. Annual finance charges of 100 percent are not uncommon. Some special arrangement.

The naive consumer often is drawn into the agreement by breathless pitchmen who don't bother to mention that the final price paid for an item—if that item is ever paid off—will be far above its actual worth, or even a reasonable retail price. Interest rates are hidden. The industry preys on the unsuspecting.

In a memo to lawmakers supporting tougher regulation, Thornburg rightly pegged rent-to-own deals as a "cruel hoax." Thornburg cited testimony from one rent-to-own advocate who "admitted that only 22 percent of rent-to-own customers industry-wide end up owning the goods." That means, according to Thornburg's studies, that merchandise returned to the companies is rented again and again.

Tough regulation of this industry is long overdue. The House has passed a bill, and now the Senate must resist the arm-twisting and ear-pounding of industry lobbyists. It is time for the legislature to bring rent-to-own companies under rein and for lawmakers to declare whether they are on the side of special interests, or that of the people they represent.

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The woman complained that rental employees were "harrassing" her and trying to make her return her TV set, miscalculating rental credits, and other misconduct.

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"... after giving it thought, I have decided that I have paid enough money for this television. . . ."

Such testimony can have a devastating impact on legislators when that is all they hear. Because the complaint had been received two days before the hearing, the industry had no opportunity to rebut the facts. As those facts were ultimately developed, the husband and wife had been late 40 percent of the time with their rental payments and she regularly cursed different rental employees who attempted to work the account.

Another vigorous critic of the industry in 1983 and again in 1987 was Bill Ruston, president of the North Carolina Retail Merchants Association. He testified that there was really no difference between retail sales and rent-to-own transactions and that the lack of rental legislation allowed rental dealers to compete unfairly. He testified that he personally was a second generation furniture retailer and that he dealt with the same customers in his store as rental dealers did in theirs. He went on to explain that his company carried its own paper and that everyone in the state had access to credit one way or another.

## Agreeing on Terms

After all of the public debate and the repeated vilification of the industry in the press, the matter finally boiled down to how the term "nominal consideration" would be defined in the new law. A new definition of credit sale was not what the industry wanted, but it was what the industry got. The furniture rental dealers were helpful toward the end of the session in holding the percentage definition of nominal consideration at a reasonable level—10 percent of the cash selling price of the property. This became the size of the balloon payment rental dealers were forced to charge at the end of the rental term to escape being called credit sellers.

Whatever industry opponents thought of the new legislation, North Carolina rental dealers knew that the new law was a satisfactory, livable one for them and their way of doing business. It meant rewriting rental agreements, but the threat of extinction was past.

## Back to Business as Usual, But Not for Long

After all of the tension and drama of the 1983 session, rental dealers breathed a sigh of relief and turned their thoughts back to their businesses. The industry was allowed to exist unchallenged through the rest of 1983 and into 1984.

During the short session in June of 1984, Representative Fenner made it known that she had changed her mind and was no longer satisfied with the rent-to-own legislation she had gotten enacted, and she intended to introduce additional, more stringent regulation at the earliest opportunity in 1985.

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... the attorney general himself had no particular quarrel with the industry. There had been a few complaints about sharp business practices around the state, but relatively few.

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She told the *Raleigh News and Observer*, "I'm not satisfied at all with what we've done. We still don't have in rent-to-own the kind of consumer protection that being under the Retail Installment Sales Act would afford to citizens. We need the disclosures so people know how much the contract is worth—and they are always exorbitantly high."

The rental industry had enjoyed some powerful allies in the North Carolina Senate during the 1983 session. Some of the most important supporters were Lieutenant Governor Green and Senators Allsbrook and Swain. Unfortunately, Senator Allsbrook died during the spring of 1984 and the lieutenant governor virtually dropped out of politics altogether. Senator Swain faced stiff opposition in his reelection bid in the November 1984 elections.

North Carolina dealers assumed that Representative Fenner would be ree-

lected and, indeed, she was scheduled to run unopposed, but a federal lawsuit concerning redistricting in certain North Carolina counties postponed the Wilson County elections. Because of the forced redistricting, the state had to hold new primary elections in December, long after the regular November elections. Regular elections were scheduled for late January, just a few days before the 1985 session was scheduled to convene.

## One Opponent De-clawed

Upon learning of the unique changes in the election procedures, several North Carolina dealers decided to take an active role against Fenner. The decision to support Fenner's Republican opponent, however, was not one agreed to by all North Carolina dealers.

As a general proposition, rental dealers spend whatever time, money, and political resources they have trying to make friends in the legislature. The reason is that they have natural enemies who are all too anxious to misportray the industry to legislators who know nothing of rental business practices. Dealers are most often found trying to educate legislators as to how the business really works—specifically, where the money comes from and where the money goes.

A few dealers feared antagonizing Representative Fenner further. However, she had consistently proven herself to be uncompromising on the rent-to-own issue. The result of the anti-Fenner effort was successful and her defeat was viewed as an upset in the traditionally Democratic district.

The size of the numbers involved is instructive. According to an article in the *Raleigh News and Observer* (Sunday, July 28, 1985, p. 29A), Fenner spent about \$5,700 in the Democratic primary and about \$2,000 in the general election. Her Republican opponent, Larry Ethridge, spent \$12,000 total, of which \$2,600 came from rental dealers across the state. Ethridge won the election with 2,723 votes over Fenner's 1,581 votes. The total number of eligible voters in the district was 33,707, but turnout was predictably light since it was a special election.

Fenner attempted to blame rental dealers for her defeat, and to a degree got the press to side with her. The fact is, however, that she did not get as many votes as her opponent, and it was more her ultra-liberal reputation in the busi-

ness community than the political contributions of rental dealers that caused her political demise.

The message in these numbers of this race is that often state legislators are elected without spending enormous sums of money. Modest political contributions in such races are useful to the candidates and are remembered.

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It may be a mark of an unsuccessful politician not to acknowledge two sides to an issue.

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Without Fenner in the Legislature, rental dealers faced no direct legislative attacks during the 1985 legislative session. Lawyers for the dealers in Raleigh monitored the legislature to check for adverse bills, but the dealers as a group took no direct legislative action.

In retrospect, one of the things rental dealers should have done past 1983 was to be certain to thank their legislative allies and help them get reelected. As the saga renewed itself in 1987, one of the first things that dealers heard was that they had forgotten their friends back in 1983 too quickly.

## **Political Game Plays On and On**

It must be said that rental dealers generally were not as politically savvy in 1983 as they are today. All dealers who have been involved in the political process understand that the game gets played again and again. Once an industry has been regulated, it is an item for the legislature.

From time to time, issues are bound to arise that have an impact on that industry, and its members will once again have to play politics. For industries like the tobacco or insurance industries, it is an annual ongoing exercise. For anyone touched by the legislative process, it is inevitably a recurring process.

North Carolina rental dealers' next involvement in the political process was during the spring of 1986 when Fenner announced that she was running for the state senate. She was attempting to upset the incumbent conservative Democrat, R.L. "Bob" Martin. Once again, various rental dealers from around the state contributed to her opponent who won the Democratic primary in a runoff election against Fen-

ner by a scant 500 votes, and went on to win the general election in November.

## **Rental Industry Again Threatened**

Without Fenner in the legislature, North Carolina rental dealers might well have thought that their legislative struggles were over. But such was not to be the case in 1987.

Late on a Friday afternoon—the first day of May and the last day for introducing bills into the legislature—Rep. Joe Hackney, a Democrat from the traditionally ultra-liberal district that encompasses Chapel Hill, introduced House Bill 1108, a bill that would have in effect turned North Carolina rental dealers into retail sellers in the state. The bill was innocuous-looking, a mere three lines long, and Representative Hackney called it a "technical change" to credit sales law.

