

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

Progressive Rentals

Video Rental

Holding its place
in the big picture





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 TV Monitor with 105-
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 Graphic Equalizer, Dual
 Cassette Decks, Semi-
 Automatic Record
 Player, Tower Speakers
 and Custom-Designed
 Rack with Tempered
 Safety Glass Doors,
 Slide Out Tape Storage
 Drawer, Record
 Storage plus Wood
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 trol plus Stereo FM/AM
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 sette Decks, Semi-Auto-
 matic Record Player,
 Tower Speakers and
 Custom-Designed
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 Safety Glass Doors,
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Wireless Remote Con-
 trol permits complete
 operation of TV from
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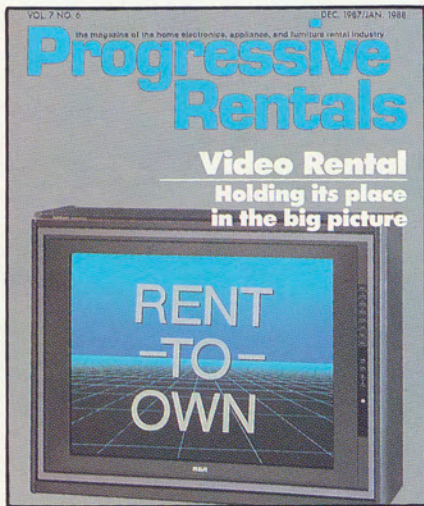
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For More Information, Contact Jim Rives,
National Rental Sales Manager

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



ON THE COVER: Video rental, long the front-runner item in rent-to-own, still looms large in the product mix of stores across the country. Even so, there are changes in the market, as revealed in the cover feature beginning on page 8.

COVER BY:
*Ozz Research and
Wallace Engraving*

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T O U C H

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THE DIRECTOR'S DESK

This issue of PROGRESSIVE RENTALS marks the close of the old year and the beginning of the new year. Looking back, we see a year of significant growth for the industry and the association. Looking ahead, we see more of the same, including growth and change in both the rental-purchase industry and APRO.

Nineteen eighty-seven was a year of significant change in the industry with acquisitions, mergers, expansions, new entrances, increased competition, and unfortunately, business failure in some cases. Rent-to-own is rapidly becoming recognized as a major factor in the nation's economy just as it has in Europe, Australia, and nations throughout the free world. In 1988, we will see continued changes in the make-up of the rental-purchase industry as the industry continues to mature.

The past year also saw many changes in APRO, the national association representing the rent-to-own industry. A significant growth in association membership was experienced by APRO in 1987. New dealer members and associate/supplier members strengthened the association last year and we expect this trend to continue in 1988. There is strength in numbers, and a strong association is vital to the welfare of the industry.

Group insurance programs, including property and liability insurance, and health and life insurance were approved as additional member benefits in 1987.

The 1987 APRO Convention and Trade Show continued the growth pattern that has developed over several years with an increase in the number of exhibitors and an increase in the number of dealers attending the convention and trade show. This growth pattern is also expected to continue with the APRO '88 Convention and Trade Show, which will be held at Bally's Grand Hotel in Las Vegas, August 3-7.

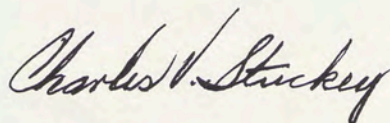
The Vendor Relations Committee met recently in Las Vegas to review the 1987 trade show and to begin work toward a bigger and better show in 1988. The larger space available for the 1988 trade show plus changes in the schedule and new attendance incentives will make the trade show more beneficial for both dealers and exhibitors.

A seminar committee, chaired by Bud Holladay, was appointed by APRO President Mac Hennigan in 1987 to review past seminars and recommend improvements for future seminars. Changes being studied for 1988 seminars include different levels of instruction based on the length of time in the industry, better pricing structure such as price breaks for multiple enrollments from one company, and holding some of the seminars in less expensive locations. The work of this important committee should result in a greatly improved seminar program in 1988.

Another important project completed in 1987 was the first statistical survey of the rent-to-own industry. The information compiled from the survey fills a long-time need, and will be helpful to dealers, financial institutions and suppliers, as well as being useful in future legislative efforts at both state and national levels. The survey report is nearing completion as this issue of PROGRESSIVE RENTALS goes to press. Information on how to obtain a copy will be announced soon.

APRO's legislative action program was successful in getting several state associations organized to introduce rent-to-own bills resulting in the passage of legislation in several states, which created a better business climate for rental dealers. Legislation has already been introduced in several other states where passage is expected in 1988. APRO will continue to expand the legislative program and work for passage of rent-to-own law in the remaining states. Significant progress was made toward passage of favorable national legislation in 1987, and these efforts will continue in 1988.

Best wishes for the new year!



—Executive Director

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PROGRESSIVE RENTALS (ISSN 8750-6106) is the official publication of the Association of Progressive Rental Organizations (APRO) and is published six times annually at 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741, (512) 447-0333. Copyright © by APRO, 1987. All rights reserved. Cover and contents may not be reproduced in whole or in part without prior written permission.

Subscriptions: U.S. and Canada—1 year (6 issues), \$30; 2 years (12 issues), \$50; 3 years (18 issues), \$65. Back issues available at \$3 each. For subscription, change of address, back issues, write PROGRESSIVE RENTALS, 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741. Three weeks required for changes on orders. Allow 6 to 8 weeks for the first subscription copy to be shipped.

Advertising Sales Office: 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741, (512) 447-0333.

POSTMASTER: Send address changes to PROGRESSIVE RENTALS, 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741. Second Class Postage Paid at Austin, TX. Printed in USA.

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For information about Rental Programs, contact your Zenith Distributor, or write or call Mr. Norm Smith, Zenith Electronics Corporation, 1000 Milwaukee Avenue, Glenview, IL 60025. (312) 391-8231.

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Changes In Today's Video Market

Our annual survey reveals interesting shifts in video rentals

While other industry segments are crying the blues, the consumer electronics sales and service industry has been happily reporting an annual growth trend of 10 percent or more since 1984. Growth for 1987 may be a less spectacular 4.5 percent, but the electronics industry still has cause to rejoice because factory sales are expected to top \$30 billion for the first time this year.

New technology keeps bringing customers back into the stores to buy their second and third models of products that didn't even exist a few years ago. According to the Electronics Industries Association (EIA), household penetration of VCRs now stands at 45 percent, color TV with built-in stereo at 7 percent, and camcorders at 3 percent. As the national demographics swell in each of these categories, rent-to-own dealers can expect to find a corresponding demand among their customers for the same items.

America's love affair with television has not waned, although many rental dealers report their rate of growth in video most definitely has declined from what it was five or ten years ago. For some, this reflects stronger rentals in new product lines rather than an actual drop in video rentals. According to an informal survey conducted by APRO, dealers whose average TV rentals once accounted for as much as 70-80 percent of their BOR now tally as little as 25 to 40 percent from video.

America's love affair with television has not waned, although many rental dealers report their rate of growth in video most definitely has declined from what it was five or ten years ago.

More Options for Dealers to Consider

The list of what consumers consider electronic "must-have" items continues to grow, benefiting rent-to-own dealers who broaden their inventories each year to accommodate the wider demand.

Dealers around the country are keeping a close eye on the newest technology being offered—monitor screens, stereo television, wide-screen projection TVs, satellite dishes, high-fidelity videocassette recorders, and camcorders. The trick is to gauge potential demand without acquiring high-glitz, high-tech items that will only gather dust in the showroom before customers decide to rent them.

Although rental customers tend to lag about eight months behind the general market in their wants, dealers recognize that their stores often provide a vital link

in the retail buying cycle for new products. The process goes like this: The general public gets caught up with a new introduction, desire filters down to RTO customers who rent the item and take it home for a trial run. Depending on how mainstream the item becomes (and whether the price drops low enough), rental customers buy the item, either by completing their rental agreement or by returning the rental and making an outright retail purchase.

Looking Ahead

Hitachi's national sales manager, Gary Wooten, says dealers should look for a number of new trends in upcoming video introductions. "In VCRs, buyers will be offered smaller, more compact sizes, and more user-friendly equipment. As an example, in the 1988 industry, one of the trends will be to have more assistance from on-screen computer programming. In other words, you'll have the capacity to push a menu button to provide information on how to program your machine, how to load or clean the machine—several different types of functions—then the screen will say in English what you do. These innovations will be in medium to higher-end products.

"There will also be a trend toward more digital equipment with scan capacity such as 12 pictures on a screen so you can have a video guide. It's user friendly, very efficient, and very useful

for the general public, plus you don't have to be a magna cum laude to figure it out."

Jim Rives, national rental sales manager for Soundesign, anticipates that combination audio/video (AV) systems will push stereo systems out of the market, making the single product systems almost non-existent. Rives says this is still a very exciting business, and a growing market even with the current price erosion. He says Soundesign is "looking to do a lot" in the rental industry, and speculated that rent-to-own will grow to 25 percent of his company's business, up from an estimated 5 percent current share.

Is It For Me?

Greg Thomas, partner in five Appalachian TV Rentals stores in West Virginia (and two more about to open), looks before he leaps into a new product category. "We do have customers who want to know why we don't have something that's hot when it first comes out. If we feel something is going to be hot and it's something feasible that we can rent, we get right into it. But if it's something that's just up in the air (we wait)."

Competition Is Fiercer

Jim Huntley, with five Hunt-Ragan Instant Rent To Own stores in Georgia, believes that dealers have to work harder for their share of the market today. "Compared to five years ago, I would say that in today's video market it's much more difficult to make a profit because it's more competitive. Not so much in that you can't still make the mark, the same return on investment, but it's much more difficult to gain BOR. It's much more difficult to sell than it used to be."

Norma Conant, manager of two Mrs. T's Rental stores in Connecticut, agrees that video is less important in her overall figures. "It seems to me that there are other areas (besides video) that are going ahead faster. In this area, we're going more for furniture and appliances than we are video. Video is dropping off." Mrs. T's racks up about a fourth of its rentals with televisions and VCRs.

In West Virginia, Thomas finds that VCR rentals have greatly increased while color console rentals are down. His video BOR is about 40 percent. "One reason why the percentage has dropped from a few years ago is that we offer so many different items. Before, it

In the Movies

One doesn't need a crystal ball to realize that competition is especially fierce these days in the movie rental arena. "Coming to your neighborhood soon" may be the video superstores, if they aren't already there. Imagine a store with 7,000 square feet containing 9,000 or more titles (three to five times as many tapes as the average store), hours from 10 a.m. to 10 p.m., open 365 days a year with no membership fee and two-day rentals at no extra charge. Blockbuster Entertainment and Video Giant are two of the chains that hope to spread across the country with this video superstore concept.

Nevertheless, for dealers who can strike the right balance between overhead and profit, renting videos can be viable. Here's how one dealer, Jim Huntley of Hunt-Ragan in Georgia, is meeting the challenge.

Huntley is one dealer who takes an objective look at his movie rentals—both advantages and disadvantages. The first benefit he mentions is a logical one. "We probably do have a higher saturation in VCRs than the average rent-to-own dealer. Customers come into our store and see these 2,000-3,000 movies and it's much easier to rent them a VCR.

"It is profitable, but it would not be if we were not in another business in the same building. We're able to balance the costs for space because of that. Our overhead is primarily covered by my rent-to-own business. My video is a traffic drawer and we do make a profit on it, but if we had to make a living strictly on that it would be a very, very slim profit.

"We think 1,200 titles is a minimum and we go as high as 3,000 in some of our stores that can do the numbers. We buy new releases mostly and eventually it swells on up there. We've been in the video business a long time (six years, and we were in movies before we went into rent-to-own), so we pretty much know how it works.

"Display methods vary from store to store. We display movies on the walls and in stand-up racks in the center of the store. We try to make it attractive with a lot of light and a very friendly, festive atmosphere. We have music and we put the department at the front of the store so that our customers have to walk through it whenever they make a rent-to-own payment—or at least in a front section.

"Our customers tend to be in the lower-to-middle-income groups and those customers tend to want more action and horror titles—the action more so than horror—than the average video store. Many of the big hits that come out in video stores—comedies and dramas—are not big hits in our stores. We also have hits that they don't have. Karate and action adventure movies are very, very big for us.

"We have a two-for-one special on Wednesdays and we're not open on Sunday, so (if they rent on Saturday) they rent a movie for the same price and get to keep it for two days," says Huntley.

In addition to appliance and television rental customers, the Hunt-Ragan movie sections attract people who would otherwise not shop there.

"You have a large degree of your regular rent-to-own customers renting movies and I think that's why the video business is good, because we have very few rent-to-own customers who are not also video customers. If they don't have a VCR, after they walk through there every day they're going to get one. It's about 50-50, divided between our own customers and those off the street. We have such a good selection of movies and we are very competitive in the movie business, so we do get a lot of people who would never be rent-to-own customers.

"I do radio advertising that is co-op. We have promotions and giveaways and something different going every month. The best 10 customers of the year are eligible for a drawing for a VCR, and we run those contests year round. A best customer is one who rents the most in volume—the most titles per year. We're on computer so we can keep up with that.

"We have a separate computer system called Griggers Software Inc., produced in Lyons, Georgia. He does a very good job.

"You need anywhere from one to three extra employees to handle movie rentals, depending on the store. We schedule them to work the same time as the other rent-to-own employees.

"I buy most of my titles from Waxworks, which is a national distributor. The average productive life of a video is about six months. We trade or sell inactive movies. We don't have a movie club. We have information and we set everybody up on computer, but we don't charge membership fees or anything."

Video Supplier Who's Who

Video products continue to be the mainstay of the rental-purchase industry. And knowing where to get the products needed to satisfy customers' wants is essential. Here is a detailed list of current video suppliers to the industry.

*Associate Member +Advertiser

Akai

800 W. Artesia Blvd.
Compton, CA 90244
(213) 537-3880
VCRs

American Family Video Corp.

15808 S. E. 114th St.
Clackamas, OR 97015
(503) 370-7495
Videocassette store racks

Brockwood Corp.

8120 Scott Hamilton Rd.
Little Rock, AR 72209
(501) 562-0043
(800) 826-9265
TVs, VCRs, TV stands

Commtron

1501 50th St. #300
W. Des Moines, IA 50265
(515) 224-1784
Prerecorded videocassettes

Fisher

21314 Lassen St.
Chatsworth, CA 91311
(818) 998-7322
TVs, VCRs

*+General Electric Consumer Electronics

600 N. Sherman Dr.
P.O. Box 11009
Indianapolis, IN 45201
(317) 267-5535
TVs, VCRs, HECs

General Video

3700 Kelly Ave.
Cleveland, OH 44114
(800) 321-9858
Distribute adult prerecorded videocassettes

Gilbert Electronics

3303 N. Main
Houston, TX 77009
(800) 821-2838
Parts for GE, RCA, Panasonic, Quasar, Magnavox, Philco, and Sylvania

Goldstar

1050 Wall St. W.
Lyndhurst, NJ 07071
(201) 460-8870
TVs, VCRs, monitors

*+Hitachi

401 W. Artesia Blvd.
Compton, CA 90220
(213) 537-8383
(800) 262-1502
TVs, VCRs

Ingram Video

347 Reedwood Dr.
Nashville, TN 37217
(800) 251-5902
Prerecorded videocassettes

JVC

41 Slater Dr.
Elmwood Park, NJ 07407
(201) 794-3900
TVs, VCRs

*Magnavox

P.O. Box 14810
Knoxville, TN 37914-1810
(615) 521-4316
TVs, VCRs

Marantz

20525 Nordhoff St.
Chatsworth, CA 91311
(818) 998-9333
TVs

Millrock

Sanford Airport
P.O. Box 974
Sanford, ME 04073
(207) 324-0041
Videocassette store racks

Mitsubishi

5757 Plaza Dr.
P.O. Box 6007
Cypress, CA 90630-6007
(714) 220-2500
VCRs, big screen TVs

National Video Clearinghouse

100 Lafayette Dr.
Syosset, NY 11791
(516) 364-3686
Publishes catalog listings of current videocassettes

N.E.C. Home Electronics

1255 Michael Dr.
Wood Dale, IL 60191-1094
(312) 860-9500
TVs, VCRs, big screen TVs

Panasonic

1 Panasonic Way
Secaucus, NJ 07094
(201) 348-7000
TVs, VCRs

*+Philco/N.A.P. Consumer Electronics

P.O. Box 14810
Knoxville, TN 37914-1810
(615) 521-4316
TVs, VCRs

Pioneer

5000 Airport Plaza Dr.
Long Beach, CA 90815
(213) 420-5700
TVs, VCRs

PortaVideo

1930 W. Third St.
P.O. Box 22130
Tempe, AZ 85282
(800) 528-3350
VCPs, VCP-monitor systems

*Quasar

4205 Diplomacy Rd.
Ft. Worth, TX 76155
(817) 283-8103
TVs, VCRs, camcorders

Samsung

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

Sansui

1250 Valley Brook Ave.
Lyndhurst, NJ 07071
(201) 460-9710
VCRs, monitors

*Sanyo

1200 W. Artesia Blvd.
Compton, CA 90220
(213) 537-5830
TVs, VCRs

Sharp Electronics Corp.

Sharp Plaza
P.O. Box 650
Mahwah, NJ 07430-2135
(201) 529-8200
TVs, VCRs

Sony Corp.

1 Sony Dr.
Parkridge, NJ 07656
(201) 930-1000
TVs, VCRs, camcorders

+Soundesign

34 Exchange Place
Jersey City, NJ 07302
(201) 434-1050
TVs, VCRs

Source Video

1100 Hillsboro Rd.
Franklin, TN 37064-7000
(800) 962-0222
Prerecorded videocassettes

Star Video

550 Grand St.
Jersey City, NJ 07302-4112
(201) 333-4600
Prerecorded videocassettes
(Distributed in Northeast only)

*Sylvania

P.O. Box 14810
Knoxville, TN 37914-1810
(615) 521-4316
TVs, VCRs

*+Symphonic

100 North St.
Teterboro, NJ 07608
(800) 242-7158
(201) 288-2666
TVs, VCRs

*Teknika

353 Rt. 46 W.
Fairfield, NJ 07006
(201) 575-0380
TVs, VCRs

*+Thomas

122 Tices Ln.
East Brunswick, NJ 08816
(800) 524-0160
Audio, video, HECs

*+Toshiba

82 Totowa Rd.
Wayne, NJ 04740
(201) 628-8000
TVs, VCRs

+Video Action

8845 SW Spruce St.
Portland, OR 97223
(503) 245-2388
Prerecorded videocassettes

Video Aid

99 Tower Dr.
Middletown, NY 10940
(800) 431-5843
Extended warranties on video appliances

Video By Cycling

10610 Metric Dr. #179
Dallas, TX 75243
(214) 340-4466
Prerecorded videocassettes and accessories

Video Latino

409 N. Figueroa St.
Wilmington, CA 90744
(213) 549-4490
Spanish and Mexican prerecorded videocassettes

Video Store Shopper

15759 Strathern St.
Van Nuys, CA 91406
(213) 655-9635
Video store accessories

Waxworks

325 E. Third St.
Owensboro, KY 42301
(502) 926-0008
Distribute prerecorded videocassettes

+Welton/Techwood

2109 Luna Rd.
Carrollton, TX 75006
(214) 243-5602
TVs, VCRs, HECs

ZBS

701 Beta Dr.
Mayfield Village, OH 44143
(800) 321-8774
Prerecorded videocassettes and accessories

*+Zenith

1000 Milwaukee Rd.
Glenview, IL 60025
(312) 391-8231
TVs, VCRs

The trick is to gauge potential demand without acquiring high-glintz, high-tech items that will only gather dust in the showroom before customers decide to rent them.

was televisions and major appliances only. We've gotten into furniture and a lot of people have satellite dishes. There are so many things that the industry has gotten into which made a lot more things available to people."

It's Paid For

Numbers vary as to how many contracts go to term, with TVs being more stable than VCRs for most dealers. Greg Thomas's experience leads him to describe videocassette recorders as short-term rentals.

"People rent them maybe a week, a month at a time, turn them back in for a couple of weeks, then go rent them again, which makes no sense. Our VCR business is very good, and we can hardly keep them, but as far as going to term, the item that least goes to term with us is a VCR," says Thomas.

Completion, or keep, rates vary widely from dealer to dealer and region to region. One dealer in the east claims a high rate for video, while another dealer in the south reports a low average for both TVs and VCRs.

Combos

Dealers price VCR rentals at rates ranging from \$12.22 to \$16 a week. No one surveyed rents for less than a week.

Mr. Good-Rents general manager Chuck Weaver reports that in his five Missouri and Kansas stores he pairs VCRs with television sets to keep up with the competition. "What has become real popular in this market—and we don't always like it, but we had to keep up with the Joneses so to speak—is that everyone's coming in for one package now. You can get a 25-inch color console and a VCR together for \$19.95 a week. That's offered by every rental company in the city now. We also do that with a 19-inch color portable for \$16.95 a week.

"Somebody coming in to rent a VCR by itself isn't happening quite as often

as it did now that you can get the two units for just three dollars more. We do extend the months from 18 to 21, which helps us absorb our cost. It's one of our biggest rentals now," says Weaver.

Ernestine Siltmann, manager of a ColorTyme store in Seguin, Texas, boosts VCR rentals with special packages of three-for-one (television and free tape with videocassette recorder, \$29.95) and two-for-one (a 25-inch television and VCR, \$24.95).

Fixing Breakdowns

In an October 19 article, *Newsweek* reported that expensive and slow repairs plague VCR owners, highlighting a problem that can be disastrous for rental dealers. Better quality equipment and in-house repairs minimize the difficulty for dealers contacted by PROGRESSIVE RENTALS.

Compared to five years ago, I would say that in today's video market it's much more difficult to make a profit because it's more competitive.

"Until we went with Zenith, repair was a big problem," said Conant. "Since we went to Zenith I think we've had the heads cleaned in two machines. There are absolutely no repairs. We went through other brands that were always in the shop. For every customer we had to have two sets—one for loaner, and one for the customer's home. You're dealing with people who really don't understand what they're working with, and sometimes they feel like the kids can play with it, which may lead to breakage."

Jim Huntley also feels high quality brand selection is critical in decreasing VCR repairs. "We've been burnt and we've been successful, so we've been on both sides of it. We think we've got a good one now. We stick with the RCA. We're buying and renting it with a five-year warranty built into the price."

VCRs are susceptible to dust, power surges, and improper handling, such as a viewer trying to remove a cassette when the machine is not turned on. Even though a VCR is small enough for a customer to carry home and install, dealer installation can reduce potential problems. Explaining clearly to cus-

VCRs are susceptible to dust, power surges, and improper handling such as a viewer trying to remove a cassette when the machine is not turned on.

tomers how to operate the machine should be standard operating procedure, but as Conant says, laughing, "Everyone understands how it works until they get home."

With a service center that operates separately from his rental business, Greg Thomas doesn't worry about repairs for VCRs or other equipment.

"Sometimes parts can be back-ordered and it can take as long as a month to get a unit back into the system, but overall, it's not a problem. We can service a unit from the time it breaks down and get it back into the store in six to ten days. Because we're set up as a warranty station for all the manufacturers I think it's a little bit easier for us to get parts. It's going to take a lot longer if you have somebody else do the repairs."

Steady Now, But Later?

Dealers reported steady rentals with VCRs, but not all expect the trend to continue. "I think more people will own them in the future as you can go out and buy them for much less money," said Norma Conant.

Hunt-Ragan's VCR rentals "are about the same" as they were a year ago, according to Huntley. "They're not quite in the splurges that they were a year ago, but the VCR business is very, very steady. I expect VCR rentals to level off, although I think there's more growth in our market due to the penetration in the homes, but among our rent-to-own customers I'm sure the penetration is not as high as in the upper income brackets. We've got some more room for growth, but eventually it will level off."