What Hackney carefully did not tell his fellow legislators was that the bill would adversely affect an entire industry in the state—an industry doing as much as \$100 million in business annually in the state. Once again, without public hearings and no input whatsoever from the affected industry, Hackney's bill was passed by the House by a vote of 91-2 four days after its introduction and was sent to the Senate.

What rental dealers learned only later was that a few liberal legislators urged support of H.B. 1108 as a Jeannie Fenner revenge bill. Some of her allies in the House continued to blame the rental industry for her defeats, as she herself did, and were all too happy to use the Hackney bill to get even.

As soon as the industry learned of this new bill, ColorTyme general counsel Woody Webb, a Raleigh attorney, approached Hackney and requested that he recall the bill in the House and schedule a public hearing to ventilate the issues more fully. Hackney declined, stating that he "already knew all about the rent-to-own industry."

Hackney's inspiration and support for the bill came once again from the legal aid office in Raleigh. In 1983, Margot Roten, a Raleigh legal aid lawyer, had actively supported Representative Fenner's efforts, and in 1987, Roten was back on the scene. Over the course of two months, Roten could daily be found in the legislature urging support for different consumer issues, including the rent-to-own bill, despite a prohibition in federal regulations that

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Attorney General Edmisten quickly stated that he had no desire to put rental dealers out of business in the state and instructed his staff attorneys to work out some sort of compromise with industry representatives.

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prevents legal aid lawyers from direct lobbying for or against issues. Roten had learned a great deal during the 1983 legislative session and proved to be an effective opponent to the rental industry during the 1987 battle.

## **Doing Battle in the Committee Arena**

Once the bill was out of the House, rental dealer representatives tried to gain support in the Senate and slow its movement there. They first attempted to have the bill sent to Sen. Bob Swain's committee, since Swain had been actively involved during the 1983 debate and understood the issues. Representative Hackney specifically requested that the bill be placed in Sen. Henson Barnes' committee, and the lieutenant governor agreed with the bill's sponsor.

Committee assignment can be a crucial stage in the life of a bill. Depending on the rules of a particular body, a committee chairman is often all-powerful in his or her realm. Agendas are set by the committee chairman, which means in effect that bills come up for a vote when and if the chairman decides he wants them voted on. By like token, committee chairmen can be very influential with committee members in getting votes to go a certain way. Of course, on most issues, the larger body will follow the decision of the committee since it is at the committee level that the testimony is heard, the debates occur, and the compromises are struck.

When Senator Barnes got the bill, he appointed a subcommittee to study the House bill and the rent-to-own issue generally. The subcommittee was chaired by Senator Hipps from the western part of the state. The other two subcommittee members were Senator Martin, a Black representative from Greensboro, and Senator Ezzell, from Goldsboro, one of the many North

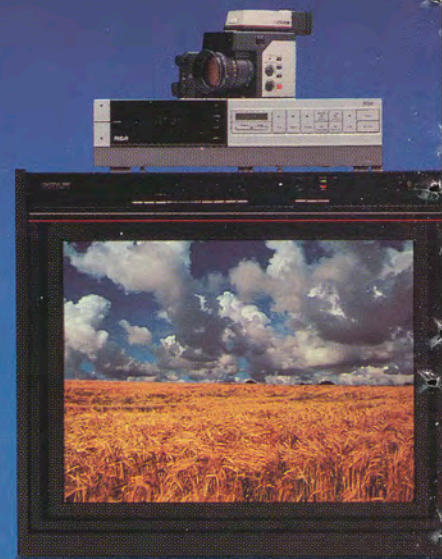
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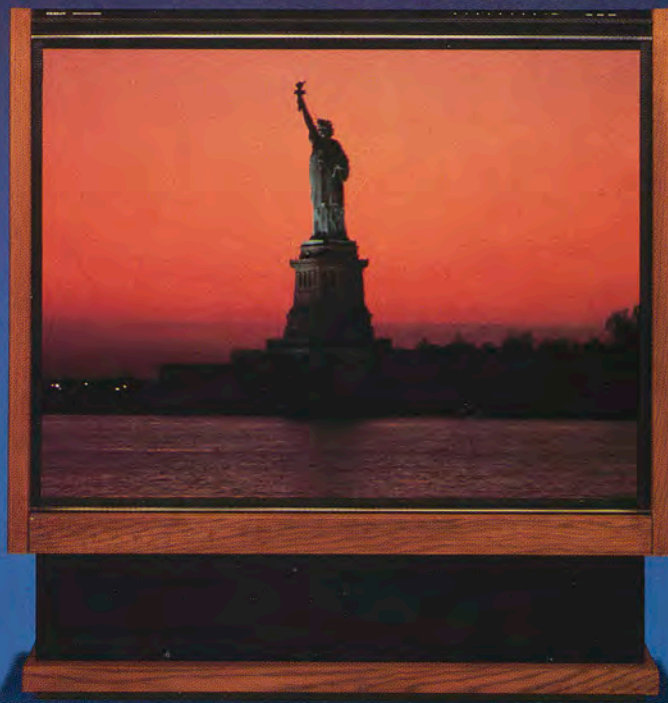
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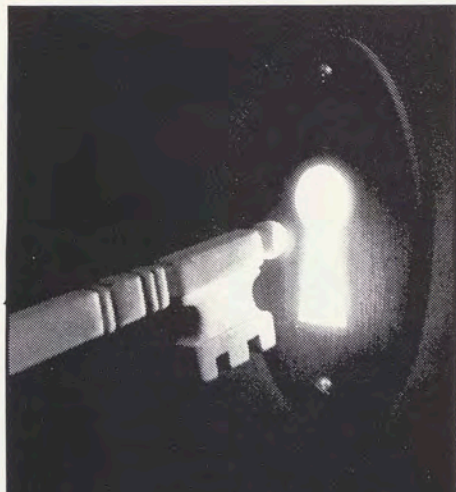
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North Carolina consumer advocates have repeatedly failed to understand either the industry or the customers it serves. The result of that insistent misunderstanding has been the most intense legislative battle the industry has ever known.

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Carolina districts with a well-developed furniture manufacturing presence. Not incidentally, Senators Martin and Ezzell have mutual reputations for being among the most liberal senators in that body.

Senator Hipps was placed in the unenviable role of having to withstand pressure from Representative Hackney as well as his own subcommittee members to move the bill while at the same time attempting to develop a record of exactly how the industry being regulated operates in the state. It was not an easy task and for nearly three months Senator Hipps showed himself to be an able diplomat keeping the two sides negotiating and attempting to force them to reach some sort of satisfactory compromise.

### Dealers Organize

Since this was not the first time rental dealers in the state had faced a legislative assault, it was not difficult to get dealers' attention and enlist their support. More than 30 rental companies representing over 200 stores in the state attended the first dealer meeting in Raleigh. Dealers in attendance reviewed a master list of rental stores from APRO and volunteered to contact those absent.

The group elected six people to serve on the executive committee for the state association: Larry Tinney, president; Wilson Dixon, vice president; Dave Keeling, secretary; Roy Palmer, treasurer; George Condeelis; and Norwood Robinson. Robinson is an attorney from Winston-Salem who represents a rental company in the state. All of the dealers elected to the executive committee had legislative experience, either during the 1983 battle in North Carolina or in Tennessee, which recently passed its own rental-purchase statute.