Wooten describes the manufacturers' view of the VCR rental market. "Dealers are now starting to request more, better quality VCRs that have more step-up quality and more capabilities so that when customers do take it home they have the freeze-frame and the scan; they are also going into the linear stereo or hi-fi models. So you're seeing an insurgence of people wanting better

quality and better featured equipment than just the leader, low-end play-and-record unit, although that is still the heaviest segment of the market today. The market is moving more and more toward the step-up, medium-end position."

TV Trends

EIA expects a total of 18.3 million color TV receivers will be sold this year, with an increase projected for next year. By July of 1987, sales of color TVs were up 7 percent, an increase that was expected to make this year the industry's best in

the 34-year history of this flagship product.

While most dealers still rely on traditional models such as the 19-inch color portable for the bulk of their rentals, they now have more screen sizes than ever from which to select. Charles Davis, sales promotion manager for Sanyo, says his company will offer fewer screen sizes in new models, while other firms, such as Hitachi, will provide as many as 11 different sizes in 1988.

Asked whether screen sizes will ever be restandardized, Davis replied, "That is such a good question. It actually depends more on the tube manufac-

Explaining how to operate the machine should be standard operating procedure.

turers. They generally tend to determine the size. It seems to have stabilized in the sets we've offered. If you take the sets Sanyo has offered in the last two to three years, I'd say we had approximately 18 to 20 models in our line and some had conflicting features and different screen size.

While most dealers still rely on traditional models such as the 19-inch color portable for the bulk of their rentals, they now have more screen sizes than ever from which to select.

"What has happened, and I've seen this in some of the competitors' offerings as well, is that there has been a narrowing of screen sizes that each manufacturer offers because it just makes it easier for the retailer in setting up his SKUs. I don't think the variance in screen size is as important as it was a few years ago."

Be prepared to talk new numbers at Hitachi. Says Wooten, "Our screen sizes go from 5-inch up to 50-inch, and include 13-inch, 19-inch, 20-inch, 22-inch (unique in the industry, and very good in rental), 25-inch, 26-inch, 31-inch, 40-inch, 42-inch, and 45-inch."

Ken Case, Fisher's national sales manager for video, is skeptical about rental dealers' acceptance of larger size screens. "I think the newer screen sizes like the 26-inch and 27-inch have been more popular, but for the rental dealer there's always the price factor that they're faced with. Sometimes these have been out of reach and whether the prices will come down to where they'll be popularly priced to the rental dealers, I really don't know. I think you'll see some of these screen sizes show up in audio-video systems that become attractive in rental."

The 13-inch portable, 19-inch, and 25-inch console still dominate rentals, although the 20-inch and 26-inch are making inroads.

continued on page 47

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Our Image Is Changing

I am still trying to digest the recent acquisition of Rent-a-Center Inc. by Thorn EMI, a British conglomerate. For the moment, all I know is what I have read in the papers, but do note that it is our intention to interview the players and come out with a major piece about the transaction and its impact on the industry in a future issue of the magazine.

What I know from a press release from Rent-a-Center is that Thorn is a \$5 billion company and that the purchase price for Rent-a-Center was approximately \$594 million. What I understand but have not read anywhere is that Tom Devlin's share of the stock was worth nearly a nine-figure sum to him personally, which, after he pays some taxes, will make him one of the richest men in America. If Tom manages to stay out of the business for good, which is what he is saying (although a fair number of sellers have wiggled back into the business one way or another over time), he will have his hands full figuring out what to do with the interest on the money he has sitting in the bank.

Those are numbers which, quite frankly, boggle my mind. I have been involved, as some of you know, in a fair number of sales of companies in this industry. I thought that a few of my transactions had been large ones, but they pale by comparison with the Rent-a-Center purchase. If I had been commissioned on the RAC transaction, you would be getting this message from a beach in Mexico instead of my law office.

The sale did prompt me to reflect on transactions in the industry, and I wrote a piece about my perceptions of some of those transactions in this issue.

Even though dealers have regularly reported a fairly dry summer, my perception is that the industry as a whole is in essentially sound financial shape. I say this notwithstanding personal knowledge of a bankruptcy or two in the country, as well as some defaults on loans of substantial size. One of the bases for my opinion concerning the soundness of the industry is from the calls I get from investment people seeking information about us. These are outsiders, presumably people with money to invest in new businesses. I don't feel like the rent-to-own business is a new business, but it is for the investment community at large.

If this industry was, for years and years, one of the best-kept small business secrets around, that is quickly ceasing to be the case. Your local bank still may not be willing to loan you money, but there is an increasing number of entrepreneurial investment types who, for a piece of the action, will loan you lots of money. Please don't call for their names and addresses; it is not quite that simple, but these people are around, and they inhabit the major financial markets in this country and abroad.

It remains to be seen whether the influx of these new people will change the face of the industry. These people are primarily money people. However much money is invested in this industry, there is still going to be the need for people who know how to run the business. And there are never enough of them.

I am not aware of any rental dealers with store managers and other managerial types stockpiled waiting for site location studies or money before

opening new stores. It has been and probably always will be a question of personnel that is the primary inhibitor to company growth.

But the new money may solve one of the problems this industry has had. It will probably make the industry a better one. Investors will want a careful analysis of their risks going in, and will insist on well-run and professionally managed companies as their investment vehicles. It is not likely they will radically alter the fundamentals of the business, for example the customers that we serve, but they may well add yet another layer to the professional image that we have all been trying for years now to develop.

I do want to take a moment in print to publicly congratulate Tom Devlin and the other people at Rent-a-Center who have created one of the truly remarkable success stories of the decade. The Rent-a-Center team has set an example we would all like to follow, given us all cause for increased pride in what we do, and hope for an even more prosperous future in this business.

EDWARD L. WINN III
APRO General Counsel

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A Strong Business Plan Can Be a Great Asset

Until a few years ago, the only companies that had to develop business plans were start-ups, particularly high-technology firms. But today it's a different story. Lenders and investors today are asking—sometimes demanding—that companies in virtually every industry develop a business plan as a condition of obtaining loans or capital infusions.

So if you have any plans, however tentative, for seeking funds for your business—or of selling out—you should start working up a business plan. Having a plan in your pocket when you start looking for funding will cut down on the amount of investigative work your prospective financier must do and help prove to the financier that you're a sophisticated, intelligent business executive. In so doing, you'll undoubtedly enhance your chances of getting the financing you want.

A business plan will also be a great help in preparing budgets and in doing tax planning. If you anticipate how much you expect to be selling and earning five years down the line, you'll have a much clearer idea of your financial needs and your tax liabilities at various points.

Things to Include

Now let's look at the things you'll need to include in a business plan.

The first section should always be an executive summary. Think of this section as the "sizzle" for the "steak" that is to follow. The executive summary should list the topics to be covered in the plan but should also emphasize the high points of your proposal.

These points should include the purpose of the plan—for example, to attract capital for expansion; significant or distinctive features of your products or services; and forecasts of revenues and earnings for at least five years.

Following the executive summary should be a succinct table of contents, designed simply to assist in locating specific sections and points in the plan.

A business plan will also be a great help in preparing budgets and in doing tax planning.

The third section of your business plan should be a description of your company. It should state what business you're in, identify your principal products and services, markets and applications, and describe your distinctive competence.

Investors and lenders will want to know a lot about the management and ownership of your company, so devote a whole section of your business plan to this subject. List your key managers, describe their skills and explain how their experience relates to the success requirement of your venture. Be sure to include management's track record and state how it will help the company achieve future objectives.

Follow the management section with a discussion of the number and type of personnel you now have and will need, what their compensation is and will be, and what organizational structure the company now has and will have in the future.

Now turn to the development of a section on market analysis. This probably will be the longest single section, because there are many points to cover and questions to answer.

Begin this section with a description of your segment of your industry and a realistic estimate of its prospects for growth during the next decade. State your segment's chief characteristics and indicate who are or will be its major customers. Also, describe the major trends in your industry segment.

If you plan to enter new markets or new market segments, describe them in detail. This may be one of the most critical parts of your business plan, and it is one in which many companies have made mistakes.

You'll need to assess the competition for your products and services. List the companies you now compete with and those you'll compete with as you expand; tell how you and your products or services compare with those of your competitors. What is the market share of each competitor? Will you pose such a threat to them that they'll try to destroy you at any cost?

Describe your marketing strategy, distribution, promotion, pricing, sales appeals, geographical penetration, and field service (if applicable). Follow the marketing section with a discussion of your selling activities. How will you identify prospective customers and how will you decide what to do to attract them? How many sales people will you have, and what is the sales productivity of each sales person?

Next, develop a section on the funds your company requires and the uses to which they'll be put. State how much you need now, how much you'll need during the next five years, and how the money will be used.

In a section on financial data, present your financial statements and projections for the next three to five years. This information should include profit-and-loss statements and balance sheets for each year covered by the plan. Also include cash budgets and capital budgets for equipment.

State whether your numbers are "best-case," "worst-case," or something in the middle. The numbers should be based on several different assumptions to assure that they are reasonable.

You'll want your financial data section to be complete, but don't get too carried away; too much financial information can be worse than too little.

In a final section, include appendices or exhibits that may be required or appropriate.

PR

Edward B. Beanland is co-director of Entrepreneurial Services for the Dallas (Texas) office of Arthur Young.

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There's No Magic To Marketing

"Good marketing is not dropping the refrigerator off the edge of the loading dock."

That's the definition provided by one vice president of a very large retailing chain. It may be no coincidence that the owner of said chain is America's wealthiest individual, according to *Forbes*. So why can't aggressive and customer-minded rent-to-own folk ever figure out that it's always easier to sell a quality product than a tired, wornout reject from somebody else's household?

The easiest way to increase BOR is—obviously—to not lose BOR already on the books. Many dealers spend lots of money on complicated advertising programs and even some sophisticated market research on how to get new business: who's in charge of figuring out how to keep the business we already have? Typically, that's the job of one of the lowest-paid people in the corporation, the account manager. This is the company employee who can decide without any consultation or advice to simply cancel a \$1,080 account (\$60 a month over 18 months).

Profile the Pickups

Take the time this month to establish some accounting for the pickups made in each store. Develop a profile of the pickup: length of time on rent; type of product (new, used, high-end, low-end, etc.); zip code of renter; rental application characteristics (who was the guy who turned in this brand-new TV set after three weeks?), etc. Then do a telephone or direct mail survey to find out exactly why this customer, who was so excited about your product earlier, returned the unit. Is he doing without a refrigerator, or not watching television, or just what is the deal?

The easiest way to increase BOR is—obviously—to not lose BOR already on the books.

Sad to say, most of us haven't a clue as to why folks send back what we worked so hard to rent them earlier. We just take for granted that our account manager made the right decision and that customer just wasn't right for us.

If the management can determine which products are most frequently returned after what period of time and by whom, then it must follow that management can more intelligently place future advertising and promote more profitable products. After all, if the average 19-inch color portable stays on rent for only five weeks and costs the same to deliver as the 26-inch stereo console that stays out forever, it would seem advantageous to focus all advertising, promotion, merchandising, and even buying on that 26-inch stereo unit. If the most typical pickup is a 22-year-old single male who's been employed for less than four months, then we might want to set new criteria for renting the 26-inch stereo console.

One dealer tracks all service calls for months afterward to determine how many of this week's service calls are next month's pickups. Surprisingly, a good many are. Or, in light of the shortage of good technicians in most cities, maybe that's not so surprising. What is extraordinary is that the store had never figured out the same thing. You can bet service at that company has improved recently.

Understand the Customer

Of course, just as the Wal-Mart V.P. explained, really good marketing comes from understanding what's important to the customer. Few renters want a TV that is already damaged. Nobody wants a refrigerator delivered with mold already inside. The packaging and presentation of the product at the customer's doorstep is just as vital, perhaps more so, than the image conveyed in the TV commercial or the mailing piece.