The executive committee immedi-

ately met to learn what had already been done and to plot a strategy for the months ahead. Rufus Edmisten, on behalf of Remco, and Woody Webb, on behalf of ColorTyme, had already been at work in the legislature explaining the catastrophic impact that passage of the Hackney bill would have on their clients and the industry as a whole.

Both Edmisten and Webb urged the group to hire Phil Godwin, a former Speaker of the House, who had lobbied for rental dealers during the 1983 campaign. This author was retained by the group to serve as its general counsel

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Hirsch disagreed, arguing that "everyone has \$100 in his pocket" to pay the balloon price.

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and to assist with drafting compromise legislation. At different times, Lawrence Davis and Gary Joyner, Raleigh attorneys, and Wells Hall, a Charlotte attorney, were also lobbying on behalf of the industry. Later on, Sam Choate and his partner, Laura Nehf, were actively involved in the negotiations because of their expertise in state legislative matters.

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Because the complaint had been received two days before the hearing, the industry had no opportunity to rebut the facts.

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What the dealers quickly learned was that the industry opponents once again had adopted a haughty and uncompromising position. With their bill already passed through one house, their strategy was to use the press and their own behind-the-scenes efforts to pressure the Senate into passing the House version of the bill. The industry's position was immediately one of compromise, but neither Hackney nor Roten would talk to industry representatives; so, for the moment, there was no one with whom to work a compromise.

An initial hope was that the current attorney general, Lacy H. Thornburg, would adopt a reasonable position much as Edmisten had done in 1983,

and since several dealers had positive contacts with the office, dealers were optimistic that the attorney general could mediate differences between the two camps. Unfortunately for the industry, the attorney general's staff lawyer placed in charge of the rent-to-own issue, Jim Gulick, was a former legal aid attorney with Roten, and Thornburg completely abandoned the issue to Gulick. The attorney general's office, thereafter represented by Gulick and not Thornburg, quickly sided with industry opponents and adopted an equally intransigent position.

Industry representatives spent much

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As a general proposition, rental dealers spend whatever time, money, and political resources they have trying to make friends in the legislature.

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of their time talking to committee members attempting to persuade them not to act rashly and to give the industry an opportunity to tell its side of the story. Senator Hipps repeatedly refused to

allow his subcommittee to move on the legislation without industry input into the system.

At the same time, rental dealers were seeking support from other citizens who had an interest in preserving the rental industry in the state. Dealers collected affidavits from satisfied rental customers, some of whom told moving stories of hard economic times and rental stores and rental employees coming to the rescue.

One of North Carolina's chief industries is furniture manufacturing. At one point, this author contacted 30 different furniture manufacturers soliciting

## Differences in Representative Costs of Doing Business Between Retail and Rent-to-own Companies

	Retail	RTO	
1. Employee Compensation including wages, insurance, taxes, employee benefits	9%	22%-24%	1. Per dollar volume, RTO companies employ three times as many people as retail companies. Due to increased deliveries, pick-ups, repair to and refurbishing of products, plus the additional customer contact due to weekly business.
2. Transportation expenses (truck and auto purchases, repairs, gas, etc.)	2%	4-6%	2. RTO companies purchase more vehicles for the delivery and pick-up of products. An average RTO store with 500 accounts will deliver 150 units and pick up 130 units during one month cycle.
3. Interest expense	3%	9-10%	3. RTO companies generally pay 4-6 points above prime with a current floor of 14%. Financing is done primarily through finance companies, rather than banks. The higher rates reflect the higher risk of loss and higher actual losses in the RTO industry.
4. Advertising	3%	6-8%	4. RTO companies spend more on advertising because theirs is a novel and little-understood concept. There is a need to educate the marketplace about the business in order to attract customers.
5. Bad debt charge-offs	.2%	3-5%	5. Increased charge-offs from skips and stolens is a manifestation of the higher risk in RTO than in retail.
6. Office supplies	.2%	1%+	6. Increased cost of paper and other supplies reflect that 50-60% of the RTO business is weekly resulting in 4.3 times as many customers, contacts, written receipts, etc., as retail, which generally only handles monthly accounts.

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their support for the rental industry. One such manufacturer, Bill Kemp, of Kemp Industries, a former legislator himself, thought the issue important enough to come to Raleigh on two different occasions to plead the cause of free enterprise to subcommittee members.

## Another Threat

Part of the legal aid strategy was to attack the industry on several fronts. In addition to the Hackney recharacterization bill, Roten had also introduced a bill to make sweeping changes in the state's criminal statutes concerning intentional interference with a security interest and theft of rental property. Few rental dealers in the state used the theft statute more than rarely. In fact, rental dealers in Charlotte had previously gotten a written set of guidelines from a district court judge setting forth the conditions under which criminal charges could be brought against a rental customer.

While the industry was pursuing the recharacterization bill, Roten was able to maneuver the criminal bill into a committee friendly to her point of view. The chairman of the committee, Senator Johnson, was the bill's sponsor. Once the dealers' association learned of the bill's position in Johnson's committee, it quickly contacted members of the committee to lobby against the bill. A poll of the committee members indicated that the vote would be a close one.

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All dealers who have been involved in the political process understand that the game gets played again and again.

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The committee chairman's strategy was to announce the bill on the committee agenda for every committee meeting—every Tuesday and Thursday at 10 a.m.—and then simply wait to see who attended the meeting. It is a committee chairman's prerogative in North Carolina to call items for a vote when he has the votes in the room.

The industry was placed in the position of having to attend every meeting of the committee, to be prepared to testify against the bill, and to keep their supporters in the room. This process went on for eight weeks during June and July. Nearly every Tuesday and

Thursday morning, rental dealers assembled outside the Judiciary II Committee room ready to take their stand on the abolition of the theft of rental services. They did so at enormous personal expense. There were rarely fewer than six to eight dealers in addition to their lobbyists.

One result was that the North Carolina rental dealers quickly got the reputation of being vitally interested in legislation that affected them and willing to make themselves heard in the legislature. The result of their constant readiness on this bill was that the committee chairman was finally unable to move the bill out of his own committee.

## Subcommittee Meets For Hearing

Meanwhile, Senator Hipps continued to manage the Hackney recharacterization bill. In mid-June, Hipps called a meeting of the subcommittee to hear from proponents of the bill.

Predictably, Roten brought a dissatisfied rental customer to tell the subcommittee of harsh treatment at the hands of a rental dealer. Gulick from the attorney general's office gave an emotional plea on behalf of the state's poor who did not know what they were doing and in his view clearly should not have been renting TVs. Also appearing was Bill Ruston, president of the Retail Merchants Association, who continued to support the bill, despite the fact that rental dealers around the state were members of his association, and several retail members were actively renting TVs and furniture.

The first meeting before the subcommittee, limited to one hour, was for proponents only. Hipps told rental dealers that they would have an opportunity to present testimony the following week.

Early on, the industry had expressed a willingness to support compromise legislation. Up until the subcommittee meeting, Edmisten and Webb, two industry lobbyists, thought they could get the attorney general's office to support a compromise bill. They spent several lengthy afternoons educating and negotiating, in good faith, with the attorney general's representatives. The industry had previously circulated copies of all 12 of the rent-to-own statutes enacted in other states, and took the position that reasonable rent-to-own legislation rather than recharacterization legislation was the proper approach for regulating the rental industry.

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At the next subcommittee meeting, however, the industry learned to its amazement that the attorney general's office had sided with Hackney and Roten and had adopted their no compromise position. That cut off the one most likely avenue for establishing a dialogue with industry opponents.

What the dealers quickly learned was that the industry opponents once again had adopted a haughty and uncompromising position.