If your store's delivery and product don't live up to the expectations of the customer, then you must spend ever-increasing amounts to find more, newer customers who haven't yet figured out that you really don't know what you're doing. This can be very expensive, as former executives of failed companies can attest.

This writer does frequent consulting to rent-to-own dealers across the country. While some are profitable and others are not, at least some responsibility for that can be attributed directly to their marketing (or lack thereof):

- Dirty, cluttered stores with aged goods scattered
- Out-of-date signage not descriptive of today's product line or even style of business
- Employees not current on product features or prices
- No cohesive image or message conveyed by either the media advertising or the appearance of the store

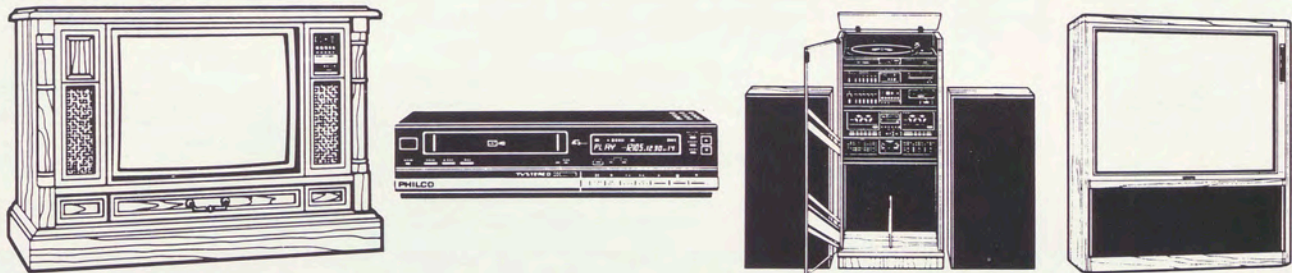
It seems nearly foolish to spend large amounts on television advertising when the advertiser (the dealer) has no idea of what he is really selling to

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whom. This is the result of unclear strategies scattered throughout the marketplace in whatever mix of advertising or promotion seemed reasonable at the time. Sometimes, sadly, it is merely the end product of amateurs in a competitive arena.

Set a Strategy

Check your best competition and you will likely find a clearly determined strategy for reaching a well-defined target customer. Everything done, said, and developed at the store level or by the advertising agency reflects this effort. Then it is backed up by constant and comprehensive training of those employees who deal directly with the renter. Those folks simply convey to the prospect what they believe to be the company line. If the company has no "line," then everybody has to make one up. That can be disastrous.

Decide what you want to be, determine if you can be, and then lay out your strategy for becoming that. Back it up with the commitment of dollars, resources, and management attention: you will become a force in your market.

Simply ape your competition or continue what worked in 1978 and you must develop a new strategy: staying in business.

There really is no magic key to the kingdom when it comes to effective sales and marketing. Getting Susie to smile more and making sure John doesn't knock the corners off the TV set coming through the customer's door are usually about as technical or complicated as the typical small business needs to get. When nobody leaves mad and everybody gets exactly what they thought they were getting, you'll know it's time to think about expanding. Otherwise, you might find yourself on a treadmill. Replacing customers gets to be unprofitable fairly quickly in the rent-to-own business.

The next time the store managers ask you to spend more on advertising, ask them what happened to those thousands of people you "bought" last year who are no longer on the books? If there IS a magic key, it must be the answer to that question.

PR

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

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CORPORATE MOVES

Ken Nay, known to many in the rental-purchase industry for his work in advertising, has semi-retired to the Ozark Mountains of Arkansas. Nay will remain active, on a limited basis, as a consultant with **Sullivan & Findsen Advertising Inc.** in Cincinnati. He had been vice president in charge of business development at that firm since merging his own company, Ken Nay Advertising, with Sullivan & Findsen earlier in the year.

Robert Nuzie has been promoted to vice president of sales at **Soundesign Corporation**, where he has worked for nine years. Nuzie moves up from executive account manager. In his new position, he will report to Robert Winer, executive vice president.

New president at **Custom Information Systems** is **Ernest R. "Ernie" McCormick**, who brings 27 years of banking and data processing experience to that company. McCormick replaces Gary Thorson, who has left to pursue other interests.

Sansui Electronics Corp. has appointed **Michael E. Lee** to the position of Western regional manager for home audio and video and car audio products. Lee comes to Sansui from a similar position at H. H. Scott. Previously, he held sales management positions with several other electronic companies.

Jack Wayman, senior vice president of the **Electronic Industries Association (EIA)** will retire effective January 1, after spending 25 years with EIA and 40 years in the consumer electronics industry as well as serving as a consultant to the Consumer Electronics Show (CES), which he founded.

David R. Whitwam has been elected chairman by the board of directors at **Whirlpool**, replacing **Jack D. Sparks** who retired November 30. Whitwam had earlier been elected president and chief executive officer of the corporation. Sparks, after 48 years with Whirlpool, will continue to serve on the company's board of directors as chairman of the finance committee.

Lloyd Maxson has been appointed to the newly created position of vice president of marketing at **Bush Industries**. Maxson's responsibilities will include market planning, product strategy, new product development and market research, among other duties. Before joining Bush, Maxson worked for Mersman Waldron Furniture as vice president of sales and marketing.

Speed Queen has named **Dan Thomas** manager of product marketing, a newly created post. A Speed Queen employee since 1977, Thomas

most recently was Midwest regional sales manager for the home-laundry division. He will now be responsible for research, analysis and planning for new product and marketing concepts. **PR**

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

INDUSTRY NEWS

Aaron Rents Inc. repurchased, in early November, 141,500 shares of the company's common stock at a net cost of \$8 per share. The company has been authorized to repurchase 1,000,000 shares of common stock. This latest purchase brings the total number of repurchased shares to 588,855. R. Charles Loudermilk Sr., president and chief executive officer, noted that the company's stock, which has recently traded near its book value, is, in his view, undervalued by the market. The shares will be held in treasury. Aaron Rents has declared a cash dividend of 5 cents per share payable January 4.

Attendance at the **Winter Consumer Electronics Show (CES)**, scheduled for January 7-10 in Las Vegas, is expected to at least equal and possibly surpass last year's attendance of 100,000-plus. Show officials noted that the 1988 Winter CES has already surpassed the 1987 show in terms of exhibit space. Dennis S. Corcoran, CES vice president and show manager, says there has been a notable increase in space assignments for electronic games and computer hardware/software, including some new exhibitors in the audio/video categories. More than 40 hours of workshops are planned during the show.

Raybro Electric Supplies Inc. has been appointed by the Akai Division of Mitsubishi as sole importer to supply Akai audio systems in the U. S. Akai system electronic components are shipped direct to Raybro from Akai, Japan. Speakers and audio furniture are manufactured by Raybro through previous Akai sources and marketed under a Raybro trademark, "RES Electronics."

Sales and marketing have been suspended for all **Pilot** products and the company has effectively ceased operations. Parts and warranties and service will continue to be provided by Curtis Mathes as long as necessary, according to Curtis Mathes.

Sanyo Electric and Fisher Corp., both Sanyo-owned companies, are merging to become **Sanyo Fisher (USA) Corp.** The new firm, headquartered in Compton, California, is being formed to market both the Sanyo and Fisher brands of audio and video products, as well as Sanyo appliances.

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T A L S



Deliveries Across State Lines

As we become regulated in the various states, we are discovering that there are some disadvantages. One of those disadvantages is the inability to use the same contract in different states.

This is a particularly serious problem for the dealer who has a store in one state that makes deliveries in an adjoining state. What contract should he use? Are there any other aspects of this multi-state presence that are significant to him?

Multi-State: Multi-Contract

First of all, regarding the contract, except in a very few instances, it will simply be impossible to use the same contract for more than one state. Unfortunately, within this patchwork regulatory environment, there are irreconcilable conceptual conflicts between the states. These conflicts make it impossible to reconcile the requirements of two or more states even in cases where we are willing to abide by the regulations and format requirements of the state that we consider to be least favorable to our point of view. So it is that we must have a separate contract for every state where we do business.

In the case where we deliver property to another state or knowingly permit our property to be taken to the residence of a customer in another state, it will be best for a dealer to use a contract that complies in the state of the customer's residence.

This advice may be technically wrong under ordinary contract law principles. It is easy enough as a lawyer to argue that the place where the contract is made determines the state law that governs the transaction. If you write the

This is a particularly serious problem for the dealer who has a store in one state that makes deliveries in an adjoining state.

contract in state A and have it signed in state A, it is there the contract is made. The benefits of the contract may be enjoyed by the customer in state B. Clearly the dealer enjoys the benefits of the contract in state A. How is it then that we can decide to use the contract of state B in that transaction?

A Matter of Practicality

It is a very practical concession that leads us to this conclusion. The significance of a contract to a rental dealer is enforcement. In the cases where the customer makes the payments or voluntarily surrenders the property, the details of the contract and the governing law are not an issue. They only become an issue when and if the contract is enforced in a court, or reference is made in some other official forum to the terms of the contract. This can be characterized as enforcement.

Most of the time this enforcement step takes place in the office of a magistrate or other such official in an effort to initiate a civil repossession action. If the magistrate serves in state B, he is expecting to see a contract drawn according to the laws of state B. He is not interested in hearing the various arguments that might be advanced as to why the contract drawn according to the requirements of state A is appropriate.

As a practical matter, he is not going to even be familiar with the requirements of state A and will have no interest in the highly technical arguments in support of the decision to use the contract form from state A.

While it is true a customer might correctly argue that the rental dealer has violated the law of state A by using a contract form specified by state B, the magistrate is very likely to be even more unwilling to hear that argument from the customer. So it seems that the practical reality points us to the inescapable conclusion that state B is like Rome and, while there, we do as the Romans do.

... the practical reality points us to the inescapable conclusion that state B is like Rome and, while there, we do as the Romans do.

Sales Tax, Another Factor

What about sales tax in state B? For a lot of reasons, both technical and practical, we do not want to pay sales tax in state B. First of all, the payments are received in state A and taxed in state A. I am not sure you could ever convince state A that the proceeds from the rental of property in state B, received in state A, are exempt from sales tax in state A.

Another very important reason for choosing to pay sales tax in this transaction in state A is that the taxing authorities in state B are very likely to interpret your decision to pay sales tax

in state B as an indication that you are "doing business" in state B.

That will alert them to expect you to domesticate your corporation there. That necessarily dictates that you will pay taxes in that state including possibly a franchise fee for such domestication. The state revenue collector will also be expecting to receive a state tax return from you. The failure to file that return may trigger some unpleasant consequences.

This all presents some unfortunate consequences to you if you find yourself in this situation. Your employees have to be trained in the rules of at least two states. Furthermore, they will not get very much practice in the law of state B since that transaction will be the exception rather than the rule from day to day.

Is the Profit Worth the Pain?

There is good reason to give some serious thought to whether you even want to enter into these transactions.

If they only represent for you an occasional occurrence, it must be suggested

that there is probably more harm than good to come from doing business in state B. If the possibility for those state B deliveries is significant to you, you must be prepared with the proper forms and you must carefully insure that your employees are trained in the use of those forms for that neighboring state.

In some cases there may be an even greater barrier to doing business in two states than just the forms and training.

If your store is computerized, it will be necessary for you to have that computer system configured so that it can generate a contract in the form required by state B. This may represent for you a substantial investment both in terms of software and forms. The computer forms are not cheap. Neither is the software that would give your store system the capacity to generate contract forms for two different states.

For what it may be worth, a survey of the software vendors at the recent APRO convention in New Orleans indicated that they were fully aware of the patchwork regulatory problem and prepared to deal with it in the software systems being offered for sale there. At the

very least, the question of multi-state contract form preparation should be on the agenda of any dealer who might be shopping for computer equipment.