Part of Hippi's strategy apparently was to prolong the proceedings in an effort to force the two sides to come together to discuss the issues. As the end of the session approaches, legislators and lobbyists alike begin to work harder to make sure that the bills they support do not get lost in the shuffle. Since only a small percentage of bills introduced get passed and the common wisdom is that it is far easier to kill a bill than to pass one, the threat of nothing happening is a real threat to proponents of legislation.

## Rental Tells Its Story

The industry had a chance to tell its side of the story during the last week in June. One of the problems facing the industry was the annual percentage rate (APR) issue. The press and many key legislators had picked up on legal aid's repeated use of three-digit percentage rates and simply ignored the legal reality that without any debt there can be no interest calculation. It was an all too easy task for industry opponents, since they struck first, to find a discounted cash price and a rent-to-own price and call the difference interest. It was crucial that the industry clear up this misrepresentation and the furor it caused.

The industry attacked this position from several points of view. Rental dealers shopped the Raleigh marketplace and actually purchased a 25-inch Quasar color console. The "on sale" purchase price financed over 15 months was only \$30 less than the rent-to-own price down the street (see chart "Cost of Owning by Renting vs. Buying"). Industry representatives also began preparing costs of doing business comparisons between retailers and rental

## Cost of Owning by Renting vs. Buying

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Ted's TV, Raleigh, North Carolina	None	None	\$49/18 months	None	None	\$39.62	Incl.	Full	None	\$882.00

Of particular note in the bill was the attempt to exclude the furniture rental industry from coverage.

dealers (see chart "Differences in Representative Costs").

Using charts of the data collected, rental dealers and dealer representatives appeared before the subcommittee to tell the North Carolina rent-to-own story. Senator Hippy kept firm control of the meeting and Senators Ezzell and Martin made polite inquiries concerning the facts being presented.

Since all of the most vocal industry opponents were in the room, Senator Hippy announced to everyone that what he wanted was compromise legislation. Otherwise, he indicated that the subcommittee could come up with language of its own. The industry did not finish presenting all of its testimony in the time allotted for the meeting, and Hippy told the group that there would be another meeting sometime in July.

In the meantime, Hippy had a legislative staff attorney study the 12 rent-to-own statutes enacted elsewhere and furnish him the statute with the most disclosure "teeth." The law that the subcommittee began using as a reference point was the new Iowa statute. It has stringent disclosure requirements, but no price controls. The industry adapted its latest compromise proposal to incorporate most of the Iowa provisions.

At the second subcommittee meeting where the industry was scheduled to finish its testimony opposing the Hackney bill, the Hackney supporters, Roten and Gulick, announced that they had drafted a compromise bill for the subcommittee's presentation. It was the first time industry opponents had moved at all from their position of insisting that the original H.B. 1108 be passed verbatim. It was not a bill anyone from the industry saw before it was presented to the subcommittee.

### "Compromise" Bill Presented

The new Hackney bill was entitled the "Rent to Own Agreements Act." The bill essentially pulled the pertinent provisions of the North Carolina RISA and added a 30 percent APR price cap to the "cash price" of rental payments by requiring that 80 percent to 85 percent of each rental payment be applied to the purchase price. The cash price definition was as follows:

"Cash price" is the price for a good at which a merchant sells or offers in good faith to sell to consumers for cash. If a merchant does not sell a particular model to consumers for cash, the retail cash price of other retailers for similar goods shall be considered the 'cash price'."

This definition would have curbed rental dealers from setting their own cash prices, and, in some cases, would have imposed a fair market value standard on dealers.

Of particular note in the bill was the

attempt to exclude the furniture rental industry from coverage. Early on, the Furniture Rental Association of America had expressed concern over the Hackney bill.

The association's general counsel, Rick von Unwerth, a Washington D.C. attorney, had been to Raleigh with several North Carolina furniture rental dealers to discuss the impact of the bill on their industry. Roten had attempted to persuade von Unwerth that his people were not covered by the bill. This was based on the assumption that furniture lessors did not offer purchase options in their contracts, which all of them do.

One of Hackney's concerns was that there be no record of strong furniture industry opposition to the bill, since furniture manufacturing is such a vital part of the state's economy. The new Hackney proposal attempted to omit furniture rental contracts from coverage by listing all the different kinds of furniture that might be rented.

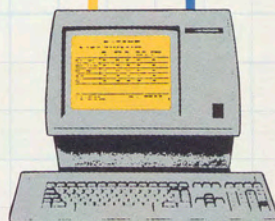
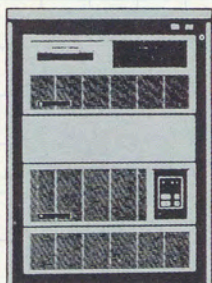
"The term 'contract for the lease of furniture' is any contract of bailment or lease in which at least seventy-five percent (75%) of the bailed or leased items are items of 'furniture,' which includes, without limitation, sofas, chairs, loveseats, recliners, tables, stands, lamps, beds, bedframes, mattresses, headboards, boxsprings, dressers, chests, cabinets, mirrors, bookcases, desks, bars, bar stools, ottomans, decorative furnishings and similar items; the term 'furniture' does not include home entertainment items which

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As it turned out, the adjournment date of August 14 was the latest in the history of the North Carolina legislature.

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include, without limitation, items such as televisions, VCRs, stereos, cameras, radios, turntables, compact discs, tape decks, speakers, or appliances, which include, without limitation, items such as washing machines, dryers, refrigerators, microwave ovens, vacuum cleaners, stoves, and ovens."

It is interesting to note how the rental industry was being perceived by its opponents. There were, apparently, rental dealer bad guys renting TVs and charging too much money. There were also rental dealer good guys renting things besides TVs with whom Hackney and legal aid and the attorney general's office had no quarrel. The problem for rental dealers, of course, was to figure out what color hat they were wearing since the average percentage of furniture BOR of rental dealers at one meeting was over 33 percent. It is unlikely that the proposed definition could have withstood a constitutional challenge, since there was no rational basis for singling out TV and appliance rental dealers for different treatment from furniture rental dealers. To attempt to do so violates the Equal Protection Clause of the Fourteenth Amendment.

The new Hackney proposal, if passed, would have strangled the TV and appliance rental industry as effectively as inclusion under the Retail Installment Sales Act. The compromise offered by Hackney did, however, lay bare an important feature of the entire legislative effort.

Before the compromise, discussions centered around interest rates, and many legislators seemed perfectly willing to limit those rates to a level they considered reasonable. Until the compromise was offered, the industry had not been successful in explaining that the limits were not really interest limits since there was no debt. The compromise proposal, however, put the issue of price controls squarely on the table.

Thereafter, the industry was able to explain that the Hackney compromise in all of its later permutations was really

an effort to control the price of goods and services in the state. Of course, the notion of government-controlled prices does not offend many liberal legislators, and did not bother Hackney one whit. But it did move some legislators to rethink the entire rent-to-own issue.

### The Battle Intensifies

The next several weeks were spent in daily meetings, either with legal aid lawyers or different legislators, as all parties attempted to hammer out language on a variety of issues which would be acceptable to a majority of senators. At different points, industry lobbyists estimated how a vote would likely go before the full Senate. There were never more than 2 or 3 votes out of 50 separating the two sides.

At a meeting of all of the dealers in mid-July, the North Carolina dealers voted unanimously against any form of price controls. The Michigan and New York statutes both have price control features, although the percentage formulas applied—45 percent in Michigan and 50 percent in New York—have not put unreasonable hardships on dealers there. The New York statute is still less than one year old, and it remains to be seen whether price controls in either of those states will encourage business development on a par with the rest of the country.

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In retrospect, the North Carolina rental industry dodged a bullet.

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Toward the end of July, people began guessing when the session would end. As it turned out, the adjournment date of August 14 was the latest in the history of the North Carolina legislature. As the time grew shorter, Senator Barnes, who had originally named the Hipps subcommittee, began demanding that a bill be sent back to the full committee.

The industry feared that even if the Senate voted out a bill the industry supported, it would go back to the House and finally a conference committee would decide on the final language of the new law. The North Carolina governor has no veto power, and industry representatives expressed a very real concern that Hackney would have two chances to amend even a good bill from the Senate—once in the House and again in the conference committee.

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Senator Barnes, normally a conservative legislator, seemed oddly willing early on to allow price controls to be part of the rent-to-own legislation. He indicated that he favored the New York state approach with 50 percent of each rental payment applying toward the purchase price.

There followed daily meetings of the subcommittee dealing with such issues as the definition of rental-purchase transactions, contract disclosures, limits on "other charges," reinstatement rights, and early buyout formulas. Lying beneath the surface of all of these peripheral issues was the price control issue.

Unfortunately for the industry, points won in open debate during one subcommittee meeting were often lost the next day. Senator Martin was taking his cues from Roten and repeatedly requested that issues previously decided upon be reconsidered by the subcommittee when Roten was unhappy with the decision.

Senator Barnes finally set a deadline for action by the subcommittee; he threatened to take the issue away from the subcommittee altogether if they did not act quickly. On the day of the dead-

line, the industry was offered 10 minutes to explain the economic impact of price controls on rent-to-own, after which the subcommittee set about voting on a rent-to-own bill to send to the full committee.

Senator Barnes had told both sides that he was in favor of a 50 percent price control feature and that if the subcommittee sent him a bill with such a provision he would seek to move it through his committee and onto the Senate floor. He also told the consumer advocates that he would not move a bill with a higher percentage.

Knowing Senator Barnes' position full well, the subcommittee nonetheless voted out a 70 percent price control feature and sent the bill to Barnes. The industry could only hope that Senator Barnes would hold firm on his position, which he did.

Roten and Gulick insisted throughout the closing days of the session that a 50 percent price control feature was not sufficiently stringent. Once again, the inability of consumer advocates to compromise resulted in their losing their bill altogether. The session adjourned until June 1988 with the bill still in Senator Barnes' committee.

## The Fight Continues In Another Arena

Between now and the next session, when all bills in committee can be reconsidered, the state will hold primary elections for the November 1988 elections. The race for lieutenant governor, among others, promises to be an exciting one with several senators expected to announce.

Since it is an election year, there is ample opportunity to discuss the rent-to-own issue and to help candidates who are willing to support reasonable regulation of the industry. The executive committee of the North Carolina Rental Dealers Association is scheduled to meet shortly to discuss strategy for the upcoming elections and the short session in June.

In retrospect, the North Carolina rental industry dodged a bullet. Had either the original Hackney bill or the compromise offering passed, dealers would no longer be in the rent-to-own business in the state. Forced to do business on the same margins as retailers would effectively force them to become retailers. As it stands, if Senator Barnes continues to hold firm, the worst case for North Carolina dealers will be a law with a 50 percent price control feature.

If dealers are able, between now and next June, to convince enough legislators that control of the price of goods and services in the state is not proper function of government, then they can get a rent-to-own law with appropriate disclosure information to insure informed choices by consumers, with no price controls. The lines are clearly drawn and the task for rental dealers is clear.

The North Carolina rental dealers have shown during the summer of 1987 that they have the resources to make themselves heard in the General Assembly. Time will tell whether they have the resolve to assert the kind of influence into the political process they will need in order to keep the free enterprise system alive and well in the state.

We would be less than honest if we did not point out that despite some formidable lobbying talent on our side and despite constant vigilance on the part of North Carolina dealers, it is still a matter of fact that the industry only fought to a draw in 1987. **PR**

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

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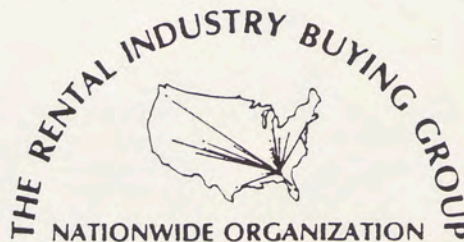
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 Richard Funari

# Tax Planning Makes Sense

Reform Act will affect every taxpayer

The year is coming to a close and, even more than in past years, it is important to review what you can do to help lower your federal income tax bill. The Tax Reform Act of 1986 brought about numerous and severe changes that affect the liability of every taxpaying American. It is such a drastic revision that the title of the tax law was changed for the first time in 32 years.

After closely studying the new tax act, my firm projects that the majority of taxpayers will, in fact, pay more taxes than in past years. The hardest hit will be those making between \$25,000 and \$75,000. However, there is still time to plan and restructure your personal tax liabilities and to change many of your borrowing, saving, spending, and investing strategies to help lower your tax liability.

When you consider changes in your financial structure, be sure you make sound economic decisions. Where an investment would be advantageous tax-wise, it is imperative that it also be financially sound.

With the passage of the new tax laws, recordkeeping is more important than ever. My firm recommends that you keep tax records for a minimum of four years, and six years would not be too long in some instances. Where there is something permanent in nature (stock, building mortgage, for instance), you should keep the information indefinitely. Also, keep copies of your old tax returns.

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It is such a drastic revision that the title of the tax law was changed for the first time in 32 years.

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Here is a step-by-step plan to make your year-end tax review easier.

STEP 1. Project the various types of income you will have in 1987 and the various types of expenses you will incur. All of these will need to be detailed individually as new limitations are different than those set in previous years.

STEP 2. Review the changes in the new tax law. Contact your local IRS office and ask for Publication 553 "Highlights of 1986 Tax Changes." Pages 8-16 outline changes that will occur for 1987 and future years. Contact your local tax counsel for information on changes in the tax law that specifically apply to you.

STEP 3. Estimate your tax liability for 1987 before any changes by applying the new tax tables to your taxable income. Check the chart accompanying this article for the new rates.

STEP 4. Defer income to 1988 whenever possible. The top tax rate in 1987 is 38.5 percent; in 1988, it drops to 33 percent. Depending on the tax year of

your business, you might consider deferring year-end bonuses and raises until January.

STEP 5. Review capital gains transactions. In 1987, long-term capital gains will be taxed at a high of 28 percent (even if other income is taxed as high as 38.5 percent). In 1988, this will be taxed as high as 33 percent. You should make sure that any capital gains transactions occur after you have held the property at least six months and one day. Also, you might want to take long-term gains in 1987 rather than 1988. For short-term gains, you should entertain taking them in 1988 when they will be taxed at 33 percent maximum as opposed to 38.5 percent in 1987.

STEP 6. In reviewing your taxable income, you might look at alternative ways of investing the monies that you have invested where you earn interest and dividends. Shifting these funds into tax-free municipals and single-premium whole life insurance are two good investment possibilities.

STEP 7. Review the three major types of income (active, passive, portfolio) as defined under the new tax law.