In summary, it is best to use the contract form of the state where the property will be used by the customer. If that out-of-state delivery is rare, a dealer can take some comfort in the prospect that using the contract of the state where the store is located is not necessarily illegal but may present some difficulty in enforcement.

As for sales tax, it should be paid in the state where the store is located regardless of the place where the property is used by the customer. This is another conclusion that is more practical than legal. Fortunately, state taxing authorities can on occasion be equally practical in situations where the tax at issue is nominal. **PR**

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



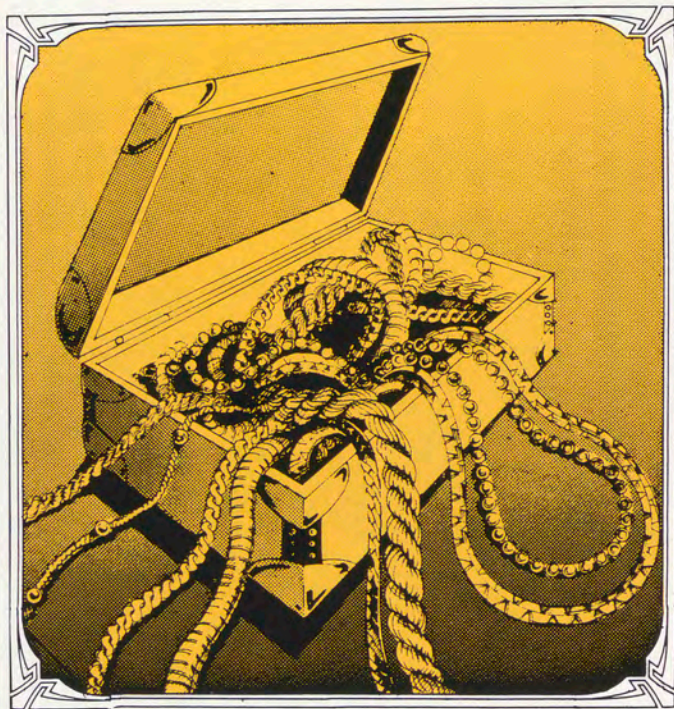
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JEWELRY: Will It Work For Rent-To-Own?

Jewelry is a new twist in the rent-to-own mix, as seen at the August APRO convention. Five jewelry vendors exhibited there, a first for an APRO show. Were their efforts a waste of time, or is jewelry rental soon going to be a permanent fixture in rental stores?

The basic premise behind rent-to-own is to provide the products customers want. Since the concept works for high-ticket items like televisions, appliances and furniture, it conceivably could work on many other types of products. As Harry Krause of Options III in Indianapolis notes, "When trying to rent new items, I've seen vacuum cleaners and sewing machines go over well. But nothing provides the volume of sales that jewelry has brought to my stores."

Krause says he wanted to increase what he could offer to his steady customers: "A mature rent-to-own store has a somewhat limited inventory. There was nothing left to rent to some of my good customers. They had already rented the appliances, stereos, and TVs I carried. Unless I wanted to lose them completely, I had to provide new products they wanted. Jewelry filled that need."

High Hopes

At this point, there's no way to prove that jewelry will become a mainstay for

the rental industry because no rental dealers have offered jewelry for longer than a year. But for those dealers interviewed, expectations are high for a prosperous future.

Jim Baber, owner of Baber's Leasing in Pascagoula, Mississippi, brought jewelry into his store last June. He says the business is showing promise but has not yet brought in big money. Even before he started advertising his jewelry line in the fall, he found his customers were fascinated with the gold and diamonds. "It sure does bring in traffic," says Baber.

Mary Ramsey at American Way Rentals in Springfield, Illinois, has offered jewelry only since September but has already seen positive results from her customers. "My customers were very leery at first," says Ramsey. "The first question they always asked was, 'Is it real?' But after they rented it, they told all their friends. So, our biggest plus has been referrals. We haven't had to do much advertising so far."

Some Reluctance

Although rental dealers are curious about the product, they are hesitant about trying jewelry in their stores. Those dealers who have succumbed admit they rent the jewelry only to steady customers who already have a track record with them. Six months of

reliable payment is a good place to start.

Jerry Showman, owner of Universal Rentals and Sales in Oklahoma, says he's considering adding jewelry to his eight stores but is still weighing the benefits and costs. "I'd like to see if I can add a new and different clientele with jewelry, or perhaps people from a different economic level. Showman says that if he decides to rent jewelry, he would first test out the market at his home office. "If, after 30 days, there's some kind of success there, I'd be willing to try the jewelry at my other stores too."

What's Selling

The jewelry being offered to customers of rental stores at this point is a variety of diamonds, gemstones, gold chains, watches, and pearls. The most popular items are bridal sets consisting of a diamond engagement ring with a gold band and a man's matching gold band. Steve Stricklin of the Everwed Company says that most rental customers consider the bridal sets a necessity, resulting in their best seller status.

The next big sellers are gold chains. Harry Ivens of the Ivens Corporation says the chains are best marketed by displaying a price tag showing the rented price versus retail price so that the customer can compare. Designer watches are popular, according to

Lenny Friedman of the Osaka Trading Company, because they're an impulse item.

Security and Other Factors

Diamond sets are usually the most valuable item of the jewelry mix with an

But Is It Legal For Rent-To-Own?

BY EDWARD L. WINN III

There are important legal issues that surround the concept of rent-to-own as applied to jewelry. It is undeniable that under certain jurisdictions, legal aid lawyers and other consumer advocates are anxious to continue challenging the legality of rent-to-own transactions. It is likely they may use jewelry rental as a vehicle for making their case in court.

One of the fundamental premises that keeps rent-to-own agreements from being disguised credit sales concerns the intent of the parties. Most often that intent is expressed in the written document, i.e., the rental agreement, that evidences the transaction. Legal aid lawyers are often heard to argue, however, that the written document does not correspond with the true intention of the parties, which was to purchase the merchandise.

It would certainly not be a difficult case to prove that a customer intended to purchase wedding rings rather than merely rent them. A rental dealer may likewise be hard pressed to argue that he was not intending to sell the rings, but was only renting them. This is a more difficult case to make with TVs, appliances, and other items that dealers most often rent. This is so because there is a rental market for all of these items.

There is arguably less risk for this kind of attack in states that have enacted rental-purchase statutes as long as those statutes would cover such items as jewelry. In states that are unregulated, dealers are advised to proceed with extreme caution and to make certain that all customers clearly understand the nature of the transaction and the details of the written agreement they are signing.

average cost of \$2,000. With this price point dealers must consider the security ramifications of offering jewelry. Scott Whitman of Student & Son Jewelry suggests dealers install safes and alarm systems in their stores. "All display cases should have locks on the drawers and glass," says Whitman. "And dealers should have one employee who handles all the jewelry to avoid shoplifting from customers as well as internally."

Is it possible to recover items once they are out of the store? How does one put identifying codes on diamond rings

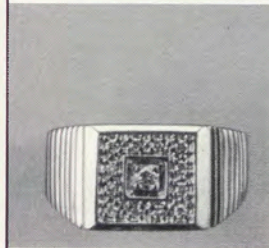
without ruining the ring's beauty?

Whitman agrees that identifying rings is a problem that's tough to solve. His suggestion is to take photographs of the merchandise before it leaves the store or have customers sign a release. He notes that the gold chains Student & Son creates have a trademark inscribed on the clasp. "Watches can have ID numbers stamped on the back or on the clasp, too," he says. "But the way most dealers are merchandising their line is to offer jewelry only to their steady, reliable customers, so there shouldn't be a problem. The customers



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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31		JULY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	SEPTEMBER 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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have already proved they are worthy participants in the rental market."

Ramsey has adopted standard practices at her stores that she thinks will lessen the chance for loss. "I require my employees to show only one item to a customer at a time. And that rule is strictly enforced. Also, we try to transport the jewelry from the safe to the cases in the morning before the store opens, when there are no customers around." Ramsey adds, "As far as loss, we've only been offering jewelry for a short time and haven't lost anything yet. But if we do, I'll view it like a loss on any rental item."

Besides security needs, gold rings and diamonds have other inherent problems: sizing; keeping the jewelry clean; and damage from wear and tear. Ramsey says she has contracted with a local jeweler for sizing, buffing, and repair of jewelry from her store. Most jewelry suppliers have programs set up to repair or replace items after rental. And the majority have liberal exchange policies for slow-moving or non-rented items.

Diamond bridal sets are the most popular items for the rental dealers offering jewelry in their stores. A manufacturer's suggested four-time mark-up places the average monthly payment for a customer at \$49. Average weekly price for a bridal set varies from \$10 to \$25. Baber says his weekly average price is \$20 or \$80 monthly. Designer watches average \$49 per item, which Friedman says is a low enough price to be bought outright.

Marketing the Product

How a dealer displays jewelry can make a difference. "Track lighting, mirrors, velvet—look high end, like any other jewelry store," says Stricklin. "You need to sell the romance and glamour of jewelry. It appeals to women's fancy and men's pride. Because 80 percent of what you sell will be from 20 percent of what you display, and 60 percent of your yearly business will be during November and December for the holiday season." Most jewelry manufacturers offer training programs to instruct employees on selling the features and beauty of jewelry.

Ramsey says her employees are having fun marketing the jewelry and have come up with some ideas to help promote it. "We do extra things in our stores to make our customers feel special, like giving them gift boxes and cards along with their purchases. We

There's a risk that the concept won't go over well in certain locations, and even with exchange programs available, dealers fear being left with merchandise they can't move.

also set up a jewelry registry similar to a bridal registry. Customers sign up for what they like best and when it's their birthday or a holiday, friends or relatives can buy what they want the most."

What If It Doesn't Sell?

Whitman said he spoke with rental dealers at the APRO convention and learned that many are uncomfortable with the idea of offering a jewelry line at their stores. There's a risk that the concept won't go over well in certain locations, and even with exchange programs available, dealers fear being left with merchandise they can't move. But

Jewelry Suppliers

The following jewelry vendors exhibited at the 1987 APRO convention.

Everwed Company

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(800) 633-8290 (205)
251-5822 (in AL)

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Ivens Corporation

1666 Kennedy Causeway
N. Bay Village, FL 33141
(800) 327-4919
(305) 868-1261 (in FL)

Gold jewelry, chains, rings, watches, pearls

London Star Limited

600 Fifth Ave.
New York, NY 10020
(212) 757-2800

Diamond jewelry, promotional jewelry

Osaka Trading Company

50 W. 23rd St.
New York, NY 10010
(800) 672-5269
(212) 924-8446 (in NY)

Designer watches

Student & Son Jewelry

580 Fifth Ave.
New York, NY 10036
(212) 819-0825

Gold chains, charms, pendants

Whitman, and other jewelry vendors, believe that as they have the opportunity to meet more with rent-to-own dealers, they will be better able to answer the dealers' needs and adapt programs to fit those needs.

R.C. Cartwright, controller at Ivens Corporation, says his company offers a 100 percent return guarantee. "This enables the dealers to test the concept in their operation without creating stress on the finances needed to carry on their basic business and without the stress of committing to an inventory of products that may have to be adjusted as their market dictates," he says. Show-

man thinks this type of return guarantee is attractive to dealers like himself but isn't a necessity. He says, "I'm willing to commit a certain amount of money to renting jewelry, but not an amount that I couldn't stand to lose in the first place."

Only a handful of dealers are dabbling in the sparkly stuff so far. Others have a wait and see attitude. But some dealers say that if there's a demand for a product from their customers, they'll do all they can to fill it. **PR**

Samantha Sipowicz is PROGRESSIVE RENTALS' director of advertising.

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What Is Your Rental Store Worth?

Here are some practical suggestions for valuing your business

Just what is your rental store worth? You probably don't know exactly, although you almost certainly have an opinion about it. You may even have several opinions depending on whether you are discussing the matter with competitors, the IRS, your business partner, or your spouse. This is a question that rental dealers and I kick around with some frequency.

The question of value is almost always an interesting one. It arises in a variety of contexts, and it often leads to enlightening discussion not only about value, but about the nature of the business itself. It is not a question that can be simply answered with a round-number multiple, although that is occasionally what a dealer seems to be looking for.