Active income is wages, bonuses, director fees, commissions, self-employed income, retirement funds. Portfolio income is interest, dividends, mortgage income, royalties, and capital gains. You are not allowed to offset

## NEW TAX RATES

### TAXABLE INCOME 1987

Rate	Joint Return	Single	Head of Household
11%	\$0-3,000	\$0-1,800	\$0-2,500
15%	\$3,000-28,000	\$1,800-16,800	\$2,501-23,000
28%	\$28,001-45,000	\$16,801-27,000	\$23,001-38,000
35%	\$45,001-90,000	\$27,001-54,000	\$38,001-80,000
38.5%	\$90,001 and up	\$54,001 and up	\$80,001 and up

### TAXABLE INCOME 1988

Rate	Joint Return	Single	Head of Household
15%	\$0-29,750	\$0-17,850	\$0-23,900
28%	\$29,751 and up	\$17,851 and up	\$23,901 and up

NOTE: A 5 percent surcharge will be imposed on income between the following levels, causing all taxable income to be taxed at an effective 28% rate:

Joint Return	Single	Head of Household
\$71,900-149,250	\$35,950-113,300	\$61,650-123,790

any portfolio income with passive income losses.

Passive income is usually rental income and money you receive from investments in which you do not materially participate. Generally, this includes limited partnership interests. On investments incurred after October 22, 1986, you will be able to deduct only 65 percent of the loss in 1987, 40 percent in 1988, 20 percent in 1989, 10 percent in 1990, and none after 1991. On rental losses, if your adjusted gross income is under \$100,000, you will be allowed to deduct up to a \$25,000 loss on rental activities. Where your adjusted gross income is above \$100,000, the amount of loss you can deduct will be phased out. If you are affected by the new rules in this area, you should review this area in detail to determine the wisdom of retaining the property.

STEP 8. IRA contributions are still a possible tax deduction. If neither you nor your spouse are an active participant in an employer's retirement plan, you can still deduct up to \$2,000 of earned income for each spouse with wages, or \$2,250 if you have a nonworking spouse. Where either spouse is in a plan, you will have your IRA deduction phased out between \$40,000-\$50,000 if married, \$25,000-\$35,000 if single.

You are considered an active par-

Where an investment would be advantageous taxwise, it is imperative that it also be financially sound.

ticipant in a plan if at any time during the year you participated in an employer-maintained pension, profit sharing, stock bonus, 401k plan, annuity, or SEP plan. If you are above these levels, you will not be able to take a deduction for an IRA. However, if you still contribute, the earning on the monies invested will go tax deferred until you withdraw your IRA funds.

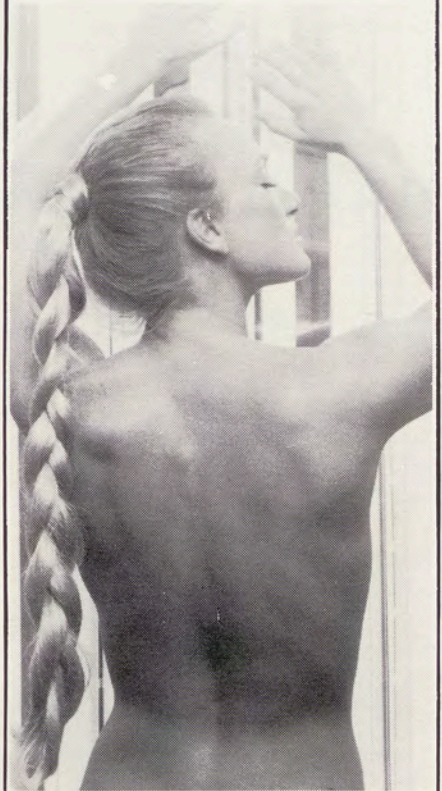
STEP 9. If your employer has a 401k plan and you are not taking advantage of it, review the plan and consider making a contribution. The funds that you put into the plan will reduce your federal income tax (you will still pay social security on the amount up to the limit). You will be able to put as high as 15 percent of your income up to a maximum of \$7,000 (less if the plan in your company so states). At the same time, your employer will be putting additional money away for you for your retirement. All earnings will be tax deferred and you will only be taxed upon distribution of the funds to you.

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STEP 10. If you moved during 1987, you will now have to file an itemized return to be eligible to deduct moving expenses. Keep track of your premove expenses and include both your travel and meal expenses. If you sell a home when you move, you may be able to deduct part of the commission and closing costs as a moving expense.

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You should make sure that any capital gains transactions occur after you have held the property at least six months and one day.

---

STEP 11. The amount deductible for medical expenses has been reduced in 1987. Where you had a 5 percent floor in 1986, that has been increased to 7½ percent of your adjusted gross income. If you find that your medical expenses are above the floor, you might want to accelerate payment of those expenses in 1987 since the tax bracket is higher this year. Also, you may not be above the floor for medical expenses in 1988.

STEP 12. Real estate taxes will still be

deductible. Usually a mortgage company pays your taxes from the funds you pay in escrow. The mortgage companies don't always pay the taxing authorities before the end of the year. If the payment is made after the year end, you don't get a deduction for the current year. It is important that in December you make sure your mortgage company pays your real estate taxes to the taxing authorities if you want the deduction for 1987.

STEP 13. Review your interest expenses closely in 1987. You will no longer be able to deduct all the interest that you incur.

Interest expense on your residence will be deductible in full. Look at the statement from the mortgage company closely; if you have a negative amortization loan, you can only deduct the interest you actually pay in 1987, not the amount that has accrued to your loan.

If you bought a new home in 1987, you will be able to deduct the points in full and also the interim interest that is charged from the date you buy your house to the end of that month.

If you were able to refinance your existing house and get a better interest rate during 1987, the points you paid on the refinancing will need to be deducted

equally over the life of the new loan.

Personal interest will no longer be deductible in full. It will be phased out and you will only be able to deduct 65 percent in 1987, 40 percent in 1988, 20 percent in 1989, 10 percent in 1990, and nothing in 1991. Since personal interest will no longer be deductible in full, you may want to restructure your debt, either by paying off loans or finding lower interest rates (pay off credit card loans and get signature loans at your bank, for example).

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Charitable giving will still be deductible for those who itemize, but not for those who don't.

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STEP 14. Charitable giving will still be deductible for those who itemize, but not for those who don't itemize. In your charitable giving, if you are going to be either in the 35 percent or 38.5 percent bracket in 1987, you might entertain prepaying your 1988 charity pledges in December. Don't forget you are allowed 12 cents a mile for travel you incur for charities. Also, you might want to clean



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You might want to clean out your house for items you want to give to charity before the end of the year.

out your house for items you want to give to charity before the end of the year.

STEP 15. For 1987, miscellaneous deductions will generally be deductible only to the extent that they exceed 2 percent of your adjusted gross income. Deductions included are: professional dues, educational expenses, job hunting, uniforms, work clothes, union dues, safety deposit box, tax counselor assistance, IRA and Keogh management fees, 80 percent of unreimbursed business-related meal and entertainment expenses, and other unreimbursed employee business expenses. You might look at your reimbursement policies from your employer or business to see how you can restructure this area to lower your tax liabilities.

STEP 16. Passive losses can be offset by passive income. You might look at

converting some of your investment funds into passive investments that yield passive taxable income.

STEP 17. You business owners might consider hiring your child, or children. They can earn up to \$2,540 in 1987, \$3,000 in 1988 before they pay any taxes. This way you will get a deduction for their services as long as you are paying them reasonable wages, and they won't have to pay any federal income taxes.

STEP 18. Any capital equipment you purchase for your business during 1987

can be expensed up to \$10,000 (Code 179 deduction).

Finally, plan early and constantly review how you can lower your federal tax bill. Paying less than you owe can get you in trouble. But paying no more than you owe is just good business practice. **PR**

*Edward M. Gardner is a certified public accountant with tax experience in two national accounting firms. Mr. Gardner heads his own accounting firm in Houston, Texas.*

## BB/BSA Contributors

In addition to those listed in the June/July issue of PROGRESSIVE RENTALS, the following members have contributed to the annual APRO-sponsored fund drive for Big Brothers/Big Sisters of America.

Rodger D. Poteet  
Economy Rentals  
Cleveland, Tennessee

A.K. Sayer  
Big Value Rentals  
Irving, Texas

Tim Pelter  
House of Rentals  
Arvada, Colorado

Brian Luksetich  
Super Rent  
Des Moines, Iowa

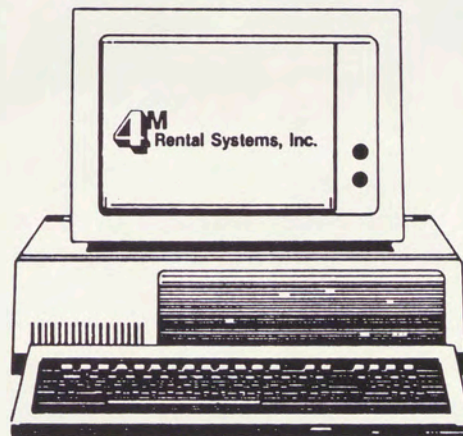
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 North Little Rock, AR 72114  
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**Friendly Dan The TV Man**  
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 Port Arthur, TX 77640  
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**Ross Welch(1)**  
**Welch's Appliance Center**  
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 Lacey, WA 98503  
 (206)459-9477

**William T. Sheffield(1)**  
**Rental World, Inc.**  
 742 Cain Ridge Rd.  
 Vicksburg, MS 39180  
 (601)636-0088

**Shirley M. Moore(2)**  
**Farrari Rentals, Inc.**  
 5552 N. Broadway  
 Chicago, IL 60640  
 (312)328-0414

**Royal Canadian Rentals**  
 6238 Southwestern Ave.  
 Chicago, IL 60640  
 (312)328-0414

**Terry Webb(1)**  
**MPI of Corbin**  
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 (606)528-0662

**Tom Chorn(15)**  
**Coree Rentals, Inc.**  
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**Keith Jensen(1)**  
**Curtis Mathes HEC**  
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**RK Rentals, Inc.**  
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 Center  
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**Clyde DeLoach(1)**  
**DeLoach HEC, Inc.**  
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**Rick Darling(1)**  
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 Katy, TX 77449  
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**Johnny Hightower(1)**  
**Hightower TV, Inc.**  
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 Douglasville, GA 30134-2302  
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**David Jones(1)**  
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**David Shiroda(4)**  
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continued on page 49


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## Advertising: A **Hot** Topic

There is a movement across this country to regulate our industry. It is generally thought to be the answer to our "recharacterization" problem. There is no reason yet to think otherwise.

In each state where we have achieved the enactment of a statute, the new law has contained provisions that regulate advertising. These new provisions are changing the way we do business.

### "Hot Potato" Issue

Each company should carefully review its advertising to insure compliance with its state law. Each company can be sure that its advertising is being reviewed by other companies with a critical eye. This is what makes the issue such a "hot potato."

Some of us are beginning to stew over the disregard that has been shown by some towards this very important requirement. It would certainly be unfortunate if the first test of a state's rent-to-own law was based on a complaint encouraged by another rental dealer. Yet, this is a very likely possibility where there is disregard for the advertising disclosure requirements.

Rental dealers have always been heavy advertisers. It is a necessary part of this business. Historically we have concentrated on television. More recently, as we have expanded into smaller markets, print advertising has become more widely used. We have always used print advertising for handouts and special promotions.

There was a time when no one advertised price. Our business was not price sensitive. Those may have been "the good ole days." As competition has increased, price advertising has become a critical marketing tool.

We are underway now in the effort to

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It would certainly be unfortunate if the first test of a state's rent-to-own law was based on a complaint encouraged by another rental dealer.

---

obtain statutory regulation in the various states. It is a good time for us to pause to look back at the experience in these regulated states and notice a few of the issues that have been created there.

### Where Do Regulations Apply?

A matter of concern initially was whether we are subject to the advertising regulations within the store premises. Wall posters and item ticket prices are but two examples of a form of advertising of specific items. While the statutes are generally silent on the definition of advertising, it has been concluded that the regulations do not apply within the store premises. One state has addressed this subject and specifically required disclosures on price tags. Otherwise, every external means of communication including television, newspapers, handouts, billboards, and radio would appear to be properly defined as advertising within the scope of the statutes.

Otherwise, advertising disclosures are required either upon the reference to any price or a specific item or both. The New York statute is typical as follows:

"An advertisement for a rental

purchase agreement that refers to or states the amount of a payment for the right to acquire ownership of any one particular item shall clearly and conspicuously state [disclosures]..."

It is clear in such an instance that an advertisement that addresses itself to the price of a particular item will require disclosures. Those disclosures include a statement that the transaction is a rental-purchase agreement, the total of payments necessary to acquire ownership, and the method of payments (78 weekly payments, for example). Particular states require an explanation of early buy-out options, a statement that the customer acquires no equity in the property, and a description of other charges. Each state's law should be carefully consulted when advertising a specific price or a particular item.

It is possible in some states to advertise price without disclosure so long as there is no reference to a particular item. For example, the following advertisement in some states would not require a disclosure:

"NINETY-NINE CENTS  
RENTS ANY ITEM IN THE STORE"

If that advertisement seems a little misleading to you, then you understand the motivation that has inspired additional disclosure provisions such as the following:

"An advertisement for personal property available through rental-purchase agreements that refers to more than one appliance or particular item and includes information on periodic payment amounts shall include a representative item available at that

amount and shall state conspicuously [disclosures]."

Two developments have paralleled each other recently. The effort to regulate states and the recognition of the necessity to advertise price in a competitive environment have caused an adjustment to the legislative strategy in new states. A third force influencing developments in this area is the multi-state operation. Inconsistencies in advertising regulations among states are a major headache to the advertising departments and agencies of larger companies. There is pressure in favor of uniformity and simplicity in the new states.

### Disclosures Inevitable

It is recognized that price will be a feature of advertising in the future and that disclosures with respect to those prices will be required by the states. There is a shift away from burdensome advertising disclosures that were intended to discourage price advertising and a movement towards reduced disclosure requirements in recognition of the likelihood of price advertising. The conclusion that must be reached by every

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If you do business in a regulated state, you can save yourself and your competitors a lot of heartburn (and money) by insuring that your advertising complies with the law.

---

rental dealer is that advertising disclosures are now or will become a necessary part of each advertisement. The use of advertising that does not require disclosures is becoming a rare occurrence.

It is necessary to increase awareness throughout our industry of the existing advertising disclosure requirements. In states where legislation is under consideration, an effort should be made to limiting the scope of disclosures based on the assumption that they will be required in all ads.

This advertising disclosure ground has already been broken for us by other industries. For example, disclosures are a common occurrence in newspaper advertisements for automobile sales

and leases. The consumer lobby takes for granted the necessity of such disclosures in our advertising. We cannot successfully resist that pressure. Our only option is to limit the requirements for such disclosures to the specification that the transaction is a rental-purchase agreement and a statement of the total amount of payments necessary to acquire ownership.

If you do business in a regulated state, you can save yourself and your competitors a lot of heartburn (and money) by insuring that your advertising complies with the law. If multi-state advertising is prepared for use by local stores, careful instructions must be given as to how that advertising should be localized for use in regulated states. In states where regulation is under consideration, assume the necessity for disclosures and promote the concept of simplicity and brevity of disclosure.