No, you need not skip to the last paragraph for my final word on the issue. I'm still learning about all of the variables that go into the evaluation process, but I want to share some of the things I have been learning along the way.

I am not an accountant, and those so trained probably have a different view of how to value a store. There are books on the subject of valuing businesses generally, and I keep meaning to buy several and read them, but haven't yet. There are professionals who value businesses for a living, usually with an eye toward brokering a sale. I have talked to a fair number of these folks who call seeking general industry statistics, but the formulas they use must be closely guarded trade secrets, and I haven't seen them.

What I have seen are a fair number of actual deals—big deals, small deals, but all of them honest-to-God deals.

Knowledge Gained From Experience

What I have seen are a fair number of actual deals—big deals, small deals, but all of them honest-to-God deals. The reason that I have an opinion at all is because, as a lawyer, I have been personally involved in transactions involving close to 200 stores. Added to that are the things I have both heard and read about the more celebrated sales in our industry—the Graham purchase of Remco; the Sims repurchase; the Thorn EMI purchase of Rent-a-Center, etc.

And so my opinions concerning the value of a rental store come from my actual experiences in the marketplace—the price at which a willing buyer and a willing seller have finally come to terms. (I have, incidentally, had to explain this to a judge and jury when called upon to testify as an "expert" about the value of a rental store.)

Questions about value then do not always arise in the typical buy-sell situation, although that is usually when the question is most important. Part-

ners in a rental business want to part ways and need a mechanism for getting loose from one another. Husbands and wives are splitting up and one or more rental stores contribute to part of the marital assets. More rarely, a rental dealer dies and the company must be evaluated for estate tax purposes, or to decide what the heirs will get.

Advice for Partners

While I do not intend to give a lot of advice in this piece, I do have some for business partners. It is a sound idea—and I can only urge all of you who haven't already done so to act on it today—to figure out in advance how you would split up the business when and if the need to do so were to arise.

Business partners going into a deal are rarely comfortable thinking about a split-up, but a little planning can save a lot of bloodshed later on. Lawyers have books full of devices for helping partners get loose from one another, which they can fashion into an agreement before the fact—ideally when all parties are happy, optimistic and, also important, clear-headed.

One workable solution was given to me by a dealer-client who based a buy-out formula on the projected size and profitability of the company. His formula recognized that at different times during the life of the company the value would change, not merely in the overall price, but in the way the price was calculated. He thought that a small

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The formula, which in reality is more complicated than I have suggested, has not been tested yet, but my feeling is that it will work when the times come.

store with 0-300 units was worth a certain multiple, a mid-sized store with 300-500 units was worth a different multiple, a store with 500-800 units a different multiple, and so on. It made a lot of sense to me and also to the dealer's partner. The formula, which in reality is more complicated than I have suggested, has not been tested yet, but my feeling is that it will work when the time comes.

Suiting the Circumstances

The above example references a multiple, which those of us in the business recognize as a multiple of monthly rental revenues. Be advised, however, that the multiple is merely a convention the industry has developed and one that is, by no means, universal. If you talk to people outside the industry, they may not be used to considering value based on gross monthly revenues and they may have to translate the rent-to-own formula into something they understand better—a formula based on earnings, for example.

The spread is fairly well known to those of you who have thought seriously about valuing a rental company. I have personally been involved in sales for as low as four times monthly revenues and as high as thirteen times. When I put a pencil to the Thorn EMI purchase, I calculate they paid 35-40 times monthly revenues to take Rent-a-Center private, depending upon how you calculate it.

The point of showing this spread is not to suggest that Devlin and the other Rent-a-Center stockholders made a great deal and that Thorn paid too much, or that the buyer at four times made a great deal and that the seller sold too low. Rather, that the price varies considerably according to the circumstances.

Buyers and sellers with whom I have had contact have all been sophisticated business people. Their own needs and desires at the time have influenced the

prices paid. Everyone, for example, understands the concept of an anxious seller. That attitude tends to lower the value of the company being sold. I have likewise encountered anxious buyers. They have been willing to pay more for a company they have targeted than other buyers were willing to pay. What that often means is that they got what they wanted. There is, after all, only one Rent-a-Center.

To a certain extent then, value, like beauty, is in the eye of the beholder. There are dealers out there who value their creations so highly that there are no buyers at the price they feel they must have.

In realistic terms, the only way that I can measure value is when I find or can help create an arm's length agreement about it. It is not useful for me under such circumstances to argue with an owner and tell him that I don't think his company is worth as much as he does. (I have slipped up and said just that to a business broker or two.) What I have told dealers is that I don't know anyone who would pay that kind of price for stores in his markets.

What Affects the Value?

One thing that I have noticed within the circles in which I run—primarily buyers who are already in the business—is that a chain of stores is worth more than a single store. This tends to be true because along with a multi-store chain comes some sort of organizational structure. This may or may not include computers—and stores on computers tend to be worth more than stores on manual systems because they are easier to audit, for one thing—but they always will include some supervising employees.

We all know the problem of finding good employees. At some point, most purchases will involve an analysis of the people working in the company. A primary question is, properly, to what extent are the employees going to be part of the deal? For a seller getting out of the business, it may not be a significant question. For a multi-store operation selling off a store or two, it may be a big part of the deal. For large transactions, it may be important enough for the purchaser to negotiate employment contracts with key personnel prior to closing.

A buyer certainly does not want to calculate a purchase price based on certain employees continuing to help man-

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At some point, most purchases will involve an analysis of the people working in the company.

age the assets and discover that they have remained with the seller or left the business altogether.

This raises the larger question of what exactly is being valued? What is the seller willing to sell and what does the buyer want to buy? It may be an ongoing business entity; there is an occasional stock sale in this industry. Most often, however, selected assets of a company are bought and sold and delivered free of debt.

Negotiating the Deal

In the transactions I have seen, literally everything is negotiable and has been negotiated: idle inventory, trucks, signs, use of the name, telephone numbers, pre-paid advertising, store leases, lease deposits, customer files, computer programs, computer hardware, services of the seller, service departments, spare parts, covenants not to compete, and the list goes on.

You cannot conveniently discuss multiples of rental revenues without also discussing exactly what the buyer will own after closing. Even the basis for the multiples is negotiable. Does it include sales tax? Sales? Refunds? Late charges? Other fees and charges? Which month or months will be used for the calculation?

Another important factor affecting value is the location of the enterprise. There are a few buyers who will consider rental stores virtually anywhere, but most buyers are looking in specific markets. What they are really looking

for is a "fit," either with what they already have or have plans for. Personal philosophies of dealers vary concerning how far from the home office they are willing to consider purchases. I am personally aware of a few dealers who have jumped on what looked like great buys too far from home and have regretted it.

You cannot conveniently discuss multiples of rental revenues without also discussing exactly what the buyer will own after closing.

At some point, buyers will have to look at what they think the future of the prospective purchase will be as a function of the value and ultimately the price paid. One way to predict the future is to look closely at the past. Buyers will rarely be content with only current financial information about a company. They will want to see at least the last quarter, and that is really not enough, even in a business that moves as fast as this one. A request for the last six months to one year is neither unusual nor unreasonable. The bigger the deal, the more history there is, and potential buyers will want to see it.

Direction Is Important

If you want to value your company, take an objective look at its direction. Prospective buyers assuredly will.

As a general proposition, companies with rising revenues and rising profits will be worth more than companies going in the other direction. But the analysis is more complicated than that. The time of year figures into the equa-

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To a certain extent then, value, like beauty, is in the eye of the beholder.

tion as do all the reasons that exist for a company's change in financial position over time. Seasonal dips in revenues or an experiment with new products advertising that cut profits may not be as serious as a slow but steady decline in revenues over time coupled with declining BOR and declining income per unit.

It is a more complicated question still when revenues are up and profits are down. Buyers fundamentally want to know what is happening inside a company and whether, if something is wrong, it is something they think that they can fix to their advantage.

If you want to value your company, take a look at its direction. Prospective buyers assuredly will.

A seller can, of course, add to the value of his company by fixing the things that are obviously wrong before trying to sell it. This is much like painting your house before putting it on the market. It adds value. You will have to be careful, however, deciding whether you can recoup all of the "fix-it" money in an increased purchase price. You can buy new product and spruce up your showrooms and almost certainly get that money back. You may not get all of the expense back from a new computer system, if the only reason you are putting it in is to sell the company.

Financing a Factor

Historically, prices paid for rental companies have been limited by the ability of buyers to secure financing. We all know only too well how misunderstood our industry is by all but a relatively few financing sources. They have had strict limits on how much they would lend to fund an acquisition. One rule of thumb was no more than 5½ times rental revenues, although there is some evidence that there is increasing flexibility in that formula of late. Now dealers can ask for a higher credit line for a period of time in order to make an acquisition and absorb it into the

buyer's organization with a subsequent staged reduction in the credit line over time.

It is unfortunate for the industry as a whole that the value of rental stores may have been artificially held down by the inaccessibility of credit. That is, buyers at times have been willing to pay a higher price for a company, but have been unable to obtain financing at the higher level. On the other hand, the financial institutions that do regularly lend to the industry can be presumed to understand where their money is going very well. These lenders take into account the risks inherent in the business when deciding on credit levels.

To the extent credit has had a real impact on value, there are several solutions. One solution to the problem of credit restricting value is an increased lender willingness to lend at higher levels in exchange for an equity position in the rental company. This change shows a recognition by our current lenders of higher value, since they are not only willing to loan more money to purchase a company, they also want to own a percentage of the enterprise. If the value were not there, they would neither be interested in loaning more money to buy it, nor in owning a piece of it.

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Another solution is the advent of outside money. Investments coming in from outside the industry have no preconceived pricing formulas for rental companies. They are looking for a return on their investment over time. The different risks associated with the business are merely part of the analysis. This can be clearly seen from the Thorn purchase of Rent-a-Center, the most visible example of outside money.

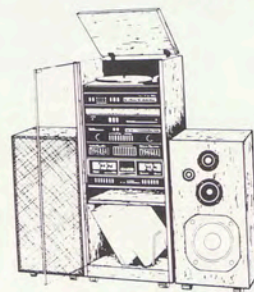
Rent-a-Center is in the same business as the rest of us and they do business in legally safe states as well as risky states. We can easily see from the purchase price that a lot of other factors were at work than our assessment of the risks associated with this legally sensitive industry of ours.

This industry has long had a narrow finance base compared to other indus-

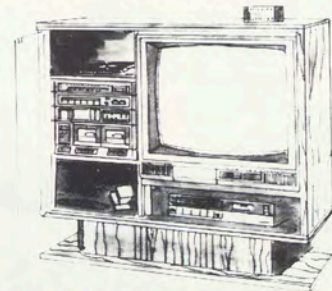
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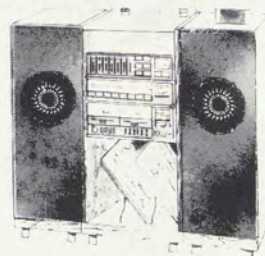
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tries of a similar size. This is only beginning to change and was originally helped along when Rent-a-Center went public. Rent-a-Center's IPO and successes in the public market really opened up knowledge of the industry to the investment community at large for the first time. This process of educating the national financial markets about our business is still in its infancy, and serious inroads into international financial markets, for the most part, is only being talked about in the most general of terms.

For some dealers, however, the influx of outside money is really a two-edged sword. On the one hand, it may raise the value of rental companies generally. That will certainly be useful to a dealer who sells and can put that increased value in his pocket. Not everyone, however, can sell. For dealers who don't, new money only means increased competition and the continued downward pressure on rental rates and, finally, profits that such increased competition inevitably brings.

Assessing the Enterprise

But no matter whose money is being used, sophisticated buyers will assess the soundness of the enterprise before writing checks. It is, finally, people who understand this business who are competent to make those judgments and they will continue to play a part in the evaluation process.

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But no matter whose money is being used, sophisticated buyers will assess the soundness of the enterprise before writing checks.

employees, sophisticated controls, carefully diagnosed store locations, and the like, but they base their fundamental decisions about value on the cash flow of the company. They are, in most cases, going to have to use that cash flow to service much of the debt assumed to finance the purchase. Accordingly, they look carefully at the cash through the door.

Is the seller getting all of the cash that he should be? What is the average income per unit? How much cash is being generated from sources other than rental revenues? Sales? Service? Insurance? How long is that cash flow likely to continue at its current levels? That necessitates an aging of the accounts to determine how many dollars are left on the rental contracts if they all went to term. We all know they will not all go to term and so buyers will make a calculation concerning the value of the rental accounts based on a percentage of the projected future cash stream. At one time, lenders suggested buyers pay no more than 55 percent of the future cash stream for the rental contracts. I have personally seen sales at percentages much higher and much lower. Such a calculation cannot be the end of the analysis.

As a part of the cash flow analysis, buyers will also carefully analyze the expense side of the cash statement.

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Where is the seller's money going? It is because the cash goes so many different places, in different ways and in different amounts—and perhaps because we have no industry book-keeping standard—that cash flow analysis is preferred to analyzing profit and loss statements, which is what many other industries do.

As a quick example, depreciation of rental units is done so many different ways in the industry that a side-by-side comparison of different companies' profit and loss statements would often be meaningless.

Arguably, stores in states with rental-purchase statutes on the books ought to be worth more than stores in states where the legal environment is less hospitable.

If you as a buyer are writing down your product over 18 months and the seller is depreciating his over five years, his bottom line simply won't compare meaningfully with yours. Cash, on the other hand, is cash, and tends to come in the door and go out the door in this industry in certain determinable ways. When evaluating expenses, prospective buyers, particularly people in the business, will know where to look to save money. They will know their approximate cost of product replacement, for example, and can compare it with what the seller is paying. If the seller has a home office expense, the buyer can calculate how much expense he can save by merging the companies. The same is true with store leases, if a prospective buyer is looking to merge stores. Any savings the buyer can envision will free up cash he can use to service debt. That makes the seller's company potentially more valuable to him.

Structuring a Deal

Finally, how does the seller want or need to get paid? It is usually more difficult to come up with huge chunks of cash than it is to make payments over time, although cash sales are the rule in this industry for all but the largest transactions (and the Rent-a-Center purchase, as I understand it, was for cash).

But that is more of a lawyer's opinion than a rental dealer's.

However, if the seller is willing to wait for some of his money, then his company may be more valuable to a buyer who needs some additional financing. On the other hand, until the money is in the bank, the seller is at risk. That means that seller will demand and be entitled to a higher price for his company if he accepts some form of payout than for cash.

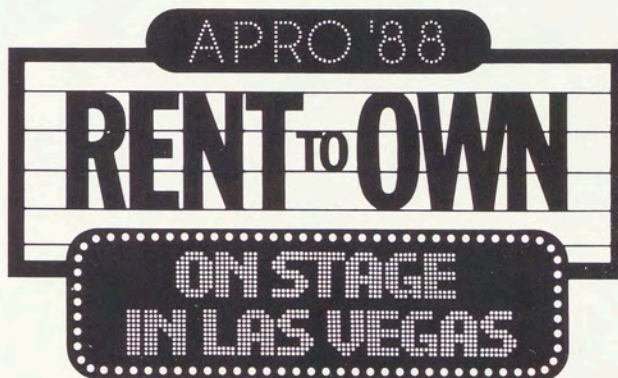
I have intentionally omitted all but passing reference to the legal risks of the business and its impact on value, although it, too, is a factor. Arguably, stores in states with rental-purchase statutes on the books ought to be worth more than stores in states where the legal environment is less hospitable. But that is more of a lawyer's opinion than a rental dealer's opinion. There are lots of dealers who think the best values in this industry today are in states like Wisconsin, Pennsylvania and North Carolina, where the inhospitable legal environment has tended to hold down competition and buoy rental rates.

The message, finally, is that value is a complicated concept. It is futile to declare a store to be worth six times, eight times or ten times rental revenues, and it may be misleading even to think that way. In the marketplace, there are prices finally struck, to be sure, and those prices, as between rental dealers, often are based on a multiple of gross monthly rental revenues. There is a lot of analysis, however, on both sides, that

ought to be done in order to arrive at that price. For better or worse, the longer we are in the business and the more players we have, the more complicated these analyses are likely to get.

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



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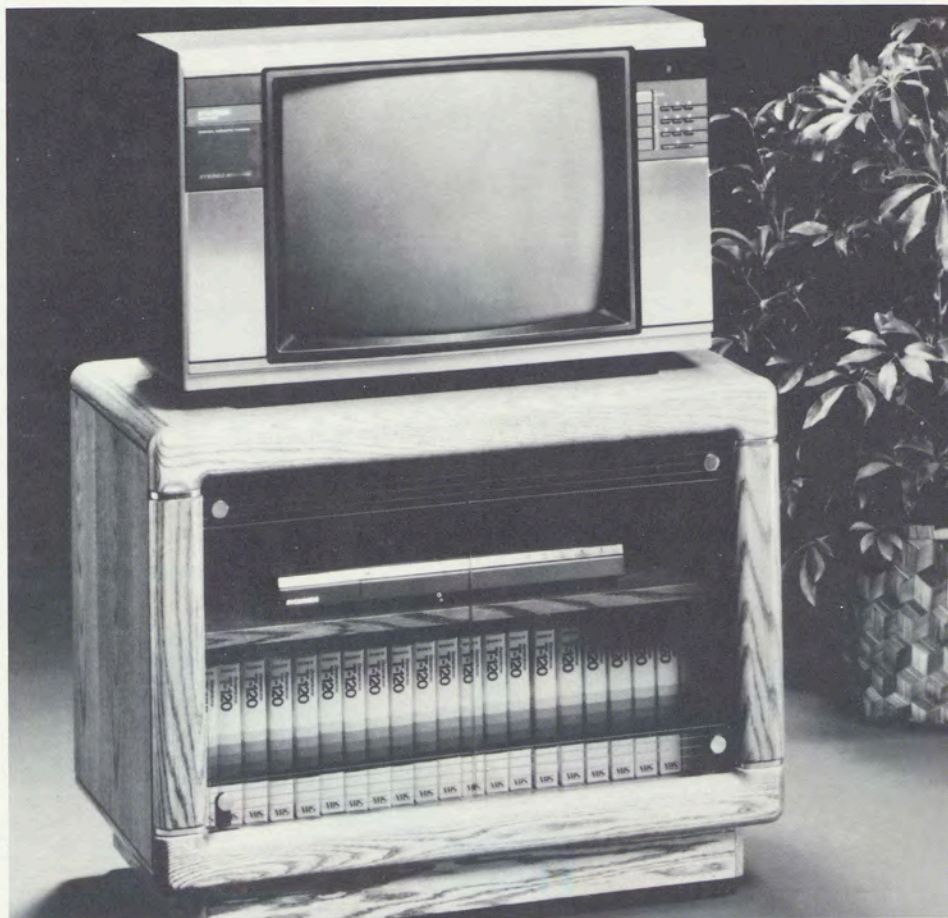
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- What Does the Future Hold for Mid-sized Rental Companies?
- Legal Aspects of Lease Negotiations/Site Selection
- Collections: Policies, Practices, and Legalities
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Seminars are scheduled for Wednesday, Thursday and Friday mornings from 9 to 12, leaving the afternoons and evenings free. The retreat will begin with a welcoming cocktail party on Tuesday and end with a banquet Saturday evening.

Descriptive brochures will be mailed to all members in December. For more information, write or call APRO, 2028 E. Ben White Blvd., Suite 200, Austin, TX 78741, (512) 447-0333. Attendance is limited to APRO members.

Exhibitors Invited To APRO '88

No doubt about it: Suppliers of rent-to-own products are eager to display their wares at APRO's annual convention and trade show. Invitation to Exhibit packets were mailed to previous and potential exhibitors in late October; by mid-November reservations were coming in even more speedily than last year. Debbie Johnson, APRO meetings and conventions director, expects an early sellout of the 200-plus exhibit booths.

Rent-to-Own On Stage in Las Vegas is the theme for the 1988 version of the annual event. Bally's Hotel will be the scene of what is expected to be APRO's largest show yet. Bally's was chosen over Caesar's Palace, where APRO has met in past years, because of its larger exhibit hall space.

In a switch from the previous Thursday through Monday format, APRO '88 will begin on Wednesday and run through Sunday, August 3-7. The trade show exhibit hall will close at 3 p.m. on Sunday.



Bahamas Princess Resort and Casino will be the location for APRO's Winter Vacation Seminar in March.

Seminar topics and speakers are still in the development stage as are other events for the annual meeting. Convention registration packets will be mailed to members in April.

Looking ahead, Washington, D.C., will be the convention city in 1989. Executive Director Charles V. Stuckey has already signed a contract with the Sheraton-Washington Hotel and set the date for August 9-13.

Officers' Meetings

The executive committee faced a full schedule when it met December 4 at Bally's in Las Vegas. Agenda items included 1988 seminar schedule, the

continued on page 46

PROGRESSIVE RENTALS

is published by the Association of Progressive Rental Organizations

Headquarters: 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741
Telephone: (512) 447-0333.

The Association of Progressive Rental Organizations (APRO), publisher of PROGRESSIVE RENTALS, was founded in 1980 as a not-for-profit trade association. Its more than 527 corporate members representing 2,093 stores, and its 84 associate members are directly associated with the home entertainment, appliance, and furniture rental-purchase industry in the United States and Canada. Membership provides opportunities for the exchange of ideas regarding the state of the industry between industry professionals, as well as opportunities to participate in educational seminars, an annual trade show and national convention, and the opportunity to receive informative publications and other benefits.

APRO seeks to promote a spirit of cooperation between its members, and in a lawful manner, to promote the development, preservation, operation, maintenance, and general welfare of the industry. APRO keeps members abreast of important legislative proposals, administrative agency activities, and tax rulings. Membership questions should be directed to the Director of Member Services, Kayte Bean.

Editorial policy: The statements and opinions appearing in articles and departments are those of the authors and not necessarily those of APRO. The editorial staff seeks to present material that is useful and thought provoking, but the staff has no authority to speak for the officers or board of directors of APRO. Readers are invited to comment on the opinions the authors express.

The use of articles or descriptive procedures pertaining to commercial products or mentioning commercial manufacturers is believed to be in the best interest of APRO members. References to commercial products or procedures, however, do not constitute an endorsement by APRO.

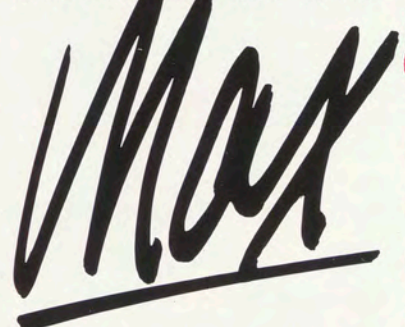
STATEMENT OF OWNERSHIP, MANAGEMENT, AND CIRCULATION

1A. Title of Publication: *Progressive Rentals*. 1B. Publication No.: 07361874. 2. Date of Filing: September 16, 1987. Frequency of Issue: Bimonthly. 3A. No. of Issues Published Annually: 6. 3B. Annual Subscription Price: \$30. 4. Complete Mailing Address of Known Office of Publication: 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741. 5. Complete Mailing Address of the Headquarters of General Business Offices of the Publisher: 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741. 6. Full Names and Complete Mailing Address of Publisher, Editor and Managing Editor: Publisher: APRO, 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741. Editor: Frances Knight, 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741. 7. Owner: Association of Progressive Rental Organizations (APRO), 2028 E. Ben White Blvd. Ste. 200, Austin, TX 78741. 8. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities: None. 9. The purpose, function and nonprofit status of this organization and the exempt status for Federal income tax purposes has not changed during the preceding 12 months. 10. Extent and Nature of Circulation:

	Average No. Copies Each Issue During Preceding 12 Months	Actual No. of Copies of Single Issue Published Nearest to Filing Date
A. Total No. Copies Printed	3,916	3,000
B. Paid and/or Requested Circulation		
1. Mail Subscriptions	2,372	2,647
C. Total paid and/or requested circulation	2,372	2,647
D. Free Distribution by Mail, Carrier, or Other Means, Samples, Complimentary, and Other Free Copies	1,023	21
E. Total Distribution	3,395	2,668
F. Copies Not Distributed		
1. Office Use, Left Over, Unaccounted, Spoiled After Printing	521	332
2. Returns from News Agents	0	0
G. Total	3,916	3,000

11. I certify that the statements made by me above are correct and complete.
— Frances Knight, Editor

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SPECIAL REPORT

continued from page 44

annual convention, and approval of the budget for the coming year.