**PR**

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



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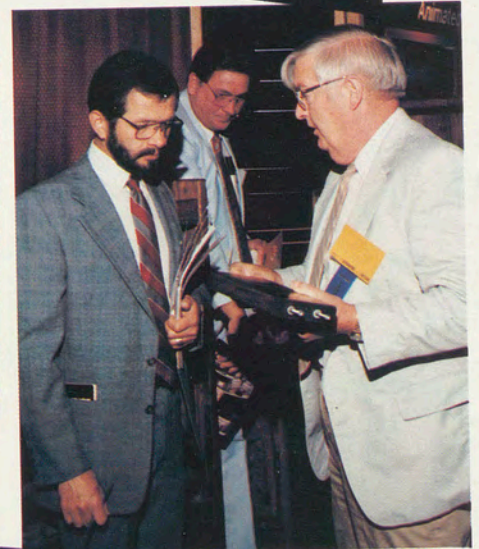
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# APRO SPECIAL REPORT

## Another Look At APRO '87

From the opening event to the finale, APRO '87 had something for everyone. When members weren't in the exhibit hall getting the lowdown on all the products or winning prizes, they were increasing their knowledge in the seminars—many of them standing room only—or visiting with fellow dealers at the general session, awards luncheon, sporting events, and parties. And what parties they were. A glimpse of the future (will we really have strange antennas and grow extra eyeballs?). Mardi Gras in August attended by mystery Sisters and golden-draped Greeks, among others. A pulse-stirring parade down Canal Street behind a marching band to the Creole Queen for a cruise on the Mississippi River. If you weren't there, you missed a spectacular event; if you were there, you know APRO's annual convention is the place to be. In 1988, APRO will put "Rent-to-Own On Stage In Las Vegas." The dates are August 3-7, Wednesday through Sunday, and Bally's is the convention site. It's a sure bet to be another success.





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The Rental Manager was designed by specialists with years of experience in rent-to-own operations and management. Our software was developed over the years right in our own stores.

The Rental Manager is written in clear, easily understood rental terminology. You don't have to be a computer expert to process a receipt for a customer or transfer a rental unit to another store. There is no complicated computer language to learn, and no difficult computer manuals to tackle.

The Rental Manager is written in COBOL for dependability and speed under single-user DOS or multi-user Xenix or Novell. It's simple to set up and flexible to use with good supportive documentation and toll-free telephone assistance when needed. On-site training can also be obtained.

The Rental Manager offers big system features at a small system price with multiple store discounts also available and minimum maintenance fees. Quality hardware is also available from us as part of the package. If it's time to automate your business, it's time you investigated The Rental Manager.

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- BOR activity reporting
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- Tracking of customer history
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- Idle inventory reports
- Reporting of customers near payout
- Accurate analysis of categories and brands
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continued from page 42

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# Countdown Begins in Washington

## Washington Report

By J. Samuel Choate Jr. and  
Laura C. Nehf

The reconvening of the 100th Congress on September 10 signaled the countdown for passage of APRO legislation. We have worked hard in Congress over the last few years building up support and interest in the regulation of rental-purchase agreements. We have obtained commitments from key staff members of the Senate Banking Committee that our bill will be a priority this year. We have been patient and fulfilled our corresponding commitment to wait until the recent banking legislation was passed into law.

We have begun the countdown process by meeting with the Senate Banking Committee representatives and their staff in order to move the APRO bill (reintroduced in the House as H.R. 2537 by Rep. Doug Barnard on May 28) from its current status as a working draft to Committee mark-up, and then to the Senate floor.

As we have mentioned in the past, APRO members' support and interest in this legislation is key to its passage. We are now calling upon APRO members in the following states to write the senators listed below with regard to the pending legislation. The members of the Senate Banking Committee's Subcommittee on Consumer Affairs who are of immediate importance are:

**Sen. Christopher J. Dodd (D-CT)**  
(Subcommittee Chairman)  
324 Senate Hart Office Building  
Washington, D.C. 20510-0701

**Sen. John H. Chaffee (R-RI)**  
567 Senate Dirksen Office Building  
Washington, D.C. 20510-3901

**Sen. Bob Graham (D-FL)**  
313 Senate Hart Office Building  
Washington, D.C. 20510-0902

**Sen. Phil Gramm (R-TX)**  
370 Senate Russell Office Building  
Washington, D.C. 20510-4302

On the administrative front, we have received no objections from the Federal Reserve Board with regard to the compromises made with the Senate Banking Committee staff last year.

**Sen. David Karnes (R-NE)**  
443 Senate Russell Office Building  
Washington, D.C. 20510-2702

**Sen. William Proxmire (D-WI)**  
530 Senate Dirksen Office Building  
Washington, D.C. 20510-4902

**Sen. Timothy E. Wirth (D-CO)**  
237 Senate Russell Office Building  
Washington, D.C. 20510-0602

In order to assist dealers in these states, soon we will be sending a package with a sample letter that can be modified and sent to the appropriate senator in support of the rental-purchase legislation. Your letters should stress the need for a uniform federal law governing rental-purchase agreements.

In addition, those of you who would like to receive copies of H.R. 2537 as introduced, please contact us at our Washington office at 1101 Connecticut Ave., N.W., Suite 405, Washington, D.C. 20036.

With regard to progress in the House, our bill has been referred to the Subcommittee on Consumer Affairs and Coinage of the Committee on Banking, Finance and Urban Affairs. While the referral to the Subcommittee connotes progress, the Subcommittee itself is facing certain "in house" problems that could affect the speed of its deliberations.

First, the chairman of the Subcommittee, Rep. Frank Annunzio (D-IL), has been ill for the last eight months and his activities have been understandably limited. Second, because the positions

of two Subcommittee members have not yet been filled this year, the Subcommittee is not at full strength.

Notwithstanding these potential complications, we are in the process of actively assisting our chief sponsor, Representative Barnard, in obtaining numerous co-sponsors for the bill in order to request hearings. Already, Representative Barnard has been joined by Representatives Glickman, Ackerman, Daub, and Neal as sponsors for H.R. 2537. We will concentrate our search for additional co-sponsors primarily on members of the House Banking Committee and as soon as we receive commitments for their support, we will be contacting dealers in their states to support our efforts for hearings.

On the administrative front, we have received no objections from the Federal Reserve Board with regard to the compromises made with the Senate Banking Committee staff last year. We have kept the Federal Reserve Board staff members abreast of developments both in the states and in Congress with regard to rental-purchase agreements. We hope that our efforts in this respect will preclude any negative comments during hearings on our bill.

We hope you will help us in our commitment to get the legislation passed this year. We need your support and your letters. We have all waited a long time for this opportunity and we must act quickly. We will be contacting members by telephone to follow up our request for letters of support. In the meantime, please contact us at (202) 457-7760 if you have any questions.

**PR**

*J. Samuel Choate Jr. and Laura C. Nehf are partners in a Washington D.C. law firm, Choate, Feller and Nehf, which promotes legislative action for the rental-purchase industry.*

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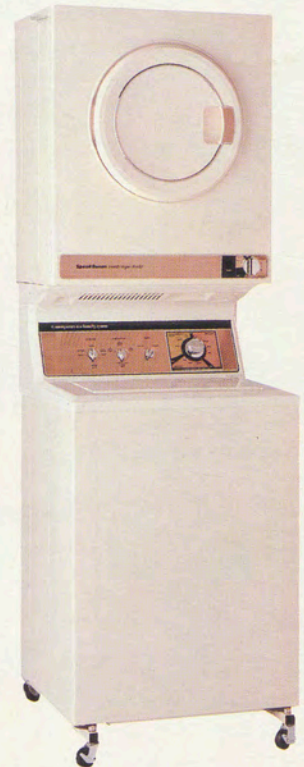
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