A full board of directors meeting is planned for January 11, to follow the Winter CES in Las Vegas. It will also be at Bally's.

Membership Increases

APRO will end 1987 with more members than last year. As this is being written in mid-November, corporate members number 527, up more than 60 from this time last year. Member stores stand at slightly under 2,100 compared with 1700 in the 1986 count. The last figure is not an accurate count of members' stores as some corporate members prefer to list only their home office.

Associate membership is also up, climbing from 60 to 84 this year.

Some of the new members were gained through the Get-A-Member Sweepstakes Contest; others may be attributed to the policy limiting convention and seminar attendance to APRO members.

PR

New APROTM Members

(September 16–November 15, 1987)

REGULAR

Jack Bailey(3)
Bailey's TV Center of Tifton Inc.
200 Magnolia Dr.
Tifton, GA 31794
(912)382-8090

Bailey's TV Center
Douglas Plaza
Douglas, GA 31533
(912)384-2210

Bailey's TV Center
#9 Hills Midtown Mall
Fitzgerald, GA 31750
(912)423-7700

Charles Hukriede(1)
CRT Enterprises
1610 W. Rosecrans
Compton, CA 90220
(213)537-7171

David J. Filsell(1)
Radio Rentals Ltd.
108 Main N. Rd.
Adelaide, S. Australia, 5082
(08)269-1311

B. J. Walker(1)
Radio Electrix
52 Bridge St.
Murray Bridge, S. Australia,
5253
(085)32-2311

Delford McKnight(1)
Lee-Mart Stores
1555 S. Main St.
London, KY 40741
(606)878-6405

Arlen N. Moore(1)
Moore TV Rentals
2011 Sparkman Dr.
Huntsville, TX 35810
(205)852-1776

Patrick S. Lasley(1)
Preferred Rental Inc.
P.O. Box 40431
Cincinnati, OH 45240
(513)874-9799

George A. Lawrence(1)
Royal TV & Appliance Rentals
7900 103rd St.
Jacksonville, FL 32210
(904)777-2244

Jan C. Miller(1)
Advance Rental Centers of Springfield
P O Box 163
Joplin, MO 64802
(417)623-7050

ASSOCIATE

Harry Byers
Brentwood Furniture Inc.
2 Lillian Terrace
Andover, MA 01810
(617)475-8285

Richard Wyman
Symphonic Corp.
P.O. Box 303
Mission, KS 66201
(913)432-9018

Willie Talley
ColorTyme Inc.
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VIDEO MARKET

continued from page 12

Bigger Not Necessarily Better

Jim Huntley expressed a common sentiment about the wide-screen projection televisions when he said, "I get requests for big screens, but we're not currently carrying them, simply because I haven't figured out how to make a good profit in it. The biggest problem is being able to buy it with enough quality, cheap enough to make some money and be able to recover your money quickly enough to fit into our general way that we've all grown used to doing business in the rent-to-own industry. I've seen the way that some of the larger companies like Rent-A-Center do it, and for me it wouldn't work."

None of the dealers with whom we spoke carry wide-screen TVs as part of their inventory, but may stock at least one to create an impressive showroom display. Nationally, sales of projection TVs were down 8 percent through mid-1987 compared to the same period the previous year. Sales of black-and-white models also declined substantially, 18 percent.

Setting Price

Mrs. T's Rentals offers 25-inch color consoles for \$16.95 a week, their most popular size, and portables at \$14.50 a week. Appalachian TV Rentals finds 19-inch portables to be their best movers at \$9.95 a week or \$39.95 a month, while Hunt-Ragan's Georgia customers favor a 19-inch, non-remote, mechanical tuner color console at \$19.95.

"We are starting to phase out the 19-inch for the 20-inch size," says Huntley. "We have a good business in the 25- to 27-inch, mostly remote in that size." His stores don't carry monitor screens.

Greg Thomas sees a definite shift away from consoles among his customers. "When we first opened our business five years ago, we saw more console rentals. Now people are going to smaller, portable 13-inch, 19-inch color TVs. The color console just doesn't mean what it used to. It used to be a nice piece of furniture. We couldn't keep them. There are still people renting the 25-inch screens, but not like they used to."

Gary Wooten points out that it is not as easy to define a console as it once

was. He says, "Consoles are highly popular and come in 22-inch, 25-inch and 26-inch sizes. The question is, what do you consider a console today? The 26-inch is showing a high growth cycle. The consoles are definitely highly popular."

Ken Case, on the other hand, says "the biggest end of the business has always been portables, and I think that will continue."

The Rich Sound Of Stereo

Experience with stereo TVs varies

I get requests for big screens, but we're not currently carrying them, simply because I haven't figured out how to make a good profit in it.

widely across the country. Greg Cole, president of Crown TV Rentals Inc., a 20-store chain in southern California, Arizona, and Nevada, says his stores do well with a 25-inch swivel console stereo that rents for \$89 a month. "That's



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The color console just doesn't mean what it used to. It used to be a nice piece of furniture.

a highly featured set. We've got a 20-inch stereo monitor that we rent in conjunction with a video recorder and a nice stand with a glass front and we rent that for \$89 a month. We do good advertising on those." Each store rents about seven to eight stereo televisions a week.

In American Way Rentals' three stores in Illinois, Darrel Corrington, assistant to the vice-president, reports that customers are asking for stereo TVs. "People understand that stations are starting to produce stereo sound, so they're beginning to come in and ask for stereo TVs. We try to carry at least two in each store. They rent for only about \$2 more a week than a regular TV (in a price range from \$13 to \$30)."

The list of what consumers consider electronic "must have" items continues to grow, benefiting rent-to-own dealers who broaden their inventories each year to accommodate the wider demand.

Interest in stereo is also developing in Washington state, where Ivan Berg's 21 Prime Time Rentals stores charge \$49 to \$54 a month for a 19-inch monitor with stereo adaptability, \$79 for a 25-inch set. "People are becoming more interested in stereo TVs," says Berg.

In North Carolina, Benny Knox's four Renter Center locations do not carry stereo sets because, Knox explains, "We've just had one station to go stereo, so we haven't felt the effect yet."

According to Mr. Good-Rents general manager Chuck Weaver, the firm's Missouri and Kansas stores handle stereo TVs only for special customers. "Basically, in this area demand is low because nobody's broadcasting in stereo yet. We only have stereo on a couple of the movie channels, the music channels, and one of the six major networks here (NBC broadcasts only certain programs), so there hasn't been much demand yet."

Greg Thomas finds that no matter what the local stations are doing, the availability of hi-fi VCRs boosts his stereo TV rentals. "We handle stereo TVs and get a lot of demand for them," says Thomas. "It's getting to be a big thing because of the VCRs. You've got hi-fi VCRs, and if you don't have stereo TV, what's the use of having hi-fi VCRs? I think that's why they're popular—because of the VCRs. If you carry hi-fi video equipment, you need to offer it in a television too. It's going to be that much more impressive to a customer."

Greg Cole has seen little demand for hi-fi videocassette recorders in his Crown TV Rental stores. "We carried them and we had to go dust those rascals off pretty frequently. We're carrying a linear stereo. I think it was because of the price. The customer would take it, but the price was a little tough for them."

Resistance to the high price of hi-fi VCRs was also cited by Corrington as a deterrent for his Illinois customers.

Summing Up

Gary Wooten of Hitachi expects dealers will benefit from accelerated technological improvements in television such as "a growth in clarity, color and tint capabilities, as well as advanced engineering design and tube technology."

Sanyo's Charles Davis believes rental dealers will play an important role in the popularization of this new technology.

"We see the video market in general growing on a regionalized basis. It is far more popular in our customer base in the south and southwest. With something as technology driven as VCR—as technology changes down the road and we see super VHS, perhaps digital VCRs, who knows what other kind of bells and whistles—certainly the rental dealer has an opportunity to offer customers a chance to get themselves exposed to new technology without having to go out and shell out hundreds or thousands of dollars."

It is also clear that whatever the video wizards dream up to dazzle the buying public, rental customers will continue to ask their favorite dealer for "what's hot and new"—whether either of them can yet afford to own it. **PR**

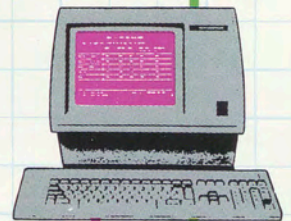
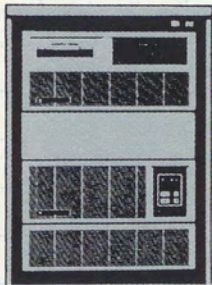
Susan K. Elliott is a Texas-based writer and a frequent contributor to PROGRESSIVE RENTALS.

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Legislators Need Industry Statistics

Washington Report

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

By now you should have received the legislative package that we sent out on November 18.

Since our last report, we have met with the staffs of Senators Karnes, Gramm, Graham and Dodd. At those meetings we informed the staffs of the current status of rent-to-own laws in their respective states and across the country and educated them with regard to our expectations for the federal bill. We asked for their support for hearings and for co-sponsorship of the federal bill. So far the response has been positive.

We also met with Rep. Thomas Manton (D-NY), who agreed to support the bill and act as a co-sponsor.

New Committee Member Appointed

A freshman representative, Nancy Pelosi (D-CA, San Francisco), has recently been appointed to fill one of the positions vacated by Representatives Morrison and Schumer on the House Consumer Affairs Subcommittee. We are currently scheduling meetings with her staff to solicit her support for our legislation.

We are providing her name and address below so that she may be contacted by those of you who are her constituents to urge support for the legislative effort.

Rep. Nancy Pelosi
1632 Longworth House Office
Building
Washington, D.C. 20515
(202) 225-4965

If you responded to this survey, we appreciate your support. If you have not yet responded, please do so; it is crucial for us to give the senators an accurate picture of the size and impact of our industry.

For those of you who are interested in contacting Representative Pelosi at her district office, her address in San Francisco is:

450 Golden Gate Avenue
Room 11104
San Francisco, CA 94102

February Hearing Possible

On the Senate side, we have been advised that Senator Dodd's Subcommittee is quickly clearing its calendar of other matters and anticipates taking up the consumer package, which we hope to be a part of, by early 1988. We had hoped that hearings on our bill would be scheduled this fall; however, it now looks as though the hearings will be scheduled for early 1988, possibly in February.

In order to prepare for possible hearings, we are gathering industry statistics with regard to annual revenues, taxes paid, number of contracts written annually and a description of the customer base of the industry. In essence, the senators are looking for a thumbnail sketch of the industry in their respective states.

We have been advised by the APRO

office that a survey has been sent to all APRO members requesting such information. If you responded to this survey, we appreciate your support. If you have not yet responded, please do so; it is crucial for us to give the senators an accurate picture of the size and impact of our industry. We must have your support and input on this; after all, this is the industry's bill.

We expect each of you to respond to the legislative mail-out and send letters of support to your representative and senators. If any of you need further information regarding the contents of the federal bill or wish to discuss any matter concerning the legislation, please do not hesitate to contact us in Washington at (202) 457-7760.

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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